



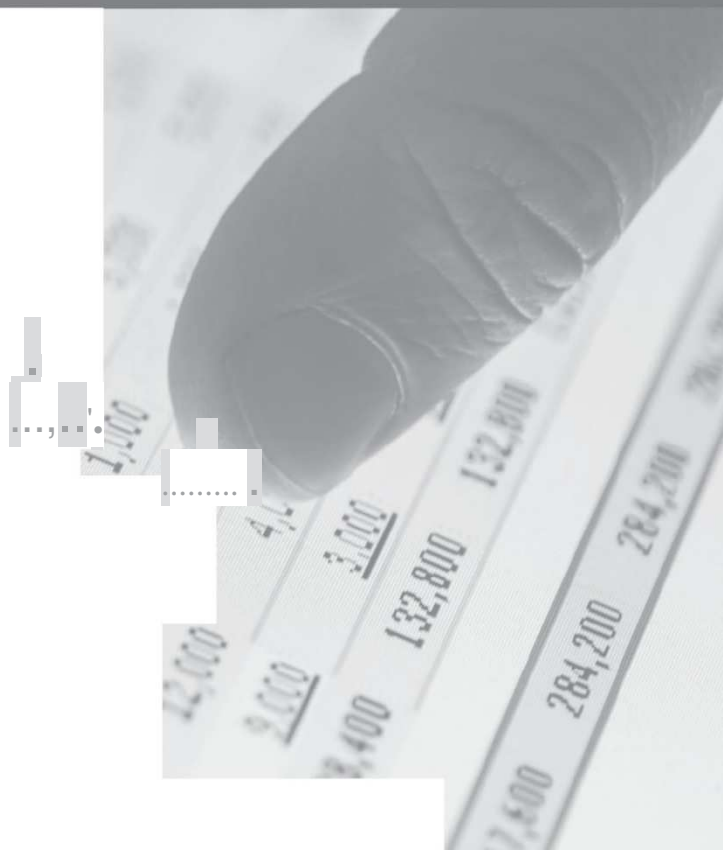
INVITALIA

# CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31.12.2017



0	30,000	1,500	1,200	3,000	400	500
500	1,500	1,200	3,000	4,500	1,000	1,500
1,500	1,200	3,000	4,500	1,500	500	400
1,200	0	400	500	1,500		



12,000	2,000	8,400	4,600	132,800	132,800	284,200	284,200
1,000	3,000	132,800	132,800	284,200	284,200		

## ADMINISTRATIVE AND CONTROL BODIES

### BOARD OF DIRECTORS

Chair	Claudio TESAURO
Managing Director	Domenico
ARCURI Members	Angela DONVITO Alessandra LANZA Mauro ROMANO

### BOARD OF STATUTORY AUDITORS

Chair	Ivano STRIZZOLO
Standing auditors	Paola NOCE Sofia PATERNOSTRO
Alternate auditors	Cinzia VINCENZI Giovanni DESANTIS

**FINANCIAL REPORTING OFFICER** Daniele Pasqualini

**INDEPENDENT EXTERNAL AUDITOR** PricewaterhouseCoopers Spa

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## DIRECTORS' REPORT ON OPERATIONS

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### INTRODUCTION

Dear Shareholder,

the 2017 consolidated financial statements closed with a positive result of 1.298 million euros.

In a favourable international economic situation characterised by the improvement of international trade, the Italian economy maintains an expansive profile and there is a positive ongoing trend in exports. In the fourth quarter of 2017, growth was sustained by an increase in available capital, while national end-user consumption showed less growth. Indeed, in the presence of an increase in household purchasing power, the propensity towards saving has increased. Inflation is confirmed as moderate and in retreat. The manufacturing sector and exports express strong dynamism. The leading indicator remains stable at high levels, confirming a positive macroeconomic scenario for the coming months.

ISTAT [the Italian Statistics Institute] confirms the government's estimates and certifies that the Italian gross domestic product has grown by 1.5% in 2017. The Deficit/GDP ratio converged to 1.9% while the Debt/GDP ratio settled at 131.5%, down compared to 132% in 2016. The figure is slightly better than the executive's indications, which in the Update Note to the Economic and Financial Plan had expected a ratio in decline down to 131.6%. The primary surplus is once again positive, rising to 1.9% from 1.5% in 2016. The balance has been positive for 8 consecutive years.

The unemployment rate rose slightly in January, according to data released by ISTAT, which stands at 11.1%, up 0.2 percentage points compared to December. An increase – as noted by the statistical institute – which had not been recorded since last July. The number of employed persons also increased: +25,000 compared to December, but the increase in employment was exclusively driven by fixed-term contracts (+66,000), while stable long-term contracts fell (-12,000). The youth unemployment rate dropped to 31.5% (-1.2 points). It is the lowest since December 2011, when it stood at 31.2%.

On an annual basis, the increase in employment is confirmed (+0.7%, +156,000) and again the growth is concentrated only among temporary workers (+409,000) while there has been a drop in the numbers of the self-employed (-191 thousand) and permanent workers (-62,000). Fixed-term employees have reached 2.9 million.

The ISTAT [National Statistics Institute] data portrays the situation of the labour market at the beginning of the new hiring incentives, which entered into force with the 2018 Stability Law [Government Budget].

The positive growth data also contributes to an improvement in the tax burden, which fell to 42.4% in 2017 compared to 42.7% in 2016. Previously, this level had been 43.3% in 2014 and 43.2% in 2015.

In this macroeconomic framework, the National Agency for the attraction of investments and enterprise development Spa (hereinafter also "the Agency", "Invitalia", "the Parent Company") has definitively consolidated its role as a participant in growth and primary actuator of development policies, including sectoral policies, outlined by the Government and by the individual Central Administration functions. These are accompanied by an increasing number of regional and local administration bodies which resort to the Agency as a central procurement and/or contracting authority for the construction of public works of strategic importance.

The Parent Company has taken on the role of privileged actor in favouring re-industrialisation and transition ventures as well as contrasting industrial crisis situations. In particular, the Agency is dedicated to counteracting production delocalisation phenomena, intended as the transfer of production sites to other countries, a practice frequently adopted by foreign-owned companies in order to achieve greater competitiveness in terms of labour costs and/or tax overheads.

Finally, as envisaged in the 2017 - 2019 Business Plan, the Parent Company has redefined its scope of operations through expansion initiatives such as the acquisition of Banca del Mezzogiorno and the establishment of the company Invitalia Global Investment. A refocusing commitment is also in place, as evidenced by the activation of public procedures for the disposal of the real estate assets of the Italia Turismo subsidiary.

## New ventures

### Banca del Mezzogiorno - MedioCredito Centrale Spa

On 7 August 2017, Invitalia acquired 100% of the Bank's share capital from Poste Italiane Spa.

The operation is aimed at integrating financial instruments at the service of development policies, in line with the activities of the Agency, with the goal of increasing competitiveness, particularly in Southern Italy, thus supporting sectors that are strategic for development and favouring Italy's economic recovery.

In particular, the Bank's corporate goals consist of:

- increasing the supply capacity of the Southern Italian banking and financial systems;
- supporting the more creditworthy business ventures by cutting investment financing costs;
- channelling savings capital to the benefit of economic initiatives that create jobs in the South.

The Bank's mission is to support:

- SMEs, mainly in the South, by providing loans and managing publicly guaranteed funds;
- the availability of credit to small and medium-sized enterprises, primarily to encourage the creation of new businesses, youth and female entrepreneurship, to assist enterprise growth and internationalisation, research and innovation in order to create more jobs;
- the development of financial services and instruments for the provision of medium and long-term credit and risk capital in the South, also by issuing bonds and debt instruments compliant with favourable tax incentives;
- the issuance of bonds backed by the state guarantees to finance specific infrastructure projects in the South;
- the provision of advisory services and assistance to small and medium-sized businesses in the use of facilitation instruments.

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. In fact, the Bank is intent on developing the activities envisaged by the plan, taking particular account of the principle of prevalence in support of the southern economy, which drives enterprise development focused on client segments requiring financial support, fully exploiting shared purpose and role-related synergies with the Shareholder consolidating the role of tier-2 Bank, also through the necessary revision of commercial and operational models.

As prescribed by the Business Plan presented to the Bank of Italy at the time of acquisition, the Bank will focus operations on 3 lines of development:

A 'Development Bank' focusing on loans to SMEs, prevalently in the South; promotion and support for infrastructure initiatives; supplementary finance provision alongside public enterprise incentives; A tier-2 bank with a business model based on agreements with other banks; participation in syndicated loans; agreements with other banks to channel public funds;

A 'Service Bank' encompassing procedures for accelerating SME credit access, focus of the Guarantee Fund and integration with the management of enterprise incentives.

With particular reference to the South, data emerging from the 2017 Mezzogiorno Report confirms the appreciable improvement in confidence in the prospects of the southern economy: 18,000 new capital enterprises were established in the South in early 2017. The approximately 25,000 companies in Southern Italy that meet the European SME classification criteria reported growth in turnover, investment levels and gross operating margins that persist in their recovery after years of difficulty. These signs of credit expansion recovery have led to a consequent increase in loans to companies, especially in the manufacturing sector, and the service sector has also returned to growth.

In general, the economic framework allows the banks to report and to anticipate an increasingly improving quality of the portfolio, stronger financial results and a reduction in impaired loans.

In this context, the bank will focus primarily on the provision of credit to companies operating in the Mezzogiorno and other areas of lagging economic performance. To a large extent, such focus will concentrate on the SME segment by fulfilling the role of tier-2 bank, with the intent of driving the county's development, starting from the South, focusing on customer segments that need specific support and fully enhancing the synergies of purpose and role with the Agency.

### Invitalia Global Investment

Italian Law no. 205 of 27 December 2017 containing the State Budget for the 2018 financial year and the multi-year budget for the 2018-2020 three-year period, published in IOG no. 302 of 29-12-2017, decreed the establishment of Invitalia Global Investment; a new company wholly owned by Invitalia Spa and authorised to provide loans, issue guarantees and provide insurance on non-market risk to which the national operators are exposed, directly or indirectly, in their activities in the aforementioned Countries. 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. For such purposes, Invitalia may avail itself of the technical support of SACE Spa on the basis of a specific agreement stipulated by the same.

The operations and categories of insurable risk which may be covered by Invitalia Global Investment will be defined by a ruling of the CIPE [Italian acronym CIPE: Italian Committee for Economic Planning] based on a proposal of the Economy and Finance Ministry, in concert with the Economic Development Ministry [EDM], following consultation with the head of the Ministry of Foreign Affairs and international cooperation. The constraints applicable under international obligations shall be fully respected, with particular reference to the sanctions imposed by the United Nations Security Council under Chapter VII of the United Nations Charter and with regard to the restrictive measures imposed by the European Union, based on Article 75 of the European Union Treaty and article 215 of the Treaty on the Functioning of the European Union, pursuant to articles 60 and 301 of the Treaty establishing the European Community. Also FATF international guidance shall apply, as well as the rules and guidelines of the European Union in matters of market risk privatisation and harmonisation of the EU export credit insurance systems operated under State assistance.

The loans issued and commitments undertaken by Invitalia Global Investment in the course of the execution of its mandate will be guaranteed by the State. Within 30 June of each year, the CIPE, upon the proposal of the Economy and Finance Ministry, in agreement with the of the Economic Development Ministry [EDM], having consulted with the Ministry of Foreign Affairs and International Cooperation, shall define the plan for the financial and insurance commitments which may be taken on by Invitalia Global Investment as well as the global limits of the financial and financial commitments of the State, keeping in mind the internationalisation demands and export flows, the market risk levels and the impact on the state budget within the limits of the resources provided for this purpose under current legislation. Based on the proposal of the Economy and Finance Ministry, in agreement with the Ministry for Economic Development and following consultation with the Ministry of Foreign Affairs and International Cooperation, a Prime Ministerial Decree shall define the scope of application of

Invitalia Global Investment, with particular reference to the provision of guarantees, as well as to the operation of Invitalia as a financial institution, also taking into account the functions and operations performed by SACE Spa.

The Company, Invitalia Global Investment Spa, was established on 9 January 2018 with a share capital of €11,000,000.00, entirely held by the Agency.

### New measures under management

#### Fondo imprese Sud - The Southern Enterprise Fund

The same Law no. 205 of 27 December 2017, containing the 2018 financial year budget and the multi-year budget for the 2018-2020 three-year period, published in the Official Gazette no. 302 of 29-12-2017, decreed the establishment of Fondo imprese Sud - The Southern Enterprise Fund. The purpose of this initiative is to sustain the economic-productive fabric of the regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily, providing support for the dimensional growth of small and medium-sized enterprises having their registered offices and production facilities in the aforementioned regions. The Fund has duration of twelve years and an initial allocation of 150 million euros, which is charged to the 2017 annual development and cohesion fund under the 2014-2020 schedules.

The management of the Fund has been entrusted to the Parent Company which, for this purpose, may also avail itself of the Banca del Mezzogiorno.

The Agency will sign an ad hoc agreement with the Presidency of the Council of Ministers. The Agency's management scope consists of off-budget operations, subject to audit by the Court of Auditors, pursuant to Article 9 of Italian Law no. 1041 of 25 November 1971. Invitalia is responsible for financial reporting. The resources referenced in this paragraph are credited to a dedicated accounting system registered in the name of the Agency and under the control of the State Treasury.

Additional shares of the Fund may also be subscribed by institutional, public and private investors, identified by Invitalia through an open and transparent procedure, and by the Banca del Mezzogiorno, by the National Promotion Institute referenced in Article 1, par. 826, of Italian Law no. 208 of 28 December 2015, (Cassa Depositi e Prestiti), by the European Investment Bank and by the European Investment Fund.

The Fund operates by investing in the capital of the companies, as described above, together with and simultaneously with independent private investors. The investment in the capital of each target company is financed, for at least 50%, by resources provided by the aforementioned independent private investors, identified via an open and transparent procedure. The Fund and independent private investors co-invest in the capital of the aforementioned companies, under the same conditions.

The Fund may invest in private closed-end investment funds [collective investment undertakings - CIUs], subject to selection through an open and transparent procedure, in compliance with current legislation which make investments, at least in the portion deriving from the aforementioned resources, with private funds, in companies having the prescribed characteristics. The Fund's investment level cannot exceed 30% of the total amount of the aforementioned funds.

The agreement to be signed between Invitalia and the Presidency of Council of Ministers shall define the actions aimed at the dimensional growth of companies, also taking into account the economic indicators of each region, the methods for selecting the subjects, the minimum levels of investment by third parties, public or private, in order to ensure that private resources are activated at least in equal measure to those allocated by the Fund. The resources of the Fund are managed in a dedicated accounting system registered in the name of the Agency, ensuring the traceability of the relevant transactions by means of appropriate codification, in compliance with applicable European legislation.

#### 'Resto al sud' - Remain in the South

This is the new initiative which has been assigned to the Parent Company to encourage the creation of new businesses in the Southern Regions. It is aimed at young people aged between 18 and 35 residing in Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily.

Publication in the Italian Official Gazette [IUG] of 5 December 2017 instated Decree no. 174 of 9 November containing the regulation implementing the new subsidy programme entitled "Resto al Sud (Remain in the South)", dedicated to young people under 36 living in the southern regions.

The provision has a total budget of 1 billion 250 million from the Development and Cohesion Fund (2014-2020 schedule) and provides for a non-refundable grant (35% of the investment) and an interest-free bank loan (65% of the investment).

The new measure will support the launch of business initiatives for:

- production of goods in the sectors of industry, crafts, processing of agricultural products, fisheries and aquaculture
- provision of services to businesses and individuals
- tourism

The subsidy programme does not cover ventures in Agriculture, the professions or trade.

Eligible expenditure includes the restructuring or extraordinary maintenance of property, the purchase of plant and machinery as well as IT equipment and software considered as useful for business start-up.

'Resto al sud' is an over-the-counter incentive, so the applications, which can be submitted from January 15, 2018, are examined according to the chronological order of arrival and without a ranking bias.

#### The new role as a support entity for distressed companies

##### The former Alcoa plant in Portovesme

During 2017, Invitalia performed all the actions designated by the Government to overcome the employment and industrial crisis associated with the closure of the former Portovesme Alcoa plant in the Sulcis region. The crisis opened in 2012 when the multinational company Alcoa definitively interrupted aluminium production and proceeded to shut down the plant. Since 1 January 2013, over 500 workers have been transferred to 'Cassa Integrazione' (temporary layoff benefit) and in 2014 the lay-offs became permanent and occupational mobility status was invoked. In August 2016, after successive unsuccessful attempts to find a new operator for the plant facility, Alcoa announced it was initiating land reclamation work and confirmed the intention to proceed with the plant decommissioning plan in the following December (as already approved by the relevant competent bodies).

On 16 November 2016, the process was interrupted following the agreement of a *term sheet* between Economic Development Ministry, Alcoa and Invitalia, which conceded the latter one year to search for a new facility operator. On 22 December 2017, a Program Agreement was signed between the Economic Development Ministry, the Autonomous Region of Sardinia and Invitalia, which sanctioned the Development Contract proposed by Sider Alloys for the acquisition and relaunch of the facility. On 20 January 2018, Invitalia approved the Development Contract which provides for an investment of 135 million euros and the reabsorption of approximately 380 workers, plus an additional 70 *external contractors*. The industrial crisis was closed on 15 February 2018, the day that marked the transfer of the plant to Sider Alloys. It is worth noting that the agreements signed envisage a 20 million euro startup contribution by Alcoa to Sider Alloys.

As a final note, which testifies both the effort and the excellent result achieved, at the signing of the agreement between Invitalia and the Swiss group, the Minister of Economic Development confirmed Invitalia's role in supporting industrial transition processes and safeguarding the country's productive potential.

### The former Ideal Standard establishment in Roccasecca

By way of confirmation of the Parent Company's increasingly important role in managing industrial transitions, it is worth retracing the history of the emergence and solution of the industrial and occupational crisis at the Roccasecca plant. In November 2017, the multinational company Ideal Standard announced its intention to close the Roccasecca plant and lay-off approximately 300 workers, starting from 14 February 2018.

In January 2018, the Economic Development Ministry delegated Invitalia to find a solution to the crisis. In full institutional collaboration with the Ministry and the Lazio Regional Government, Invitalia assisted in defining an agreement between Ideal Standard and Saxa Gres for the sale and restart of production activities in just four weeks. With an application for support under the Programme Agreement and Development Contract, the new investor committed to an investment plan of approximately 30 million euros, with total absorption of the workforce and initiation of a new environmentally friendly production activity. Favouring a circular economy paradigm, the new venture recycles materials generated by the local waste-to-energy incinerator.

Also in this case, it is worth highlighting how the agreement signed envisages a contribution of 10 million euros provided by Ideal Standard to Saxa Gres to assist the restart of production activities.

### Embraco

In 1974, the company started manufacturing parts for refrigerators, compressors, engines and hydraulic parts in Joinville, Brazil. The company enjoyed success in the market and production expanded rapidly, initially in the Americas, then in Europe, and finally in China. The history of Embraco in Italy is more recent; in 1994 it acquired the Riva di Chieri plant, about twenty kilometers from Turin. The company decided to establish here also the headquarters of Embraco Europe, which comprised the Italian production facility and a subsidiary, the Slovak factory founded in 1999 and located in Spisska Nova Vess. The production of devices for domestic refrigeration was concentrated in Italy, while the plant in Slovakia focused on production for the commercial sector.

Soon the company became a leader in Europe, supported by the Whirlpool Group that controls it. Employee numbers in Europe reached over a thousand, with no less than 537 in Italy alone.

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

Following an intensive negotiation with the Government, an agreement was recently reached between the company and the Economic Development Ministry, in which Invitalia was identified as the institutional entity tasked with searching for a re-industrialisation partner for the Riva di Chieri site by the end of year, when the contractual guarantees expire for the approximately 500 workers whose dismissal has been momentarily suspended.

### Activities in continuity with the previous year

#### Bagnoli - Coroglio

The year 2017 saw the continuation and updating of the Environmental Remediation and Urban Regeneration Programme [Italian abbrev. PRARU - ERURP], in continuity with the efforts of the previous year.

In particular, the process of information and institutional consultation for the collection of suggestions and proposals by Institutional stakeholders was carried out and concluded with regard to the infrastructure adjustment interventions and choices on contextual urban regeneration.

With reference to the priority reclamation works, the maintenance of the Arenile Nord [Northern Sandy Shore] was completed, including the new sea defence dykes. The restored areas were returned to the Commissioner under safe and environmentally secure conditions.

On 10.02.2017, the Court of Naples granted the Invitalia technical experts permission to access the area in order to characterise the soils and subsequently proceed with verification of their state of contamination. These activities have been completed and the related data has been submitted to the competent control bodies for validation (ISPRA, Arpa Campania, ARPA Veneto).

On 14.06.2017, the State Property Agency sent a note with which it formalised the conclusion of the appraisal procedure. The resulting overall valuation of the transferrable properties of Bagnoli Futura Spa, in bankruptcy, amounted to approximately 68 million euros. A series of judicial actions were raised to challenge this determination.

On 10.07.2017, the real estate asset complex was acquired.

On 18 December 2017, the Services Conference took place which acknowledged the SNPA's (National Environmental Protection System) validation of the Characterisation Plan results and approved the feasibility project on the completion of the reclamation interventions in the former Eternit location, opting for the hypothesis of the complete removal of asbestos, as proposed by Invitalia.

The work of updating the Environmental Rehabilitation and Urban Regeneration Programme have proceeded and have been further developed by through a continuous dialogue with the Municipality of Naples and the Campania Regional Government which led to the signing of the Interinstitutional Agreement between the Italian Government, the Municipality of Naples and the Campania Region of 19.07.2017 and the subsequent endorsement and ratification of the same by the 04.08.2017 Steering Committee.

The work undertaken subsequent to of the Interinstitutional Agreement was endorsed by the 21.12.2017 Steering Committee and became the basis for the updating of the PRARU [Italian Acronym:PRARU - Programma di Risanamento Ambientale e di Rigenerazione Urbana - Environmental Remediation and Urban Regeneration Programme]

### Call for bids for the sale of Italia Turismo Spa

On 7.12.2017, the Board of Directors of Italia Turismo, at the request of the Parent Company (which in its 2017/2019 business plan foresaw a further reorganisation of its corporate purpose to be realised through the sale of some non-strategic assets, including its stake in Italia Turismo) resolved to assign the shareholder Invitalia the mandate to sell its real estate assets (villages, business units and land) through the company KPMG Advisory; if a buyer is not identified for the entire investment, the disposal of the assets constituting the capital base of the Company may proceed on the basis of the lots identified in the sale procedure.

On 31 January 2018, 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.

Pending the call for bids procedure, the company continues to operate as a going concern with the financial and capital support of the shareholder Invitalia Spa.

We can extend our review to other measures that have contributed to consolidating the role and reputation of the Parent Company 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. In the 2017 financial year, 29 applications were submitted for 1,092 million euro of investments and 506 million euros granted.

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 on Schools); the Institutional Development Contract "Matera 2019 European Capital of Culture".

Technical Assistance to the GDEI [Direzione generale per gli incentivi alle imprese - General Directorate for Enterprise Incentives [English acronym: GDEI]] of the Economic Development Ministry 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 EDM GDEI.

Similar and positive considerations can be made with reference to the intervention areas of the Group Companies.

The role of **Infratel** is confirmed as the central node for implementation of the National Programme for the dissemination of broadband and ultra-broadband services and digital growth, with its mission to intervene in those areas not viable for market operators and thus bridging the *digital divide*.

In just over a year, **Invitalia Venture** has succeeded in asserting itself as a *cornerstone investor* in the national Venture Capital scenario by focusing in a specific area, i.e. the *"Early stage"* of highly innovative companies. Indeed, this space is not systematically covered by the Italian Venture Capital investors; hence the goal of Invitalia Venture is to establish important national and international networks, fostering effective relationships and collaborations with all the players in the innovation ecosystem. The fund-raising phase of the new closed-end investment fund entitled "Italia Venture I", subscribed by Invitalia for an amount of 50 million euros, continued during the course of 2017. The collection phase ended in September 2017, having acquired a total value of 86.65 million euros. The European Investment Bank also subscribed for an amount of €21.65 million. So far, the Fund has invested in 16 innovative start-ups (5 in 2017), for a total value of 11 million euros, of which 9.9 million through participation in risk capital and 1.1 million by provision of a convertible loan.

#### **Other important events of 2017**

##### **Issuance of the Debenture Loan**

As envisaged in the 2017 – 2019 Business Plan, the operations for the issue of bonds for a total value of 350 million euros were finalised in July, both for the acquisition of Banca del Mezzogiorno-Mediocredito Centrale and for the working capital optimisation strategy. The applicable conditions were as follows: issue date 20.07.2017; total nominal capital amount €350,000,000; issue price 99.784% of the nominal value of the bonds; yield 1.42%; duration five years; repayment at maturity; interest rate 1.375%; annual coupons; listing on the regulated market of the Luxembourg stock exchange. Contextually, with the issue of the *bonds*, Invitalia finalised a contract for the analysis and the granting of a "credit rating" with the Agency *Moody's Investor service* at the end of which, a Baa2 rating was granted consistent with the rating of the shareholder and, therefore, that of the Italian Republic. The assigned rating will be subject to annual review (June 2018) by the rating agency in application of the rules contained in the contract signed.

##### **Renewal of the CCNL [the Italian National Collective Employment Agreement]**

During 2017, organisational and management strategy was directed at unifying skills, processes, corporate culture and value-related conduct in ways that can promote efficiency, innovation, productivity and organisational well-being.

In line with this approach, the renewal of the CCNL, signed on July 25, 2017, and valid for the entire Invitalia Group, introduced management and development tools addressing personnel and labour costs aimed at conveying the organisation towards a balance of the above factors.

In particular, progress was also made on projects aimed at introducing systems for measuring action status, productivity incentivisation and the accountability of senior management. The renewal of the also offered the occasion CCNL for implementing an experimental "Productivity Bonus" initiative with the intent of:

- encouraging collaboration between the company and the workforce, enhancing the relevance and effective value of the contribution of the various professional communities to the achievement of the company goals;
- increasing the productivity of the work groups by involving the workers in the benefits obtained by the Company.

The bonus, linked to the performance of the work team and referenced to economic and production capacity goals, will be paid annually.

With regard to the professional framework, the new contract provides for new approaches to professional training and development that correlate the organisational and production needs of the company with the enhancement of the value of the workers.

In this frame of reference, new professional profiles and intermediate roles were introduced in the 1<sup>st</sup> and 2<sup>nd</sup> hierarchy levels, providing operational support and professional coordination of resources within the company functions. The relevant goals are to both support the management and organisation of work within the various organisational structures and to foster the professional development of staff being coordinated. Following the entry into force of the contract, the designated persons were then appointed to these new coordination roles.

##### **New procurement code**

Italian Legislative Decree no. 50 of 18 April, published in the Italian Official Gazette [IOG] no. 91 of April 19, 2016, was amended by Italian Legislative Decree [ILD] no. 56 of 19 April 2017 to include the "Public contracts code". Among other provisions, this code prescribes that contracting authorities and central purchasing bodies must be appropriately qualified.

In fact, a list of qualified contracting authorities has been drawn up at ANAC (the Italian National Anti-Corruption Authority), which includes the central purchasing bodies. The following entities have statutory enrolment in the list: Invitalia, the Ministry of Infrastructure and Transport (including the interregional public works superintendencies), CONSIP SpA [the Italian national public procurement agency], as well as the regional aggregators referenced in Article 9 of Italian Decree Law no. 66 of 24 April 2014, amended by the law no. 89 of 23 June 2014 (article 38 paragraph 1). Until the date of entry into force of the new system, the qualification requirements are considered satisfied by the enrolment in the registry as per Article 33-ter of Italian Decree Law 179/2012.

This enrolment confirms the recognition of the role of the Parent Company as an accelerator of the implementation of strategic interventions for territorial cohesion and economic growth in the country.

This provision allows the Agency to provide rapid responses to central, regional and local public administrations that are increasingly turning to Invitalia for the implementation of strategic interventions, relying on the Agency's professionalism, experience and organisation.

##### **The organisational model**

The increased complexity of the context in which the Parent Company operates required and continues to require an ever-increasing level of attention to the operating procedures adopted, the alignment of production factors (people, systems, processes, indicators) and the level of managerial and professional expertise expressed by the people who work in the company (values, rules, conduct).



This has led to a strong impulse to encourage innovation within the Group and to adapt organisation models to the evolution of the business and its mission, also through the satisfaction of the needs that emerged from listening to its management.

In this context, the activities connected to the organisation throughout 2017 were aimed at favouring the maximisation of the quality of the results and the productivity of the structures and staff.

In particular, the year saw the conclusion of the organisational optimisation path the Parent Company had started in the previous two-year period. A number of projects were brought to completion: the process of centralising the staff functions of the entire Group to ensure greater synergy between the operational areas and the internal service areas; the project to redesign the Infrastructure and Territorial Competitiveness model; the structure dedicated to the implementation of infrastructural, research and innovation investments to ensure control of quality and efficiency of the services related to the Central Procurement and Contracting Authorities that are becoming increasingly central to the pursuit of systemic development goals.

In matters concerning the Group, the operating and organisational model of the subsidiary Infratel has been redesigned to adapt it to the process of strong growth and diversification of the activities initiated during the year. This also involved the revision of the Organisation, Management and Control Model, pursuant to Italian Legislative Decree 231/2001.

In addition, the last quarter of 2017 saw the launch of the procedure for verifying the integration methods of the Banca del Mezzogiorno within the scope of the Group.

With regard to the functions, activities and operating mechanisms of the individual line areas, as well as the one dedicated to attracting foreign investments, 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 facilitation 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 Economy and Development Ministry in the management of facilitation programmes by handling the assessment and management phase.

#### *Competitiveness 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*

Throughout 2017, despite the absence of dedicated funding for the sixth consecutive year, the Parent Company continued to attract investments, ensuring the best possible continuity in support activities to foreign companies, performing information and promotion work under the Contract for Development, one of the few operational instruments capable of concretely sustaining investments coming from abroad.

On 8 March 2017, the Economy and Development Ministry issued guidance on the assignment of roles regarding the attraction of foreign investments; thus ICE (the Italian Institute for foreign trade) was appointed as the reference point for foreign companies abroad while Invitalia was designated as the entity of reference for foreign investors already present in the country.

On 13 July 2017, the two agencies signed an agreement to join forces in the attraction of investments and the creation of a Joint Working Group. This working group mainly deals with the preparation and promotion of structured territorial proposals as well as providing support to ICE/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.)

Furthermore, also the convention for the regulation of relations between the Economic Development Ministry and Invitalia regarding the implementation of the "Operational Plan for foreign investment attraction" was defined and signed in 2017. In particular, Invitalia is responsible for managing an Operational Plan for foreign investment attraction aimed at the Convergence Regions (Basilicata, Calabria, Campania, Apulia and Sicily) for a duration of 30 months and with an allocation of 2.813 million euros. The activities related to the Convention have been entrusted to the EU Project Schedule function.

#### **Composition of the Group**

The Parent Company controls the following subsidiaries:

- **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 the closed-end mutual investment fund aimed at supporting the implementation of risk capital investments for companies with high development potential (Italia Venture I).
- **Invitalia Partecipazioni Spa**, which acts as a "vehicle" company and is therefore responsible for the completion of the residual disposal processes.
- **Banca del Mezzogiorno 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.

## A – THE REFERENCE REGULATORY FRAMEWORK AND COMPANY OPERATIONS

### A.1 – The development of the regulatory framework

We proceed to list the main regulatory provisions relating to the Parent Company issued during the year 2017.

#### 'Resto al sud' - Remain in the South

Italian Decree Law no. 91 of 20 June 2017, converted with Article 1 of Law no. 123 of 3 August 2017. "Urgent provisions for the economic growth of the South".

(Coordinated text published in IOG no. 188 of 12 January 2017)

Article 1 defines the new initiative which has been assigned to Invitalia to encourage the creation of new businesses in the Southern Regions. It is aimed at young people aged between 18 and 35 residing in Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily. Incentive: 35% non-repayable grant, 65% interest-free loan granted by banks (maximum 50,000 euros, 200,000 in case of multiple applicants). The loan is guaranteed by the SME Guarantee Fund. Article 2 extends the measure to youth entrepreneurship in agriculture and the promotion of supply chains in Southern Italy. Article 3, authorises the municipalities of the aforementioned regions to give land and areas in a state of neglect, in concession or lease, to persons aged between 18 and 40. It also prescribes that the proponents of the projects presented for the development of artisanal, commercial and tourist accommodation businesses for the granting of land and areas, can take advantage of the "Remain in the South" initiative.

Decree no. 174 of 9 November 2017 - Ministry for Territorial Cohesion and the Mezzogiorno in agreement with the Economic Development and the Economy and Finance Ministries - Regulation concerning the "Remain in the South" incentive measure referenced in Article 1 of Italian Decree Law no. 91 of 20 June 2017, converted and amended by law no. 123 of 3 August 2017".

(IOG no. 284 of 5 December 2017)

The operational methods for the measure are regulated therein.

Circular no. 33 of 22 December 2017, Presidency of the Council-Department for Cohesion Policies, Terms and conditions for the submission of applications for facilitation, as well as operational indications regarding the procedures for granting and disbursing the facilities, pursuant to the regulation adopted by decree no. 174 of 9 November 2017, referenced in Chapter 1, Article 1, of Italian Decree-Law no. 91 of 20 June 2017, converted and amended by law no. 123 of 3 August 2017.

(IOG no. 302 of 29 December 2017)

Among other things, the circular fixes the date from which applications can be submitted at 15 January 2018.

CIPE Resolution (Interministerial Committee for Economic Planning) no. 74 of 7 August 2017, 2014 - 2020 Development and cohesion fund. Italian Decree-law no. 91/2017, «Urgent provisions for economic growth in the Mezzogiorno» a) allocation of resources as referenced in Article 1, b) acknowledging the measures referenced in Articles 2, 4 and 5 (Resolution no. 74/2017).

(IOG no. 276 of 25 December 2017)

The Resolution awards 715 million euros to the «Measure for young entrepreneurs in the South (known as "Remain in the South")» with the following annual breakdown: 36 million euros for 2017; 100 million euros for 2018; 107 million euros for 2019, 308.5 million euros for 2020; 92 million euros for 2021; 22.50 million euros for 2022; 18 million euros for 2023; 14 million euros for 2024 and 17 million euros for 2025.

### Measures for the redevelopment and upgrading of industrial crisis areas (Italian Law no. 181/89, Article 27 of Italian Legislative Decree no. 83 of 22 June 2012, Converted by Italian Law no. 134 of August 7, 2012)

Ministry of Economic Development Decree of 31 January 2017 - Distribution of financial resources for the re-conversion and productive redevelopment of areas affected by industrial crisis situations.

(IOG no. 39 of 16 February 2017)

The decree allocates financial resources for a total amount of 26,876,809.18 euros for intervention projects pursuant to Law no. 181/1989.

Italian Decree-Law no. 244 December 30, 2016, coordinated with the conversion law no. 19 of 27 February 2017, Art.3 paragraph 1, Extension and definition of terms.

(IOG no. 49 of 28 February 2017 - Ordinary Supplement no. 14)

Article 3, paragraph 1, (acting on Article 44, paragraph 11-bis, of Italian Legislative Decree no. 148 of 14 September 2015) concedes a further 12 months extension of extraordinary supplementary wage integration for 2017, subject to a spending limit of 117 million euros. The concession follows a prior agreement reached by the Ministry of Labour and Social Policies, with the endorsement of the Economic Development Ministry and the concerned regions. It benefits companies operating in recognised areas affected by complex industrial crises and waives the generic duration terms established for the aforementioned intervention categories.

Notice issued by the Ministry of Economic Development concerning the directorial decree of 24 February 2017; terms and conditions for the submission of applications for access to the facilities referenced in Italian Law no. 181/1989, concerning investment programmes in Municipalities falling within areas of non-complex industrial crisis.

(IOG no.57 of 9 March 2017)

Notice issued by the Ministry of Economic Development relating to Circular no. 114766 of 15 September 2017, Public notice for the selection of business ventures in the territory of the complex industrial crisis area of «Venafro-Campochiaro-Bojano and the affected enterprise framework» through the use of the aid scheme pursuant to Italian Law no. 181/1989.

(IOG no. 225 of 26 September 2017)

Economic Development Ministry Decree of 9 August 2017; breakdown of financial resources, governed by programme agreements, for reconversion and production redevelopment measures pursuant to Italian Law no. 181 of 15 May 1989 for areas affected by non-complex industrial crises".

(IOG no. 225 of 26 September 2017)

Economic Development Ministry Decree of 7 June 2017; allocation of resources from the Sustainable Growth Fund to the reconversion and productive redevelopment of areas affected by industrial crisis situations pursuant to Italian Law no. 181 of May 15, 1989.

(IOG no.222 of 22 September 2017)

The decree allocates 69,831,524.51 euros to the reconversion and redevelopment of areas affected by situations of industrial crisis pursuant to Italian Law no. 181 of 15 May.

Notice issued by the Economic Development Ministry relating to Circular no. 120340 of 21 September 2017; public notice for the selection of business ventures located in the complex industrial crisis area of «Val Vibrata - Valle del Tronto - Piceno» through the use of the aid scheme pursuant to Italian Law no. 181/1989. (IOG no. 231 of 3 October 2017)

Notice issued by the Economic Development Ministry relating to Circular no. 127402 of 28 September 2017; public notice for the selection of business ventures in the territory of the complex industrial crisis area of Trieste through the use of the aid scheme pursuant to Italian Law no. 181/1989.

(IOG no. 241 of 14 October 2017)

Economic Development Ministry Decree of 5 October 2017; breakdown of financial resources covering application of the aid scheme in the areas of the Abruzzo, Lazio, Marche and Umbria Regions, affected by the 2016 and 2017 earthquakes, pursuant to Italian Law May no. 181 of 15 May 1989".

(IOG no. 244 of 18 October 2017)

Economic Development Ministry Decree of 28 September 2017; extension of the 22 December 2016 decree provisions to the new municipalities referenced in Annex 2-bis of Italian Decree-Law no. 189 of 17 October 2016. Said Annex inclusion was approved under Italian Decree-Law no. 8 of 9 February 2017.

(IOG no. 251 of 26 October 2017)

The decree extends aid eligibility under Italian Law no. 181/89, Article 27 of Decree Law no. 83 of 22 June 2012, converted from Italian Law no. 134. Of 7 August 2012, to other Abruzzo region municipalities affected by the August 2016 earthquake.

Notice issued by the Economic Development Ministry relating to circular no. 148778 of 24 October 2017, concerning the public notice for the selection of business ventures in the territory of the earthquake area of the Abruzzo Region through recourse to the aid provisions of Italian Law no. 181/1989.

(IOG no. 258 of 14 November 2017)

Italian Law no. 205 of 27 December 2017; State Budget for the 2018 financial year and the multi-year budget for the 2018-2020 three-year period.

(IOG no. 302 of 29 December 2017 - Ordinary Supplement no. 62)

Article 1, paragraphs 140-143, provides for special wage supplements and mobility benefits in areas of complex industrial crisis.

**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)**

Italian Decree Law no. 8 of 9 February 2017, converted with conversion law no. 45 of 7 April 2017, confirming:

«New urgent interventions in favour of populations affected by the earthquakes of 2016 and 2017».

(IOG Coordinated text no.84 of 10 April 2017)

Article 5, paragraph 1-bis prescribes that the agreement between the Special Commissioner for reconstruction and Invitalia (Article 18, paragraph 3 of 2016 Italian Decree Law no. 189), governs project design work undertaken by personnel resources (including employees) made available to the Commissioner's office by Invitalia.

Article 15-bis on development contract matters prescribes that the applications submitted for projects to be undertaken in earthquake-areas should be examined with priority.

Order no. 42 of November 2017, issued by the President of the Council of Ministers - Government Commissioner containing: "Regulations for interventions in favour of micro, small and medium-sized enterprises in the areas affected by earthquakes, pursuant to Article 24 of the Decree-Law of 17 October 2016, n. 189, converted, with modifications, from Italian Law no. 229 of 15 December 2016".

(IOG no. 280 of 30 November 2017)

The order entrusts Invitalia with the management of a measure in favour of micro, small and medium-sized enterprises in the areas affected by earthquakes, pursuant to Article 24 of Italian Decree Law no. 189 of 17 October 2016, converted, with modifications by Law no. 229 of 15 December 2016.

Subsidised interest-free loans are envisaged for amounts up to 30,000 euros, with repayment starting three years after the grant resolution.

The financial resources amount to a total of 9 million euro, broken down by region: 10% for Abruzzo, 14% for Lazio; 62% for Marche; 14% for Umbria.

Italian Law no. 205 of 27 December 2017; State Budget for the 2018 financial year and the multi-year budget for the 2018-2020 three-year period, Article 1, paragraph 753

(IOG no. 302 of 29 December 2017 - Ordinary Supplement no. 62)

Article 1, paragraph 753, (amendment of Article 50 of Decree Law No. 189/2016) provides that the Special Commissioner may enter into special agreements, for the purpose of the exercise of further and specific preliminary activities, with the National Agency for attraction of investments and enterprise development Spa.

**[ILD] Self-entrepreneurship - New interest-free companies (Italian Legislative Decree no.185/00, Title I, Heading 01)**

Italian Law no. 232 of 11 December 2016; State Budget for the 2017 financial year and the multi-year budget for the 2017-2019 three-year period, 2017 Budget Law, Article 1, paragraphs 71-73.

(IOG no. 297 of 21 December 2016 - Ordinary Supplement no. 57)

Resources amounting to 130 million euros were allocated (70 in 2017 and 60 in 2018) for the financing of self-entrepreneurship initiatives pursuant to Title I, Chapter I, of Italian Legislative Decree no. 185 of 21 April 2000.

Under this measure, for the year 2017, the Economic Development Ministry and the Regions can allocate resources under the national operational and competitiveness programme, under the regional operational programs and under related 2014-2020 national scheduling, up to a total of 120 million euros, of which 70 million for the self-employment segment.

Notice issued by the Ministry of Economic Development relating to Circular no. 5415 of 20 January 2017 concerning: «Disbursement procedures for incentives in favour of new entrepreneurship».

(IOG no.26 of 1 February 2017)

The circular establishes the terms and conditions for the provision of benefits on the basis of non-receipted purchase invoices, through the use of restricted current accounts envisaged by Article 11, paragraph 7, of the Regulation pursuant to Economic Development Ministry Decree no. 140 of 8 July 2015.

**Smart & Start Support for the launch and development of innovative start-up companies**

Italian Law no. 232 of 11 December 2016; State Budget for the 2017 financial year and the multi-year budget for the 2017-2019 three-year period, 2017 Budget Law, Article 1, paragraphs 71-73.

(IOG no. 297 of 21 December 2016 - Ordinary Supplement no. 57)

50 million euros are allocated to this measure for the year 2017 and 50 million euros for the year 2018.

Under this measure, for the year 2017, the Economic Development Ministry and the Regions can allocate resources under the national operational and competitiveness programme, under the regional operational programs and under related 2014-2020 national scheduling, up to a total of 120 million euros, of which 50 million for the innovative start-up segment.

Economic Development Ministry Decree of 9 August 2017; amendments to the decree of 24 September 2014, containing the reorganisation of support for the launch and development of innovative start-ups throughout the country.

(IGU no. 244 of 18 October 2017)

The decree, among other things, simplifies the reporting procedures, expands the recipient target and adds marketing and web-marketing activities to the activity categories eligible for funding.

## Development Contracts

Decree of the Economic Development Ministry 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 no.117 of 22 May 2017)

The Decree establishes a reserve fund of 229,125,000.00 euros, covered under the resource allocation plan for the 2014-2020 Development and Cohesion Fund, for the financing of the Development Agreements, implementing Article 9-bis, paragraph 7 of Ministerial Decree of 9 December 2014 as amended.

Notice issued by the Economic Development Ministry relating to Circular no. 45207 of 12 May 2017; public notice on matters of environmental protection. Clarifications on the eligible sectors.

(IOG no. 118 of 23 April 2017)

The Circular provides some explanatory indications regarding the eligible sectors, clarifying the procedures for accessing aid schemes benefitting companies engaged in environmental protection development programmes in the Basilicata, Campania, Calabria, Apulia and Sicily regions (Development Contracts referenced in the Decree of 9 December 2014 as amended). Said aid schemes are covered by the ERDF 2014-2020 National Operational Program "Enterprise and Competitiveness", as per Ministerial Decree of 7 December 2016.

Decree of the Minister of economic development of 2 August 2017 - Establishment of the «Agro-industrial development contracts» aid scheme and further modifications to the decree of 9 December 2014. (IOG no. 239 of 12 October 2017).

The decree establishes the new aid scheme for agro-industrial development contracts and makes further changes to the ministerial decree of 9 December 2014, implementation adaptation to the new rules on state aid prescribed by regulation (EU) no. 651/2014 of the development contracts instrument.

Directorial circular of the Economic Development Ministry of no. 183851 of 24 November 2017 - Agro-industrial development contracts - Clarifications

The circular provides some clarifications on the application of the new provisions established by the Ministerial Decree of 2 August 2017 in order to allow their application in accordance with the aid scheme approved by the European Commission and the aforementioned Guidelines for State aid in the agriculture and forestry sector.

Economic Development Ministry decree of 7 December 2017

The decree adjusts the ministerial decree of 9 December 2014 as amended to the new EU provisions on relocation introduced by Regulation (EU) no. 1084/2017, which modifies Regulation (EU) no. 651/2014.

## The Code for Public Procurement

Italian Legislative Decree no. 50 of 18 April 2016, as amended by the so-called "Corrective" decree, i.e. ILD no. 56 of 19 April 2017 on the "Code of Public Contracts".

(OIG no. 91 of 19-4-2016, Ordinary Supplement no. 10, OIG no. 103 of 05-05-2017)

The Code for Public Procurement transcribes to Italian law the provisions of EU directives 2014/23/EU, 2014/24/EU and 2014/25/EU. Article 38 of the Code for Public Procurement prescribes that Invitalia is officially enrolled in the ANAC list of qualified contracting authorities, which also includes the central procurement bodies.

Decree Law no. 189 of 17 October 2016, converted with modifications, by Article 1 of Italian Law no. 229 of 15 December 2016, on "Urgent interventions in favour of the populations affected by the 2016 earthquakes", subsequently amended by ILD no. 8 of 9 February 2017, converted with amendments by article 1 of Italian Law no. 45 of April 7, 2017, and further amended by ILD no. 148 of 16 October 2017, converted and modified by Article 1 of Italian Law no. 172 of 4 December 2017.

Coordinated text.

(OIG no. 244 of 17-12-2016, OIG no. 84 of 10-04-2017, OIG no. 284 of 05-12-2017)

Article 18 prescribes the designation of Invitalia as a Single Central Procurement Authority for the implementation of public interventions whose implementing entities are the MIBACT (Ministry for Cultural Heritage), the MIT (the Infrastructure and Transport Ministry) and the 'Agenzia del Demanio' (the State Property Agency). The Regions of Abruzzo, Lazio, Marche and Umbria may also avail themselves of Invitalia through the Special Offices for reconstruction in those cases when they do not resort to the Single Central Procurement Authorities constituted by the regional aggregators.

Article 50 prescribes that, subject to the stipulation of a special agreement, the staff of Invitalia may be employed in the structure of the Government Special Commissioner, under the governance contingency envisaged in Article 2 of the Decree of the President of the Republic dated 9 September 2016. Said governance contingency allows for the appointment of the Special Government Commissioner for the purposes of reconstruction in the territories of the Municipalities of the Regions of Abruzzo, Lazio, Marche and Umbria affected by the earthquake of 24 August 2016.

## The SME Guarantee Fund

Public notice issued by the Economic Development Ministry relating to the decree of 7 December 2016 - «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».

(OIG no. 135 of 13 June 2017)

Italian Decree Law no. 148 of 16 October 2017, converted by Italian Law no. 172 of 4 December 2017-urgent provisions on financial matters and for undelayable needs. Amendment to the regulation governing the extinction of compensatory action offenses.

(OIG no. 284 of 5 December 2017 coordinated text)

Article 9 paragraph 1 increases the Fund by 300 million euros for the year 2017 and 200 million euros for the year 2018. Paragraph 2 provides for the reassignment of 23 million euros to the Fund pursuant to Article 148 of Italian Law no. 388 of 23 December 2000.

## Environmental reclamation and urban regeneration of the Bagnoli-Coroglio district

Italian Decree Law no. 91 of 20 June 2017, converted by Article 1 of Italian Law no. 123 of 3 August 2017. "Urgent provisions for the economic growth of the South".

(OIG no. 188 of 12 August 2017)

Article 13-bis (Provisions on environmental remediation and urban regeneration of areas of significant national interest - the Bagnoli Coroglio district) provides for measures to guarantee payments to the trusteeship by the Executive Body (Invitalia). The amounts are determined by the State Property Agency and the property owners of areas of the Bagnoli- Coroglio site of considerable national interest whose ownership is transferred ex lege to the Executive Body, with regulation of the methods, procedures and terms applicable to any legal disputes concerning estimates undertaken by the State Property Agency.

Italian Decree Law no. 148 of 16 October 2017, converted by Italian Law no. 172 of 4 December 2017-urgent provisions on financial matters and for undelayable needs. Amendment to the regulation governing the extinction of compensatory action offenses.

(OIG no. 284 of 5 December 2017 coordinated text)

Article 17 assigns Invitalia, in its capacity as an Executive Body, 27 million euros for the year 2017 for urgent environmental reclamation and urban regeneration.

### **Institutional development contracts**

Italian Decree Law no. 91 of 20 June 2017, converted by Italian Law no. 123 of 3 August 2017 - Urgent provisions for economic growth in the South.

(OIG no. 188 of 12 August 2017, coordinated text)

Article 7 paragraph 1 provides that, in order to accelerate the implementation of complex interventions, defined as "large projects" or "investments articulated in single interventions functionally related to each other, requiring an integrated approach and the use of European Structural Investment Funds and National Funds included in plans and operational programmes financed by national and European resources", the President of the Council of Ministers or the Minister delegated for territorial cohesion and the Mezzogiorno, shall identify appropriate interventions on which to proceed with signing of applicable institutional development contracts, at the request of the administrations concerned.

Article 7 paragraph 1-bis provides for the signing of a development contract (signed on 26 September 2017) for the implementation of urgent interventions envisaged for the city of Matera designated as the "2019 European Capital of Culture".

Italian Decree Law no. 148 of 16 October 2017, converted by Italian Law no. 172 of 4 December 2017 - urgent provisions on financial matters and for undelayable needs. Amendment to the regulation governing the extinction of compensatory action offenses.

(OIG no. 284 of 5 December 2017 coordinated text)

Article 17 transfers 3 million euros to the Municipality of Matera for the year 2017 for urgent environmental reclamation and urban regeneration operations that are instrumental or complementary to the measures referenced in Article 7, paragraph 1-bis, of Italian Decree-Law no. 91 of 20 June 2017, converted and amended by law no. 123 of 3 August 2017 (institutional development contract).

### **Promoting exports and the internationalisation of the Italian economy in high-risk countries**

Italian Law no. 205 of 27 December 2017; State Budget for the 2018 financial year and the multi-year budget for the 2018-2020 three-year period.

(IOG no. 302 of 29 December 2017 - Ordinary Supplement no. 62)

Article 1, paragraphs 260-266, identifies Invitalia as a qualified body to promote the development of exports and the internationalisation of the Italian economy in high-risk countries, as identified by the FATF International Financial Action Group. Among other provisions, Invitalia is authorised to set up a special purpose company.

### **The Southern Enterprise Fund**

Italian Law no. 205 of 27 December 2017; State Budget for the 2018 financial year and the multi-year budget for the 2018-2020 three-year period.

(IOG no. 302 of 29 December 2017 - Ordinary Supplement no. 62)

Article 1 paragraphs 897-903 provides for the establishment of the Southern Enterprise Fund, in support of the growth of small and medium-sized enterprises. It is managed by Invitalia, with the aim of supporting the economic-productive fabric of the regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily.

## **A.2 – Corporate transactions**

### **The Parent Company**

On 7 June 2017, the Extraordinary Shareholders' Meeting amended Articles 1 and 4 of the Articles of Association:

- point 1 of Article 1 was amended to permit the Company name to be expressed in short form as "Invitalia Spa";
- Article 4, paragraph 7 has been added, which establishes that more than 80% of the company's turnover must be related to the performance of tasks entrusted to it, on the basis of current legislation and specific covenants pursuant to ILD no. 1 of 9 January 1999, by the Economic Development Ministry and/or by other State administrations. Further production beyond the aforementioned turnover limit is allowed only on condition that it encourages economies of scale or other efficiency gains across the scope of the Company's main activity.

On 7 June 2017, the Ordinary Shareholders' Meeting appointed the new Board of Statutory Auditors.

### **Controlling holdings**

#### *Banca del Mezzogiorno - MedioCredito Centrale Spa*

On 7 August 2017, following the release of the required authorisations by the Economic Development Ministry, the European Central Bank and the Bank of Italy, Poste Italiane Spa and Invitalia finalised the sale of the 100% stake in the Bank to Invitalia itself.

The Shareholders' Meeting of 19 September 2017 appointed the new Board of Directors.

#### *Invitalia Ventures SGR Spa*

On 11 April 2017, the shareholders' meeting appointed the new Board of Directors and the new Board Of Statutory Auditors.

#### *Invitalia Partecipazioni Spa ('Invitalia Investments')*

On 30 March 2017, the Invitalia Partecipazioni Spa shareholders' meeting resolved the appointment of the new Board of Directors and the Board of Statutory Auditors.

Invitalia Partecipazioni - in implementation of the provisions of the Reorganisation and Disposal Plan approved by the Economic Development Ministry with a Decree of 31 July 2007 - was at the time designated as a "Vehicle Company", to which the non-strategic investments were transferred, with the task of managing the residual disposal/liquidation processes, as well as proceeding with the progressive reduction of holdings until their full closure.

Thence, the new Board of Directors was entrusted with the task of completing this process in a timely manner. In this regard, during 2017, the Company undertook the following corporate transactions: it approved the approval of the final liquidation financial statements and the related distribution plan of the subsidiaries: Marina di Reggio Calabria Srl in liquidation (of which the cancellation from the business register is underway); Sviluppo Italia Sardegna Spa in liquidation (cancelled from the Register of Companies of Rome on 11 January 2018) and Marina di Margherita di Savoia Srl in liquidation (cancelled from the Companies Register of Foggia on 29 January 2018).

#### *Italia Turismo Spa*

On 7.12.2017, the Board of Directors of Italia Turismo, at the request of the Parent Company (which in its 2017/2019 business plan foresaw a further reorganisation of its corporate purpose to be realised through the sale of some non-strategic assets, including its stake in Italia Turismo) resolved to assign the shareholder Invitalia the mandate to sell its real estate assets (villages, business units and land) through the company KPMG Advisory. If a buyer is not found for the entire investment, the disposal of the assets constituting the capital base of the Company may proceed on the basis of the lots identified in the sale procedure.

#### *Marina di Portisco Spa*

On 3 August 2017, following the resignation of a Director, the shareholders' meeting resolved the renewal of the Board of Directors.

#### *Trieste Navigando Srl*

Following the Agency's decision to dispose its stake in Company, the preliminary purchase agreement has already been signed with the buyers, i.e. the Chamber of Commerce of Trieste and Fondazione CRTRIESTE. The formalisation of the closing is pending on 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.

#### *New Cefalù Srl in liquidation*

On 22 December 2017, the Shareholders' Meeting of New Cefalù resolved to wind up the Company and appointed the Liquidator. The liquidation was concluded during the first quarter of 2018.

#### *Consorzio Garanzia Confidi Italy in liquidation*

On 12 May 2017, the extraordinary shareholders' meeting of the Italian Confidi Consortium, in liquidation, approved the final liquidation financial statements and the allotment plan with the assignment of the company to the Agency; the Consortium was cancelled from the Business Register on 7 July 2017.

#### **Minority corporate transactions**

##### *Disposal of investments held pursuant to Law 181/1989:*

- **SIAPRA Spa:** on 23 March 2017, the stake held by the Agency was sold (6.13%)
- **DESIGN MANUFACTURING Spa (DEMA Spa):** on 24 March 2017 the stake held by the Agency was sold (5.66%)
- **GRIMALDI Spa:** on July 26, 2017 the stake held by the Agency was sold (5.16%)
- **SKY TECNO Srl:** on 26 July 2017, the stake held by the Agency was sold (22%).

#### *Institute of the Italian Encyclopedia founded by Giovanni Treccani Spa*

On 18 January 2017, the extraordinary shareholders' meeting of the Institute resolved a divisible share capital increase of 8 million euros, reserved for current shareholders.

#### *I.P. Iniziativa Portuali Porto Romano Srl*

In 2017, the company majority shareholder passed under the control of new entrepreneurs, who, after a short period of activity, during which they were apparently intent on reactivating the company by providing it with indispensable financial means, left the IP Porto Romano venture devoid of support, despite the goodwill of Invitalia, a minority shareholder.

The Company was thus forced to submit an application for access to the continuity arrangement procedure, which was authorised by the Rome bankruptcy court on 23.5.2017. Subsequently, the Bankruptcy Court of Rome, with a document dated 31.5.2017, granted a further deadline to present the arrangement proposal.

The approval of the procedure is pending and, in the meantime, contact proceeds between the Agency and an important foreign business group which would like to take over the company and the relative state concession for the completion of the project, albeit with some variations.

#### *Marina d'Arechi Spa*

The Shareholders' Meeting of 28 April 2017 resolved to increase the share capital from 25 million euros to 30 million euros; this increase was subscribed for 1 million by Gallozzi Group Spa and for the residual 4 million by Invitalia Partecipazioni Spa (whose shareholding is therefore now equal to 26.66%, while the parent company Invitalia now holds a stake equal to 13.33%).

#### **A.3 – Litigation**

In continuity with previous financial years, in 2017 the Agency consolidated the management methods already adopted in previous years aimed at achieving smoother and more organised procedures in the assignment of tasks to external legal counsel, simplification of administrative and statistical management of litigation, simplification of accounting control on a quarterly basis and the improvement of control over the progress of work performed by the professional firms that assist the Agency.

The Agency's involvement in litigation mainly consists of active civil law cases related to the compulsory collection of loans associated with the facilitation measures managed by the Agency itself. The number of lawsuits before territorially competent administrative courts are marginal in relation to the volume of active civil law cases. Such procedures are essentially related to the non-admission to aid programmes by the beneficiaries of the measures referenced in Title II of ILD 185/2000.

In continuity with the previous year, the Agency has operated debt collection also pursuant to the Economy and Finance Ministry decree published in the Italian Official Gazette of 7 March 2008 on "Authorisation for compulsory collection through the role of receivables claimed by the National Agency for the Attraction of Investments and Enterprise Development Spa from the beneficiaries of self-employment facilitations referenced in Title II of ILD no. 185 of 21 April 2000", which sustains compliance with the obligation to implement debt collection according to criteria of economy through the Agenzia delle Entrate - Riscossione [the State debt collection agency].

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

In the last quarter of 2017 an employee of the Agency was involved in a judicial authority investigation on suspicion of collusion with third parties and taking bribes to release information and documents aimed at facilitating the award of benefits to ineligible individual entrepreneurs. The Agency has assured full collaboration with the Judicial Authority; reserving the right to file as a civil injured party should criminal proceedings ensue as an outcome of the investigations underway. The Agency has terminated the employment relationship with the relevant party.

The following are the details of the more significant disputes:

VALTUR UNICREDIT – The 2016 directors' report on operations, informed of the resolution of the dispute in question with sentence no. 37/2017 published on 5 January 2017, with which the Court of Bologna upheld the Agency's position. It obviously follows that the case is concluded without any payment by the Agency to the applicants.

Economic Development Ministry - The Agency has presented an Extraordinary Appeal to the Head of State against Departmental Decree [DD] of 11 November 2016, DD of 17 February 2017 and DD of 31 May 2017 with which the Economic Development Ministry 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 6 million euros. In consideration of the complexity of the matter, the outcome of the proceedings is uncertain. In any case, any decisions unfavourable to the Agency are not considered to have significant effects on the consolidated financial statements.

ISA/ISMEA - The company ISA Spa (now ISMEA) has summoned the Agency before the Court of Rome requesting the ascertainment of the plaintiff's right to a credit of approximately 15.5 million euros from SECI Spa (today Eridiana Sadam Spa) and Finbieticola Spa, deriving from the sale of the shares of Zuccherificio Castiglione 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 euros 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 Srl, 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 euros. The Agency, together with the subsidiary Italia Turismo Spa, did not consider the claim to be well founded and mandated its lawyers to provide full case explanation in court. The case is currently pending for the clarification of the conclusions and is adjourned to 7 November 2018. In a ruling dated 17 April, the Court declared the claims presented by

Finanziaria Turistica Srl to be inadmissible and ordered it to pay the court costs of 175,000 euros 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.

NCA – In the first quarter of 2013, two proceedings were initiated against the company Nuovi Cantieri Apuania Spa, a company already owned by the Agency, for damages amounting to 350,000 euros and 927,000 euros. The Agency, although not a party in the aforementioned judgments, has determined to monitor the proceedings due to possible indemnities due under and within the limits of Article 8 of the contract for the sale of the investment in the company Nuovi Cantieri Apuania Spa, which provides for a compensation by Invitalia should the above indemnities exceed the risk provision existing at the time of sale. The possible incapacity of the fund is not foreseeable at the moment.

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 judgment 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. Following the non-competence order issued by the Lazio TAR [Regional Administrative Court], the judgment was resumed by the claimant in civil proceedings before the Court of Rome. The next hearing for filing evidence is scheduled for 20 March 2018. The amount of the case is indeterminate. Despite the natural uncertainty of a judgement, it is reasonable to presume that it is possible that the Agency may lose the case. It should be noted that negotiations are currently underway to find a settlement based on a payment of 350,000 euros already set aside in a special provision.

As a result of the liquidation procedure of Invitalia Attività Produttive (IAP) and consequent cancellation of the Company from the Register of Companies, all disputes outstanding at the date of the Liquidation Financial Statements have been discontinued and claimants have resumed their demands against the Agency.

Below is an indication of two main positions:

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 19 million euros plus revaluation and interest.

Considering that, also on the basis of the assessment expressed by the external legal counsel delegated to the proceedings, the risk of losing was qualified as remote and, neither the outgoing Board nor by the Liquidator deemed it necessary to set an allocation in the risk fund. The delays in carrying out the work can in no way be charged to IAP. In the proceedings before the Regional Administrative Court, Invitalia is only involved as an interested party, since Teseco has challenged the order of the Municipality of Priolo for the site emergency safety measures, initially issued against Teseco. At the moment, Invitalia is not liable for any consequences. The next hearing was scheduled for 31 May 2018.

DANECO - With an action before the Court of Rome, Daneco Impianti Spa, in its capacity as the agent of RTI with Ecosistem Srl, summoned Invitalia Attività 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 Focà sports complex as well as the consequent illegitimacy of the IAP's withdrawal from the contract with letter dated 17 September 2015. The claimant further requested ascertainment of illegitimacy in relation to the forfeiture of the contract guarantee policy. 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. In reserve for admission of the preliminary evidence, at the hearing of 7 March 2017 – set for the admission of the request for court technical expert opinion – the Court took up the case in reserve.

In consideration of the object of the judgment 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 judgment itself with certainty, but a precautionary approach suggests it is appropriate to consider the possibility of losing the case.

## **B - GROUP ACTIVITIES DURING THE 2017 FINANCIAL YEAR**

### **B.1 – Support for business development**

Below is a breakdown of the measures managed by the Parent Company:

#### **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 establishes the so-called "Development Contracts" identified with a new preferential formula designed to support large investments.

The subsequent Ministerial Decree of February 2014 reformed the regulations governing development contracts in compliance with the relevant EU legislation for the 2014-2020 period. Subsequently, the MD was integrated and amended by the Ministerial Decree of 9 June 2015. Finally, on 8 November 2016, a further amendment decree was issued to reduce the time required for granting subsidies and to establish a new procedure for large-scale strategic projects.

As at 31 December 2017, 645 applications for development contracts have been submitted, for a total investment of almost 30 billion euros and requested subsidies total over 14.4 billion euros.

245 programs (38%) provide for investments in the industrial sector, followed by the tourism sector which, with 240 projects, represents 37% of the total proposals submitted.

The geographic distribution of the applications is concentrated in the Convergence regions (442 applications): only Campania (190 applications) has expressed a potential greater than that of all the less developed regions. 2.967 billion euros of investments. As at 31 December 2017, 111 programmes have been implemented, involving investments of over 4 billion euros, compared to over 2 billion euros in concessions granted, with safeguarded/increased employment numbers of over 57,000.

The results for the 2017 financial year are as follows:

- 29 applications admitted
- 1.092 billion euros of investments
- 506 million euros of concessions granted
- 2 withdrawals/expiries

The details of the individual financial sources active in the Development Contracts are shown below.

#### **National Research & Competitiveness Operational Programme 2007-2013**

As of 31 December 2017, 15 programmes are being implemented, one of them financed on the 'POI Energia' [the Intra-regional Operational Programme (IOP) for Energy]. The programmes consist of a total of 41 industrial investment and research and development projects. During the year, a total of 32 disbursements were made, for an amount exceeding 36 million euros. The Operational Programme ended in February 2017 and some programmes, not yet completed, will be reported on the ACP [Action and Cohesion Plan].

#### **Resources released from the 2000-2006 [Local Entrepreneurship Development National Operational Plan [LED NOP]**

Overall, on the financial budget in question, 8 development programmes have had been approved at 31 December 2017, consisting of a total of 18 investment projects.

#### **The 2007-2013 "Cultural Attractors" Inter-regional Operational Programme**

The preliminary procedures for 5 projects were reactivated, of which 4 closed negatively. One programme has been admitted to facilitations and investments have been completed.

#### **The L'Aquila Earthquake Area – Development and Cohesion Fund**

3 investment programmes have been admitted to the facilitations, all with a stipulated contract. A development contract for industrial investments is undergoing the preliminary phases.

Two development programmes consist of 4 investment projects (2 related to production and 2 related to research and development).

#### **Italian Law 228/2012 (Basilicata 2013 Budget Law)**

A development contract that absorbed the entire financial allocation was admitted to the facilitations.

#### **Italian Decree Law 69/2013 (The 'Doing' Decree – Centre North)**

13 programmes were admitted to facilitations and 7 were rejected.

Following the Public Notice on the Frosinone Anagni Programme Agreement, to which 30 million euros were allocated for the 'Doing' decree, 4 applications for the Development Contract were received: 2 applications were eligible for facilitations and contracted.

#### **Action and Cohesion Plan**

There are 10 development programs eligible for subsidies, consisting of 21 investment projects (of which two in Research and Development). Disbursements totalling 27 million euro were made.

#### **ACP for Campania**

Following the Public Notice (Circular MEA-GDEI no. 5067 of 13 February 2014 effective 3 March 2014 - 16 April 2014), 15 applications for the Development Contract were received. 5 applications were found to be ineligible for facilitations. Due to the lack of financial resources, the first 4 ranked applications that consumed the available funds were admitted to the facilitations. The 4 approved development programs consist of 58 investment programs (partly allocated to Research & Development).



During 2017, 21 disbursements were made, for an amount exceeding 30 million euros.

#### **Italian Law 147/2013 – The 2014 Budget Law**

As at 31 December 2017, a programme for industrial investments of approximately 14 million euros was granted on the financial allocation, with facilitations for over 6 million euros; 8 programmes had a negative outcome. The financial allocation was also used to cover the subsidised loans of two Development Contracts admitted on another financial source (Development and Cohesion Fund - DCF).

#### **The Termini Imerese Programme Agreement**

On 19 December 2014, the Programme Agreement was signed for the regulation of reconversion and redevelopment of the Termini Imerese industrial site. In October 2015, the Blutec Srl Development Contract was approved; in March 2016, the contract was signed and the advance on the granted concessions was subsequently disbursed.

#### **2014-2020 Development and Cohesion Fund (DCF)**

The CIPE resolution of 20 February 2015 allocated an amount of 250 million euros (1st allocation) for the financing of the Development Contracts based on the national resources of the 2014-2020 Development and Cohesion Fund in compliance with the current territorial allocation constraint (80% for the South and 20% for the regions of Central and Northern Italy).

By 31 December 2017, 13 development contracts had been approved for an investment total of 555 million euros, with facilitations for over 245 million euros and disbursements for over 20 million euros. The CIPE resolution no. 25/2016, assigned an additional 916.5 million euros to the Facilitative instrument of the Development contracts and resources of the 2014-2020 Development and Cohesion Fund, (2nd allocation).

By 31.12.2017, 4 Development Agreements had been admitted to the facilitations, envisaging total investments of over 100 million euros and grants for over 60 million euros, of these 3 are allocated in the Central-Southern regions and 1 in the transition regions.

#### **Development Agreements**

Following the allocation of the resources resolved by CIPE [Interministerial Committee for Economic Programming] Resolution no. 25/2016, the Economic Development Ministry Decree of 8 November 2016 introduced a procedure for large strategic projects called "**Development Agreement**", for which ministerial Decree of May 5, 2017 set up a special reserve equal to 25% of the funds allocated by the aforementioned CIPE Resolution 25/2016.

As at 31.12.2017, 18 proposals for development agreements had been presented for total investments of approximately 1,410 million euros and grants of approximately 529 million euros; of these, 9 are located in the southern regions, 1 in the transition regions, 6 in the central/northern regions, 2 in multiregional areas.

In 2017, 4 Development Agreements were stipulated which envisaged investments for a total of 354 million euros and total subsidies of 100 million euros.

#### **Programme Agreements**

With a specific notice dated 21 March 2017, the Economic Development Ministry issued operational guidance on the "Program Agreements" previously regulated in Ministerial Decree of 09.12.2014. In 2017, 29 Programme Agreement proposals were presented for total investments of approximately 1,396 million and 743 million in incentives, of which 21 were allocated to the southern regions, 4 to the transition regions, 2 to the central/northern regions and 2 were allocated on a multiregional basis. During the year, 5 Program Agreements were signed which envisage investments for a total of 248 million euros and benefits for 53 million euros.

#### **The Campania Framework Programme Agreement [FPA]**

On 21 June 2017, a Framework Programme Agreement was signed between the EDM, the Campania Region and Invitalia, which regulated the financing of initiatives located in the Campania region aimed at strengthening certain production chains, including tourism. This was achieved via the EDM allocation of 175 million euros from resources of the Development and Cohesion Fund (2nd allocation) and via the allocation of 150 million euros of Campania Region resources.

By 31.12.2017, 4 development contracts had been approved, under which regional concessions of over 48 million had been granted. Of these, two proceeded to sign a related Development Contract.

#### **The Calabria Framework Programme Agreement [FPA]**

On 01.08.2017, a Framework Programme Agreement was signed between the EDM, the Calabria Region and Invitalia, which allocated 145 million euros to finance initiatives located in the regional territory or multiregional initiatives (pro rata investments located in Calabria). Of this amount, 80 million euros were allocated by the EDM (2nd allocation resources) and 65 million euros by the Calabria Region.

By 31.12.2017, a Development Contract had been approved for incentives amounting to over 37 million euros, entirely covered by regional resources.

#### **The 2014-2020 Enterprise and Competitiveness National Operational Plan [NOP]**

Under Ministerial Decree of 29.07.2015, the Economic Development Ministry awarded the Agency 300 million euros from the resources of the 2014-2020 ERDF National Enterprise and Competitiveness Operational Programme. The resources have been allocated as follows:

- 100 million euros – Axis-1 on Innovation
- 100 million euros – Axis-2 on SME Competitiveness
- 100 million euros – Axis-4 on Energy Efficiency

By 31 December 2017, 7 investment projects had been approved on Axis-1 and 2 investment projects on Axis-3, for total investments of approximately 300 million euros and incentives for over 170 million euros.

On Axis-4, on 24 February 2017, the Ministerial Decree of 7 December 2016 was published in the IOG which identified the criteria and methods for granting incentives to companies wishing to make investments aimed at reducing energy consumption. By 31 December 2017, 1 investment project had been approved, for a total investment of 54 million euros and incentives for over 28 million euros.

#### **Supplementary Operational Programmes [SOPs] - The 2014-2020 "Enterprise and Competitiveness" Action and Cohesion Programme**

With a notice dated 5 August 2016, the EDM General Directorate for Enterprise Incentives assigned financial resources for a total of 355 million euros to the Agency for the financing of two lines of intervention in the most disadvantaged areas of the country: one to attract investments capable of ensuring an impact on SMEs at regional level (60% of the financial allocation) and the other (40% of the financial allocation) for financially significant investments linked to the expansion of production capacity of companies of any size.

By 31 December 2017, 15 development contracts had been approved covering incentives involving total investments of over 460 million euros and total incentives of over 220 million euros; the first disbursements of 8 million euros were completed.

Other 4 projects are in the process of completing the entire financial allocation.

#### **SMEs in SICILY**

With a notice dated 04 April 2017, the EDM General Directorate for Enterprise Incentives assigned financial resources for 45 million euros to the Agency to finance development contracts submitted by small and medium enterprises within Sicily. By 31 December 2017, only one investment project had been considered and it was ineligible.

#### **The Sustainable Growth Fund**

With Ministerial Decree of 2 August 2017, the EDM allocated 50 million euros to the Agency to fund industrial investment and environmental protection programmes in the Central-Northern regions, identifying the Development Agreements and the Program Agreements as the appropriate instruments for allocating these funds. By 31 December, two preliminary procedures had been initiated.

#### **Localisation Contracts**

Pursuant to the CIPE resolution of 16/2003 and the Convention signed on 30 November 2006 with the Economic Development Ministry, as extended by the additional act of 13 April 2010, the Agency performs preliminary proceedings, implementation and monitoring of Localisation Contracts.

During 2017, the activity performed essentially consisted of the completion of the preliminary phases for the substantial modification of the investment by the Cagliari Industrial Port - CICT, as well as for the granting of extensions and Work Progress Reports at the balance payments for Skylogic Mediterraneo.

#### **Programme Contracts**

With effect from 6 March 2008, the Parent Company assessed the preliminary phases of the proposals for programme contracts as well as the management of the programme contracts already approved by the CIPE on the date of entry into force of the aforementioned Ministerial Decree 24/01/2008.

Relations between the Agency and the Economic Development Ministry are governed by a special agreement signed on 30.09.2010.

As required by paragraph 5 of Article 43 of the Interministerial Decree of 24 September 2010, relating to the so-called "Development Contracts", from the date of entry into force of this decree, applications can no longer be submitted for access to the contract programme incentives.

During 2017, the activities carried out by the Parent Company essentially concerned the checks relating to 2 progress reports for industrial programmes (1 of which for balance completion), both still in progress.

The Parent Company also carries out advisory activities on the assessments carried out by the designated banks, in relation to the Contract Programmes pursuant to the 2006 CIPE Resolution.

#### **Industrial Innovation Projects (IIPs)**

With a Decree dated 13 August 2010, the Minister of Economic Development ordered the Parent Company to provide support for the technical and administrative management of incentive programmes

as part of the Industrial Innovation Projects (IIPs) "Energy Efficiency", "Sustainable Mobility" and "New Technologies for Made in Italy", including the obligations related to the provision of benefits to beneficiaries. Relations between the Ministry and the Agency for the performance of the aforementioned activities, subject of EU co-financing, are governed by the Convention signed on 9 December 2010, registered by the Court of Auditors on 7 March 2012.

The programmes definitively admitted to the incentives are 232 in number, for a total of subsidised investments today equal to approximately 2,017 million euros and grants for over 785 million euros.

#### **The Incubator Incentive Fund**

The Incentive Fund was set up under the provisions of Law no. 08/98 as a dedicated finance instrument for incubator-based companies.

During the 2017 financial year, of the 42 entrepreneurial initiatives approved for the incentives provided by the Fund, 39 completed the concession contract with the Agency, 30 have completed the investment programme, and 9 renounced the incentives or have been withdrawn.

In the same year, 13 requests were submitted for disbursement of incentive balances for a total amount of 656,134.96 euros.

This amount, added to the incentives granted in 2015 and 2016, involved the disbursement of a total amount of 3.421 million euros, corresponding to approximately 65% of the total amount committed (5.133 million euros).

Of the completed investment programmes, a total of 269,951.98 euros have been decommitted. Furthermore, in 2017 a project was revoked which had received disbursements for a total amount of €72,274.15.

#### **Incentives pursuant to Ministerial Decree of 6 August 2010**

On 6 August 2010, the EDM issued three decrees implementing the provisions of the Ministerial Decree of 23 July 2009 with an original allocation of 500 million euros, later reduced to 495 million euros.

In 2017, the activity was directed to the completion of disbursements in favour of the approved initiatives, following the final assessment checks carried out by the Commissions specifically appointed by the EDM.

In 2018, disbursements will be definitively completed to companies for which the implementation process has not been completed and which will be covered with ACP resources. During the year, in agreement with the EDM, it is planned to define the activities related to the issuance of the definitive decrees with the related disengagement of the amounts initially allocated and the revocation of incentives for companies that have not completed the investment programme in line with the provisions of the Decree.

#### **The Biomass Initiative**

The Parent Company 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.

For the management of this Initiative, the Agency signed a dedicated Contract with the EDM on 15 December 2011, (the Contract was supplemented by a supplementary Act dated 26 November 2015).

The financial allocation assigned to the initiative was originally 100 million euros. The initiative was closed on 13 July 2012. Overall, 66 incentive requests were received for which the preliminary phase was completed regarding compliance with the procedures, completeness and regularity of the application. Applicants who passed this phase were admitted to the subsequent one which examined eligibility conditions and the fulfilment of financial and technical prerequisites.

Of the 26 companies admitted to the rankings, 7 were decreed for admission to incentives for a total commitment of 30.5 million euros.

Of the 7 companies admitted, 5 have stipulated the financing agreement and 2 have forfeited the incentives for not having reported any expenses related to the subsidised investment within the set deadlines. With regard to the 5 companies admitted to contracts, 2 have completed the incentive disbursement process, while the other 3 have been subjected to the incentive revocation procedure for not having completed the programme within the established deadline.

Total disbursements amounted to 7.37 million euros.

In 2017, activities focused on managing problems that had led to the initiation of revocation procedures for breaches in the implementation phase.

The activity planned for 2018 will be dedicated to the payment of contributions for those programmes whose grounds for revocation have been dismissed, the management of mortgages and assistance to the Economic Development Ministry on management problems for programmes subjected to the incentive revocation and on the activities linked to monitoring and final assessment on contract progress. Finally, planning includes activities related to the issuing of the definitive Decrees with the relative release of the amounts initially allocated.

#### **'Brevetti +2' - Patents +2 (Public Notice of 7 August 2015)**

On 6 October 2015, the reception procedure for the submission of applications for the new Patents +2 Measure envisaged by the Public Notice of 7 August 2015 was opened.

The Patents +2 Measure was created with the aim of supporting the most qualified patent enhancement projects by raising the maximum grant amounts from the original €70,000 prescribed in the first offer to €140,000, thus reaching a target of more established and/or larger companies. The aim of the new measure is also to support the exploitation of the results of public and private research, favouring spin-off companies also by expanding the range of eligible specialist services.

The opening of the reception procedure recorded the presentation of 182 applications that added to those already presented on the Patents + Measure (4,279) and exhausted the available financial resources.

The selection, initiation and provision of funding by the Agency are currently only operational for applications submitted up to the suspension of the call for applications.

Subsequently, following the agreement stipulated in March 2017, additional resources were made available (9 million euros, to which an additional 3 million euros deriving from interest income and/or disengagements) were added for processing the applications submitted under the Patents + measure, including the Patents +2 measure. As a result of this new allocation, it was possible to prepare and approve all the 182 applications submitted under the Patents +2 measure, as well as proceeding with further disbursements for incentives relating to Patents +.

#### **The Energy Efficiency Ministerial Decree**

The Economic Development Ministry, 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).

The allowable incentives are provided in the form of interest-free loans and without collateral requirement. The financial allocation to the instrument is 100 million euros from the "Renewable energy and energy saving" IOP resources for the 2007-2013 scheduling period.

The management of the intervention was assured by the EDM General Directorate for the Promotion of Entrepreneurial Activities, which identified the Agency as the Managing Body for the implementation and disbursement of incentives in favour of the individual initiatives approved.

Following the conclusion of the decree phase by the EDM, the Parent Company took on 251 initiatives.

In 2017, the activities focused on disbursements, reporting on the activities carried out in the August 2014 - June 2016 period, in line with the provisions of the Contract stipulated with the EDM and the start of revocation procedures for breaches which emerged during the implementation phase. During the entire year, a total of 5.4 million euros were disbursed at the submission of 24 Work Progress Reports by 23 beneficiaries.

170 programmes concluded the incentive disbursement phase.

The activity planned for 2018 will address the management of mortgages and assistance to the EDM on the management problems related to programmes subject to incentive revocation procedures and activities related to monitoring and final assessment on the contract progress. Finally, planning includes activities related to the issuing of the definitive Decrees with the relative release of the amounts initially allocated.

#### **Actions to support the revitalisation of complex industrial crisis areas**

The Parent Company operates as prescribed by Article 27 of ILD 83/12 and the related Implementing Decree of 31 January 2013, concerning the definition and implementation of "Reconversion and Industrial Restructuring Projects" (hereinafter **RIRPs**), implementing the agreement signed with the EDM/GDEI on 18 May 2015.

2017 saw the continuation of the preliminary phase related to the admission/concession of incentives related to national incentive measures (Law 181/89 and Development Contracts) and to regional incentive measures, within the scope of **Program Agreements (PAs)** of: **Piombino; Rieti, Termini Imerese, Livorno and A. Merloni** (transitional area pursuant to Article 18 MD 9/6/2015).

The process of defining the following industrial redevelopment and reconversion projects for the crisis areas has been completed: **Venafro-Campochiaro-Bojano** (Molise) **Val Vibrata-Valle del Tronto Piceno** (Marche and Abruzzo); **Trieste**. Following the signing of the Program Agreements pursuant to Article 27 of Decree Law 83/12, notices pursuant to Law 181/89 were issued. The information/promotion activities dedicated to the stakeholders and the accompanying design-related actions for companies were carried out.

The first step for defining the RIRP in the new areas of complex industrial crisis initiated and concluded **Frosinone, Terni-Narni, Taranto, Gela and Savona**, through the approval of the project proposal by the Coordination and Control Group and the activation of the "Call" for the request of expressions of interest to invest.

Lastly, the procedures for defining the RIRP in the areas of industrial crisis were activated **Porto Torres, Portovesme, Venice** and the discussion tables have been started with the Administrations involved within the established Coordination and Control Groups.

### Interventions in Crisis Areas (Law 181/89 and Ministerial Decree of 9 June 2015)

The Parent Company manages the financial facilities, governed by Laws 181/89 and 513/93, which provide for non-controlling interests in the share capital, grants and subsidised loans.

In 2017, 1,254 million euros were disbursed under provision laws (approximately 0.816 million euros for grants and approximately 0.438 million euros for loans).

4 equity investments acquired pursuant to Law 181 have been sold, resulting in an overall capital gain for the Agency of approximately 460,000 euros.

As at 31 December 2017, the investee portfolio included 7 companies, in addition to those already in bankruptcy, of which:

- 4 are operational, in which the presence of Invitalia and the procedures for the disposal of the investment are regulated by specific shareholder agreements. Total commitments amounted to approximately 26.1 million euros (3.3 million euros for the acquisition of capital, 13 million euros for a non-repayable grant and the remaining part - 9.8 million euros - for subsidised financing and pre-financing); in view of new investments worth approximately 34.3 million euros, the total increase in steady-state employment is expected to be 204 employees;
- 3 for which the divestment of stakeholdings is subject to legal proceedings, for which ex lege there are no risks to be borne by the Agency.

The Ministry of Economic Development, with the entry into force of the decree 9 June 2015 and Circular no. 59282 of 6 August 2015 has regulated the conditions and procedures for the implementation of the interventions to be carried out under the new aid scheme.

The territories in which the interventions must be carried out are:

- **The non-complex industrial crisis areas**

In 2017, the new aid scheme was applied in 4 areas of complex industrial crisis (Livorno-Collesalveti-Rosignano Marittimo, Venafrò-Campochiaro-Bojano, Val Vibrata-Valle del Tronto-Piceno and Trieste). Since the applicable procedure is a Call for Submissions, the implementation of each Crisis Area is governed by an EDM special Notice with an assessment that includes:

- i. Access, at the end of which a ranking is prepared (published by the EDM) that takes into account the scores obtained
- ii. Preliminary preparation phase, to which the ranked initiatives are admitted.

For the four areas, a total of 61 incentive applications were put forward.

As at 31.12.2017, no initiatives had been approved for incentives, while 8 initiatives were not admitted, all on the Livorno-Collesalveti-Rosignano Marittimo area.

- **The non-industrial crisis areas**

In 2017, the new aid scheme was applied in non-complex industrial crisis areas, the list of which is published in annex to the Directorial Decree of 19 December 2016, through the opening of the national access procedure. The implementation is governed by a specific EDM Directorial Decree with an assessment that envisages preliminary preparation phase which is accessed by the initiatives as a function of the available financial resources.

For the national access procedure, the Parent Company received 231 incentive applications, corresponding to public resources amounting to 771 million euros, against a financial allocation of 80 million euros and 51 initiatives at the assessment stage.

As at 31.12.2017, 16 initiatives for a total investment of approximately 115 million euros had been admitted while 15 initiatives were not approved. The 16 initiatives admitted benefited from a total amount of approximately 74.6 million euros, in the face of 124 new jobs.

- **Other Areas**

During 2017, the new aid scheme was applied in the territory of the Abruzzo Region earthquake area.

By 31.12.2017, 2 applications had been submitted in addition to the 2 submitted by the National Acceptance Procedure. Both of these were not approved.

### The Campania Industrial Crisis

The Parent Company manages the revitalisation programme for areas affected by industrial crisis in Campania, object of the Memorandum of Understanding signed by the Ministry of Economic Development and the Campania Region on 17 July 2013, in order to enhance the entrepreneurial vitality and the potential of the territories while ensuring stable and lasting occupation.

In particular, on the basis of the Contract approved by the Ministry for Economic Development - General Directorate for Industrial Policy and Competitiveness on 03.04.2014, the Agency deals with the planning, implementation and governance of the Programme and provides a support service to the EDM, in the technical and administrative activities of the Management Authority.

### Murgia MD incentives (MD of 13 October 2013)

The Parent Company 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.

The resources available to facilitate programmes, initially amounting to 40 million euros including incentive management fees, were reduced by the Basilicata region (Addendum to the original Programme Agreement of 23.03.2015) to 21 million euros, fully drawn on the resources defined by CIPE resolution no. 120/1999.

During 2017, the Parent Company focused its activities on the beneficiary companies that signed the contracts and on the company that still has to proceed with the stipulation of the same.

During 2018, activities are planned for the disbursement of contributions to the companies which have signed the contracts.

### MD Campania incentives (MD of 13 February 2014)

The Parent Company is the Manager 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.

The incentives referenced in the Decree are granted on the basis of a "ranking" assessment procedure.

Overall, 139 grant applications were received, the details of which can be summarised as follows:

The resources available to facilitate the programmes, initially set at 53.4 million euros, were reduced to 47.19 million euros in 2015.

Overall, 75 applications were considered eligible.

In the first quarter of 2017, 3 merit assessments were completed, with positive results, for eligible investments of €24,602,107, incentives granted €8,527,293, increased employment 63 persons.

In 2017, Ministerial Decree 9.08.2017 was published on 25.10.2017 in the Official Gazette, which extended the deadline for the implementation of the investment programme as of 31.12.2018, while allowing the implementation of the employment programme within 12 (twelve) months from the closing date of the investment programme and, in any case, no later than the 09/30/2019.

By virtue of this extension, during the first quarter of 2018 the further 4 merit assessments will be completed.

In the course of 2018, activity will also be dedicated to the disbursement of legally prescribed provisions on investments made and accounted for by the companies.

### The Emilia Romagna earthquake

On 11 September 2013, the Parent Company signed the "Contract with the Delegate Commissioner for the implementation of the measures prescribed by Italian Legislative Decree no. 74 of 6 June 2012 - Urgent measures in favour of the populations affected by the earthquakes in the provinces of Bologna, Modena, Ferrara, Mantua, Reggio Emilia and Rovigo, on 20 and 29 May, 2012".

With Commissioner's Ordinance no. 75 of 15 November 2012, Invitalia has been identified as the company in charge of carrying out the activities pertaining to the preliminary preparation phase, granting, settlement procedures and legal assistance in the procedures aimed at disbursing the contributions. The activities formally began on 14 December, 2012 following the Delegate Commissioner's letter requesting the launching of the collaboration activity for reasons of urgency - pending the signing of the Contract.

The activities carried out by the Parent Company are currently governed by the 2016 - 2017 Contract between the President of the Emilia Romagna Region, as Delegate Commissioner, and the Agency (5 February 2016 REP/2016/30). This agreement, in acknowledging the extension of the state of emergency at 31.12.2016, as well as the state of progress of the activities and in order to give continuity to the work carried out in the previous three years, defines the scope of intervention of the Agency for the 2016 - 2017 two-year period. Therefore, the role of Invitalia is confirmed in its role of supporting the Delegate Commissioner in the activities pertaining to the preliminary preparation phases for the granting and liquidating of contributions and monitoring the implementation of the financed interventions. The Contract also assigns to Invitalia responsibility for the administrative procedure concerning the contribution disbursement phase. This last aspect attributes new responsibilities to the Agency, engaging it in a complex organisational restructuring in order to run the numerous activities assigned.

The following tables briefly summarised the most significant elements and data that characterised the activities managed by Invitalia during 2017.

	Number of Applications Received	of which Conceded	of which Disbursed	Number of Applications processed	of which Conceded	of which Disbursed
Ordinance no. 57 of 2012 as amended	1,553	70	1,482	1,687	282	1,405
Ordinance no. 23 of 2012 as amended	412	351	61	267	222	45
Ordinance no. 27 of 2014 as amended	-	-	-	46	-	46
<b>TOTAL</b>	<b>1,965</b>	<b>421</b>	<b>1,543</b>	<b>2,000</b>	<b>504</b>	<b>1,496</b>

	Amounts granted (thousands of euros)	Amounts disbursed (thousands of euros)
Ordinance no. 57 of 2012 as amended	79,861	279,428
Ordinance no. 23 of 2012 as amended	8,176	2,562
Ordinance no. 27 of 2014 as amended	-	6,628
<b>TOTAL</b>	<b>88,037</b>	<b>288,618</b>

It should be noted that, in the year 2017, in addition to the concession and disbursement preliminary phases, the Parent Company's activity was also directed to the preliminary examination of numerous variations in progress, recalculation of contributions and direct meetings with the beneficiaries. Furthermore, in order to better support the beneficiaries in the phase of presentation of payment requests, as indicated by the Contractor, two local access points were activated in the municipalities of Cento and Mirandola.

On the other hand, as regards Ordinance 6/2014 (Modena flood and storm events), in 2017, the activities of granting and disbursing the contributions to the relative beneficiaries were essentially concluded.

Below is the final view of the activities carried out on this Ordinance.	Number of Applications Received	Number of Applications Admitted	Amounts granted (thousands of euros)	Amounts disbursed (thousands of euros)
Ordinance no. 6 of 2014 as amended	560	388	16,258	€14,440

It should be noted that, due to the protracted closure times of the reconstruction worksites and the term extension allowed on the state of emergency, at the request of the Commissioner, a new agreement is being defined, for the continuation of activities until 30.06.2019.

### The Mantua earthquake

The Commissioner for the earthquake emergency in Lombardy, with Ordinance no. 230 of 24 June 2016, identified Invitalia as the company in charge of supporting the commission structure in the execution of activities related to ex-post control procedures. These are aimed at ascertaining full or partial correspondence between the intervention and the project approved by the Commissioner with the grant and subsequent variation approval. The "Contract for carrying out the activities pertaining to the ex-post control procedures was activated in relation to the granting of contributions to meet the needs of the populations affected by the earthquake of May 2012 in the territory of the Lombardy Region, as summarised in Annex 2 of Ordinance no. 218/2016" was activated on 18 November 2016.

The activities carried out in 2017 are summarised in the following table:

	No. of activated controls	No. of additional controls activated	No. of controls implemented
Ex-post controls	141	7	95

Given the extended time required to prepare the additional sample of companies to be verified, at the request of the Delegated Commissioner, definition is underway of the supplementary act which extends the Contract until 31.12.2019, without any increase in the amounts involved and with the relative reduction of personnel engaged in the activities.

### Instruments for creation of new enterprises and employment

#### Smart&Start (MD of 6 March 2013) and Smart&Start Italia (MD of 24 September 2014)

The Ministerial Decree of 6 March 2013 prescribed new forms of incentive for companies to strengthen the competitiveness of production systems, develop the digital economy and promote technology transfer in the Southern Italy regions. To this end, two types of incentives have been identified:

- aid for newly created small businesses (SMART);
- support for investment programmes carried out by new digital and/or technological content companies (START).

The Parent Company has been identified as the Managing Body of the incentive measure. It will perform all the technical and administrative requirements concerning the application preparatory phases, the grant procedures, the disbursement of incentives to beneficiaries and related services, the performance of monitoring, inspections and control of eligible programmes.

With the Ministerial Decree of 30 October 2013, Smart&Start incentives are extended to the so-called "Aquila Earthquake Area", comprising 57 municipalities in the provinces of L'Aquila, Teramo and Pescara.

The Ministerial Decree of 6 March 2013 and subsequent measures assigned the instrument a total of 163 million euros.

Article 14 of Ministerial Decree of 6 March 2013, together with Article 17 of the Circular of 20 June 2013, awards to new digital and/or technological content companies, in addition to the plant funding contribution, also incentives in the form of technical-managerial and tutoring services to support the company start-up phase. These are provided directly by Invitalia, for a maximum of €5,000 per company and for a period of 18 months from the grant date. The technical-managerial and tutoring services are mainly provided via electronic means, through the participation of the beneficiary companies in thematic webinars held by high-profile experts, as well as through the assignment of the companies themselves to a tutor.

Pursuant to Article 13, paragraph 2 of Ministerial Decree of 24 September 2014, the electronic service desk for the first edition of the Smart&Start initiative was closed on 14 November 2014.

The results achieved as at 31 December 2017 can be summarised as follows:

- **1,252 incentive applications** were received for a total of over 231 million euros;
- 442 companies were admitted to the incentives;

- 75 million euros of funds were committed;
- disbursements of almost 26 million euros were made.

At the beginning of 2015, the design activities for the new Smart&Start edition, entitled "Smart&Start Italia" (MD 24 September 2014 and explanatory circular no. 68032 of 10 December 2014) were completed. The opening of the new electronic acceptance procedure occurred on 16 February 2015.

Article 6, paragraph 1, point (b) of Ministerial Decree of 24 September 2014, together with Articles 9.4 and 9.6 point (a) of the Circular of 10 December 2014, provides technical-managerial and tutoring services to companies set up not more than 12 months before the incentive application date. These are intended to support the start-up phase of the company and provided directly by Invitalia, for an amount equal to:

- 15,000.00 euros for companies located in the regions of Basilicata, Calabria, Campania, Apulia, Sardinia, Sicily and in the L'Aquila earthquake area;
- 7,500.00 euros for companies located in the rest of the country.

The Ministerial Decree of 24 September 2014 assigned the new instrument a total of 198.5 million euros, increased to 218.5 million euros as a result of the EDM Decree of 17 December 2015, which increased the share of the Sustainable Growth Fund from €70 million to €90 million.

The EDM Decree of 9 August 2016 awarded 45.5 million euros, under the 2014-2020 "Enterprises and Competitiveness" NOP, to the "SMART&START ITALIA" initiative. These resources are divided as follows: 33.4 million euros are allocated to innovative start-ups located in "less developed regions" (Basilicata, Calabria, Campania, Apulia, and Sicily) and 12.1 million euros to those operating in Abruzzo, Molise and Sardinia ("transition regions"). The same decree also establishes that the freed resources deriving from the SIL 2000-2006 NOP already assigned to "Smart&Start Italia", have been allocated to the NITO incentive instrument for a total amount of €77,120,360.63.

The Law no. 232 of 11 December 2016, "State budget for the 2017 financial year and the multi-year budget for the 2017-2019 three-year period" has allocated 47,500,000 euros to the Sustainable Growth Fund for the year 2017 and 47,500,000 euros for the year 2018, to be allocated to the disbursement of subsidised loans for interventions to support the creation and development of innovative start-up companies.

The EDM Decree of 9 August 2017, published in the Official Gazette no. 244 dated 18/10/2017, introduced a number of innovations for incentives to support innovative startups.

In particular:

- companies that have been established for not more than 60 months can also access the facilities;
- investments for marketing and web marketing are eligible for financing;
- trademarks can also be financed, as well as patents and licenses;
- an additional method of disbursement is introduced on the presentation of non-receipted invoices, in addition to what is already envisaged.

The results achieved as at 31 December 2017 can be summarised as follows:

- **1,550 incentive applications** were received, for a total of over 867 million euros;
- the preliminary phases of 1,527 applications were initiated;
- 362 companies were admitted to the incentives;
- almost 168 million euros of funds were committed;
- disbursements of over 21 million euro were made.

### New interest-free companies

In implementation of Article 43 of Italian Decree-Law no. 145 of 23 December 2013, the conversion into law no. 9 of 21 February 2014 has been published on OIG no. 300 of 23 December 2013, enacting the following:

- EDM Decree no. 140 of 8 July 2015 (IOG no. 206 of 05 September 2015), setting out the new criteria and new methods of granting the facilities referenced in Chapter 1 of Title I, ILD no. 185/2000, aimed at supporting new entrepreneurship throughout the national territory. This shall be implemented through the creation of micro and small competitive enterprises with prevalent or total participation of young people or women, with support for their development through improved access to credit (New interest-free businesses).
- Circular no. 75445 of 9 October 2015 as amended presenting operational indications regarding the procedures for granting and disbursing the incentives.

The instrument entitled "New interest-free companies" has been allocated an initial financial allocation from the revolving fund envisaged by art. 4 of the Decree of the Ministry of Economy and Finance of 30 November 20 No. 14 of 19 January 2005) totalling EUR 58 million.

With a notice dated 13.10.2016, the EDM announced the allocation of resources from the Action and Cohesion Plan - 3rd rescheduling "Counter-cyclical measures - Intervention for the relaunch of the industrial crisis areas of the Campania Region" for an equal amount 11.6 million euros. This had been resolved by the Executive Committee for the implementation of the Relaunch Plan at the meeting of 23 May 2016, to be allocated to the financial coverage of applications for access to incentives within the municipalities included in the Campania industrial crisis areas.

The Law no. 232 of 11 December 2016, "State Budget for the 2017 financial year and the multi-year budget for the 2017-2019 three-year period" authorised expenditure of 46.152.250 euros for the year 2017 and 47,500.00 euros for the year 2018 for the financing of the initiatives referenced in Title 1, Chapter I of ILD no. 185 of 21 April 2000.

The acceptance procedure was opened on 13 January 2016.

By 31 December 2017, **2,014** incentive applications had been submitted for investments for more than **780** million euros and a request for incentives equal to **571** million euros.

The results as at 31 December 2017 are as follows:

- **1,991** applications initiated in the preliminary preparation phase of which 1,851 applications carried forward;
- **365** applications approved for incentives amounting to **113** million euros of investments;
- **74.8** million euros of incentives granted (of which 8.8 million euros from the funds referenced in the Campania ACP).

### National Revolving Fund - Youth Guarantee - Self-employment

On 11 December 2015, the Agency and the Ministry of Labour and Social Policies signed the Financing Agreement for the establishment of a National Revolving Fund, aimed at encouraging self-employment, subsidised by the "2014-2015 Youth Employment Initiative" NOP and by the "2014-2020 Active employment policy systems" NOP.

It should be noted that the incentives are granted on an assessment basis with an over-the-counter access procedure, as established by Regulation (EU) 1304/2013, in line with Regulation (EU) 1303/2013 and with the EU legislation on Financial Instruments.

The opening of the access took place on 1 March 2016 and the applications were submitted exclusively online, through Invitalia's IT platform.

The results achieved as at 31 December 2017 can be summarised as follows:

- 2,129 new incentive applications were received, of which 873 on microcredit, 446 on extended micro-credit and 810 small loans;
- 1,672 applications for incentives were assessed and approved;
- 575 applications were admitted to the incentives for a total amount of 19 million euros.
- financial incentives were granted for a total of 8.1 million euros. During 2017,

tutoring activities continued on a regular basis.

### Self-entrepreneurship (Title 1 - ILD 185/2000)

The Parent Company manages the incentives provided for by Title 1 of ILD no. 185/2000, aimed at encouraging the diffusion of companies with prevalent youth participation as well as the development of new entrepreneurship in the economically disadvantaged areas of the country.

The 2017 activity can be summarised as follows:

- financial incentives have been disbursed for 4.8 million euros;
- the completion of the investment plan was verified for 8 companies;
- the effective start-up of production activity was verified for 6 companies.

It should be noted that, since the measure is nearing its end, estimates indicate a residual group of about 20 companies, save for any withdrawals and/or sanctions, which are still waiting to receive financial disbursements for a total amount of approximately 1.5 million euros.

### Self-employment (Title 2 - ILD 185/2000)

The Parent Company manages the financial incentives (non-repayable grants and subsidised loans) and real incentives (technical-management assistance in the start-up phase) governed by Title 2 of ILD no. 185/2000 and aimed at promoting the spread of self-employment through measures to promote self-employment, micro-enterprise and franchising.

A notice published in the Official Gazette no.183 of 8 August 2015 announced the exhaustion of available resources concerning the incentives for self-employment envisaged by Title 2 of ILD no. 185/2000, with subsequent suspension of funding applications from 09 August 2015.

On 1 May 2016, the CIPE allocated 40 million euros to refinance Title 2 of ILD 185/2000. This appropriation was used by the Agency to restart the assessment process on the over 3,000 funding applications left without provision after the closure of the incentive access point on 8 August 2015. Thus it did not entail the reopening of the access point for the submission of new incentive requests.

The results achieved as at 31 December 2017 can be summarised as follows:

- 1,871 Self-employment projects were assessed and approved;
- 277 entrepreneurial initiatives were admitted, (122 Self-employment projects and 155 Micro-enterprises) with a public funds commitment of 22.4 million euros and estimated 760 new jobs;
- 330 incentive contracts were stipulated;
- financial incentives were granted for a total of 65.4 million euros;
- technical assistance and management services were provided for a total value of 1.8 million euros.

## The Fertility Programme

'Fertility' is an intervention programme that offers financial, managerial and consultancy support for the development of new entrepreneurial initiatives promoted by non-profit organisations.

The financial resources for the implementation of the Programme have been allocated by the CIPE - with resolutions no. 85 of 4 August 2000 and no. 36 of 3 May 2002 - for a total amount of 35.119 million euros: in particular, with resolution no. 85/00, the CIPE has allocated the sum of 25.822 million euros for the implementation of the Fertility Project and an additional 9.297 million euros with resolution no. 36/02.

On 28 November 2016, Invitalia sent the Ministry of Labour formal request for an extension of the Contract of 28 November 2013, authorised on 8 February 2017 and expiring on 30 June 2017.

The overall progress of the First and Second Calls for Proposals at 30 June 2017, in terms of expenditure or disengagement with respect to the resources initially committed, is 100%.

## Activities carried out on behalf of the Department of Youth and the National Civil Service

The Road Safety Call for Proposals is governed by the Agreement between the Department of Youth and National Civil Service and the National Agency for the attraction of investments and enterprise development Spa of 25 January 2010 and subsequent Addendum to the Agreements of 5 March 2013, of 22 December 2014 (also concerning the Call for Proposals on Promotion of Legality and Growth of Sports Culture) and of 06.16.2017.

With regard to the Promotion of Legality and the growth of sports culture, the Agency has completed all the activities planned for the complete implementation of the same, while the call "Road Safety" was released and resumed full implementation only in 2015 following the withdrawal of the "Codacons [Italian consumer protection organisation]" appeal. In 2016 the agreement signing phase with the beneficiaries was completed.

With regard to the Road Safety Call, the agreement signed between Invitalia and the Department on 25.01.2010 was extended until 30.06.2018 with the aforementioned Supplementary Act - Addendum formalised on 16.06.2017. This supplementary act was necessary because the deadline of 06.30.2017 would not have allowed completion of the technical support work, given that a number of associations had subsequent activity expiry terms.

During 2017, 10 financial disbursements amounting to 1.1 million euros were made.

## The "Youth for social engagement" and "Youth for the promotion of public goods" public notices

With the Contract of 12 February 2014 and subsequent Addendum of 29 December 2016, subsequent to the supporting provided to the Department of Youth and National Civil Service at the Prime Minister's Office in the technical support activities of the assessment committees, the Agency was mandated to support the same in the activity of implementing the notices following the publication of the rankings of the financed projects.

Technical support for public notices was completed on 31 March 2017, with the delivery of digital and paper archives to the Department.

## Interventions to support sectors

### The 'Cultura Crea' [Culture Creates] Programme (MIBACT Decree 11 May 2016)

'Cultura Crea' is a programme of incentives to create and develop entrepreneurial initiatives in the cultural-tourist industry and to support non-profit enterprises that aim to enhance the cultural resources of the territory in the regions of Basilicata, Calabria, Campania, Apulia and Sicily.

It is promoted by the Ministry of Cultural Heritage, Cultural Activities and Tourism (Mibact) under the 2014-2020 ERDF NOP "Culture and Development" (2nd Priority Axis).

The programme includes three lines of action to:

- **support the launch of new businesses** in the "core" sectors of the so-called cultural industries, promoting productive innovation processes, technological development and creativity;
- **consolidate and support** the activity of the economic subjects in existing chains related to the cultural, tourist, creative, entertainment and traditional and typical products sectors, promoting the creation of products and services aimed at enriching, diversifying and qualifying the tourist-cultural offer of the territorial areas of reference of the attractors;
- **foster the foundation and qualification** of services and activities related to the management of attractors and to the fruition and value enhancement of cultural assets as implemented by third-sector subjects.

A total budget of 107 million euros was raised for the management of these measures and on 03.12.2016 a specific agreement was stipulated with the MIBACT (Ministry of Cultural Heritage, Cultural Activities and Tourism).

As of 31 December 2017, 719 applications were submitted, of which 119 were admitted for incentives of over 18 million euros and grants of 1.021.753.00 euros were disbursed.

## The L'Aquila Earthquake Area

The Parent Company has been specifically delegated in the context of the interventions aimed at favouring the economic and occupational recovery of the Abruzzi area hit by the April 2009 earthquake.

Based on the results of stimulus activities and listening to the territory carried out between 2014 and 2015, the Agency has designed two new incentive measures, one as an "over-the-counter" initiative (Measure 1) and another based on "ranking" (Measure 2) established by the EDM Decree of 14 October 2015 and activated by EDM GDEI Circular of 21 April 2016.

Measure 1 supports the tourism enhancement of natural, historical and cultural heritage through the financing of investment programmes (up to €500,000). These are aimed at creating new businesses or expanding and/or redeveloping existing companies.

Measure 2 finances projects which enhance territorial excellences, including typical agri-food products and products/services related to the tourism-cultural offer, with initiatives aimed at increasing their visibility and recognition.

On 13.05.2016, a specific agreement was stipulated with the EDM - GDEI for the management of these measures, with a total budget of 12 million euros.

In 2017, the assessment procedure was completed for all the applications submitted for Measures 1 and 2 of the L'Aquila Earthquake Area and the relevant outcome report was submitted. Consequently, also the contribution disbursement phase was initiated with the preparation of the related materials and two informative seminars were held, respectively addressed to the beneficiaries of Measures 1 and 2, at the Reconstruction Headquarters in Fossa (AQ).

By 31 December 2017, 131 incentive applications had been submitted.

The incentives granted for the creation of investment programmes as at 31 December 2017 amounted to almost 11 million euros and are broken down as follows:

The contributions disbursed as of 31 December 2017 amounted to €580,929 for Measure-1 and €20,820 for Measure-2.

## The revolving tourism fund

The Revolving Fund was established on 28.05.91 pursuant to Article 6 of Law no. 64 dated 1/03/86 and was subsequently reconfirmed by the various legislative provisions resulting from the abolition of the Extraordinary Intervention and the transfer of powers to the Treasury Ministry (Law no. 488/92 - Article 3 - conversion of the DL no. 415/92 and ILD no. 96/93 - Articles 11 and 15). The Agency took over all rights and obligations



deriving from the agreement stipulated by Insud Spa with the Treasury Ministry on 23.3.95 and integrated with the deed of 13.1.99. The Fund is intended to finance Agency investee companies for investments and actions to support the development of the tourism and health spas. A subsidised rate corresponding to 35% of the reference rate for 18-month operations is envisaged for tourism sector operations in force at the time of signing of the contract. The maximum loan duration is set at 15 years including the pre-amortisation period.

In 2017, the subsidiary Italia Turismo Spa presented two funding applications from the aforementioned Revolving Tourism Fund, aimed at enhancing and improving the accommodation capacity of two of its proprietary tourist complexes. These are the "STM" Tourist Village, located in the Municipality of Pisticci (MT) in the locality of Marina di San Basilio and the Tourist Village "Le Tonnare", located in the Municipality of Stintino (SS), for a total amount of €24,172,000.00.

The applications were approved at the Board meeting of 19.12.2017. The approved loan amount was set at €24,012,534.87. The loan was granted at a non-subsidised rate of 2.05%.

#### **The tourism promotion fund**

The Promotion Fund was set up pursuant to Article 7 of Italian Presidential Decree 58/87 and the CIPE resolution no. 94 of 29/03/1990, assigning to INSUD Spa, now merged by incorporation into Invitalia Spa, a capital grant for tourism promotional activities in the South for an amount of 14.8 billion lire (7.6 million euros).

The tourism promotion programme in Southern Italy is aimed at increasing tourist flows in the Mezzogiorno areas by granting capital grants (up to a maximum of 60% of approved expenses) to institutional bodies, business associations and significant tourism organisations.

In 2017, the company Marina di Portisco Spa, 100% owned by Invitalia Spa and active since 03.06.1986 in the field of nautical tourism and port services as well as maritime and underwater works, submitted an application for access to incentives under the Tourism Promotion Fund for a "Promotion Programme for the tourist ports of northern Sardinia and in particular the port of Marina di Portisco (OT)", to cover total expenses to be incurred, net of VAT, of €1,100,000. The maximum contributions granted for the aforementioned expenses amount to €648,427.

The Parent Company considered the Project to be consistent with the Executive Programme (5th Extract) approved by the aforementioned Ministry with a note dated 22/04/2004, file ref.39304, and notified its decisions to the Economy and Finance Ministry in September 2017.

#### **Programmes for entrepreneurial support Tourism**

##### **Entrepreneurship – MiBACT**

The MiBACT–Invitalia Contract signed on 23 January 2017 and the subsequent Addendum signed on 3 August 2017 provide for an operational, technical and management support service to the Tourism General Directorate for the implementation of actions and interventions aimed at enhancing the cultural tourism offer throughout Italy. The activities are included in the implementation of the Tourism Strategic Plan with the aim of creating conditions favourable to the consolidation and relaunch of the extended tourism sector through innovation and the networking of businesses.

Specific objectives of the intervention are:

- The increase of new innovative companies in the tourism sector
- The growth in competitiveness of enterprises engaged in the sector chain through the adoption of new digital technologies and organisational innovations;
- The creation of effective business combinations to strengthen cooperation and integration of services in the sector chain.

The activities carried out during 2017 consist of:

- Workshop for 100 startups at MAXXI, an event that involved 133 startups, active in the tourism sector, gathered in thematic discussion groups and supervised by Coaches;
- The creation of 4 national calls for the identification of innovative ideas regarding the four themes considered as priorities by the MiBACT (the "Villages and Trails" challenge, the "Mountain" challenge, the "Sea" challenge, the "Health Spa" challenge) and Accelerathon events;
- Creation of three e-learning courses, one of which was launched online in December 2017, with the goals of: incoming and innovation; widespread hospitality and enhancement of real estate assets at risk of abandonment and slow tourism. Support for the MiBACT call for proposals on business networks.

#### **Sulcis**

The Sulcis Strategic Project stems from the desire to sustain growth and development in the Sulcis area, offering new economic prospects to the territory and to stimulate businesses to engage in technological research and to intervene in the tourism and agri-food sectors.

The Parent Company was responsible for undertaking technical assistance work. The Development Technical Assistance desk for the Sulcis Project Business Plans has been active since July 2015, hosted by AUSi in Monteponi in the Palazzo Bellavista.

During 2017, the Invitalia technical assistance unit for the development of business projects in Sulcis Iglesiente continued its territorial stimulus and design assistance work in aid of local companies. More than 500 contacts and related preliminary meetings were recorded; a number of seminars have been organised both for the presentation of the related applications for the Regional Incentives Notices and for the preparation of business plans.

With the support of Invitalia, the Regional Authority has issued two new enterprise aid notices and published the relevant access procedure.

The Contract between the Autonomous Region of Sardinia and the Territorial Cohesion Agency expires on 31.12.2017. A negotiation is underway for an 18-month extension of the same; this deadline should allow for the completion of the cycle of technical assistance initiatives.

#### **Programme for the Promotion and Development of Cooperative Movements**

In 2017, the Parent Company managed the Promotion and Development Programme for cooperative movements, subject to a contract between the DGPICPMI [Italian acronym: Direzione generale per la politica industriale, la competitività e le piccole e medie imprese - The General Directorate for industrial policy, competitiveness and SMEs] of the EDM and Invitalia stipulated on 20.12.2016, integrated and amended by a subsequent agreement signed on 05.12.2017. The relevant total allocation amounted to €2,136,885.80 plus VAT. The Contract has a duration until 31 October 2019.

During 2017, the activity addressed the preparation, the development with the subsequent assignment of the 4 calls for tender (Digitisation – Industry 4.0) for the realisation of the same number of feasibility studies in various social and sectorial areas and the preparation of 4 other calls for tenders (Bioeconomy-Circular Economy) which are currently in assignment.

In October 2017, with the signing of 4 tendered contracts (Digitisation - Industry 4.0), the advance payment tranche of 30% of the amount foreseen in the contract was paid to each successful bidder.

#### **National Contact Point for the OECD Guidelines (NCP-OECD)**

In 2017, the Parent Company managed the National Contact Point (NCP) for the OECD Guidelines for Multinational Enterprises and for related activities within the OECD, subject to a Contract between the DGPICPMI of the EDM and Invitalia stipulated on 21.12. 2016. The total amount allocated amounted €377,049 plus VAT. The Contract duration is set to 30 September 2018.

#### **Industry 4.0**

On 20 December 2016, an agreement was signed between the Agency and the EDM entitled "Technical support for the development, monitoring, evaluation of policies in favour of small and medium-sized enterprises, cooperatives, startups and innovative SMEs for the promotion of the Industry 4.0 Plan".

The activities undertaken in 2017 addressed:

- support for the publication of the Annual Report to Parliament on the state of implementation and on the impact of the startup and innovative SME support policy;
- the drafting of the section of the "Annual Report to Parliament on the state of implementation and on the impact of the policy regarding the support of startups and innovative SMEs" related to the instruments managed by the Agency;
- the constant support to the General Directorate in the definition, execution, monitoring and disclosure of public policies supporting the new innovative entrepreneurship, with particular reference to the governance of startups and innovative SMEs;
- the support activity in the implementation of the policies related to migrant entrepreneurship Italia Startup Visa and Italy Startup Hub;
- with the launch of the "Italia Startup Visa" program, a manual has been drawn up with the intent of significantly simplifying the entry visa concession process.

#### **Enterprise Crisis Assistance**

On 18 January 2017, a Contract was drawn up between the Agency and the General Directorate for industrial policy, competitiveness and SMEs for the provision of technical-specialist support to the Ministry of Economic Development for the functional aspects of the "Structure for Enterprise Crisis", under the coordination of the Minister's Secretary General. The purpose is to define the operational management of disputes and the execution of the necessary in-depth studies, including those of a specialist nature, which are functional for the analysis of the causes of crises and the definition of interventions.

The activities carried out in 2017 mainly concerned the management of corporate crises submitted, through the social partners (companies and/or trade unions) or local institutions, to the attention of the EDM in its function as a Government body responsible for managing industrial policy. During the year, approximately 400 discussion groups were activated, involving over 150 companies not involved in restructuring or complex crises resulting in one of the measures envisaged by the bankruptcy law: creditor arrangement, extraordinary administration procedure or bankruptcy.

#### **B.2 – Support to the Public Administrations and management of intervention programmes for competitiveness and territories**

The Parent Company undertakes technical and operational support activities for the central administrations and supports the competent bodies in the management of programmes and in the implementation of strategic interventions aimed primarily at supporting socio-economic development and territorial cohesion. It also operates as the Central Procurement Authority for the administrations concerned to accelerate the implementation of public investments.

Below are some programmes and strategic interventions that in 2017 have engaged the Parent Company in highly important activities with significant repercussions in terms of territorial significance, innovation and development.

#### **Museum sites of Excellence**

The "Museum sites of Excellence in the Mezzogiorno" programme is aimed at promoting investments for the protection and enhancement of a number of outstanding museums in Southern Italy, by intervening on a select group of cultural attractions. In 2016, preparatory work had already begun for a new project implementation phase (selection of new cultural attractors, definition of the intervention/investment value enhancement framework, activation of synergies with the reference economic and entrepreneurial fabric).

In 2017, in particular, as part of the two actions envisaged by the Operational Programme launched in mid-2015 and subsequent updates in 2017, the following activities were implemented:

- **Action 1- Preparation of Integrated Projects**

Pre-feasibility analyses have been completed for each of the new attraction areas selected by the MiBACT (Campi Flegrei, Reggia di Caserta, Taranto and the Magna Grecia Jonica, Isola San Nicola - Tremiti Islands, Capodimonte Forest and Museum). Development has proceeded in continuity with the model implemented in the first edition of the Project, addressing three strategic areas: the territorial context, the cultural tourism market and cultural heritage. These studies have enabled the definition of the most appropriate development strategy for each of the attraction areas, concerning both the short-medium term goals as well as the guidelines for the enhancement of interventions on cultural attractors functional to the achievement of essential offer and fruition conditions.

- **Action 2 – "Music X Museums=M2"**

In 2017, activity continued for the planning and organisation of promotional events on the museum sites. The "Music X Museums" initiative was held between September and December 2017 and involved the MARTA - the National Archaeological Museum of Taranto and the Caserta Royal Palace, with customised programmes for each site and realised, respectively, with the collaboration of the Teatro Pubblico Pugliese in Taranto and an expert in historical cuisine, Prof. Fabrizio Mangoni, in Caserta.

#### **Support to the Managing Authority of the ERDF 2014-2020 "Culture and Development" NOP**

In 2017, by virtue of an agreement signed on 4 December, 2016, the Parent Company carried out support activities for the Managing Authority [MA] of the 2014 - 2020 "Culture and Development" ERDF at the Ministry for Cultural Heritage and Tourism - Service 2 for planned interventions on Axes 1 and 3.

Support to the MA [Managing Authority] involved the activities of implementation, management, monitoring and control of interventions.

### **Presidency Council Ministers - Mission structure for the coordination of the reconstruction and development procedures in the territories affected by the earthquake of 6 April 2009, development interventions in the Taranto area and the Managing Authority for Cultural, Natural and Tourism Attractors IOP**

The Prime Minister's Decree of 1 June 2014 as amended by Prime Minister's Decree of 23 June 2016 established the "Mission Structure" at the Prime Minister's Office in order to coordinate the reconstruction and development procedures in the territories affected by the earthquake of 6 April 2009, development interventions in the Taranto area and the Managing Authority for Cultural, Natural and Tourism Attractors IOP.

The Government published Decree no. 78 dated 19 June 2015, converted and amended by law no. 125 of 6 August 2015, wherein Article 11 paragraph 9 addressed "Urgent measures for the legality, transparency and acceleration of the procedures for Reconstruction of the Abruzzo territories affected by the earthquake of 6 April 2009 as well as regulations on waste and industrial emissions". These measures require the administration authority responsible for each intervention sector to prepare a multi-year programme and related annual implementation plans of the interventions in the entire area affected by the earthquake, with the relative financial plan of the required resources assigned or to be assigned.

The CIPE RULING no. 48 of 10 August 2016, in providing indications for the implementation of the aforementioned Law 125/2015, Article 11 par. 9, allocated 1,435,445.73 euros to the Mission Structure for the financing of technical services and qualified assistance. The intent was to ensure the continuity and acceleration of public reconstruction in the areas hit by the 2009 Abruzzo earthquake.

Pending the signing of the Contract between the Mission Structure and Invitalia on the resources provided by the aforementioned Resolution CIPE 4/2016, the Mission Structure with notes dated 27 February 2017, file ref. SMAPT 0000192 and 7 March 2017 file ref. no. 4809/CT, requested Invitalia's support for the following activities:

- management and coordination of the public reconstruction of damaged real estate;
- management of institutional relations and facilitation of dialogue between central and local administration authorities;
- development of management and control systems and other tools to support management and monitoring activities;
- recognition and quantification of damages suffered as a result of earthquakes, planning of new interventions and/or preparation of technical drawings.

These support activities were funded as part of the System Action Contract, in the period January 2017 – July 2017.

The agreement between the Mission Structure and Invitalia was signed on 7 August 2017 and has duration of 24 months from the date of subscription.

The activities throughout 2017 have been specifically aimed at supporting the competent Administrations in the drafting of the planning documents necessary for the intervention financing applications to the CIPE.

In particular, the Parent Company has supported the competent administrations and owners of the various public reconstruction sectors in the preparation of 5 multi-annual programmes for a total value of 660 million euros of programmed resources and in drafting the Annual Implementation Plans for a total of 220 million euros.

#### **System-level Actions**

The System-level Actions, established by the CIPE (CIPE Ruling nos. 62/2011 and 78/2011) and governed by decrees of the Minister for Territorial Cohesion, are primarily aimed at supporting the launch of the new 2014-2020 national and community schedules and, especially at this current stage, at accelerating the implementation of strategic development and cohesion interventions.

The Parent Company is the Executive Body of the CIPE System-level Actions which confer it the role of

accelerator concerning investments and for the management of Institutional Development Contracts and other government programmes (e.g. the Development Covenants signed by the Government with Regions and Metropolitan Cities).

In particular, the governance of System-level Actions is delegated to the Political Authority for Territorial Cohesion and to the Department for Cohesion Policies of the Presidency of the Council of Ministers which, through the System-level Actions Departmental Committee, guides and coordinates the programme. The administrations concerned may co-finance the System-level Actions Programme for the interventions assigned to them.

During 2017, the Ministry of Cultural Heritage, Cultural Activities and Tourism [Italian acronym: MiBACT] and the Ministry of Infrastructure and Transport co-financed the System-level Actions. In particular, the MiBACT Managing Authority for the Culture and Tourism Excerpt Plan, with a decree of 20 November 2017 allocated 3.5 million euros in order to continue to use Invitalia as a Central Procurement Authority. The Infrastructure and Transport Ministry, in the person of The Director General of the Department for Infrastructure, Information Systems and Statistics, with a decree of 3 August 2017, assigned 2.5 million euros to ensure the implementation of the strategic intervention entitled "Implementation Acceleration of Action and Cohesion Plans for Infrastructural Development of the Mezzogiorno - Safeguard ACPs". The definition of the Addendum to the Contract of 3 August 2012 is still in progress. It shall cater for integrating the System-level Action financial resources with the other aforementioned resources.

The activities expedited in 2017, as part of the more important lines of intervention indicated by the Administration, are summarised below.

#### **THE GREAT POMPEII PROJECT INTERVENTION AREA - IMPLEMENTATION SUPPORT**

The work envisaged as part of the "Great Pompeii Project - Implementation Support" intervention was completed at the end of 2016 following the indications of the Departmental System-level Actions Committee of 29.09.2016. Under the "System-level Actions" Contract, Invitalia had implemented all the 2014 Action Plan activities as well as all the technical-design support activities requested by the Superintendency and by the Project General Director.

Pending the extension of the Activation Agreement delegating Invitalia as a Central Procurement Authority, the obligations set forth in the Agreement itself remain in place, as well as support commitments in favour of the Managing Authority for the 2007-2013 IOP, for the closure of Phase 1, and in favour of the Managing Authority of the 2014-2022 Culture and Development NOP for the start of Phase 2 of the Major Project.

The Agency has, in fact, supported the Pompeii Superintendency (Ministerial Decree 12.01.2017 - OIG of 10.3.17 assigns the Superintendency the new name of Pompeii Archaeological Park) in the management of the tender procedures for the Great Pompeii Project [GPP] interventions of the Terme Centrale and Terme del Foro and provided support for the management of the technical engagement with the European Commission for the monitoring of the Project's physical and financial progress. This engagement was summarised and highlighted in the acknowledgement of its advancement on the occasion of the closing event of the closure of the Cultural Attractors and Tourism IOP held in Pompeii on 3 July 2017 in the presence of representatives of the European Commission.

Invitalia has also contributed to the definition and launch of the communication campaign to disclose the results of the GPP on behalf of the European Commission, starting from the implementation of the Report on the 60 years of the EU. The intervention was completed in December 2017.

#### **STRATEGIC INTERVENTIONS - POMPEII EXTRA MOENIA**

The activities are carried out as part of the support to the General Directorate of the Great Project, among others, aimed at defining the Strategic Plan for economic and social recovery and the environmental and urban redevelopment of municipalities affected by the Management Plan for the UNESCO site "Archaeological sites of Pompeii, Herculaneum, and Torre Annunziata" (Law 112/2013) and also to support the determination of the possible forms of governance, including the Institutional Development Contract (IDS), in order to accelerate and qualify the implementation of the envisaged interventions.

At the meeting of 13.10.2015, the Departmental Committee approved the intervention aimed at supporting the definition of the Strategic Plan referenced above and requested Invitalia to carry out an analysis of the dynamics of the tourism market, with particular attention to the area comprising Pompeii and other UNESCO sites in the Vesuvian area.

In 2017, the tender procedure for the assignment of professional activities was conducted to carry out an analysis of the dynamics of the tourist market in the identified area (action plan, interview sampling plan with the contents of the questions and the identification of the targets as well as the distribution of the interviews to be carried out at the various sites in the Vesuvian area).

Following the Steering Committee of 11 March, with the attendance of representatives of the European Commission, updates were presented to inform on the timeframes associated with Great Project works in association with the General Project Directorate, also to define the replicability of the implementation methods for the planned interventions for the socio-economic development of the Vesuvian area.

#### **STRATEGIC INTERVENTIONS - SUSTAINABLE MOBILITY FOR THE AMALFI COAST**

Following the NOTICE of the Campania Region of 3.03.2017, the Invitalia technical offices initiated the assessment of the mobility system in the area of the Sorrento-Amalfi Coast analysing the draft plans of the connections under examination (San Lazzaro – Pogerola – Amalfi and Minori-Torello-Ravello). The results of the study (context, needs, supply, timing and methods of execution, etc.) were provided to the Regional Administration Authority in March 2017 and subsequent meetings.

#### **STRATEGIC INTERVENTIONS - CITY OF BARI COVENANT - THE COURTHOUSE DISTRICT**

On 15 March 2017, a session of the System-level Actions Committee expressed its favourable opinion on the opening of discussions to define the operational details of Invitalia's support for the implementation of the Bari "Courthouse District" intervention within the framework of the Pact for the Development of the Metropolitan City of Bari. Subsequently, Invitalia, in agreement with the municipal administration, defined the intervention requirements, quantified the need for resources and the timing for the construction of the project, analysed the documentation received from the Project's stakeholders and drafted a 'Road Map' proposal for a pre-feasibility analysis of the Bari Courthouse District.

The process of approving the contents of the proposal was therefore initiated and managed, both at central and local level, with the representatives of all the bodies involved and, in the first half of January 2018, a Memorandum of Understanding was signed between Invitalia and the State Property Agency for the promotion and implementation of cooperation and collaboration methods and instruments.

#### **STRATEGIC INTERVENTIONS - THE NAPLES COVENANT**

A joint examination was undertaken with the Metropolitan City of Naples in order to identify the requirements eligible for Invitalia support, also in accordance with the provisions of CIPE resolution 26/2016 and the agreements signed with the Authority for the Cohesion Policy. This allowed for the acquisition and assessment of documentation related to the activities for which the municipal administration has formally requested the support of Invitalia and, in particular, the latter has been presented with a work plan pre-feasibility analysis of "Transport systems located in the East-Naples area".

The aforementioned analysis consists of: general review of the urban and socio-economic framework of the area (completed in 2017), current and expected demand, current and planned supply, alternative technical scenarios, steady state operating costs, financial sustainability, costs and revenues, economic and social advantage, preliminary sensitivity and risk analysis.

#### **STRATEGIC INTERVENTIONS - 2018-2020 REGIONAL PLAN FOR SUSTAINABLE TOURIST DEVELOPMENT IN CALABRIA (RPSTD)**

The Calabria Regional Authority presented a request to activate the System-level Actions Programme for the implementation of strategic interventions. The System-level Actions Committee decided in favour of Invitalia's support for the updating of the Calabria Region Regional Plan for Sustainable Tourism Development (RPSTD) for the 2018-2020 three-year period. Thence, Invitalia proceeded to identify the goals, targets, intervention requirements, guidelines and actions applicable to the strategic proposal. The latter also quantified the need for resources and the time required to implement the requested intervention and prepared the executive Plan for the project activities agreed with the Regional Administration Authority. Following agreement on the aforementioned Plan, Invitalia proceeded to launch the planned activities and, in particular, the "Diagnostic Analysis of the Regional Tourism System", aimed at defining the reference framework and determining all the critical points and strengths that characterise the Calabrian tourism sector. The final report was completed and shared with the Regional Administration Authority.

Furthermore, on 19.10.2017, Calabria Regional Council Ruling no. 473 approved a specific loan to supplement the resources already available under the System-level Actions in order to launch the monitoring and disclosure of the Plan during the course of 2018.

#### **STRATEGIC INTERVENTIONS - DG OF TOURISM - 2017-2022 PST IMPLEMENTATION**

In March 2017, the MiBACT-DG of Tourism requested the activation of the System-level Actions Programme for the implementation of strategic interventions. The System-level Actions Committee responded positively on the same date, approving that Invitalia should support the drafting of strategic interventions for the implementation of the 2017-2022 Strategic Tourism Development Plan.

Thence, Invitalia performed the following actions, corresponding to 2 distinct but strictly complementary macro interventions:

1. *Construction and approval of the first Implementation Programme of the 2017 – 2022 PST*, applying the work methods already tested for the preparation of the same (continuous sharing of the contents and actions of the APs with the main public and private actors in the sector and timely approvals)
2. *Startup of the first Implementation Programme* through the monitoring of the executive projects, in particular the qualifying actions directly assigned to the MiBACT-DG of Tourism (included in the Programme itself and launched during the period of reference of the Programme) i.e. projects directly attributed to the DG of Tourism (with particular reference to those connected to topics of strategic importance indicated by specific directives and/or ministerial programmes).

The actions envisaged under intervention 1 have been completed and have qualified the management of the 6.07.2017 meeting of the Permanent Committee for the Development of Tourism in Italy.

With reference to intervention 2, support activities were carried out, in particular relating to the startup action line of the first Implementation Programme, through the monitoring of executive projects, in particular of the qualifying actions directly attributed to the MiBACT - DG of Tourism.

#### **System-level Actions – THE REGION OF SARDINIA**

During 2017, the Parent Company supported the Autonomous Region of Sardinia in the implementation of the "Strategic project on school buildings - Iscol @". Invitalia conducted a feasibility study to define innovative management models for vocational-technical schools addressing the thematic areas of the agricultural sciences, tourism and maritime economy. These should be capable of efficiently satisfying local educational and cultural needs allowing, in the scheme of alternating school and work experiences, the efficient and effective activation of networks among the enterprises present in the territory.

The activities were completed in October 2017 and the formal approval of the study by the Autonomous Region of Sardinia with note RAS-File ref. no. 2017/1657 was submitted by Certified Email.

### System-level Actions – MATERA

The support intervention in favour of the Municipality of Matera is part of the "System-level actions - strategic interventions" contract promoted by the Department for Economic Development and Cohesion, and the memorandum of understanding signed on 18 March 2016 between the Basilicata Regional Authority, the Municipality of Matera and INVITALIA.

The support was divided into three intervention macro areas:

1. Back-office and on-site support at the offices of the municipal administration involved in the management of the Matera 2019 Intervention Programme.
2. Activation of the Invitalia Central Procurement office.
3. The Matera Institutional Development Contract. The Institutional Development Contract for Matera "2019 European Capital of Culture" was signed on 26 September 2017. It covers 7 projects for which Invitalia has been designated as the Executive Body.

Starting from the end of September, Invitalia's activities were therefore aimed at defining the roles and procedures necessary for the implementation of the interventions (including the establishment of special accounting) and the sharing of the programming documents of the same (IPDs).

### Casal di Principe

The support intervention in favour of the Municipality of Casal di Principe is part of the System-level Actions - strategic interventions promoted by the Department for Development and Economic Cohesion. The municipality has requested INVITALIA support for the development of the intervention project for the "Construction of a school building to be used for kindergartens" and the management of tender procedures for the assignment of works.

The school building will be located on land confiscated from organised crime and already available to the Municipality pursuant to MD 767 of 13 September 2013.

The goal is to create a school structure that hosts all the functions, spaces and appliances of a kindergarten and has been sized for a catchment area of 120 students, meeting the standards set by the Ministerial Decree of 18.12.1975.

### The MiBACT Central Procurement Authority

The MiBACT, in carrying out its institutional functions for the protection of cultural heritage, signed an Agreement with Invitalia on 24 November 2015. The intent is to reinforce the activities of the competent central and peripheral offices designated as "Procurement Authorities" for the performance of the functions required for the implementation of conservation, renovation, promotion and cultural heritage enhancement projects.

In late 2016, MiBACT requested Invitalia to take action for a further 58 interventions for which the respective activation acts had been submitted for projects funded by strategic programmes such as the Culture and Development NOP and the 2014-2020 Development & Cohesion Fund. The intent was to launch tender procedures for the execution of works and contracts for technical design services.

In the course of the year 2017, Invitalia continued to perform its role as Central Purchasing Authority for MiBACT, ensuring, on the one hand, the reduction in the lead times for bidder identification, and on the other the acceleration of investment spending.

### The Infrastructure and Transport Ministry Action and Cohesion Plan - System-level actions - Launch of activities in April 2017

The Infrastructure and Transport Ministry (ITM) through the General Directorate for Territorial Development, Planning and International Projects is the Administrative Body responsible for managing the actions of the 2007-2013 Cohesion Action Plan related to "IDC - Railways and Roads", "Safeguarding" and "New Actions - City Plan".

The aforementioned GD requested Invitalia's support to accelerate the activities of the "Safeguard" ACP (whose budget amounted to approximately 459 million euros for the construction of 37 transport infrastructure operations). The request was also triggered by the correlation of the ACP Safeguard activities with those - concluded in the first quarter of 2017 - of the 2007-2013 Networks and Mobility NOP.

To this end, an agreement was established between the Presidency of the Council of Ministers - Department for Cohesion Policies, ITM and INVITALIA following a formal request by the GD of 22 March 2017 to activate a specific line of activities under the "System-level actions". This line is co-financed by the ITM with ACP resources - by means of the Decree of 3/08/2017 for an amount of 2.5 million euros. Pending the formalisation of administrative acts between the President of the Council of Ministers' Decree and the ITM related to the finalisation of this co-financing, technical support activities were initiated in April 2017, with particular reference to the recognition of the funded projects and the preparation of the necessary financial reorganisation of the Programme, in accordance with the indications of the Territorial Cohesion Agency (first reorganisation carried out in December 2017 and approved by the APC Action Group the same month).

### Taranto - Institutional Development Contract for the Taranto Area (Taranto area IDC)

On the basis of Article 7 of the Taranto IDC signed on 30 December 2015, Invitalia, is the IDC Executive Body and in this capacity conducts impetus-stimulating and relational activities for the implementation of IDC operations. Invitalia may operate directly or in support of administration authorities for the verification of the schedules for implementation and advancement monitoring of the Intervention Programme, for the design stages of new interventions and/or preparation of the technical drawings to a level suitable for tendering purposes. Invitalia acts as the Central Procurement Authority on the indication of the Institutional Discussion Group and/or requests from the Contracting Authorities as well as acting as the single Contracting Authority of the IDC Interventions.

The main activities conducted during the year concern the following interventions:

- Support for the preparation of the Intervention Plan for the Old Town Quarter of Taranto
- Feasibility study for the cultural and tourist development of the Maritime Military Arsenal of Taranto
- Actions to support the acceleration and implementation of the interventions envisaged by the Taranto IDC.

Furthermore, INVITALIA continued the central procurement authority activities for which it was designated in the "Construction of the New S. Cataldo Hospital" of Taranto, whose total cost amounts to 207.5 million euros. In particular, on 27 November 2017, the contract was signed with the assignee of the executive design service referenced in the call for proposals published on 19 October 2016.

### System-level Actions - Municipality of Rome

The Parent Company supports Roma Capitale in the implementation of the 1st Axis of the Metro NOP - Metropolitan Digital Agenda, with reference to the "Rome always connected" integrated action (referenced to Resolution no. 350 'Participation of Roma Capitale in the National Operational Programme of Metropolitan Cities, minutes of the meeting of 28/10/2015). In particular, INVITALIA supports the Roma Capitale Urban Authority in the identification of activities and the adoption of acts and instruments aimed at accelerating the implementation of digital agenda and smart city interventions (total financial value equal to approximately 10 million euros), with reference to the digitalisation of administrative procedures and the diffusion of PA digital services, fully interoperable with the national platforms offered to citizens and businesses as envisaged by the Italian Digital Agenda.

### **System-level Actions – Piombino**

Invitalia operates as a Central Procurement Authority with the role of Contracting Authority in support of the TUSCANY REGION for the implementation of measures to secure the areas of the former Lucchini di Piombino ironworks in safety. The project is assisted by a public funding of 50 million euros, of which 3 million euros transferred in co-financing under System-level Actions to cover Invitalia costs.

During the course of 2017, the contracts for the execution of the supplementary surveys were awarded and signed. These support the project, definitive and executive designs of the groundwater safety securement works. The Supervision Office for the execution of the supplementary investigations contract was established. The initial field work is scheduled to commence in January 2018 following the activation of the contracts.

### **System-level Actions – TRIESTE**

Invitalia operates as a Central Procurement Authority Unit and as an acting Contracting Authority to support the Extraordinary Commissioner for the Servola Ironworks - Trieste (in the person of the FRIULI VENEZIA GIULIA REGIONAL AUTHORITY) for the implementation of interventions for securing the water table in the areas of the Ironworks. The project is assisted by a public funding of 41.5 million euros, of which 2.5 million euros are transferred in co-financing under System-level Actions to cover Invitalia costs.

During the course of 2017, the contracts for the execution of the supplementary surveys were awarded and signed. These support the project, definitive and executive designs of the groundwater safety securement works. The initial field work is scheduled to commence in January 2018 following the activation of the contracts.

### **CONI**

On 13.07.2016, the Italian National Olympic Committee [Italian acronym: CONI], signed a Framework Contract with INVITALIA Spa to engage the latter pursuant to Article 55-bis of Italian Decree Law 1/2012, converted into Law 27/2012, for the purposes of economic, financial and technical activities - including those relating to engineering and architecture services now governed by Article 24 et seq. of ILD no. 50 of April 18, 2016, (hereinafter, the Procurement Code) – as well as in its capacity as "central procurement authority", as presently defined under Articles 3, par. 1, point (i), and 37 of the aforementioned Procurement Code.

On 20.09.2017, the first activation act was sent to Invitalia, with which CONI requested the initiation of procedures for the intervention entitled "Regeneration and upgrading, through extraordinary maintenance and functional restoration, of the Palermo Palazzo dello Sport - ZEN", reported in the list of priority actions.

### **Presidency of the Council of Ministers - Mission structure against hydrogeological instability for the development of water infrastructure**

The project, launched in May 2015, aims to support the Mission Structure against hydrogeological instability and the development of water infrastructure. It was activated by the Presidency of the Council of Ministers Decree dated 27.05.2014 and is tasked with implementing impetus-stimulation, coordination, monitoring and control in matters of intervention planning, scheduling and realisation.

In the area of hydrogeological instability, the activity goals are to provide technical support in identifying intervention requirements, priorities and funding sources as well as in the subsequent planning phases.

In June 2017, a new agreement was launched to give continuity to the current project in the 2007-2013 "Governance and Technical Assistance" (ERDF) project which merged with the Action Programme supplementary to the NOP entitled "2007-2013 (ERDF) Governance and Technical Assistance".

### **Action and Cohesion Programme Complementary to the NOP entitled "2007-2013 (ERDF) Governance and Technical Assistance" - Project listed as "Technical support for the Mission Structure sustaining coordination and impetus in school building renovation work" - Presidency of the Council of Ministers**

The project, launched in July 2017 in continuity with the previous supporting action, aims to support the Mission Structure for coordination and the impetus in the renovation of school buildings. It was activated by the Council of Ministers Decree of 27.05.2014 and is tasked with improving and reorganising the mass of investments destined to Italian schools.

The activity, as envisaged by the project, is aimed at providing technical support for the coordination of the competent structures within the Ministries responsible for managing and monitoring the school building renovation projects.

### **Action and Cohesion Programme Supplementary to the 2007-2013 (ERDF) Governance and Technical Assistance NOP - Technical support for the launch of full institutional and organisational functionality of the Territorial Cohesion Agency Office responsible for issues related to Metropolitan cities**

On 11 February 2016, the Parent Company signed a Contract with the Territorial Cohesion Agency (TCA) for the execution of technical support activities required to fully activate the institutional and organisational operations of the Competent Office on issues concerning the Metropolitan cities. Invitalia's role is that of Managing Authority for the "Metropolitan Cities" National Operational Programme" 2014/20 ERDF/ESF.

The financial coverage of the agreement is assured by the resources of the Cohesion Action Programme Supplementary to the NOP entitled "2007-2013 (ERDF) Governance and technical assistance".

The activities carried out in 2017 pursued the goal of ensuring the implementation of instrumental and preparatory activities for full functionality and fulfilment of the institutional functions assigned to the Managing Authority Office.

### **Project "Support for policies to combat counterfeiting"**

The Parent Company supports the Anti-counterfeiting General Directorate - Italian Patent and Trademark Office of the Department for Enterprise and Internationalisation (DGLC-UIBM) of the Economic Development Ministry in defining, strengthening and implementing policies aimed at protecting and enhancing Industrial Property and at countering counterfeiting throughout Italy.

In 2017, by virtue of the agreement signed on 29 December 2016, the DGLC-UIBM [the Anti-counterfeiting General Directorate - Italian Patent and Trademark Office] engaged Invitalia's operational support for the preparation of the "2017-2018 National Strategic Plan". The latter was adopted by the National Anti-Counterfeiting Council (CNAC) on 30 March 2017 and defines the national anti-counterfeiting policy for the 2017-2018 two-year period. Invitalia's support has sustained the relevant analysis and system creation for 50 project initiatives proposed by representatives of the Public Administrations, the Police Forces and the forces of production, in alignment with the Strategic Priorities of the Council.

### **Opposition to trademarks and patents**

The Parent Company has signed an agreement with the Economic Development Ministry (Anti-counterfeiting General Directorate - Italian Patent and Trademark Office of the Department for Enterprise and Internationalisation) for the provision of support services to upgrade the activity related to the trademark registration opposition procedure in order to simplify access to this procedure by SMEs.

The duration of the agreement is twelve months from the start of activities in July 2017.

#### **The ELISA Programme - Innovation Community**

The initiative is part of the activities that the Department for Regional Affairs and Autonomies (DRAA) of the Presidency of the Council of Ministers has entrusted to INVITALIA with the aim of supporting and sustaining the innovation processes undertaken with the ELISA Programme. To date, the ELISA Programme has enabled the implementation of 18 innovation initiatives involving numerous administration authorities throughout Italy. The Programme's areas of interest range from the integrated management of logistics and infomobility in public and private transport to measuring the quality of service provided by Public Administrations, including the integration and enhancement of work-related information systems and the integrated digital management of local authority services for tax and cadastral matters.

The Parent Company has provided technical support to specific territorial entities in line with the new organisational and functional structures envisaged by the so-called "Delrio Reform" through the definition of specific analyses and the contribution to the evolution and consolidation of innovation communities distributed throughout the country.

#### **The Ministry of Universities and Research [MIUR] - Support to the General Directorate for the Coordination, Promotion and Enhancement of Research for the definition of the Management and Control System governing the implementation of projects financed by the Development and Cohesion Fund and on the basis of Reg. EU 1303/2013**

The MIUR signed a Contract with the Parent Company on 03.02.2017 for the definition of the SIGECO [Italian acronym: SIGECO - Sistema di Gestione e Controllo - Management and Control System]. Under this Contract, Invitalia provided support to the General Management for Research Coordination, Promotion and Enhancement in devising the SIGECO (report, procedures and operational tools) for the implementation of the 2014-2020 NOP Research and Innovation projects and the 2015-2017 Transitional Research and Innovation Plan, financed with the ESI Funds (ERDF and ESF) and with the Development and Cohesion Fund, in compliance with the provisions of Reg. EU no. 1303/2013, the related descriptive documents referenced in Reg. EU n. 1011/2014 and by the CIPE Resolutions nos. 1 and 25 of 2016.

#### **Ministry of Universities and Research - Research and Innovation Activities**

The Ministry of University and Research (MIUR) stipulated a framework agreement to provide technical-operational support activities to the Research General Directorate. On the basis of the relative results achieved and having considered the outcome of the agreement for specialised support to the 1st level control over projects referenced in the 2007-2013 Research and Competitiveness NOP signed with the MIUR Managing Authority, Invitalia signed an additional agreement concerning the provision of services for the fulfilment of technical-administrative and procedural duties related to the approval and the provision of incentives for industrial research projects submitted under the various calls for proposals managed by the MIUR - Research Department offices of the same Ministry. Up until the first months of 2017, these tasks had been performed by banks.

As per the two pre-existing agreements, in order to ensure the execution of the activities related to the recent contract, it was necessary to set up a specific working group composed of qualified experts with specialist skills in the field of checks and controls in the provision of government aid in Research and Innovation fields.

The primary activities in 2017 were carried out in continuity with those already launched during the previous years.

#### **Internal Areas**

The Parent Company supports the Internal Areas Technical Committee established at the Department for Cohesion Policies of the Presidency of the Council of Ministers and the Agency for Territorial Cohesion in the implementation of the National Strategy for Internal Areas [Italian acronym: SNAI]. Said strategy has been promoted by the Italian Government within the 2014 - 2020 Partnership Agreement and it is aimed at contrasting demographic decline and marginal economic disadvantage of an important part of the country. Invitalia's support covers the entire implementation process drawn up by CIPE Resolution no. 9/2015, ensuring its specific contribution throughout the entire endeavour which, starting from the analysis of the needs expressed by the individual Areas, leads to the drafting of the Area Strategies and the signing of the Framework Programme Agreement which implements designated interventions in the School, Health, Mobility and Development sectors.

The financial resources for the implementation of the Strategy are provided by European funds managed by the Regional Authorities for interventions that fall within the scope of cohesion policies, and by resources specifically allocated by the Stability Laws based on the allocations of the Revolving Fund. The last 2018 Budget Law establishes that the authorisation of expenditure in favour of internal areas, based on Revolving Fund allocations, amounts to a total of 281.18 million euros broken down as follows: 16 million euros for 2015, 60 million euros for the year 2016, 94 million euros for the year 2017, 20 million euros for the year 2018, 30 million euros for the year 2019, 30 million euros for the year 2020 and 31.18 million.

By December 2017, almost all the pilot areas (i.e. the first areas identified by the Regional Authorities) had completed the design process, receiving the approval of the Strategy from the Internal Areas Technical Committee. Moreover, six of these signed the related Framework Programme Agreement (Basso Sangro – Abruzzo; Upper Irpinia – Campania; Antola Tigullio – Liguria; Upper Valtellina – Lombardia; Valchiavenna – Lombardia; Basso Pesarese and Ancona Apennine areas – Marche).

Furthermore, in 2017, 20 Strategy drafts were approved by the Internal Areas Technical Committee, 17 of which belonging to second and third areas identified by the Regional Authorities. During the year, 23 new internal areas launched their design phases by presenting their draft strategies (i.e. those of second, third and fourth ranking).

For five areas (Alto Aterno - Abruzzo, New Maceratese - Marche, Ascoli Piceno - Marche, Val Nerina - Umbria, Monti reatini - Lazio) that intersect the earthquake area identified by the Decree Law no. 189/2016 following the August and October 2016 earthquakes, a simplified design procedure was approved in agreement with the State-Regions Conference in order to speed up the implementation phase.

#### **Support for Public Administration Authorities engaged in the regulatory, organisational, planning and efficiency aspects of economically significant local public service networks (the ReOPEN LPS PROJECT)**

On 04.05.2017, the Department for Regional Affairs and Autonomies (DRAA) of the Presidency of the Council of Ministers, as Beneficiary of the 2014-2020 Governance and Institutional Capacity NOP and Invitalia Spa, as the Executive Body, signed the Contract for the activation of the ReOPEN project admitted to financing by the Managing Authority with note file ref. AICT 3462 - 11/04/2016 and with subsequent note file ref. AICT 5829 - 04/07/2016 which approved the current Project Draft.

ReOPEN SPL, in continuity with the experience gained in the period 2007-2013 (GAS NOP), aims to improve the skills of the administrations involved in the organisation and efficiency processes of networked Local Public Services (LPS) of general economic interest, with particular reference to integrated water utilities, urban waste management and local public transport.

During the period of reference, a mapping was drafted of the actors involved in the administrative-institutional chain of local public services of general economic interest and of the corresponding functions. Its purpose was to identify possible topics of specific interest (investment planning, assignment, management regulation, etc.), as well as to detect any critical issues and/or requirements on which to intervene, also in the context of direct support activities.

In order to ensure attainment of the goal of facilitating operational processes and identifying critical issues at the territorial and sectoral levels, activities have been launched to research and identify the relevant regulatory-jurisprudential information, at the national and regional level, in the various intervention sectors. The aforementioned activities are necessary for initiating data mining operations and providing suitable working tools for the Observatory.

#### **The Infrastructure and Transport Ministry - National Operational Program Managing Authority and Certification Authority" Networks and Mobility" 2007 - 2013**

On 10 November 2015, two agreements were signed between Invitalia and the Infrastructure and Transport Ministry – General Directorate for Land Development, Planning and International Projects, aimed at supporting the Managing and Certification Authorities of the 2007 - 2013 Networks and Mobility NOP in the closure of the Operational Programme. The support was channelled via a specialised service provided to the same Authorities in the implementation of the functions of implementation, management, monitoring and control of the first level and certification of expenses incurred in respect of investments financed by the NOP.

The activities, completed on 30 March 2017, have led to the verification of the eligibility of all the expenses requested for reimbursement by the NOP beneficiaries. In the first quarter of 2017 administrative/accounting checks were carried out on 63 Refund requests for a total value of almost 99 million euros and a certification of expenditure of approximately 86 million euros.

The results produced by the work group in carrying out the activities led the Ministry of Infrastructure and Transport to request the support of Invitalia also for the implementation of technical support activities for the Coordination Structure of the Action and Cohesion Plan (ACP) and the structures responsible for the implementation and management of interventions in the functions of addressing, assessing and selecting interventions as well as monitoring the progress of the Programme.

#### **Infrastructure and Transport Ministry [ITM] – Mission Technical Structure [MTS] for strategic guidance, infrastructure development and Intensive Surveillance**

The Contract of 23 December 2015, scheduled to expire on 23 December 2016, was extended until 30 June 2017 with unchanged the economic terms and applicable financial framework (ITM file ref. Invitalia no. 21299/CT of 14/12/2016). MTS requested a further extension in order to complete the activities already underway and to ensure their continuity. Hence on 28 June 2017 an addendum to the Convention was signed with validity until 30 April 2018.

Thence, the specialist activities in support of the Mission Technical Structure continued during the course of 2017. They were implemented via a working group composed of resources from within the Agency and sector experts, some well-known in the transport engineering field also at national level. The working group operated on the basis of the guidelines and specific needs of the MTS.

The planning of transport activities at national and European level has been substantiated in the revision of road, motorway and railway, freight transport as well as logistics projects, with particular reference to ports and inter-port facilities. The project review activity sustains the updating of the General Transport and Logistics Plan (GTLP) and the drafting of the Multi-Year Planning Document (MPD), whose compilation continued during 2017. In order to prepare the General Transport and Logistics Plan, The MTS requested that a specific research project be undertaken on urban mobility and on the perspectives of the evolution of collective transport services, in the light of the opportunities offered by technological developments. (ITS).

The Mission Structure support activities also included the economic-financial assessment of road and motorway projects.

The process of assistance and mediation continued on the main critical issues relating to infrastructure of public interest and with the drafting of the implementing decree envisaged by Article 22 of ILD 50/2016 on Public Debate.

#### **Ministry for Cultural Heritage and Tourism - MiBACT General Directorate for Tourism: support for the implementation of Article 19 of Prime Ministerial Decree no. 171 of 29 August 2014**

Following the Contract extension requested by the MiBACT Tourism General Directorate, the activities carried out by the Parent Company during January and February of 2017 consist of two macro actions, which in turn are broken down into activity lines and specific tasks:

ACTION 1 – Drafting, sharing and disclosure of the National Tourism Plan.

ACTION 2 – Qualification of the institutional activities on the part of the Directorate General for Tourism, functional to the elaboration and implementation of the National Tourism Plan.

As part of Action 1, support actions were implemented for the drafting of the National Tourism Plan, the drafting of Pilot Projects for the tourism-oriented development of territorial areas or specific intervention contexts for the coordination of institutions, operators and the community in their development of the National Tourism Plan; disclosure and launch of the Plan. The results of this support work have contributed, among others, to ensuring the approval of the Plan during the Council of Ministers meeting of 17 February 2017.

By way of example, the following institutional processes were supported as part of Action 2:

- drafting of applicable methods for selecting the actions to be included in the first Implementation Programme and sharing of the database and procedures with the Permanent Committee for the Promotion of Tourism in Italy;
- coordination of the Implementation of the Directive of 2 December 2016 issued by the Minister of Cultural Heritage and Tourism "2017 - Year of the Villages of Italy";
- participation in the Working Group established by Decree of the Infrastructure and Transport Minister for the definition of the technical requirements for the design and implementation of a national tourist cycle path system.

Furthermore, the design of the institutional website of the MiBACT Tourism GD has been completed in order to make it adherent in design and functionality to the new guidelines for Public Administration websites, and to provide it with its own independent navigation and contents consistent with the new, numerous GD Tourism activities.

#### **Ministry of the Interior – Department for Civil Liberties and Immigration**

On 28 May 2015, the Ministry of the Interior - Department for Civil Liberties and Immigration - signed a Framework Contract with the Parent Company to regulate the methods of participation and activation of the latter by the Ministry itself and by the Prefectures -UTG [Ufficio Territoriale del Governo - Territorial Government Offices] on the territory, as peripheral elements of the Central Administration structure.

This framework agreement was signed in order to rationalise and streamline processes related to public spending and the Ministry's pursuit of immigration and asylum policies. Furthermore, the framework intent is also to promote all actions aimed at improving the quality and implementation acceleration of interventions aimed at providing the country with adequate facilities for accepting migrants.

During 2017, the Ministry of the Interior drew up the October 2017 Programme of interventions, through which 9 activations were implemented (5 interventions for the fulfilment of the functions of the Central Procurement Authority and support to the RUP [Italian acronym: RUP - Responsabile unico del Procedimento - Project Responsible Officer] and 4 interventions for the performance of the Contracting Authority function):

During the reference period, the design activities were carried out by Invitalia's internal staff relating to 6 tender procedures for the construction of First Aid Centres and Acceptance Structures in ports.

Furthermore, during the year of reference, Repatriation Detention Centre design work was started for the former Serini Barracks in Montichiari, Gradisca d'Isonzo and Oppido Mamertina and for the reception centre of Borgo Mezzanone.



## Post-earthquake reconstruction interventions in Central Italy

### *Actions in support of the Extraordinary Commissioner*

The "Contract for the identification of personnel to be deployed on technical-engineering and administrative-accounting support activities aimed at confronting the needs of populations affected by the earthquake of 24 August 2016 in the regions of Abruzzo, Lazio, Marche and Umbria" was signed on 6 December 2016. The Commissioner's Office and the Special Offices for Reconstruction have initiated their respective activities in support of the persons in charge of preparing the regulatory texts, identifying the actions necessary for the immediate repair of residential and production-related buildings and defining the access procedures in favour of populations affected by the earthquake. The assigned resources are simultaneously proceeding with the surveys for post-seismic habitability, the identification of residential buildings capable of accommodating displaced persons, the verification of areas where to install emergency housing, activation of information desks to disseminate information useful for the start of reconstruction and for the recovery of the territory. In this context, the Agency has responded to the support requests submitted by the various Offices that have employed Invitalia staff in various intensive support tasks throughout the territory. These include: assisting the Municipality technical departments (numerous operators of the Marche Special Reconstruction Department [USR - Ufficio Speciale Ricostruzione] have been operating in the municipalities of Visso and Tolentino, conducting approximately 1800 inspections aimed at compiling FAST [preliminary post-seismic building habitability report] record sheets); providing support to the technician teams assigned to FAST and AEDES [post-seismic building habitability reports]; providing support for seismic inspections on churches, schools and public buildings in general located throughout the affected territory. For the year 2018, the 80 resources distributed among the Special Reconstruction Departments of the 4 regions affected by the earthquake will continue the activities underway, according to the needs of the departments themselves, in the various intervention sectors: public and private reconstruction, reconstruction of production-related structures.

### *School buildings*

With reference to the public reconstruction work referenced in Article 14 of Italian Decree Law no. 189/2016 (converted and amended by Law no. 229 /2016), on 22 February 2017, the Extraordinary Commissioner expressed the requirement that the Commission Structure should also perform design work, with particular reference to school buildings subject to the commissioner's order no. 14 of 16 January 2017. For the purposes of validating drawn up project designs, the same Ordinance prescribes preliminary inspections on the designs themselves, hence the Extraordinary Commissioner requested the Agency, without prejudice to the extant agreement framework, to undertake a supplementary effort to identify additional staff of the Agency itself for seconding to the Commissioner's structure.

Italian Law no. 45/2017, which converted and amended Decree Law no. 8/2017, prescribed that the Contract framework, aimed at regulating relations between the Special Commissioner and the Agency in its capacity as a central procurement authority, should also govern the design-related tasks expedited by Agency staff seconded to the Commissioner's Structure.

In light of the new regulations introduced by Italian Law 45/2017, and pending the issuance of the envisaged Interministerial Decree, the signing of the agreement pursuant to Article 18, paragraph 3, of Decree Law no. 189/2016 was postponed to 2018.

### *Activities for 2018*

In order to accelerate public works projects, Italian Decree-Law 148/2017, which amended Article 15 of Decree-Law 189/2017, has identified additional actors besides those already envisaged, thus extending participation to the State Property Office, the dioceses, the Municipalities and other bodies delegated by the Regional Authorities.

In this context, besides acting for the Mibact and the ITM, the Agency retains its Central Procurement Authority role for works also contracted by the State Property Agency and, where applicable, by the Regional Authorities.

With regard to the amounts allocated, it should be noted that: Ordinance no. 33 concerning "Approval of the extraordinary programme for the reopening of schools ..." identified 87 projects for a total of 231 MIL; Ordinance no. 37 concerning "Approval of the first programme of reconstruction, repair and restoration of public works ..." identified 218 interventions for a total of 208 MIL; Ordinance no. 38 concerning "Approval of the first intervention plan for artistic and cultural heritage assets..." identified 104 interventions for a total of 170 MIL.

Finally, during last January, the Extraordinary Commissioner approved a plan for public works - allocating a total of 1.035 billion euros - which will involve the Parent Company following the signing of special agreements with the above-mentioned actuators.

In the year 2018, the Parent Company will therefore be engaged in ancillary procurement activities aimed at conferring specific planning appointments for the aforementioned works projects as well as acting as the Central Procurement Authority for the execution of the tender procedures referred to the same works projects.

### **ANCI Contracts**

On 9 February 2017, ANCI and the Parent Company signed a Framework Agreement to activate institutional collaborations aimed, among other things, at offering a system of services to Italian Municipalities and to all national administrations, with the intent of maximising effectiveness and efficiency of all local and/or national public policies that involve municipal administrations. The Framework Agreement establishes that the Parties are subject to compliance with the regulations contained in the individual Executive Acts, to be signed also in subsequent stages.

In implementation of the signed Framework Agreement, in July 2017 the first opportunities for immediate operational collaboration were identified in the "welfare" and "environment" areas. From the beginning it will be possible to highlight the desired skill and experience synergies.

On 12 and 19 July 2017, ANCI (which implements them in favour of the Administrations) and Invitalia signed 6 Executive Agreements with a 31.12.2017 horizon:

Invitalia's activity-related financial commitment amounts to 1,021,048.01 euros plus VAT.

At present, the progress reports for the July-September 2017 period have been prepared and they have already been validated by the ANCI, Contracting Party. Presentation of the final reports up to 31.12.2017 is underway.

### **Incubators**

The National Network of Incubators consists of 30 centres created by the Parent Company over the years or by the companies that participated in its formation. They are managed by entities with a public stakeholding who have joined the network by virtue of specific deeds. Eleven of these centres are located in Agency buildings on the basis of property ownership or other usage rights as indicated in the tables below.

Incubators owned by the Parent Company:

- Cerignola (FG)
- Terni
- Marcianise (CE)
- Pozzuoli (NA)
- Salerno

#### Incubators at the disposal of the Parent Company

Site	Title	Expiry date	Ownership
Modugno (BA)	concession	December 2025	Bari Industrial Park
Viggiano (PZ)	usufruct	September 2034	Potenza Industrial Park
Matera	sub-concession	November 2035	Municipality of Matera
Termini Imerese (PA)	concession	April 2034	Palermo Industrial Park
Messina	concession	April 2024	University of Messina

The establishment of the incubators has been financially supported by the following laws:

- Italian Law 67/88 financed the construction of incubators in Calabria, Campania and Sardinia.
- Italian Law 181/89 financed the establishment of incubators also in the Centre-North of Italy in the context of the interventions in industrial crisis areas.
- Italian Law 208/98 (CIPE Resolution no. 133 - 11.11.98) financed the construction of incubators in the Abruzzo, Basilicata, Puglia and Sicily regions, as well as the activation of a facilitation instrument, the Incentive Fund, reserved for incubator companies.

With regard to the Termini Imerese incubator, it should be noted that the further deterioration of the conditions of Sviluppo Italia Sicilia and the will of its sole shareholder, The Sicilian Regional Authority, have determined the company's bankruptcy. This precludes the company's management of the property, even on a pro forma basis. During the year, the institutional mediation activity aimed at identifying a manager continued incessantly, also following the indications of the Regional Authority that had put forward the interest of the Science and Technology Park of Sicily. Given the difficulties highlighted during the negotiations, also this hypothesis proved to be non-viable. Consequently, a focused dialogue was initiated with a number of operators engaged in local development, capable of assisting the Municipality of Termini and integrating management skills and roles. In July, the ministerial commission ascertained total expenditure of 5.028 million euros, charged to the resources of Italian Law 208/89.

With regard to the implementation of the Programme Agreement for establishment of the Genoa incubator, during the course of the year the course that led to the transfer of resources of Law 296/06 for an amount of 15.403 million euros from the EDM to Invitalia, thence to the Liguria Regional Authority and subsequently to FILSE [Italian acronym: **Finanziaria Ligure per lo Sviluppo Economico – Liguria Economic Development Financing Agency**], enabling the latter the purchase of the real estate portions. Consequently, the contractual framework for the provision of the structure to Invitalia was defined, pending the indications for endowing the incubator with the resources envisaged by Law 80/05. The incubator in preparation will be managed by the IIT [Italian acronym: **Istituto Italiano di Tecnologia – Italian Technological Institute**].

The process of establishing the Milan incubator suffered delays caused by the City Administration's need to verify the approval process for the issue of the applicable habitability permits, only at the end of the year identified in the building permit, which we proceeded to request. During the year, the tendered contract for the final project design was awarded and the related plans were received. The tender for the works construction phase will be announced in 2018.

With regard to the Messina incubator, it should be noted that the managing body Sviluppo Italia Sicilia, in bankruptcy since May 2017, has for some years effectively abandoned the property in order not to incur management costs. Invitalia is accountable to the University of Messina, owner of the structure granted in use until 2014, for the ordinary and extraordinary maintenance of the property and keeping it in proper working order. During the year, an early termination negotiation was undertaken with the University so that the structure may be restored to the same to serve its own institutional needs and activities.

With reference to the proprietary incubators located in the Campania region that in 2013 had been leased to Sviluppo Campania Spa, wholly owned by the Regional Authority, it should be noted that at the expiry of the management term in January 2017, Sviluppo Campania announced its intention to not renew the agreement but that it was not able to return the buildings free of occupants and material. In 2017, Invitalia launched an institutional programme with the Campania Region and the involved Municipalities, aimed at identifying an agreed solution for the enhancement of incubators. The agreement basis envisaged that the municipalities concerned would take on the management of the centres, without any consideration paid to Invitalia, thus ensuring operational continuity. Despite intense formal negotiations, the entire process was not completed in 2017 and the most appropriate solutions, including legal ones, are being assessed to ensure the enhancement and functionality of the structures.

#### Implementation Status of Contracts Previously Managed by Invitalia Attività Produttive (IAP)

With regard to the contracts independently managed by IAP until it was absorbed by the Parent Company, in 2017 the progressive resolution of administrative problems related to specific contracts continued, with particular reference to the compulsory recovery of debts claimed from the Sicilian Regional Authority, the collection of invoices issued to the Apulia Regional Authority and by submitting all the accounting-administrative documentation required for the certification of 19 contracts financed under European Funds OP ERDF Sicily 2007/2013. Finally, there was a continuation of legal efforts addressing ongoing disputes.

The following contracts still ongoing:

##### 1) Reclamation of the former Nissometal industrial area

On 8 February 2017, work was completed in order to release the areas previously certified as reclaimed pursuant to Article 248 of Italian Legislative Decree 152/06. Some excavations are still required to complete the remediation work in the remaining area.

To date, 8 Work Progress Reports have been submitted, certifying completion amounting to €8,886,668.61 plus VAT. For each Work Progress Report submitted, the Project Responsible Officer has issued the relevant Payment Certificate.

##### 2) Emergency safety securement of the sites "Campo Sportivo ex Feudo" and "Campo Sportivo San Focà" located in the municipality of Priolo Gargallo-SR

Litigation is still underway with the Assignee (Daneco) following withdrawal from the contract on 17.09.2015.

With regard to the proceedings before the Civil Court of Rome for the non-payment of the Guarantee by Unipolsai, the firm Lipani (acting for Invitalia) submitted the preparatory phase report to the same Court on 12 January 2017.

Regarding the clearance of the areas for re-delivery (which would have otherwise damaged the subsequent Assignee), the project plans were drafted and the tender documents were sent to the Legal Department for assessment in order to proceed with the assignment.

##### 3) Works Supervision, measurements, accounting and Construction Phase Safety Coordination during the erection of temporary roofing and regulation of landfill biogas for the municipal solid waste facility located in Contrada Cardona in the Municipality of Syracuse.

Landfill work remains incomplete due to a partial suspension ordered by the Works Supervisor as directed by the Project Responsible Officer. The suspension concerns the execution of rainwater drainage and discharge to the peripheral groundwater bodies external to the landfill, pending completion of the authorisation process initiated at the Syracuse Civil Engineering Department for the surface rainwater collection and discharge system. The activities are expected to be completed in 2018.

#### 4) Urban construction works for the Mediterranean Studies University of Reggio Calabria

Also in 2017 this assignment continued to suffer pre-litigation problems. In particular, on 17.1.2017, the Temporary Consortium CIsaf, filed an application for the exclusion of the principal N&G Geologia Srl, hit by antimafia regulations, by grouping criteria, and issues related to contextual work lots that the same was contracted to deliver by the other principal, GEA srl.

Given the interpretative uncertainty on the subject, Invitalia has requested ANAC to provide an opinion on the correctness of the exclusion of the principal and other aspects concerning the contract in question, to which ANAC has responded positively, confirming said exclusion. Efforts were then repeated to verify the defects in the bid submitted by the temporary Consortium CIsaf, preceded by a request for the presentation of additional justifications of the offered price and, following the positive outcome of the defect verification, a request for the definitive award decision with effectiveness bound to the positive outcome of the checks on the applicable requisites. On this occasion, it emerged that the principal CIsaf did not meet the requirements for the execution of 60% of the works in the prevalent category and the separable items constituting the tender basis. Consequently, a notice was issued to initiate the revocation of the award to the interested temporary. The Temporary Consortium Costruzioni Idrauliche Stradali Agrarie Forestali C.I.S.A.F. Spa, in its capacity as principal in the Temporary Consortium formed together with principal GEA Srl, submitted its counterclaims accompanied by a set of correspondence with the certification company SOA Group Spa. Following a meeting with legal counsel, a request for clarification was sent to SOA Group Spa regarding the qualification certificates issued and the matter is currently remains under examination by the Project Responsible Officer and the lawyers.

#### 5) Works Supervision for the Dimeg Unit of the Polytechnic of Bari

With Technical Administrative Committee vote no. 101 held on the meeting of 31.10.2017, the redetermination of the contractual term was approved at the request of the company. Hence the new contractual term is set at 08.12.2017; since the works are not yet completed, the company will subject to penalties. On 19.12.2017, the stairway A was delivered ahead of schedule; it represents an access route to the various floors and an important escapeway for the Polytechnic students.

The 6th Work Progress Report is currently under preparation; it is scheduled for 11.01.2018, for an amount of approximately €2,000,000, corresponding to approximately 75% of the contract amount.

The substantial completion of the works is scheduled for mid-February 2018.

#### 6) Project implementation under the 12 October 2007 Programme Agreement for re-industrialisation and competitiveness of the of crisis area comprising the industrial sites of Ottana, Bolotana and Noragugume.

The operations entitled "Implementation of works relating to the redevelopment of the Ottana (Nu) industrial site under the Programme Agreement for re-industrialisation and competitiveness of the of crisis area comprising the industrial sites of Ottana, Bolotana and Noragugume" were completed in 2016. The relevant commissioned electrical, lighting and video surveillance plant was handed over to the Consortium. Following repeated reminders to the Managing Body "e-distribution" network utility, the MV electric substation is still awaiting to be connected. This operation will enable the full commissioning of the interventions and the handover of the areas to the Nuoro Industrial Park Consortium.

Following the tender procedure, INVITALIA stipulated the relative contract for the disposal of waste present in the areas owned. The contractor has partially completed the project but since it has not

complied with the complaints raised, INVITALIA has ordered withdrawal from the contract with demand for damages.

Following a specific request from the Arpas of Nuoro, the Municipality of Ottana issued a notice requesting that "for one year, Invitalia should continue quarterly monitoring of all piezometers strictly for those parameters that exceed CEC levels. At the end of this period, the bodies in charge will assess the resulting situation ...". INVITALIA proceeded to assign the groundwater monitoring programme and safety securement measures for an amount of €92,770.29 as approved by the competent bodies.

#### Central Procurement Authority Services

Decree Law of 24 January 2012 entitled "Urgent provisions for competition, infrastructure development and competitiveness", converted and amended by Article 1 of Italian Law no. 27 of 24 March 2012, in Article 55-bis, par. 2-bis, asserts "... the intent to accelerate the implementation of strategic interventions for territorial cohesion and economic growth, with particular reference to those concerning the underutilised areas of the Country, financed with national resources, by the European Union and by the Development and Cohesion Fund, as referenced in Article 4 of ILD no. 88 of 31 May 2011, also focusing on the rationalisation and achievement of greater efficiency in the relative spending procedures. For projects financed with European funds in this context and on the basis of special agreements for the regulation of the applicable relations, the administrations concerned can exploit the services of the National Agency for the attraction of investments and Enterprise Development Spa as a Central Procurement Authority pursuant to Article 3, par. 34, Article 19, par. 2, and Article 33, par. 3, of the code regulated by ILD no. 163 of 12 April 2006, within the sphere of its institutional competence and without prejudice to the provisions in force concerning the procedures for the procurement of goods and services".

With the introduction of the new public procurement regulations pursuant to ILD no. 50/2016 (the Code for Public Procurement), Article 38 therein enrolled INVITALIA in the ANAC register of qualified Contracting Authorities which also comprises the Central Procurement Authorities, together with the Infrastructure and Transport Ministry, including the Interregional Superintendencies for public works, CONSIP SpA, as well as regional aggregator entities pursuant to Article 9 of the Decree Law no. 66 of 24 April 2014, converted and amended by the Italian Law no. 89 of 23 June 2014.

In the course of 2017, the Central Procurement Authority tenders initiated or underway addressed the execution of tender procedures for interventions related to the following Agreements/Contracts/legal provisions:

- a) Agreement pursuant to the "System-level Actions" Contract within the "Great Pompeii Project";
- b) Framework Contract with the Ministry of the Interior, Department for Civil Liberties and Immigration, signed on 28.05.2015;
- c) Framework Contract stipulated on 24 November 2015 with the Ministry of Cultural Heritage and Tourism;
- d) Agreement pursuant to the "System-level Actions" Contract with the Extraordinary Commissioner for the implementation of the Programme Agreement for the Servola Ironworks Area, signed on 14 March 2016;
- e) Agreement pursuant to the "System-level Actions" Contract for operations on the Reclamation Site of National Interest of Piombino signed with the Tuscany Regional Authority on 24 March 2016;
- f) Contract for the performance of tasks and functions assigned to the Executive Body under Article 33 of ILD no. 133/2014 as amended and by the Decree of the Presidency of the Council of Ministers of 15 October 2015 for the preparation and implementation of the program for environmental rehabilitation and urban redevelopment of the Bagnoli-Corogli area of significant national interest signed with the Special Commissioner for the environmental remediation and urban regeneration of

the Bagnoli-Corogli area of significant national interest on 22 December 2015, which regulates the performance of the tasks and functions assigned to INVITALIA as the Executive Body for the "environmental rehabilitation and urban regeneration programme" of the Bagnoli – Coroglio national interest site;

- g) Programme Agreement of 26 September 2007 signed with the Economic Development Ministry, the President of the Sardinia Region and the President of the Nuoro Industrial park Consortium, for the re-industrialisation and competitiveness of the crisis area including the industrial sites of Ottana, Bolotana and Noragugume;
- h) The Agreement pursuant to the System-level Actions Contract signed with the Municipality of Casal di Principe on 23 November 2015;
- i) the Decree Law no. 189 converted and amended by Article 1 of Italian Law no. 229 of 15 December 2016, containing "Urgent interventions in favour of the populations affected by the earthquakes of 2016", and in particular, Article 18 on the "Central Procurement Authority";
- j) Institutional Development Contract "Matera 2019 European Capital of Culture" signed on 26 September 2017 with the Prime Minister's Office; the Environment, Infrastructure and Transport, Cultural Heritage and Tourism and Territorial Cohesion Ministries; the Basilicata Regional Authority; the Municipality as well as the Matera City Coordinator for the implementation of structural interventions, events and initiatives;

It should be noted that all procurement tenders were handled by Invitalia using an online-procurement solution (IT Platform accessible at <https://gareappalti.invitalia.it/>), thus achieving greater efficiency, safety 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 remediation and urban regeneration of the Bagnoli-Coroglio district**

The year 2017 saw the continuation and updating of the Environmental Remediation and Urban Regeneration Programme in continuity with the efforts undertaken in 2016. With this in mind, conditions have been established for sustaining continuous dialogue with the Municipality of Naples and the Campania Region in order to share the applicable parameters and envisaged operations.

The process of information and institutional consultation for the collection of suggestions and proposals by Institutional stakeholders was carried out and concluded with regard to the interventions for the adaptation of infrastructure and the choices of urban regeneration in the Bagnoli-Coroglio area already started in 2016.

With reference to the priority reclamation works, the maintenance of the Arenile Nord [Northern Sandy Shore] was completed, including the new sea defence dykes. The restored areas were handed over to the Commissioner under safe and environmentally secure conditions.

On 10.02.2017, the Court of Naples granted the Invitalia technical experts permission to access the area in order to characterise the soils and subsequently proceed with verification of their state of contamination.

These activities have been completed and the related data has been submitted to the competent control bodies for validation (ISPRA, Arpa Campania, ARPA Veneto).

For the land reclamation, experimentation activities have started for the Phytoremediation techniques in order to verify the effectiveness of this technology.

As part of the Research Project coordinated by the Anthon Dohrn Zoological Station, the samples for the characterisation of the marine sediments of the bay were completed. These will serve as the basis for chemical-physical and toxicological analyses and definition of the volumes of sediments to be dredged.

On 14.06.2017, the State Property Agency sent a note with which it formalised the conclusion of the appraisal procedure. The resulting overall valuation of the transferrable properties of Bagnoli Futura Spa, in bankruptcy, amounted to approximately 68 million euros.

On 10.07.2017, the real estate asset complex was acquired.

The procedure for transcribing land and building records in public real estate registers is currently underway.

Following the determination of the aforementioned value, the Bagnoli Futura bankruptcy receiver presented opposition to the Regional Administrative Court and the Court of Appeal of Naples.

Following the determination of the aforementioned value, the Parent Company also proposed opposition to the Naples Court of Appeal complaining of an incorrect application of the assessment criteria, which do not reflect market conditions, as prescribed by Article 33, paragraph 12 of Decree Law 133/2014.

On 18 December 2017, the Services Conference took place which acknowledged the SNPA's (National Environmental Protection System) validation of the Characterisation Plan results and approved the feasibility project on the completion of the reclamation interventions in the former Eternit location, opting for the hypothesis of the complete removal of asbestos, as proposed by Invitalia.

The work of updating the Environmental Rehabilitation and Urban Regeneration Programme have proceeded and have been further developed by through a continuous dialogue with the Municipality of Naples and the Campania Regional Government which led to the signing of the Interinstitutional Agreement between the Italian Government, the Municipality of Naples and the Campania Region of 19.07.2017 and the subsequent endorsement and ratification of the same by the 04.08.2017 Steering Committee.

With the signing of the Inter-institutional Agreement, Article 2 established the thematic Discussion Groups attended by the Extraordinary Commissioner's technical experts, the Executive Body, the Municipality of Naples and of the Campania Regional Authority. Its goal is to define shared solutions on strategic issues for the New Area structure.

The work undertaken subsequent to of the Interinstitutional Agreement was endorsed by the 21.12.2017 Steering Committee and became the basis for the updating of the PRARU [Italian Acronym: Programma di Risanamento Ambientale e di Rigenerazione Urbana - Environmental Remediation and Urban Regeneration Programme].

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

The EU Planning area within the Parent Company was set up to implement EU programmes and in particular to perform activities previously assigned to the former Institute for Industrial Promotion (abolished by Decree Law of 31 May 2010 converted into Italian Law no. 122/2010).

The Parent Company also acquired, in compliance with the provisions of Italian Law no. 135 of August 2012, the activities of Promuovi Italia in favour of the Economic Development Ministry, as required by law (Article 12 pars.71 and 72 of ILD 95/2012, converted into Italian Law 135/2012).

The main activities carried out during 2017 are listed below:

#### **Technical Assistance to DGMEREEN - IO NOP I&C**

On 3 March 2017, the parent company signed an agreement with the EDM - General Directorate for the Electricity Market, Renewables, Energy Efficiency and Nuclear [Italian acronym: DGMEREEN] - for a total value of €8 million, with duration from 1 October 2016 to 31 December 2023.

In detail, technical assistance activities concern:

- the completion of the closure phase of the 2007-2013 Energy IOP;
- the implementation of initiatives based on the EC NOP for the management and implementation of the construction of energy distribution and storage networks.

In relation to the 2014 -2020 EC NOP, the activities concerned the organisation of the management system and controls in use for the implementation of the Programme and the related manuals.

#### **Support for enterprises victims of non-payments**

On 20 June 2017, the parent company signed an agreement with the EDM - GDEI (General Directorate for Enterprise Incentives) for €600,000.00 (including VAT), with duration from 22.12.2016 to 31.12.2022, to provide technical assistance to the aforementioned Directorate for the implementation of the incentive measure "Enterprises victims of non-payments". The aim is to grant subsidised loans to SMEs suffering liquidity risk as victims of defaulted payments by debtor companies on charges of extortion, fraud, fraudulent insolvency or false corporate disclosure.

The Interministerial Decree of 17 October 2016 governed the limits, criteria and procedures for the granting of loans from the €30 million Fund for credit to companies that have been victims of non-payments (years 2016, 2017 and 2018), established by the State Budget Law of 2016 (Article 1, paragraph 199).

The activities initiated by the parent company in February 2017 envisaged the following areas of intervention:

- structuring the operational mechanisms for implementing the measure and organising the applicable management resources;
- defining the regulatory, administrative-procedural and management framework of the intervention, including the technical-procedural tools;
- communication/information and assistance to target users;
- support for the subsidised loan application preliminary phases;
- support in the granting and disbursement;
- information/planning and management control system;
- promotion of the facilitation measure with institutional and economic stakeholders.

#### **Support for companies seized and confiscated from organised crime**

On 1 August 2017, Invitalia signed an agreement with the MiSE - GDEI (General Directorate for business incentives) for a value of €960,000.00 (including VAT), with duration from 12/30/2016 to 12/31/2022. The aim is to provide technical assistance to the aforementioned Directorate in implementing the "Companies seized or confiscated from organised crime" measure which shall grant subsidised loans and devise business development programmes to companies of any size that have been seized or confiscated from organised crime. This includes social cooperatives who have been assigned real estate confiscated from the mafia gangs and the co-operatives of ex-employees of the confiscated companies who have taken on free-of-charge leases on corporate assets confiscated from organised crime.

The total financial allocation of the instrument is €48 million, of which €20 million intended to finance development programmes exclusively presented by SMEs operating in the Region of Sicily.

The activities initiated by the Parent Company in February 2017 envisaged the following areas of intervention:

- organisation of the activities related to the implementation and definition of the regulatory, administrative-procedural and management framework of the intervention, including the technical-procedural tools;
- implementation of the measure, with reference to the preliminary stages of the applications for the subsidised loans and disbursement of the same (first instalment);
- ongoing maintenance of the ICT platform for the computerised management of the measure;
- information/assistance to companies and promotion of the measure through participation in sector events and seminars;
- implementation, financial monitoring and reporting for the period.

#### **Technical Assistance to the Development and Cohesion Fund [Italian acronym: FSC – Fondo Sviluppo Coesione] National Programme**

On 29 November 2017, the Parent Company signed an agreement with the EDM (GDEI) for a total value of €18,164,454.00 (including VAT) with duration from 1 November 2017 to 31 December 2023.

The FSC 2014-2020 national program, with a financial allocation of € 1.4 billion of national resources, aims to support and strengthen investments aimed at promoting industrial growth and innovation and access to credit.

The specialised technical support to be provided to the Administration will cover all aspects related to the programme.

#### **FAMI and FSI Audit Support**

On 7 June 2017, the Parent Company signed an agreement with the Ministry of the Interior, valued at €482,754.00 with duration from 7 June 2017 to 31 July 2019.

The Ministry intends to avail itself of Invitalia's support to reinforce its Auditing structure. The intervention is part of the 2014-2020 Asylum, Migration, and Integration Fund [Italian acronym: FAMI] and the Internal Security Fund [Italian Acronym: FSI], for which the Ministry of the Interior - Department for Civil Administration Personnel Policies and for instrumental and financial resources [Italian Acronym: DPPACRSF] - has been designated as the Audit Authority (Decree of 12 August 2014) for the 2014-2020 planning period.

The FAMI represents the continuation of the 2007-2013 SOLID FUNDS, the Integration Fund, the Refugee Fund, the Repatriation Fund, for which INVITALIA has already been designated as the Audit Authority.

The increase in the workload and the complexity that the FAMI and FSI Audit Authorities are facing since 2017 made it necessary to ask Invitalia to upgrade the current Audit structure through the assistance of specialised professional experts.

During 2017, audit operations were assisted, in view of the "Audit of Accounts" that the Audit Authority is required to prepare by 15 February 2018. A total of 10 projects are controlled by the Invitalia working group.

#### **Technical Assistance to the EDM GDEI for the "Enterprises and Competitiveness" Complementary Operational Programme -COP**

On 27 October 2017, the Parent Company signed an agreement with the EDM - General Directorate for Enterprise Incentives [Italian acronym: GDEI] for a total value of €15,172,060.00 (including VAT) with duration from 1 October 2017 to 31 December 2023.

The IC POC, with a total allocation of €696.25 million of national resources which supplement EU schedules, includes interventions for research and development (Sustainable Growth Fund), innovative investments for SMEs and significant interventions (Development Contracts) in the regions of Basilicata, Calabria, Campania, Apulia and Sicily.

The technical-specialist support to be provided to the Administration responsible for the EDM - GDEI programme covers all aspects related to the programme itself.

### Sabatini Capital Goods

On 3 March 2017, the Parent Company signed an agreement with the EDM - GDEI (General Directorate for Enterprise Incentives) for the period January 2017 - December 2024, with regard to the organisation and provision of technical assistance services to Division VI of the GDEI for the implementation of the "Sabatini Capital Goods" measure. Said measure was established by Decree-Law 69/2013 (converted and amended by Italian Law no. 98 of 9 August 2013), with the aim of facilitating enterprise access to credit and increased competitiveness in the Country's production system.

The fee envisaged by the aforementioned agreement for the technical assistance package to be provided by Invitalia is €16.560 million (including VAT), corresponding to approximately 2.96% of the financial resources allocated for the measure by the 2017 State budget law, which amount to €560 million in total.

On the basis of the results achieved in the first years of operation of the measure, Law no. 205 of 27 December 2017 (the 2018 State budget law) has prescribed a new financial allocation of €330 million. Contacts are currently underway with the Contracting party for the stipulation of a supplementary act to the agreement of 3 March 2017, which will define the amount due to the Agency for the provision of support activities to the GDEI, aimed at implementing the facilitation measure charged to the new financial allocation of €330 million envisaged by the 2018 State budget.

The activities launched by Invitalia in January 2017 involved the intervention areas envisaged by the programme.

In 2017, following the notification of the Assessment Plan and subsequent approval by the European Commission, the procedures for launching the informal tender for the awarding of the assessment services for the aid scheme implemented through the facilitation intervention entitled "Beni Strumentali - Nuova Sabatini [Capital Goods - New Sabatini]".

During 2017, 17,573 Award Decrees were issued for a total of €319,972,725.92; 20,141 disbursements were expedited for a total amount of €58,301,254.88.

### 2nd Internationalisation Voucher Call

On 29 September 2017, the Parent Company signed an agreement with the EDM - DGPIPS (Italian acronym: General Directorate for internationalisation and trade promotion policies) for a value of €1,268,339.00 (including VAT), with duration from 1.04.2017 to 31.12.2019. The related services concern the organisation and provision of technical assistance to the aforementioned Directorate for the implementation of the 2nd "Voucher for internationalisation" call which aims to provide grants in the form of vouchers to support SMEs that intend to explore international markets by engaging specialist professionals (the so-called Temporary Export Managers or TEMs) who are expert in analysing, planning and managing procedures and programmes on foreign markets.

The financial allocation of the measure amounts to a total of €38 million, of which:

- €20 million from national resources, subject of this Technical Assistance [TA] Contract;
- €18 million from the E&C NOP, whose TA activities are included in the specific agreement.

The activities initiated by the Parent Company in February 2017 envisaged the following intervention areas:

- defining the regulatory, administrative-procedural and management framework of the intervention;
- implementing the intervention, with reference to the selection of the companies supplying the TEM services and of the companies eligible for vouchers;

- designing and providing ongoing maintenance of the ICT platform which assures the computerised management of the relevant operational processes;
- support for the promotion of the measure.

During 2017, Parent Company technical resources assisted the EDM - DGPIPS in drafting the regulatory provisions necessary for the implementation of the project.

### Contributions to Confindi [Collective Credit Guarantee Consortia] branches for the establishment of a special and distinct risk fund to be used in the provision of new guarantees to associated SMEs

On 20 June 2017, the Parent Company signed an agreement with the EDM - GDEI (General Directorate for Enterprise Incentives) for the value of €2,250,000.00 (including VAT), with duration from 03.01.2017 to 31.12.2024, with regard to the organisation and provision of technical assistance services to the aforementioned Directorate for the implementation of the subsidy measure "Contributions to associated SMEs". The purpose is to support the Confindi in setting up a specific risk fund for the granting of new guarantees to Associated SMEs. For these subsidies, the Interministerial Decree of 3 January 2017 authorised a financial allocation of €225 million from the SME Guarantee Fund, as required by the 2014 State Budget Law (Article 1, paragraph 54).

The activities launched by Invitalia in January 2017 envisaged the following areas of intervention:

- design, preparation of tools for managing the measure, communication/information and assistance to the target users;
- support for the grant preparatory phase;
- information/planning and management control system.

During 2017, in addition to initiating the preliminary application phase for access to the facilitations, the Parent Company provided specialist support to GDEI for the preparation of the necessary regulatory measures.

### National Aid Register

On 25 October 2017, the Parent Company signed an agreement with the EDM - General Directorate for Enterprise Incentives [Italian acronym: GDEI] for a total value of €17,715,920.00 (including VAT) with duration from 1 January 2016 to 31 December 2023.

The agreement includes two contract opportunities related to the project proposals entitled National Aid Register and Startup of the National Aid Register, already approved by the GDEI. The comprehensive financial allocations amount to €14,280,000.00 and €2.563.000.00 respectively.

The unified Agreement therefore covers activities ranging from 2016 to 2023.

The envisaged activities concern the development and management of the Register, which represents an important system action that involves all public and private entities involved in managing state aid in Italy and which responds to the need to provide the Country with an effective instrument to verify that public aid is granted to companies in compliance with the limits set by EU guidelines. Its operation is a prerequisite prescribed in the partnership agreement for the award of EU resources to Italy.

By 30 January 2018, more than 190,000 aid packages had been awarded to enterprises, for a value of approximately 4 billion euros in grants issued via 1,226 aid schemes by over 900 granting entities throughout Italy.

### **Reinforcement of the administrative and technical capabilities of the Presidency of the Council of Ministers - Open CUP second phase**

On 16 May 2017, the Parent Company signed an agreement with the Presidency of the Council of Ministers - Department for Economic Policy Planning and Coordination [Italian acronym: DIPE] for an amount of €3 million (including VAT), valid until December 2019 and charged to the financial allocation of the 2014/2020 GOV NOP.

The Open CUP project was established in 2015 with the aim of enabling a broader usability of the information assets of the Single Code System [Italian acronym: CUP] through the creation and management of the Open CUP portal.

The new Contract, in continuity with the activities already undertaken in the previous project funded under the 2007-2013 GAT NOP, aims to complete the open format publication process of the information assets available on the CUP System.

### **Strengthening of the administrative and technical capabilities of the Public Administrations involved in the implementation of the NUE 112 and of the related multilevel governance processes**

On 21 July 2017, the Parent Company signed an agreement with the Economic Development Ministry - General Directorate for electronic communication, broadcasting and postal services, for a value of €5.6 million (including VAT), with duration from July 2017 to December 2023 and charged to the 2014/2020 GOV NOP financial allocation.

The project, in continuity with the previous interventions conducted by Invitalia since 2004, continues the work of strengthening the administrative and technical capabilities of Public Administrations, both central and local, involved in the implementation of the 112 single emergency number - [Italian acronym: NUE] and the related processes of multilevel governance.

The new Contract aims to support the administrations in the adoption of NUE112 throughout the national territory.

During the second half of 2017 the project Executive Plan was submitted and the Organisational Technical Regulation [Italian acronym: DTO] activities were defined by the Consultative Commission. These regulate the functionality of the CURs, the specific DTO for the management of the eCalls, the support activities for the Communication Committee of the European Commission, the analyses and preliminary technical-functional specifications governing the ICT monitoring system.

### **Technical Assistance to the EDM - GDEI for the implementation of the 2014-2020 Enterprise and Competitiveness National Operational Program**

New technical assistance activities were initiated on 1 November 2016 following the request formulated by the administration to ensure continuity of activities and in relation to EU obligations, as indicated in the Action Plan approved by the EDM GDEI.

The new agreement, for an amount of €55.5 million, was signed on 20 March 2017. The duration of the multi-year plan approved by the Economic Development Ministry is from 01.11.2016 to 31.12.2023.

During 2017, all the following technical assistance activities that enabled the client administration to initiate operations were started:

- successful conclusion of the procedure for appointing the Programme Authorities;
- full implementation of the monitoring programme;
- implementation of the first interventions envisaged by the main scheduled actions;
- checks on expenses already incurred;

- the submission of two payment requests to the European Commission;
- rescheduling of the NOP for the reception of over 900 million euros of additional resources and the extension of the programme to the Centre-Northern areas;
- full operation of the SME Initiative NOP in synergy with the IC NOP.

### **Technical Assistance to the EDM GDEI in the exercise of its functions as Intermediary Body of the "Renewable Energies and Energy Saving" 2007-2013 IOP**

By virtue of the agreement signed on 07.09.2011 with the EDM – Department for Development and Cohesion –General Directorate for incentivising entrepreneurial activities (now General Directorate for enterprise incentives - GDEI), the Parent Company has the task to carry out the following types of support:

- technical assistance for Programme management: support to the GDEI in the performance of its functions as Intermediary Body (IB), as envisaged and governed by the delegation agreement stipulated with the MA of the Programme, in compliance with the provisions of Regulation (EC) 1083/2006;
- technical assistance for the management/implementation of the Activities/Actions: technical support to the GDEI offices in the management of the procedures for the implementation of the lines of activity delegated to it by the Programme MA.

For the performance of the activities covered by the aforementioned agreement, the EDM - GDEI has paid the Agency an initial fee of €2,300,000.00 (including VAT), initially increased with the Supplementary Act of 18 April 2014, for an additional €1,236,043.00 (including VAT), and subsequently with the Supplementary Act of 30 July 2015 for €1,360,000.00 (including VAT) and the Supplementary Act of 10 February 2016 for €930,000.00 (including VAT), which extends the agreement until 31 December 2026.

### **Elimination of paper archives and digitisation of GDEI activities**

The above contract was assigned to the Parent Company by the General Directorate for the Promotion of Entrepreneurial Activities with an agreement stipulated on 29 November 2012 for an amount of €4 million. The goal is to eliminate paper files and digitise the related documentation processes. The Contract was extended to 31.12.2017, for a total amount of €5.1 million.

During 2017, the updates and additions to the files relating to the laws digitalised in previous years were processed, the physical archive was managed to process waste storage in the Central State Archives.

The Digital archive, in addition to the digitised files, includes digital native documents generated by various platforms, such as those related to the ZFU and the Nuova Sabatini, according to the incentive measures progressively activated in GDEI (e.g.: internationalisation voucher, etc.).

An possible remunerated extension of the activities is under negotiation.

### **Technical Assistance to the Action and Cohesion Plan EDM – GDEI**

The present contract involves the Parent Company as the structure in charge of technical assistance in support of the Economic Development Ministry – General Directorate for enterprise incentives (EDM-GDEI), in its capacity as Assigned Administrator of three ACP programmes and related Lines and Actions as notified to the EDM-GDEI:

- ACP EDM – GDEI: Self-employment and self-entrepreneurship (code 2012MiSE1PAC21);
- ACP EDM – GDEI: Businesses, public demand and promotion (code 2012MiSE1PAC22);
- ACP EDM – GDEI: New Actions and Anti-cyclical Measures (code 2012MiSE1PAC31).

The Actions included in the aforementioned ACP are partly associated with the re-scheduling manoeuvre of the 2007-2013 National Operational Programme for Research and Competitiveness [NOP RaC] and the consequent transfer of a portion of the national co-financing resources of the Programme to the Action Cohesion Plan pursuant to the ACP Update n. 2, approved by CIPE resolution no. 96/2012. The resources were envisaged in part by the ACP Update no. 3 of December 2012 on "Anti-cyclical measures and safeguarding of initiated projects".

The technical assistance role was assigned to Invitalia under a special EDM-GDEI – Invitalia Spa agreement dated 15 April 2013 for the performance of intervention-related technical assistance, management, implementation, monitoring, certification and control of the Action Cohesion Plan (see approval decree of 24 April 2013).

The aforementioned agreement set the maximum fee for technical assistance activities carried out by Invitalia in the framework of the ACP programmes managed by EDM-GDEI at €16 million.

During the course of 2017, technical support continued for the implementation of actions financed under the EDM-GDEI ACP, both in continuity with the interventions of the 2007-2013 NOP RaC, and in relation to newly launched actions.

#### **Support activities to the EDM-GDEI for the granting of incentives in the Urban Free Zones**

The inter-ministerial decree of 10 April 2013 defined the conditions and methods for the granting of incentives, in the form of tax and social security exemptions, in favour of small and micro businesses located within the Urban Free Zones of the Convergence Regions and in the Sulcis Municipalities.

The contract agreement was signed on 17 April 2014, with a budget of €6.06 million and recognition of the activities carried out since 10 April 2013. This amount was extended to €8.76 million with two additional acts, signed in March 2015 and April 2016 respectively.

In 2017 Invitalia continued to support the EDM-GDEI in the management of the Urban Free Zones which were extended to the Municipalities of the Lazio, Umbria, Marche and Abruzzo Regions affected by the consecutive seismic events which started on 24 August 2016.

The intervention provides for the granting of incentives in the form of tax and social security contribution exemptions in favour of companies and self-employed persons in activity or who start their businesses in the Central Italy Earthquake-affected Free Zone on or before 31 December 2017. A budget of €498M was allocated for incentives over the 2017-2019 three-year period.

As per previous similar measures, this intervention is entirely managed electronically.

The call was opened from 23 October to 20 November 2017 and approximately 6,500 applications were presented for a requirement of approximately €300 million. The incentive programme was made effective from December 2017, in time to allow companies to benefit from the same already in the year 2017 itself.

With the signing of a further act on 29 November 2017, the contract's financial allocation went from €8.760.000,00 to €13.900.000,00 and the deadline was extended from 31.12.2018 to 31.12.2020.

#### **Technical Assistance for Infrastructural Projects**

The GDEI circular of 28 December 2012 established the criteria and procedures for financial aid eligibility related to tangible and intangible infrastructural interventions consistent with the goals of the Territorial Pacts (TPs) and Area Contracts (ACs); three calls were issued with different time frames:

The Contract signed on 23 June 2015 assigns the Parent Company a contract for the provision of technical assistance to GDEI for initial preparatory work, administrative management and monitoring of infrastructure projects financed or to be funded as part of the reorganisation of the TPs and ACs pursuant to Article 8-bis of Law 127/2007.

Pursuant to Article 10 therein, on 19.07.2016, the EDM requested Invitalia to extend the Technical Assistance activities covered by the agreement to the reconstruction of the regulatory, financial and accounting framework applicable to the Negotiated Planning procedures, with particular reference to the Territorial Pacts, Area Contracts and Programme Framework Agreements. This activity is the subject of an inter-divisional working group that exploits the technical assistance, as referenced by the Director General's administrative order of 18.02.2016.

The final status report on intervention reconstruction under the Negotiated Planning laws was submitted in the first months of 2017. In addition, a rationalisation and revision of the IncentiviWeb information system was initiated.

With a letter filed under ref. 68928 dated 20 June 2017, the EDM requested Invitalia to extend technical assistance to the interventions envisaged by Italian Laws 221/1990 (New regulations for mining policy implementation) and 204/1993 (Environmental Remediation of former Mining Property Complexes).

To this end, Invitalia set up a working group that started reconstructing the status of the cases and conducting continuous accounting and administrative monitoring.

#### **Technical assistance to the EDM-GDEI for the economic redevelopment of the Porto Marghera industrial area**

The "Programme Agreement for the reconversion and industrial redevelopment of the Porto Marghera complex industrial crisis area" (Porto Marghera PA) was signed on 9 January 2015. Its goal is to encourage the reconversion and economic upgrading of the Porto Marghera area by implementing a series of interventions necessary to optimise the area's infrastructure framework.

The Programme Agreement participants comprise the Economic Development Ministry – General Directorate for Enterprise Incentives (GDEI), the Veneto Regional Authority, the Municipality of Venice and the Venice Port Authority. These bodies are represented in the Agreement's Coordination Committee with the task of ensuring its implementation.

The total value of the Porto Marghera PA amounts to €152.466.057,00. It is allocated to financing 23 infrastructure projects, in addition to a technical assistance intervention (project no. 24) for which Article 4 of the Agreement has identified Invitalia as the Executive Body, in its capacity as an in-house structure of the GDEI.

The Contract signed on 25 May 2015 between the Economic Development Ministry and the Parent Company therefore delegates the Agency to provide technical assistance to the GDEI with reference to the technical secretariat of the Coordination Committee, support for the project preliminary phases and for the verification of monitoring data for the purposes of implementing the Porto Marghera PA.

The agreement allocates a maximum budget of €514,352.58 and a duration of 36 months from the date of the Programme Agreement signature, with expiry scheduled for 8 January 2018.

The activities are proceeding regularly and are aimed at implementing the tasks prescribed by the agreement. An extension of the contract is envisaged in line with the extension of the Programme Agreement scheduled for 30.12.2019.

#### **Support and Technical Assistance necessary for the activities of the Economic Development Ministry and the National Council of Consumers and Users [Italian acronym: CNCU] aimed at promoting the rights and opportunities for consumers granted by national and community legislation**

The General Directorate for Market, Competition, Consumers, Supervision and Technical Regulation [Italian acronym: DGMCCVNT] of the EDM, considering the experience in consumer policy acquired by INVITALIA through the two previous contracts (11 October 2012 and 23 May 2013), signed a 2-year (2016-2017) Contract on 2 December 2015 entitled "Technical Support and Assistance necessary for the activities of the Economic Development Ministry and the National Council of Consumers and Users (CNCU) aimed at promoting the rights and opportunities for consumers governed by national and EU legislation".



The Contract was allocated a budget of €1.1 million to cover activities undertaken by INVITALIA and €870,000.00 was allocated to refinancing the "Joint Conciliations" Call.

The support activities undertaken in 2017 were performed in continuity with previous years. The budget allocation envisaged in the Contract was re-determined at the end of 2017. The decision was taken in consideration of the October extension of the call in favour of associations that assisted consumers free of charge in the successful conclusion of the conciliation procedure and in order to ensure the availability of adequate resources. Consequently, the Invitalia technical assistance budget was revised to #€981,00.00 (including VAT), and the refinancing of the "Joint Conciliations" fund was revised to a total of €1,019.00.00.

It should be noted that, in 2017, the Technical Assistance Contract for the Promotion of consumer rights phase 2 for the period 1 December 2016 - 31 December 2018 was not implemented. Its value was €1 million, financed by National Funds with Decree issued by the Economic Development Ministry on 28 October 2016. Of this amount, a portion of €500,000.00 was allocated to the financing of the "Joint Conciliations" fund; €500,000.00 will be allocated for the Agency's resources and for the acquisition of goods and services where applicable. The Contract will be activated in relation to 2018 activities.

#### **Extrajudicial Consumer settlements**

A Contract was signed on 11 October 2012 between the Parent Company and the Economic Development Ministry - General Directorate for the Market, Competition, Consumer, Supervision and Technical Regulations. Said Contract designates the Agency as executor and manager of the "Joint Conciliations" Call.

The total value of the Contract is €2.5 million, of which €1.9 million are allocated for the call and €600,000.00 for the management of INVITALIA activities. The agreement, whose original expiration was scheduled for 31 December 2013, was repeatedly extended until 31 December 2017.

#### **Technical support for the startup of the full institutional and organisational operation of the Territorial Cohesion Agency department responsible for Metropolitan Cities**

On 11 February 2016, the Parent Company signed a Contract with the Territorial Cohesion Agency (TCA) for the execution of technical support activities required to fully activate the institutional and organisational operations of the Competent Office on issues concerning the Metropolitan cities. Invitalia's role is that of Managing Authority for the "Metropolitan Cities" National Operational Programme" 2014/20 ERDF/ESF.

The Contract, whose total value originally amounted to €1,000,000.00, was scheduled to expire on 30 September 2016. On the request of the TCA, it was subsequently extended to 31 July 2017 with a budget increase of €1,702,000.00. Note file ref. AICT 6928 of 31.07.2017 from the Territorial Cohesion Agency subsequently confirmed a further term extension to 31.12.2017.

Following the subsequent changes, the Territorial Cohesion Agency revised INVITALIA's overall Contract budget to a total amount of €1,768,320.00, including €761,760.00 to cover the activities of the EU Planning BU (activities envisaged in line 1 of the contract) and the remainder allocated to the Competitiveness and Territory BU (activities envisaged in line 2 of the contract).

The financial coverage of the agreement is assured by the resources of the Cohesion Action Programme Supplementary to the NOP entitled "2007-2013 (ERDF) Governance and technical assistance".

#### **Ancillary procurement service for the implementation of the "Language-cultural mediation service required by the Central Directorate of Immigration and Border Police"**

On 12 September 2016, the Parent Company signed a new Contract with the Ministry of the Interior – Department of Public Security – Central Directorate of Immigration and Border Police to regulate ancillary procurement required for the implementation of the "Language-cultural mediation service required by the Central Directorate of Immigration and Border Police".

The ancillary purchasing service subject to the aforementioned Contract is divided into the following activities: definition of the regulatory framework for the intervention; preparation of tender documents; definition of contractual details; support to the Adjudication Commission; support for the preparation of the preparatory documentation for the defence briefs in court appeals; support for the adjudication and final signing of the contract.

The Contract, originally set to expire on 31 December 2016, was extended until 31 March 2017, without additional charges to the Ministry of the Interior. The Order has a value of €100,432.00 and is financed by national budget resources (chapter 2765, pg. 1 of the 2016 financial year of the Ministry of the Interior's forecast) and/or the 2014-2020 Internal Security Fund.

In the first quarter of the year, the activities concerned, in particular, the preparation of the preparatory documentation for the court appeal defence briefs and the preparatory activities for the conclusion of the contract.

#### **Support to the Management Support Unit (MSU) of the Regional Development Protection Project North Africa (RDPP NA) of the Migration Asylum Integration Fund [Italian acronym: FAMI]**

On 21 October 2016, the Parent Company signed a contract with the Ministry of the Interior for a total value of €605,218.00 (including VAT) with a three-year duration from 21 October 2016 to 30 September 2019.

The envisaged activities concern the economic/financial monitoring of the projects financed by the "Regional Development and Protection Programme for North Africa" - (RDPP NA) - in six North African countries, managed by the Ministry of the Interior - Department of Civil Liberties and immigration [Italian acronym: DLCI].

The RDPP NA addresses North African countries affected by migratory flows to Europe and finances actions aimed at the protecting the rights of migrants and informing them about risks connected to the migratory experience. Since August 2016, eight projects have been launched in Egypt, Libya, Morocco, Mauritania, Niger and Tunisia.

The Contracting party, following the positive results found in this first phase, requested an extension of the activity framework to other African countries, involving initiatives for the monitoring of a further 18 projects funded by the DLCI. To this end, on 04.07.2017 Invitalia signed an addendum to the Contract which increased the financial allocation from €605,218.00 to €726,483.51.

In addition to the interventions conducted in the North African countries on the transit of migratory flows, the checks carried out also concern the countries of origin of the migrations, specifically the Ivory Coast, Ethiopia, Nigeria, Senegal and Sudan. In 2017, in addition to desk checks performed, on-site visits were conducted in Tunisia and the Ivory Coast.

#### **1st Internationalisation Voucher Call**

On 3 June 2015, the Parent Company signed a contract with the EDM - DGPIPS (Italian acronym: Directorate General for internationalisation and trade promotion policies) for a value of €1,098,000.00 (including VAT), with a duration from 03.06.2015 to 31.12.2017. The contract provides for the organisation and provision of technical assistance services to the aforementioned Directorate for implementation of the "internationalisation Voucher" 1st call, established by the Decree of the Minister of Economic Development of 15 May 2015 and governed by the Directorial Decree of 23 June 2015.

The aid intervention is aimed at supporting SMEs and networked enterprises intending to internationalise their business, through grants in the form of vouchers amounting to €10,000.00, making use of the support of a specialist (the so-called Temporary Export Manager or TEM) capable of assisting international market promotion projects.

The financial budget of the measure totalling €19 million was allocated by Ministerial Decree of 7 April 2015.

As explained in the accounting records of the activities and expenses incurred in the period 2015-2016, following the increase in the financial resources allocated to the first tranche of the intervention (with associated cancellation of the second), it became necessary to bring forward the activities envisaged under the overall scope of the project. This required a consequent revision of the required efforts with a six-month reduction in the delivery times of the expected deliverables and the time horizon for the completion of the activities established by the Contract as 31 December 2017. Therefore, the date of completion of the activities envisaged by the Contract of 3 June 2015, i.e. the closing date of the contract, was brought forward to 30 June 2017 with respect to the initially agreed date, also allowing the Invitalia TA to initiate the design of the regulatory-procedural and management framework of the 2nd call "Voucher Internationalisation". This phase started in July 2017 and was based on the analysis of the results achieved by the measure in question.

The operational plan annexed to the 3 June 2015 contract presents the activities divided into two macro-phases:

1. accompaniment in the design and executive phase;
2. technical assistance in the management of the incentive.

The final data for the implementation of the measure for the period 2015-2017 are as follows:

- number of companies paid: 1,611;
- amount disbursed: approximately €16 million.

During the first quarter of 2018, the technical-administrative report (balance report) for the activities and expenses incurred in the first half of 2017 is to be sent to DGPIPS.

### B.5 – Foreign investments

On 8 March 2017, the Economy and Development Ministry issued guidance on the assignment of roles regarding the attraction of foreign investments; thus ICE [the Italian Institute for foreign trade] was appointed as the reference point for foreign companies abroad, in consideration of its foreign network and specifically through the 9 Foreign desks, while Invitalia was designated as the entity of reference for foreign investors already present in the country. Invitalia is therefore responsible for assisting foreign investors in Italy.

On 13 July 2017, the two agencies signed a Contract to join forces in the attraction of investments and the creation of a Joint Working Group. This 16-strong working group mainly deals with the preparation and promotion of structured territorial proposals as well as providing support to ICE/Invitalia for the preparation of agreements and affiliations with other key players involved in the process of attracting investments (central and regional administrations, business associations, private organisations, etc.). Furthermore, Invitalia also financially supports potential investors in Italy in the various phases of the cycle of investment, business creation, settlement and location.

On 27 October 2017, a contract was signed to regulate relations between the Economic Development Ministry - General Directorate for Enterprise Incentives and Invitalia with respect to the implementation of the "Operational Plan for attracting foreign investments". In particular, Invitalia is responsible for managing an Operational Plan for foreign investment attraction aimed at the Convergence Regions (Basilicata, Calabria, Campania, Apulia and Sicily) for a duration of 30 months and with an allocation of 2.813 million euros.

The activities of the Operational Plan are in line with the strategic lines identified by the Joint Working Group.

In 2017, the operational guidelines for the definition of the territorial offer were drawn up by the Joint Working Group. The territorial offer will be structured in the course of 2018, with the support of the five Southern Regions. It will be composed mainly of sector projects, territorial settlement assets and local companies eligible for industrial collaborations with foreign investors. The Agency intends to collaborate with a group of public and private entities with the goal of creating a Partnership capable of sustaining the activities related to defining the offer, also through the stipulation of agreements.

Regarding the promotion, the Operational Plan intends to promote the investment support instruments mainly to the Italian business community and to foreign enterprises in Italy, but also to potential international investors. The promotional actions will be shared with the ICE Agency and the Regions with the specific goal of improving the matchmaking action between the international demand for potential investments and the national and territorial offer, both for incentives and for appropriate B2B (business to business) and B2R (business to research) meetings. Invitalia has participated in events organised by the ICE Agency. In particular, in December, the Agency was involved in the InvestinItaly roadshow in Beijing for the presentation of the Bagnoli project and for participation in B2B meetings with Chinese companies interested in the Italian market to whom the "Development Contract" was presented" as a facilitating instrument made available by the Agency to support investment programmes.

With regard to the management of a centralised system to support investors with information, assistance and after care, 118 information enquiries were processed. The latter were mainly concerned with legal obligations, the taxation system, the incentive system, the issuance of residence permits, assistance for the search for foreign partners (joint venture/partnership) location scouting and site visits. As for assistance and after care, 20 foreign companies were attended. Furthermore, during the period considered, Invitalia successfully completed 2 assistance files for the support of joint ventures (Mimaki Bonpan) and acquisition (Mimaki La Meccanica). The 2017 data on the portal's performance show an increase in visits of 19% compared to 2016.

### B.6 – Activities of subsidiaries

The Parent Company controls the following subsidiaries:

(amounts in € 000)

Controlling shareholdings	Share capital	Shareholders'	Production Value	Net result
Infratel Italia Spa	1,000	3,702	58,837	1,060
Invitalia Venture Sgr Spa	2,595	2,973	2,407	721
Invitalia Partecipazioni Spa ('Invitalia	5,000	(84)	2,420	(5,084)
Banca del Mezzogiorno Spa	204,508	219,250	94,407	20,353
<b>of which intended for disposal:</b>				
Italia Turismo Spa	128,463	93,988	8,201	(960)
Marina di Portisco Spa	7,793	6,512	4,102	270
Trieste Navigando Spa	100	59	-	(9)

## Infratel Spa

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

The 2017 financial year was characterised by numerous significant events all aimed at carrying out the activities necessary to achieve the goals set by the Government Plans for Ultra-Broadband services.

The "White Areas" Plan continued in a sustained manner, translating into a major commitment of the Company in the planning and operational start-up of infrastructure works tendered for a total of 2.7 billion euros for operations related to the new ultra-broadband network (so-called NGAN *next generation access network*) in the areas of market failure.

We briefly illustrate the reference context in which the company operated:

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 100Mbps or higher, while ensuring that 100% of citizens can access the Internet at a minimum of 30Mbps.

The strategy is also consistent with the 2025 goals expressed by the Gigabit Society - Communication COM (2016) -587 of the European Commission "Connectivity for a Competitive Digital Single Market - Towards a European Gigabit Society" of September 14, 2016 - as it distributes the optical fibre in a capillary manner towards residential users throughout the territory and provides FTTH connections to the PA sites (schools, health offices etc.) and to the production areas, also enabling the development of 5G infrastructure.

The first step of the strategy, the implementation of which was assigned to the Economic Development Ministry, which avails itself of the in-house company Infratel Italia Spa, is represented by the so-called "White Areas Plan" currently underway, followed by a Phase 2 of the strategy, to be defined and submitted for approval by the European Commission.

With the launch of the first construction sites by the Open Fibre Assignee in November, the first part of Phase 1 of the intervention envisioned by the Government regarding the telecommunication networks endeavour was completed.

Finally, the intervention on the *backhauling* sections was completed. It is essential to enable the broadband services, whose territorial extension in over 3,000 locations has allowed the *digital divide* to be eliminated throughout the Country (the current coverage is equal to 99.95% of the population).

In 2017, despite numerous appeals presented by several operators (mainly TIM and Fastweb), the Ultra-broadband 1 and 2 tender bids were awarded. Concession contracts were signed for all 11 lots, comprising the first two of the three tenders related to the "White Areas Plan", covering a total target of 17 Regions, involving over 7,400 municipalities, 9.9 million housing units and 14.7 million inhabitants.

The completed network will remain under public ownership; the one financed by the EDM with FSC funds, through Infratel is apportioned between the State and the Regions in proportionally to the resources allocated by them. The assignee chosen by tender will assure the design, construction and management of the passive and active infrastructure that will be provided on a *wholesale* basis and at prices defined by AGCOM, which are lower than those of reference applied by the *incumbent* to TLC operators. In turn, the latter will provide final services to citizens, businesses and Public Administrations.

The first two calls provided for the minimum coverage of approximately 2.6 million real estate units with services over 100 Mbps, i.e. services providing 100 Mbps in download and 50 Mbps in upload with a contemporaneity factor of at least 100% and approximately 5.4 million real estate units served by services over 30 Mbps, i.e. services of at least 30 Mbps in download and 15 Mbps in upload, with a contemporaneity factor of 50%.

The results of the tender were better than expected, both from a technical point of view (widespread use of fibre optic technology and targeted use of *fixed wireless* for remote homes) and from an economic point of view, with great advantages for the State and Regions that can reinvest the sums saved, in respect of a total auction base for the two tenders of approximately 2.7 billion euros. OpEn Fibre has won all the lots of the tenders offering an assignment bid totalling about 1.5 billion euros, thus making possible to reach the other goals of the ultra-broadband plan. The offer proposed by OpEn Fibre envisages that approximately 7.7 million real estate units will be served with FTTH technology, while the remaining share of real estate units, also belonging to optional areas, will be served by FTTN fixed-band wireless technology licensed to provide services over 30 Mbps. The total coverage reached will therefore extend to over 99% of the real estate units in the white areas tendered.

After completing the first two Ultra-Broadband tenders, Phase 1 will conclude with the third tender to cover the market failure white areas in Calabria, Puglia and Sardinia. The public consultation phase has already been completed and the third tender has been ready for publication since the end of the financial year with planned interventions for 104 million euros, it is only waiting for the submission of the operational agreements signed between the EDM and the Regional Authorities.

The company's activities continued, maintaining a close interaction with the Economic Development Ministry, 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. On this subject, it should be noted that a discussion group was initiated on 30 September to update and revise the Programme Agreement between the Economic Development Ministry, Invitalia and Infratel Italia, initiated on 23 October 2015. The revision was required considering the new activities assigned and of the various financial sources put in place.

In addition, during 2017, the governance and monitoring activities of the aforementioned Plan were strengthened through the activities carried out by the Ultra-Broadband Committee set up by the Presidency of the Council of Ministers, which directed and approved the plans and calls for tenders for the Ultra-Broadband project developed by the Company.

The 2017 financial year closed with a turnover of 58.8 million euros and a net profit of 1.0 million euros.

## Invitalia Venture Sgr Spa [Asset Management Company]

The share capital of Asset Management Limited Company is 100% held by Invitalia Spa.

Invitalia Ventures SGR is Invitalia Group's asset management company that manages the new venture capital fund for the development of highly innovative companies set up by the EDM with a decree dated 29 January 2015. Furthermore, since 2006 it has also managed the North-West Fund (closed-end investment fund, whose investment period expired in November 2010) which was used to acquire shareholdings in unlisted companies, including controlling interests.

In 2017, the Invitalia Venture 1 Fund continued the pursuit of its goal to support investments in the risk capital of companies, start-ups and innovative SMEs with high development potential, thus favouring the capitalisation of SMEs, enabling easier access to credit and encouraging medium-long term development projects.

The Fund was subscribed by the National Agency for the attraction of investments and enterprise development Spa using a provision set aside and made available to the EDM pursuant to ILD no. 83 of 22/06/2012 subsequently converted into Italian Law 134/2012.

As at 31.12.2017 the total amount of the Fund is 86.65 million euros, broken down as follows: Invitalia - 50 million euros, European Investment Bank - 21.65 million euros, Cisco System International - 5 million euros, Metec Industrial Materials - 5 million euros, the Sardinia Foundation - 5 million euros.

By 31.12.2017, the Invitalia Venture 1 Fund had invested in 16 start-ups and SMEs for approximately 11 million euro.

With regard to the management of the North West Fund, since the divestment period expired in 2015, the so-called "Grace Period" for a further three years was activated, which will end on 31.12.2018. In 2017 the stake held by Microcinema Spa was liquidated and subsequently sold to a private entrepreneur. Furthermore, activities aimed at the sale of Sistematica Spa and Zoom Spa continued. Both are expected to be sold within the first half of 2018.

The 2017 financial year closed with a turnover of 2.4 million euros and a net profit of 0.7 million euros.

#### **Invitalia Partecipazioni Spa ('Invitalia Investments')**

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

The company is the vehicle of the Invitalia Group, to which 54 non-strategic investments were transferred in 2009 in implementation of the Group's reorganisation and disposals plan. Subsequently, during the period 2010-2015, the company acquired another 29 stakeholders and, where possible, mergers and acquisitions were continuously undertaken in order to minimise management costs.

As at 31.12.2017, the company held 48 stakeholdings, both direct and indirect, of which 33 with assets entirely written down due to bankruptcy or creditor arrangements and 15 in the process of being divested. Of the latter, at the beginning of 2018, 8 holdings were sold.

The 2017 financial year closed with a loss of 5.0 million euros.

#### **Banca del Mezzogiorno Spa**

The share capital of Banca del Mezzogiorno Spa [Italian acronym BdM] is 100% owned by Invitalia Spa.

On 8 February 2017, Poste Italiane Spa and Invitalia Spa signed an agreement for the sale of the entire BdM shareholding to Invitalia Spa. The total value of the acquisition is €390 million.

On 7 August 2017, following the authorisations issued by the Economic Development Ministry, the European Central Bank and the Bank of Italy, Poste Italiane and Invitalia finalised the sale of the entire share capital of Banca del Mezzogiorno to Invitalia itself.

On 1 December 2017, the Bank's 160 million euro share capital reduction, launched on 26 July 2017 as requested by the Bank of Italy, was finalised.

On 19 December 2017, the Board of Directors approved the new 2018-2020 Business Plan in which the Bank, as part of the Invitalia group, intends to consolidate its institutional role in the provision of credit, in particular to Mezzogiorno enterprises. This is the mission envisaged by its foundational decree and Articles of Association. It shall thus concentrate on disbursements to companies, to a large extent focusing on the SME segment, in its capacity as a Tier-2 Bank.

On behalf of the Public Administration, the Bank manages a range of incentive instruments which pursue multiple industrial policy purposes through a wide range of subsidies. In particular, the Bank manages the "SME Guarantee Fund" which represents a fundamental European-level public aid instrument for SME access to credit. Indeed it has been widely used in an anti-cyclical context in the recent phases of economic recession in Italy.

The 2017 financial year closed with an intermediation margin of 94.4 million euros and a net profit of 20.3 million euros.

#### *Subsidiaries held for sale*

##### **Italia Turismo Spa**

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

Italia Turismo Spa possesses substantial real estate equity, mainly in Southern Italy (Apulia, Basilicata, Calabria, Sicily, Sardinia) consisting of tourist villages leased to leading sector operators.

On November 26, 2008, the company stipulated a "Programme Agreement" with the Economic Development Ministry under CIPE Resolution no. 25 of 17.05.2007 - as a re-formulation of the contract signed in March 2006 - which envisages investments for a total amount of 199.2 million euros, allocated to incentives for a total of 77 million euros in the regions of Apulia, Calabria and Sicily. To date, six of the eight planned initiatives have been completed, with the exception of for the Simeri and Sciacca Golf Resort projects. Non-repayable grants, charged to the investments already accounted for, amounted to approximately 28.8 million euros, of which approximately 21.2 million euros had been cashed by 31 December 2016.

The company, following changes in the shareholding structure (June 2015), which transferred 100% control to Invitalia, prepared a strategic repositioning plan which was presented in January 2016 and subsequently revised following the start-up of the negotiation with the pool of Banks. The goal was to ensure joint engagement in the budget operation required to support the development plan for the core business activities and to define the repayment terms and methods applicable to the residual debt of approximately 45 million euros.

As part of the Parent Company's 2017-2019 Business Plan, which included, among other things, the sale of the stake in Italia Turismo, in November 2017, the shareholder Invitalia Spa sent the subsidiary Italia Turismo Spa the letter requesting the Company's Board of Directors to assign the Agency mandate to sell the real estate assets owned by the company (villages and land) should no buyer come forward to purchase the entire holding.

On 7 December 2017, the Board of Italia Turismo ruled to give the Agency a mandate to sell the real estate assets of Italia Turismo (villages, business units and land) through the company KPMG Advisory Spa, if no buyer could be found for the entire holding.

On 31 January 2018 Invitalia Spa launched, with the support of KPMG Advisory Spa, "the open procedure for the sale of the holding in Italia Turismo Spa" and, in the alternative, the disposal of the assets owned by Italia Turismo.

Pending the call for bids procedure, the company continues to operate as a going concern with the financial and capital support of the Parent Company.

The 2017 financial year closed with a turnover of 8.2 million euros and a loss of 0.9 million euros.

##### **Marina di Portisco Spa**

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

Marina di Portisco is located in the Gulf of Cugnana, between Porto Cervo and Porto Rotondo. It has approximately 590 berths and holds a State Maritime Concession [Italian acronym: CDM] until 31.12.2029.

The company has submitted to the Port Authority, the Municipality of Olbia and the Sardinia Regional Authority the proposal to extend the CDM for a further 25 years and the competent authorities' preparatory examination is still underway.

The year closed with a turnover of 4.1 million euros and a profit of 271,000 euros.

### Trieste Navigando Spa

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 the redevelopment of a 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. At the date of approval of the financial statements, the operations are underway.

### Garanzia Italia

Confidi, 100% owned by the Agency, had been set up to provide guarantees to SMEs on loans provided by Banks to the consortium members through the use of public resources sustained by National Funds (Italian Laws 67/88, 181/89 and 208/98) and by the European Regional Development Fund.

The Confidi Garanzia Italia liquidation deed of closure was signed on 12.5.2017 and it was cancelled from the Register of Companies on 7 July 2017.

## C - ORGANISATION AND HUMAN RESOURCES

The Parent Company operates in an ever-changing context, in which knowing how to seize new opportunities is a critical success factor. Such complexity obliges the organisation to follow changes and activate operating procedures that ensure effective and efficient adaptation in the shortest possible time. Attention to skills worthy of promotion and dissemination as well as focus on processes to be innovated and vitalised must be accompanied by a managerial and professional culture, attentive to the evolution of the business and respect for the values and conduct of companies that operate in given areas.

With this awareness, during 2017, organisational and management strategy was directed at unifying skills, processes, corporate culture and value-related conduct in ways that can promote efficiency, innovation, productivity and organisational well-being.

In line with this approach, the renewal of the CCNL, signed on July 25, 2017, and valid for the entire Invitalia Group, introduced management and development tools addressing personnel and labour costs aimed at conveying the organisation towards a balance of the above factors.

### C.1 - Organisational Interventions

The activities connected to the organisation throughout 2017 were aimed at ensuring the maximisation

of the quality of the results and the productivity of the structures and staff.

In particular, the year saw the conclusion of the organisational optimisation path the Parent Company had started in the previous two-year period. A number of projects were brought to completion: the process of centralising the staff functions of the entire Group to ensure greater synergy between the operational areas and the internal service areas; the project to redesign the Infrastructure and Territorial Competitiveness model; the structure dedicated to the implementation of infrastructural, research and innovation investments to ensure control of quality and efficiency of the services related to the Central Procurement and Contracting Authorities that are becoming increasingly central to the pursuit of systemic development goals.

In matters concerning the Group, the operating and organisational model of the subsidiary Infratel has been redesigned to adapt it to the process of strong growth and diversification of the activities initiated during the year. This also involved the revision of the Organisation, Management and Control Model, pursuant to Italian Legislative Decree 231/2001.

In addition, the last quarter of 2017 saw the launch of the procedure for verifying the integration methods of the Banca del Mezzogiorno within the scope of the Group.

### Main organisational projects

The year 2017 saw the continuation of projects to introduce systems for measuring activity progress, encouraging productivity and empowering middle management. In particular, on the occasion of the renewal of the Italian National Collective Employment Agreement, a "Production Bonus" was set up on an experimental basis, aimed at:

- encouraging collaboration between the company and the workforce, enhancing the relevance and effective value of the contribution of the various professional communities to the achievement of the company goals;
- increase the productivity of the work groups by involving the workers in the benefits obtained by the Company.

The bonus, linked to work team performance and referenced to economic and production capacity goals, will be paid annually and has been launched on an experimental basis relative to the Parent Company and the Subsidiary Infratel.

During the year, the Organisational Management and Control Model of the Parent Company and its subsidiaries was modified, pursuant to ILD 231/2001, in order to adapt it to recent regulatory changes.

Furthermore, actions aimed at maintaining the OHSAS 18001 certification for the Occupational Health and Safety Management System and the UNI EN ISO 9001:2008 quality certification continued.

In relation to the latter, the Parent Company 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 2016, 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 interventions on the workforce

During the 2017 financial year, 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 58 permanent employment contracts for resources throughout the entire Group, of which 55 related to employees of the Parent Company.

During 2017, employee turnover at the Parent Company is summarised in the following table:

#### Workforce turnover in 2017 - Parent Company

	Managers	Middle Managers	Clerical staff	Total employees	Atypical workers*	TOTAL
<b>Personnel at 31 December 2016</b>	<b>51</b>	<b>209</b>	<b>1,020</b>	<b>1,280</b>	<b>133</b>	<b>1,413</b>
Joining:	5	8	210	223	84	307
- from group companies		4	16	20		20
- others	5	4	194	203	84	287
Leaving:	9	4	112	125	69	194
- towards group companies		1	3	4		4
- others	9	3	109	121	69	190
<b>Staff at 31.12.2017</b>	<b>47</b>	<b>213</b>	<b>1,118</b>	<b>1,378</b>	<b>148</b>	<b>1,526</b>

(\*) Collaborators, temporary agency workers, internships

Regarding employees, the incoming turnover is mainly derived from the entry of resources with fixed-term contracts in relation to the increasing commitment of the Parent Company to temporary contracts with a predefined duration, which require professional skills not present in-house. Positions not filled by transfers from group companies (203) relate to 189 new fixed-term contracts, 11 permanent contracts and 3 promotions from clerical staff to middle-management.

The new fixed-term contracts were activated mainly in the Competitiveness, Infrastructure and Territories function (116 entries), of which more than half (69) for the activities planned for the reconstruction of the central Italy areas affected by the August 2016 earthquake. A significant number of new contracts were also stipulated (23) to reinforce activities involving collaboration with the Ministry of Education, University and Research. Furthermore, 36 new fixed-term contracts were formalised in order to undertake the activities managed by the Incentives and Innovation function and 25 for the contracts relating to the management and planning requirements for EU Funds.

The entries include 20 resources acquired from Group companies, of which 14 from the subsidiary Invitalia Partecipazioni.

The terminations of employee positions were mainly due to the natural expiration of fixed-term contracts and resignations.

In order to meet further flexibility requirements, 69 contracts were closed (66 of which were external collaborators) against 84 new contracts opened (81 collaborations, 2 internships and one agency temporary worker).

Of the total of 148 atypical resources present as at 31.12.2017, 48 are technical-scientific experts taken on to perform the assessments required by the management of Industrial Innovation Projects (the "Industria 2015" contract). Overall, as at 31.12.2017, the total number of employees of the Parent Company recorded a net increase of 98 units compared to 2016, mainly due to new fixed-term contracts. The atypical contracts increased by 15 units as a result of increased recourse to the contractual form of the collaboration contract.

Regarding other Companies of the Group, employee turnover is illustrated in the following table:

#### Workforce turnover in 2017 - Other Group Companies

	Managers	Middle Managers	Clerical staff	Total employees	Atypical workers*	TOTAL
<b>Personnel at 31 December 2016</b>	<b>6</b>	<b>27</b>	<b>83</b>	<b>116</b>	<b>1</b>	<b>117</b>
Joining:	10	182	151	343	26	369
- from group companies		1	3	4		4
- others**	10	181	148	339	26	365
Leaving:		6	18	24	1	25
- towards group companies		4	16	20	1	21
- others		2	2	4		4
<b>Staff at 31.12.2017</b>	<b>16</b>	<b>203</b>	<b>216</b>	<b>435</b>	<b>26</b>	<b>461</b>

(\*) Collaborators, temporary agency workers, internships

(\*\*) Includes employees of the Banca del Mezzogiorno-Mediocredito Centrale Spa, counted at 31.12.2017

Workforce turnover in the other Group companies was mainly influenced by the increase of fixed-term resources in the subsidiary Infratel Italia Spa (+41 resources), resulting from increased work related to the Broadband programme. This growth was partially offset by the transfer of 16 employees to other Group companies, of which 14 came from Invitalia Partecipazioni Spa and were hired by the Parent Company.

### C.3 - Human resources development and training

The employee contract renewal process has generated, as one of the priority goals, the aim of strengthening distinctive corporate skills.

This has led to the definition of a professional system attentive to the contributions that the individual professional communities can make to the sustainable development of the Parent Company and to the implementation of staff development and training strategies useful to strengthen the skill-base of these same communities. The intent is also to address staff motivation, work-life balance and corporate wellbeing.

#### Human Resource Development

With regard to the professional framework, the new contract provides for new approaches to professional training and development that correlate the organisational and production needs of the Parent Company with the enhancement of the value of the workers.

In this frame of reference, new professional profiles and intermediate roles were introduced in the 1st and 2nd hierarchy levels, providing operational support and professional coordination of resources within the company functions. The relevant goals are to both support the management and organisation of work within the various organisational structures and to foster the professional development of staff being coordinated. Following the entry into force of the contract, the designated persons were then appointed to these new coordination roles.

The detailed review of the current provisions, contextually undertaken on the occasion of the renewal of the employment contracts, has called for a deeper assessment of the work performed and professionalism present in the company. The aim is to determine the extent to which the current professional grades of individual workers are consistent with their assigned tasks and duties. This revision was applied to all the 4th grade employees with 3 years of seniority in the company and led to 75 grade changes to the 3rd level for employees whose tasks and duties matched the relevant job descriptions.

Furthermore, during the year, development and coaching courses continued for identified resources as a key aspect of the operational processes.

Finally, during last two months, an innovative talent scouting project was promoted, based on gamification approaches and aimed at all Group employees and executives, with the goal of identifying a number of talented people to introduce into unconventional development paths. The initiative has achieved considerable success, 41% of the corporate staff came forward, of which 4% have been selected for a course of assessment and development.

#### Training

In training-related matters, the renewal of the National Collective Employment Contract has disseminated and consolidated the view that identifies training as an enabling factor for the alignment of skills and corporate behaviour to the needs for professionalism and integrity posed by the evolution of Invitalia's positioning on the markets of reference. Consequently, it has determined the evolution of the various professional communities operating in the Company and of each person within their own reference community, in a manner consistent with the competitive positioning.

The signed agreement sanctioned the three types of action with which the Parent Company directs the planning and provision of training according to the themes of Company, Business and Personal Development. The dominant characteristics have been outlined for each item: Company-related training is determined starting from the definition of the business intervention strategy; Business-related training is generated by the detection and systematisation of the professional evolution needs emerging from the various reference communities; Personal Development training, in a perspective of work-life balance and personal and business wellbeing, is generated by listening to one's own human heritage.

In 2017, Company-related training was essentially aimed at:

- assisting organisational changes;
- sharing knowledge on certain key sectors for the development of the Company such as the themes of the European Planning, the public procurement code and the opportunities for synergy between the various business units represented by the Bagnoli project;
- aligning the knowledge of the law with a constantly evolving context.

Business-related training is based on the training needs expressed by the business areas and mainly addresses:

- the alignment of common skills through training on new incentive measures, on methods for the technical monitoring of investments, on regulations concerning the activities of the Central Purchasing and Contracting Authorities;
- training on distinctive skill-sets such as those related to innovative methods for project assessment, innovation management, cost and benefit analysis of public investments, innovation and digital transformation.

Training for Personal Development was conducted through a Corporate Courses Catalogue open to the entire population of the Group whose topics in 2017 were language training at home and outside work hours, 'Walk of Life', a training project that addresses motivation and a programme on BLS (Basic Life Support) manoeuvres, clearance of airway obstruction in children and safe food preparation for children.

With this aim and with the aim of encouraging paths for the internationalisation of skills/knowledge and the practice of "life learning" (learn as a way of being), an intensive home-language learning course was conducted on an experimental basis. The two-thirds project is financed by the Fondimpresa inter-professional 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. The initiative, which was carried out on an experimental basis, has amply confirmed the expectations of success, prompting the Agency's decision to plan such activity for the years to follow.

Furthermore, during the year, the Luiss-Invitalia Partnership was set up for the creation of a research and training centre for the development of Southern Italy. The partnership has activated, among other things, a second level master's degree in "Development Economics and Policies" with the aim of educating expert professionals on the themes of economic and social growth. The Agency has made available 7 of the 20 activated scholarships to its personnel.

Overall, during 2017, 78% of the company's staff was involved in training activities, with an increase of approximately 12% in training hours compared to 2016 and, as in 2016, an average of 3 days per employee, with diverse interventions, as described in the following table.

**Table 1 - Summary of the training days conducted by the Parent Company**

Context	Man-days	%
Company	1,123	37%
Business	1,621	26%
Staff development	1,624	37%
<b>TOTAL</b>	<b>4,368</b>	

73 courses have been planned, some of which have been replicated in several editions for a total of 165 teaching days, both internally and externally. The 73 courses do not include the training activities provided by external training services and the teaching days for language training, which this year produced 101 courses for approximately 360 teaching days.

For 15% of the training days conducted, the funding of the joint inter-professional funds was activated, exceeding the 2016 result by 4%.

#### C.4 Trade union management actions

As anticipated, on 25 July 2017, the renewal agreement of the National Collective Bargaining Agreement was signed, with the introduction of important innovations regarding the salary structure of employees. The main changes concerned:

1. the alignment of salaries no longer with the scheduled Harmonised Consumer price index but with the aggregate one;
2. the start of the experimentation of a Production Bonus by the Parent Company and the subsidiary Infratel Italia Spa;
3. the review of the personnel grading scheme, introducing new company roles amidst the 1st and 2nd levels, to which related compensation is associated, and redefining the separation between the 3rd and 4th levels; an indemnity was also introduced linked to the position of Project Responsible Officer;
4. the introduction of the entry salary for the recruitment of new staff without work experience for the 3rd, 4th and 5th levels, providing for a reduction of 20%, 10% and 5% respectively of the basic salary.

Teleworking continued during 2017 and was renewed until the end of 2018, also on the basis of the positive results achieved in terms of increased company productivity.

During 2017, 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.

### D - COMMENTS ON THE CONSOLIDATED FINANCIAL AND EQUITY POSITION

#### D.1 Financial situation

The consolidated economic performance shows a profit of €1.3 million for the year 2017, which essentially reflects the rebalancing of the Agency's result after the significant losses of the previous year. This was linked to the implementation of the business plan, as well as the benefits deriving from the acquisition of the BDM, limited for the current year to the results obtained from the acquisition of the company, conventionally aligned with the second half of 2017.

The following table reclassifies the consolidated profit or loss and income statement items from a management perspective, comparing them with those of 2016:

Reclassified Income Statement [Profit and Loss Account]	2017	2016	Chang
Income from services and other income	192,2	131,52	60,688
Net financial income	26,3	5,188	21,203
<b>Value of Operational Production</b>	<b>218,6</b>	<b>136,71</b>	<b>81,891</b>
External costs and operating costs	(69,59)	(45,585)	(24,010)
<b>Added Value</b>	<b>149,0</b>	<b>91,12</b>	<b>57,881</b>
Staff costs	(116,77)	(88,575)	(28,202)
<b>Gross Operating Margin [EBITDA]</b>	<b>32,2</b>	<b>2,554</b>	<b>29,679</b>
Amortisation, depreciation and provisions	(5,67)	(5,909)	236
Management of holding investments	(1,76)	6	(1,771)
<b>Operating Result [EBIT]</b>	<b>24,7</b>	<b>(3,349)</b>	<b>28,144</b>
Assets held for sale and non-recurring charges	(17,86)	(38,264)	20,402
<b>Gross Result</b>	<b>6,932</b>	<b>(41,613)</b>	<b>48,546</b>
Income taxes	(5,59)	(620)	(4,976)
Profit (Loss) for the year attributable to non-controlling	(38)	10	(48)
<b>NET RESULT [NET PROFIT]</b>	<b>1,298</b>	<b>(42,223)</b>	<b>43,522</b>

The value of production, which recorded a significant increase, reflects the inclusion of the Bank in the consolidation area and the increases recorded by Invitalia and Infratel. Net financial income showed a significant increase mainly due to the consolidation of banking activities.

In line with the increase in revenues, operating costs and personnel costs increased and, for in operational terms, showed a percentage impact on the value of production substantially in line with the previous year. Regarding labour costs, the same indicator showed a decrease of more than 10%. Depreciation and amortisation decreased slightly with respect to the previous year.

The management of equity investments anticipates the automatic alignment with net equity determined by the consolidation of the data also for certain subsidiaries. This applies to those held for sale and in particular to Italia Turismo, whose value, as supported by impairment test, is instead maintained in the statutory financial statements.

The operating result reflects the data presented and marks a significant improvement. The result of the assets held for sale and non-recurring expenses reflect the charges deriving from the launch of the BDM business plan, as well as write-downs and provisions essentially linked to 'Investire Partecipazioni' and Invitalia.

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

	2017	2016
<b>Statutory result</b>	<b>2,067</b>	<b>(59,02)</b>
Operating results of subsidiaries for the year	10,977	
Reversal of separate financial statement valuations	(11,721)	
Net effect of subsidiaries	(744)	18,0
Valuation of equity investments	(9)	(8)
Consolidation set-off of dividends	-	(1,35)
Adjustment of severance pay to IAS principles	21	(4)
Elimination of intragroup reports and other accounting	1	133
<b>Consolidated group result</b>	<b>1,336</b>	<b>(42,23)</b>
Result attributable to non-controlling interests	(38)	10
<b>Result attributable to the Parent Company</b>	<b>1,298</b>	<b>(42,22)</b>



The decrease in the result is essentially attributable, as mentioned, to alignment with the accounting value of shareholders' equity that is determined when consolidating the data also for those companies whose book value, sustained by impairment, has not been adjusted in the statutory financial statements (Italia Turismo).

## D.2 Financial position

The consolidated financial position as at 31.12.2017, appropriately reclassified, is shown in the following table:

	2017	2016
<b>Uses:</b>		
Ready cash (a)	363,586	133,273
Net working capital (deferred liquidity - current liabilities)	1,809,022	618,038
Assets held for sale	207,643	200,429
Net equity investments	40,481	43,825
Fixed assets	1,029,349	301,074
<b>TOTAL</b>	<b>3,450,081</b>	<b>1,296,639</b>
<b>Funded by:</b>		
Shareholders' equity	767,067	719,898
Non-controlling interest funds under management (net availability)	98,731	117,353
Contributions	470,604	439,740
Employment severance indemnity	12,057	9,318
Provisions for risks	23,458	10,330
Financing	2,078,164	-
<b>TOTAL</b>	<b>3,450,081</b>	<b>1,296,639</b>
(a)		
Item 10- Cash and cash equivalents	89	11
ITEM 20 Financial assets held for trading	37,866	55,864
ITEM 60- Receivables from Banks-Deposits and current accounts (financial resources available on demand for current management)	325,631	77,398
	363,586	133,273

The financial sheet shows an increase in total loans issued which is extremely significant, essentially due to the consolidation of the Banca del Mezzogiorno.

The Group Shareholders' Equity shows a consistent increase, largely due to the positive differential between the value of the investment in the Banca del Mezzogiorno in the statutory financial statements and the shareholders' equity of the subsidiary. As is known, this difference must be duly validated through a PPA (purchase price allocation) and recorded in the Agency's financial statements within one year from the acquisition of the holding.

The following table shows the contribution to the consolidation of BdM alone, equal to approximately 2 million euros of loans mainly determined by short and medium to long-term loans disbursed and, on the liabilities side, by the related financial funding reported in the loans payable item:

	BdM
<b>Uses:</b>	
Ready cash	118,896
Net working capital	1,127,345
Assets held for sale	-
Net equity investments	600
Financial fixed assets	742,610
<b>TOTAL</b>	<b>1,989,451</b>
<b>Funded by:</b>	
Shareholders' equity	255,581
Non-controlling interest funds under management (net availability)	-
Contributions	-
Employment severance indemnity	3,260
Provisions for risks	10,603
Financing	1,720,007
<b>TOTAL</b>	<b>1,989,451</b>

The other changes in the consolidated financial position, net of previous reportings, are generally limited, and derive essentially from the issue of the bond and the relative residual liquidity present in the parent company.

However, it should be noted that:

- Non-controlling interest funds under management are monetary resources related to various measures, such as by way of example: Italian Law 181/89, the tourism promotion fund, the sustainable growth fund, etc. These are available to the Agency and are subsequently used according to the procedures envisaged in the various contracts. The amount is shown in the reclassified reports net of available liquidity on the current accounts dedicated to each measure;
- The contributions are related to the implementation of Infratel's broadband infrastructure as well as to measures and activities managed by the Parent Company, the latter essentially attributable to the "Bagnoli order" and to the incubators. The increase with respect to 2015 derives mainly from the contributions received by Invitalia for the latter contract.

## E – NON-CONTROLLING INTEREST HOLDINGS

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

(amounts in € 000)

Non-controlling interest holdings	Share capital	Shareholders' shareholdings' equity	Production Value	Net result
Marina d'Arechi Spa (*)	30,000	25,010	6,827	1,094
IP - Porto Romano Srl (*)	4,700	1,240	81	(2,202)

(\*) financial statement data refers to the 2017 pre-closing date

### Marina di Arechi Spa

Marina di Arechi is the company that avails itself of the 80-years State Maritime Concession and is building and managing the marina of the same name in the Gulf of Salerno.

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%).

Currently, the port has a capacity of 938 berths. Unfortunately, the economic crisis that involved Italy and other Eurozone countries in various industrial sectors has not spared the pleasure boating and nautical tourism segment. To cope with the difficult financial situation, the company prepared a financial plan, approved by the Board of Directors on 16.10.2014, based on the renegotiation the debt with banks and suppliers, as well as on the financial support of the shareholders.

Invitalia, despite having announced its intention to leave the nautical tourism sector, has an interest in preserving the value of its shareholding and has thus started a negotiation with the majority shareholder Gallozzi Group. The aim is to redefine the methods of governance and financial support for the company. In the course of 2017, having verified the conditions envisaged by the Agreement between shareholders, the second capital increase tranche of 5 million euros was paid out.

### IP Iniziative Portuali Porto Romano Srl

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

In 2015, the Lazio Regional Authority approved an extension in favour of the company which delays the deadline for the construction of the Fiumicino port to 20.8.2020.

On 10 May 2017, the Board of IP Porto Romano, having noted that the company: (i) had insufficient financial resources to continue its business, (ii) was engaged in a long and difficult negotiation with Royal Caribbean for its entry as a shareholder and was close to the hearing for the bankruptcy petition filed by a number of suppliers, resolved to apply for a continuity debtors arrangement pursuant to Article 161, paragraph 6 of the Italian bankruptcy law. The Bankruptcy Court of Rome, with an act dated 31 May 2017, granted the company IP Porto Romano a 60-day term to present the arrangement proposal, which was later extended to 29 October 2017.

On 23 August 2017 the Royal Caribbean company (RC) sent a notice to IP Porto Romano and to the Judicial Liquidator (appointed by the Bankruptcy Court of Rome) in which the company reiterated its intention to complete the tourist and cruising facility provided that certain regulatory obstacles can be overcome, on which a discussion is underway with the Lazio Regional Authority. Following the letter from RC, in October, Invitalia called a meeting with the Lazio Regional Authority in which the Authority offered to convene a "service conference" to evaluate the feasibility study that Royal Caribbean would have submitted in early 2018 in order to obtain the design variant permit to also build the cruise port.

On 29 October 2017, the IP Porto Romano company presented the continuity arrangement plan to the Bankruptcy Court of Rome. The Court requested some clarifications and reserved, following the presentation of the same, to resolve on the admissibility of the Plan pending completion of the negotiation between Royal Caribbean and the shareholders of IP Porto Romano, for the acquisition of the equity holding.

### Institute of the Italian Encyclopaedia founded by Giovanni Treccani Spa

The Agency holds a 7.30% stake in the share capital of the Istituto della Enciclopedia Italiana founded by Giovanni Treccani Spa

On 18 January 2017, the extraordinary shareholders' meeting of the Institute resolved a divisible share capital increase of 8 million euros, reserved for current shareholders.

On 18 October 2017, the extraordinary shareholders' meeting of the Institute approved a second divisible dividend of 11 million euros reserved for six new shareholders who fully subscribed to the entire capital increase.

To date, the share capital amounts to 62,724,105 euros and the Agency holds a 6.47% stake.

## F - SUBSEQUENT EVENTS

The main events that took place in the first few months of 2018 are reported as follows.

### The Parent Company

With regard to the work related to the OP for the attraction of investments, during the course of 2018, the actions foreseen in the Yearly Plan will be completed (August 2017/August 2018). These are particularly referenced to the preparation, together with the five Southern Regions of the bid to participate in events organised by the ICE Agency (including in the first six months the event with Banca Tokyo-Mitsubishi, the MIPIM in Cannes, the AIM Congress of Dubai and the BIAT of Naples), the organisation of operational workshops and 'incoming missions' in Italy as well as the assistance to foreign companies that have turned to the Agency for investments in Italy.

### CIPE

In its meeting of 28 February 2018, the Interministerial Committee for Economic Planning [Italian acronym: CIPE] inter alia, approved a series of initiatives aimed at favouring the processes of reindustrialisation, transition and overcoming of industrial crises in order to support the industrial development policy also with an industrial policy of protection for workers and companies displaced by technological innovation and globalisation.

In particular, 850 million euros were allocated to the Development Contracts which encourage the commitment to large industrial investments, programmes for sector upgrading and the development of supply chains/specialisation centres.

The creation of a Fund was also envisaged, with an initial allocation of 200 million euros, to counteract the phenomena of production delocalisation, intended as the transfer of production processes to other countries in order to acquire greater competitiveness in terms of cost and/or taxation. The Fund's initial budget may also be increased through the subsequent subscription of portions of the Fund, not exceeding 50%, by national and international institutions and funds. The Fund will operate under market conditions through various possible methods: shareholdings, acquisition of business units, financing of tangible and intangible assets. For all Fund interventions, the participation of independent private investors is envisaged.

## Companies of the Group

### *Invitalia Global Investment Spa*

The Company was established on 9 January 2018 with a share capital of €11,000,000.00, entirely held by the Agency.

Regarding the subsidiaries of Invitalia Partecipazioni, the following situations should also be noted:

### *Trapani Navigando Srl in liquidation*

The Shareholders' Meeting of 2 February 2018 will approve the final liquidation financial statements. Subsequently, the company will be cancelled from the Rome Companies Register.

### *Aquila Sviluppo Spa in liquidation*

The Shareholders' Meeting of 16 February 2018 will approve the final liquidation financial statements. Subsequently, the company will be cancelled from the Rome Companies Register.

### *Sviluppo Italia Campania Spa in liquidation*

The Shareholders' Meeting of 23 February 2018 will approve the final liquidation financial statements. Subsequently, the company will be cancelled from the Rome Companies Register.

## G – FORESEEABLE BUSINESS OUTLOOK

In the context of the macroeconomic framework outlined in the introduction, considering that the leading indicator remains stable at high levels, confirming the continuation of a favourable scenario for the coming months, the Parent Company will continue to focus on the integration of its expertise in terms of *programme management*, its roles as Central Procurement and Contracting Authority and Executive Body of complex interventions with that of the Banca del Mezzogiorno, in order to logically expand its scope of intervention to the sphere of development credit and finance. Furthermore, following the recent developments concerning the rescue of crisis areas and distressed businesses, the Parent Company will be called upon to play a central role in the implementation of the programmes approved by the CIPE for the redevelopment of the supply side and the fight against industrial delocalisation.

The main operations expected to be carried out in 2018 concern:

**The Former Alcoa plant.** Following the transfer of the former Alcoa plant to the Sider Alloys company, the recently signed Development Contract will be implemented and the possibility of an entry into the company's capital will be assessed.

**Bagnoli.** Pursuant to the Prime Ministerial Decree of 15 October 2015, the Parent Company has taken ownership of the areas and buildings previously owned by Bagnoli Futura Spa and has been authorised to issue financial instruments with a maturity of up to 15 years on regulated markets in order to raise the funding required to pay the transaction price to the receiver of Bagnoli Futura, now in bankruptcy. In this regard it is specified that the amount to be paid to the receiver must be determined by the State Property Office based on the market value of the areas and buildings. The State Property Agency has determined a value of €68,484,500.00 but this has been challenged by a series of legal actions, only upon the outcome of which will it be possible to proceed with the aforementioned bond issue.

**Invitalia Global Investment.** The possibility of carrying out transactions and the categories of risks insurable by Invitalia Global Investment will be assessed in full compliance with the restrictions imposed by international obligations, in particular the sanctions imposed by the UN Security Council, the restrictive measures adopted by the European Union, FATF international guidelines, as well as the European Union regulations and guidelines on the privatisation of market risks and the harmonisation of EU export credit insurance systems managed with the support of the State.

**Fondo imprese Sud - The Southern Enterprise Fund.** The Fund will operate by jointly investing in the capital of companies alongside independent private investors, to support the economic-productive fabric of the Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily regions.

**'Resto al sud' - Remain in the South.** This is the new initiative which has been assigned to the Parent Company to encourage the creation of new businesses in the Southern Regions. It is aimed at young people aged between 18 and 35 residing in Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily. The opening date for applications, which are expected in great numbers for the current year, was 15 January 2018.

**Embraco.** In consideration of the recent agreement between the company and the EDM, the Parent Company has been assigned to conduct the search for a partner for the re-industrialisation of the Riva di Chieri site by the end of the year. This is the expiry deadline for the guarantees extended to the approximately 500 workers, whose lay-offs are currently suspended.

## Obligation fulfilments pursuant to Italian Law 190/2012, also in matters of transparency in Public Administrations

The Parent Company'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 and Transparency Prevention 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 Economy and Finance Ministry. The goal of the Plan is to prevent and mitigate the risk of corruption crimes which may affect Invitalia, through the adoption of an Internal Control System integrated with the Model pursuant to ILD no. 231/01. The relevant legislation, in fact, prescribes that the implementation of the Corruption Prevention Plan for private entities under public control, can be based on Model 231, if already implemented by the entity, extending its scope of application to all the crimes considered in Italian Law 190 of 2012. The concept of corruption applicable to the definition of the Prevention Plans has a broad meaning. It includes the various situations in which subjects may abuse the power/function entrusted to them for personal gain. 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 Plan is the analysis of the level of exposure to the risk of corruption to the workings of the company; this analysis 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 anticipating how illicit actions may be conducted;
- definition of prevention and control measures to monitor the identified risks.

The Plan prepared for the 2018-2020 three-year period incorporates changes with respect to the previous year's version, due to the following main circumstances:

- events that occurred concerning an employee who has been

prosecuted in criminal proceedings initiated in 2017, with charges including, among others, the crime of corruption by deed contrary to official duties. This event entailed, with respect to the original plans, a strengthening and acceleration of measures to combat corruption, namely:

- actions aimed at greater protection of corporate information assets and a stronger segregation of access to information contained on the IT applications used for the management of incentive measures, with targeted management of access profiles to corporate IT platforms, consistent with the tasks assigned to the various roles on a case-by-case basis;
- organisational and procedural changes (compilation of the draft documents underlying the project for which the incentive is directly requested by the applicant);
- measures to prevent possible conflicts of interest in the appointment of consultants and/or collaborators, through their obligation not to work for third parties for the entire duration of the assignment, in relation to enterprise facilitation, incentive and subsidy instruments managed by Invitalia;
- update of the regulatory context:
- Italian Law no. 124 of 4 August 2017 - "Annual Law for the Market and Competition" on the obligations to publish data on aid and appointments received from public administrations and from subjects referred in Article 2-bis of ILD 33/2013;
- ANAC ruling no. 1134 of 8 November 2017 - "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 no. 1208 of 22 November 2017 - Final approval of the 2017 Update to the National Anti-Corruption Plan;
- Whistleblowing: Law no. 179 of 30 November 2017 - Provisions for the protection of persons who report crimes or irregularities which have come to light in the context of a public or private employment relationship. Effective from 29/12/2017;
- review of the mapping of risk areas and related control systems following the completion, in 2017, of the control risk self-assessment, aimed at updating Model 231 – special section. The control risk self-assessment activity contributed to an even more precise and complete representation of the company's activities at risk and also provided indications regarding the effectiveness of the control measures adopted, in terms of prevention and mitigation of the risk of corruption in individual corporate processes;
- revision of the Transparency Plan, with the exclusion, with effect from 20 July 2017, of the applicability to Invitalia of the provisions pursuant to ILD no. 33/2013, as a result of the issue of a bond issue listed on the regulated market, pursuant to Article 2-bis, par.2, point (b) of the decree itself and Article 26 par. 5 of ILD 175/2016.

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 listed in ILD no. 39 of 8 April 2013, "Provisions on the subject of exclusion from appointments and incompatibility

related to public administrations and private bodies under public control";

- as listed in ILD 50/2016 with reference to the transparency obligations set out therein;
- updating of the training programme, with the provision of new instructions specifically aimed at countering corruption. This activity, which will involve the personnel involved in the grant-related processes, has assumed even greater importance and has been enriched with content, following the events mentioned above. This specific training activity will focus on the main rules of conduct to be followed in the various phases of the complex process of managing business incentives, with reference to the most relevant critical issues specific to each phase. The aim is to raise sensitivity and awareness of the role of personnel involved in the process of managing enterprise incentives, with specific training on expected virtuous and ethically correct conduct. Furthermore, it is envisaged that all Invitalia staff shall receive training on the Organisational, Management and Control Model - special section, updated to its latest 2017 version.

The fundamental aim is to continue to promote the process of change in values started with the adoption of the Corruption and Transparency Prevention 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.

Regarding the actions undertaken during the year 2017, with regard to the controls, 12 audits were performed concerning the necessary application of protocols and procedures related to the various events which occurred. These supplemented the necessary internal checks aimed at mitigating the risk of criminal actions pursuant to Italian Law 190/2012 together with the observance of compliance with the same applicable law (checks on the declarations of non-transferability and incompatibility and on transparency obligations).

With regard to staff training, in October 2017 a classroom activity was carried out involving all Invitalia staff responsible for the management of incentives to companies (about 450 people). This effort concerned the occurred circumstances, with simulations of the methods of implementation and in-depth examination of the criminal aspects of corruption and fraud. This event, managed in first person by the Managing Director of Invitalia, had a significant training impact on all the personnel involved.

With regard to whistleblowing, following Invitalia's adoption of a specific procedure from 20 October 2016, developed in line with the legislation then in force (Italian Law 190/2012, Decree Law 90/2014 converted into Italian Law 114/2014, ILD 72/2015 and guidelines issued on the matter by ANAC with Ruling no. 6 of 28 April 2015), 9 reports of illicit conduct were received at the dedicated e-mail address anticorruzione@invitalia.it during 2017. In compliance with the procedure, these reports and 22 other reports directly submitted to the Supervisory Body were subjected to assessment and analysis. In cases where the information was detailed and relevant, these reports led to the activation of the Internal Audit function to enable specific investigations to be undertaken, the results of which were consistently notified to the Invitalia Chairman and the Managing Director, for the determination of the appropriate initiatives to be undertaken. Considering the enactment of Italian Law 179/2017 of 14.12.2017 prescribing "Provisions for the protection of persons who report crimes or irregularities which have come to light in the context of a public or private employment relationship" and of the note dated 15 December 2017 with which ANAC announced the preparation of specific Guidelines for the management of such reports, the Compliance function has been activated to perform appropriate in-depth analysis of any adjustments/additions to be made to Model 231 and the currently applicable procedure.

## 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 of the Parent Company and its main subsidiaries and therefore, of the consolidated financial statements. (Article 123 -bis, second paragraph, point (b) of the Italian Consolidated Finance Act).

The *governance model* adopted by the Agency 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 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.

### 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 ILD 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:

### The 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 offense 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 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 ILD 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 ILD 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 to the aforementioned Law activated a project in the Invitalia Group entitled "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" 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;
  - the compliance of the documents with the applicable international accounting standards;
  - that the documents reflect the results in the ledgers and accounting records;
  - that the documents provide a true and correct 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 9 November 2015 and expires with the approval of the 2017 financial statements.

Pursuant to Article 154-bis of the Italian Consolidated Finance Act, the certification process is broken down 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 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.

The main phases of the System:

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 (Management and Control Organisation 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. The relevant legislation, in fact, prescribes that the implementation of the Corruption Prevention Plan for private entities under public control, can be based on the Organisation, Management and Control Model adopted pursuant to ILD 231/01 if already implemented by the entity, extending its scope to all the crimes considered, both active and passive, in Italian Law no. 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 the mapping of the risk areas, control systems aimed at preventing corruption crime and managing the associated risk have been identified, in line with the provisions of the Organisational, Management and Control Model pursuant to ILD no. 231/01.

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 agreement with the Supervisory Body pursuant to ILD no. 231/2001, the dissemination and knowledge of the Model and of the Code of Ethics;
- managing the 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, point (b) of the decree itself and Article 26 par. 5 of ILD 175/2016, the applicability of the provisions pursuant to ILD 33/2013 for Invitalia and for Group companies is excluded. 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 listed in ILD no. 39 of April 2013, "Provisions on the subject of non-disclosure and incompatibility of positions with public administrations and with private entities under public control";
- as listed in ILD 50/2016 with reference to the transparency obligations set out therein;

#### Identification of relevant/applicable companies

For the selection of relevant/applicable companies and for the definition of the parameters considered significant for the purposes of compliance with Italian Law 262/05, we adopt an approach (widely used internationally) defined by the *Public Company Accounting Oversight Board (PCAOB)*<sup>1</sup> in the document "*Auditing Standard no. 5*".

Based on this approach, every year, the Parent Company through the "Reporting and Support Services" function defines the following:

- *Relevant/applicable companies*, the Companies in which controls should be assessed given their relevance with respect to the consolidated financial statements;
- *Significant accounts*, the quantitative dimension appearing in the financial statement items in order to be considered relevant;
- *Significant processes*, the processes for which it is considered necessary to assess the effectiveness of the ICFR.

The companies to be included in the scope of application of Application of Italian Law 262/05 must ensure an adequate level of quantitative coverage of the consolidated value of certain benchmarks, such as:

- *Result before taxes (in absolute value)*;
- *Revenue*;
- *Medium-long term financial debt*;
- *Total assets*.

In this regard, Group Companies whose financial statement values are above the materiality threshold for at least one of the aforementioned indicators are selected.

The identification of significant financial statement accounts also requires a quantitative assessment, given the importance of the account measured with respect to the "materiality threshold" calculated at Group level. Specifically, all accounts that exceed the Planning Materiality [PM] at the consolidated financial statements level are considered as "significant". The levels are calculated by applying a 5% adjustment factor to the value of the consolidated pre-tax profit. This assessment is supplemented by an assessment of the qualitative aspects related to:

- nature of the account, that is, if its determination implies estimates or, in general, a high degree of subjectivity;
- volume and complexity of the transactions reflected in the account (also in terms of accounting procedure);
- risk that the value of an account may be affected by errors or fraud. The risk indicators that can be used in a qualitative assessment of the quality of a financial statement account include:
  - problems identified in the past;
  - change factors (of processes or procedures) also with reference to any modification or replacement of information systems that involve massive data migration or reorganisation of related operational activities, including control actions.

Any financial statement data/information, once classified as risk-prone, is linked to the company processes/sub-processes from which it is derived. This enables the identification of the controls to be assessed for adequacy and effective applicability in order to comply with the certification required by Article 154-bis of the **Consolidated Finance Act**. In particular, for relevant/applicable companies, *all processes* associated with financial reporting accounts having a value greater than *PM* are considered "significant". If a single process provides inputs to various accounts, these are aggregated as they are potentially subject to the same risks. On the contrary, if multiple processes impact on a single account, it is necessary to identify the distinct processes that feed it and which can potentially be characterised by different risks. The values resulting from the various aggregations/disaggregation of the financial statement items are again applied to the *PM* in order to select only the significant processes to be analysed.

This analysis, which is purely quantitative, is completed with qualitative considerations that may lead to the inclusion/exclusion of certain processes.

With reference to the selected automatic checks, the verification of adequacy and effective application must be extended to the design and operation of the general IT-based controls that support the relative applications.

The significant processes identified on the basis of the Consolidated Financial Statement accounts and the value of the *PM* are notified to the relevant/applicable Companies for the identification of the processes to be analysed in relation to the values in their financial statements.



## The Internal Control System applied to financial disclosure at the Banca del Mezzogiorno - MedioCredito Centrale Spa

Banca del Mezzogiorno [BdM], acquired by the Agency on 7 August 2017, is an issuer of listed bonds and is obliged to comply with regulations pursuant to Italian Law 262/2005.

The BdM – MCC Financial Reporting Officer is the Head of the Bank's Administration, Finance and Control Department who, in the exercise of duties, has maintained contacts and relations with the Financial Reporting Officer of the Parent Company and other external and internal control bodies, such as the Board of Statutory Auditors, the Independent Auditor Firm, the Supervisory Body, the Internal Control and Risk Committee as well as the functions dedicated to Internal Auditing, Compliance with Anti-Money Laundering Regulations.

With reference to the release of certification, in consideration of the period of competence for the 2017 reporting period, the Financial Reporting Officer of the Parent Company has acquired the Report of the Financial Reporting Officer of Banca del Mezzogiorno - MCC SpA.

## I - NON-FINANCIAL STATEMENT PURSUANT TO ILD 254/2016 and the Global Reporting Initiative standards

### I – 1 Methodological note - our path towards sustainability

This document provides a complete statement of the Group's sustainability performance, 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 wellbeing of individuals and communities.

The document was drafted in compliance with ILD no. 254 of 30 December 2016<sup>1</sup> 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.

The main elements of this document (materiality analysis, consolidation scope, reporting structure and standards) were illustrated during the Parent Company's Board of Directors' meeting of 27 March 2018, and approved by the latter without reserve.

#### I – 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 this context, this document represents one of the tools for dialogue with stakeholders, because it allows us to divulge what has been achieved, in order to respond to expectations and share targets for improvement aimed at guiding the activities towards shared growth objectives.

##### 1.1.1 Mapping of stakeholders

The **Mapping of stakeholders** was carried out by an internal work group which is representative of the Group's workforce. The mapping is a preparatory exercise to the definition of the materiality analysis and it enabled 10 categories to be identified together with 30 stakeholder sub-categories.

<sup>1</sup> 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

#	CATEGORIES	SUB-CATEGORIES
1	System of <i>governance</i> and control system	Control system <i>governance</i>
2	Human Resources	Employees, Trade union representatives Other forms of association
3	Environmental stakeholders	Invitalia's intermediaries on environmental impact matters 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	Public territorial actors, Communities 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 subject, current and potential resources (financial and human), specific knowledge and skills, strategic location, etc.;
- b) **level of interest that they express**, assessed both as a function of the 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 has determined 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 confrontation 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. These initiatives included interviews and the Stakeholder Panel.

As a result of the stakeholder mapping activities, **18 interviews** were conducted between December 2017 and January 2018. These were assisted by external facilitators that engaged a particularly relevant **first group of stakeholders**. The interviews, conducted in the form of an open dialogue, involved transversal 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 on beneficiaries and in the territories;
- effects of collaboration on culture and organization
- stakeholder expectations regarding the Group's actions.

The interviews enabled several indications and considerable qualitative feedback to be gathered. In particular, the stakeholder interviews enabled operating flows to be analysed, highlighting the strengths and weaknesses of the current system, as well as the main challenges and opportunities for improvement.

Subsequently, a **second and larger group of stakeholders** was called upon to intervene in the *Stakeholder Panel*. This entailed a day of interaction with institutions and businesses to listen to their needs, requirements and proposals, with discussions on the impact of Invitalia in the field of *social responsibility*.

The aim of the Panel was to incorporate the stakeholders' needs and priorities with regard to matters of strategic relevance, but also to discuss concrete actions to be implemented for a greater contribution to the creation of shared values.

Over **50 participants** intervened on the panel, including public administration representatives and local authorities, but also entrepreneurs, 'startupper' and representatives of multinational industrial groups.

The event - entitled "*Let us put your proposals in the budget*" - served to draw indications and suggestions to improve social reporting methods by identifying the relevant issues, as well as highlighting the benefits generated for the country.

The stakeholders were asked to declare their expectations and their level of satisfaction with the Group's operations, proposing new areas to be monitored and indicating ideas for improvement. The interaction has laid the foundations for a further leap in the quality of Invitalia's work, not only in terms of effectiveness, but also in terms of recognition and measurability.

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

### I – 1.2 Materiality analyses

Materiality analyses arise from the need to **identify and develop issues relevant to the management team 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.

The analysis of materiality, within the social reporting process, has been applied for a few years, and has been periodically updated. In addition to regulating the choice of themes to be included in this document, the 2017 version made it possible to define and enhance the performance indicators to be used.

#### 1.2.1 The process of identifying relevant issues

As anticipated, starting from 2017, the process of identifying the relevant issues has been profoundly redesigned in line with the main national or international reporting standards and in compliance with the provisions of ILD 254/2016.

The procedure for identifying the issues, coordinated by the Social Responsibility Report 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 (33 public and private bodies, of which 20 Italian and 13 European) to verify the presence and formalities of the respective sustainability or social responsibility policies;
- analysis of the perception of the stakeholders, for the identification of the most relevant issues and the valorisation of possible areas for improvement;
- interviews with the various internal functions of the company, for the determination of the relevance of the issues with respect to the individual business lines;
- considerations developed within the highest governance body of the company, to verify the consistency of the results with respect to corporate strategies;
- analyses of press content and other media, to assess the degree of perception and *reputation* of the brand (by *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 and control of EU fund usage;
- Employee benefits;
- Transparent communication;
- Dissemination of entrepreneurial culture;
- Greenhouse gas emissions and polluting atmospheric emissions;
- Creation and safeguarding of jobs;
- Prevention of and fight against corruption;
- Strengthening of the production system;
- PA action reinforcement;
- Redevelopment 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 emerged, both external and internal, were assessed and weighted.

The assessment of **internal relevance** has been conducted by the main company departments, thanks to the punctual 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 authoritative representatives of the Group's stakeholders. In fact, during the interviews and during the Panel sessions, the material themes for the company's strategy were presented to the participants in order to identify an order of importance.

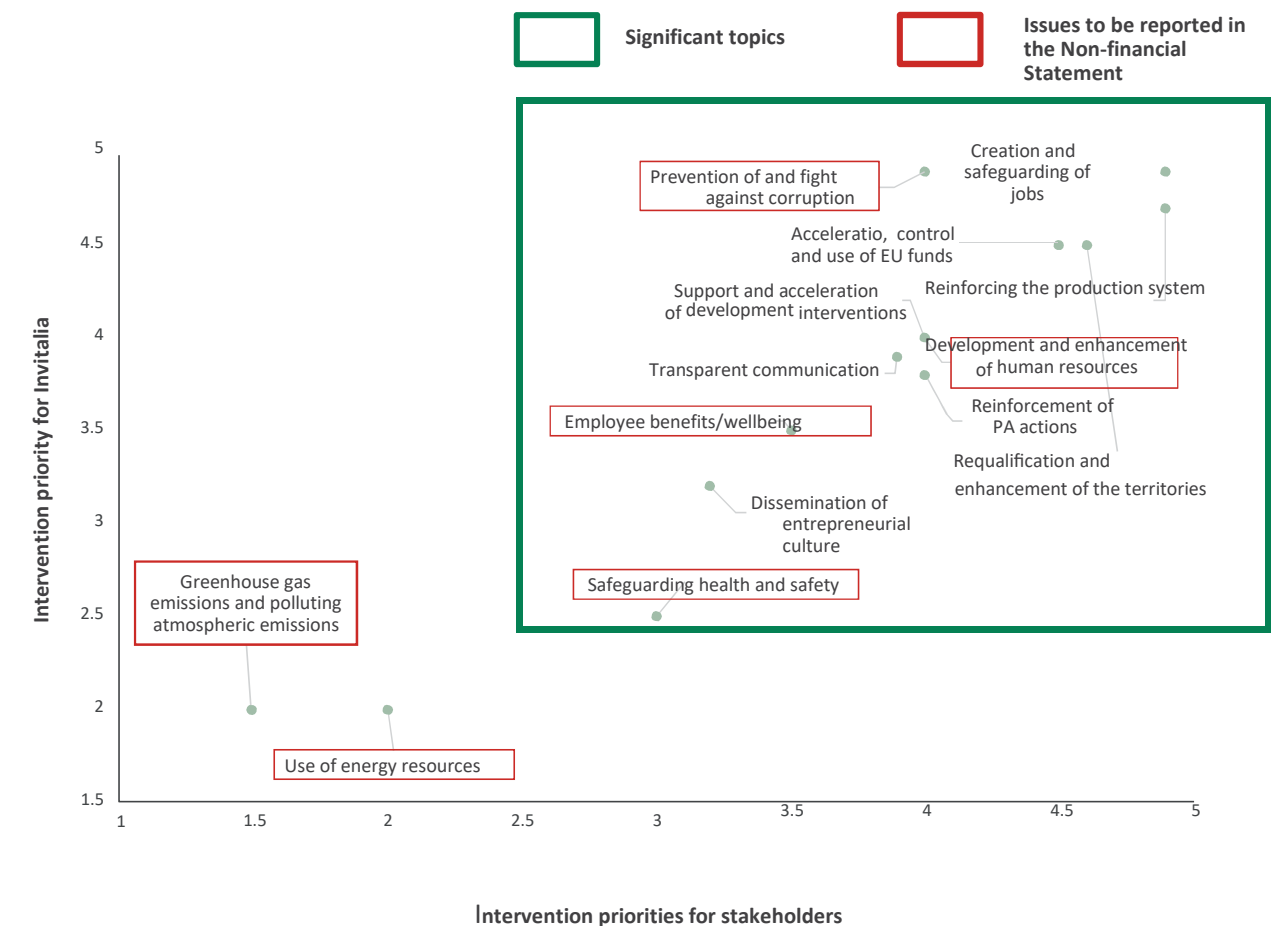
The measurement of the degree of priority and the analysis of the results enabled the identification of the "Relevance to stakeholders" which is a prerequisite to the definition of the **materiality matrix**. The latter identifies the relevant topics understood as those aspects that can generate significant 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 in ILD 254/2016.

The perimeter of all the material topics indicated is internal (ref: GRI 103-1 *Boundary for the material topic*).

### 1.2.3 Validation and review

The validation of the themes and of the entire materiality analysis process was carried out by the Managing Director who availed himself of the support of the working group that deals with the preparation of the Social Report for the detection of perceptions through participation in the discussion groups and sharing the results among the forum participants. Subsequently, the results of the shared materiality analysis were illustrated at the Parent Company's



Board of Directors and approved during the meeting of 27 March 2018.

It is expected that the *review* phase is carried out 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, to specific *stakeholder engagement*.

## I – 1.3 Measuring our performance

### 1.3.1 Performance indicators

Starting this year and in accordance with regulatory requirements for sustainability reporting, the Group adopts a set of KPIs (*Key Performance Indicators*) arising from 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 the known international standards, those of GRI appear to be the ones most suitable for representing the Group's activities as it is capable of covering all the aspects required by Directive 2014/95/EU and, consequently, those required by ILD no. 254/16 which fall within the scope of the *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 Social Responsibility Report, which in turn verifies the consistency and feeds the centralised monitoring system.

For Non-Financial reporting, the **Global Reporting Initiative** has been adopted in its *referenced* mode, which allows for a more flexible and suitable approach to the specific information of the Group compared to the *Core* or *Comprehensive* approaches.

### 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 in nature. Quantitative information is accompanied by qualitative interpretations/comments that allow us to properly appreciate its 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*: reporting applies to results and not to products. The attention given to the 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 ILD 254/2016;
- *Reliability principle*: the data and information contained in this document is subjected to verification of conformity by the independent auditor firm selected for this purpose.

### 1.3.3 The reporting period

This document refers to the activities and information referenced in the period from 1 January 2017 to 31 December 2017.

### 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 the analysis date
  - evolution of the composition with respect to the last Social Responsibility Report
- Number of employees:
  - number of employees at the analysis date
  - trend with respect to the last Social Responsibility Report
- Special characteristics of the companies, including:
  - the strategic nature of actions and contributions with respect to the Group's *mission*
  - the economic contribution and social-environmental impact generated
  - any further provisions and/or characteristics of the companies that would justify their inclusion or exclusion from the reporting scope

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, equal to 0.8% of the Group, 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 company is held for sale as decided in December 2017;
- *Invitalia Partecipazioni*, given its 8 employees, equal to 0.6% of the group, 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 Economic Development Ministry;
- *Banca del Mezzogiorno - MedioCredito Centrale*, in consideration of the recent acquisition (completed on 7 August 2017, following the release of the required authorisations by the Economic Development Ministry, the European Central Bank and the Bank of Italy). The Bank will be consolidated from 2018, once the socio-environmental data collation process has been harmonised with the rest of the group.

Therefore, the INVITALIA reporting scope (which hereinafter references that of the Group), is exclusively composed of the *National Agency for the attraction of investments and enterprise development* and the following subsidiaries:

- Infratel Italia Spa
- Invitalia Ventures SGR.

## I – 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 ILD 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. 1, points:

(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 environmental impact. Nevertheless, in order to ensure completeness and continuity with the information made available in previous versions of the Social Responsibility Report (which until last year was drawn up on a voluntary basis), 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 Economy and Finance Ministry, which operates under the coordination and control of the Economic Development Ministry) 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 Invitalia Code of Ethics, 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, the Public Administration.

## I – 2.1 General information

The companies within the reporting scope include: INVITALIA, Infratel Italia Spa and Invitalia Ventures SGR.

### • 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 Economic Development Ministry, 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 is located in Rome, with its central offices in Via Calabria no. 46 - 00187, and operational offices in Via Pietro Boccanelli no. 30 - 00138 and Viale America no. 201 - 00144 (the latter at the offices of the Economic Development Ministry).

### • 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 is 100% controlled by INVITALIA, and is based in Viale America 201 - 00144, Rome.

### • 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 based in Via Calabria, 46 - 00187, Rome and the share capital of the Asset Management company is 100% held by INVITALIA.

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 company **Ethical code** 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 ILD no. 231 dated 8 June 2001 - "Governance of the administrative responsibility of legal entities, companies and associations also without legal personality, pursuant to Article 11 of Italian Law no. 300 of 29 September 2000" and Italian Law 190/2012 - "Provisions for the prevention and repression of corruption and illegality in the Public Administration".

Each Code of Ethics - declined for each company - recalls the set of 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.

Precisely in relation to values, it should be noted that in November 2017, the process of defining the **Charter of Values** was launched. 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.

An *inter-departmental panel* was appointed to define these values, composed of a representative group of employees (40% female) with various backgrounds and corporate ranking. 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.

### I – 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 2017 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 wellbeing in the organisation.

#### 2.2.1 Management of resources

As mentioned in the introduction and in section C, the activities related to personnel management in 2017 were mainly oriented towards maximising the quality of the results and the productivity of the structures and individuals.

In particular, growth in resources had a positive trend: at 31 December 2017, the Group's workforce totalled **1,497** (+135 compared to 31 December 2016), at the end of a year which saw double the number of new recruits compared to terminations.

In fact, a total number of 266 recruits were hired during the year. In the context of recruitment,<sup>2</sup> this includes 24 resources transferred from Group companies, of which 10 from companies within the reporting scope and 14 from the subsidiary Invitalia Partecipazioni. The number of **recruits from outside the reporting scope** therefore amounted to **256**, bearing witness to the fact that more than 96% of the recruits are new entries.

INVITALIA significantly increased its headcount, which, with the entry of 220 new resources (16%) and a turnover of 122 (9%) today equals 1,378 people. Infratel (113 employees) recorded an increasing trend with the entry of 45 people (40%) and a turnover of 6 people (5%) while Invitalia Ventures with one new entry and 3 departures, now stands at 6 people. The table below shows the recruitment details with evidence of the mobility within the group and the scope perimeter.

Turnover	Recruitment and mobility				
Origin	Gender	INVITALIA	INFRATEL	INVITALIA VENTURES	TOTAL
INVITALIA	Females		3		3
	Males		1		1
	<b>TOTAL</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>
INFRATEL	Females	2			2
	Males	1			1
	<b>TOTAL</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>
INVITALIA VENTURES	Females	2			2
	Males	1			1
	<b>TOTAL</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>
INVITALIA PARTECIPAZIONI	Females	7			7
	Males	7			7
	<b>TOTAL</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>14</b>
Others	Females	88	12		100
	Males	112	29	1	142
	<b>TOTAL</b>	<b>200</b>	<b>41</b>	<b>1</b>	<b>242</b>
<b>OVERALL TOTAL</b>		<b>220</b>	<b>45</b>	<b>1</b>	<b>266</b>

On the other hand, the **131** employee terminations were essentially related to the natural expiration of fixed-term contracts and voluntary resignations. Hence, the number of **non-reporting scope terminations**, net of the 10 attributable to the aforementioned infra-group mobility transfers, is equal to **121**.

Turnover	Recruitment and mobility				
Company	Gender	INVITALIA	INFRATEL	Other	TOTAL
INVITALIA	Females		3	50	53
	Males		1	68	69
	<b>TOTAL</b>	<b>0</b>	<b>4</b>	<b>118</b>	<b>122</b>
INFRATEL	Females	2		1	3
	Males	1		2	3
	<b>TOTAL</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>6</b>
INVITALIA VENTURES	Females	2			2
	Males	1			1
	<b>TOTAL</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>OVERALL TOTAL</b>		<b>6</b>	<b>4</b>	<b>121</b>	<b>131</b>

<sup>2</sup> Also included in this parameter are 3 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.

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

Turnover by Gender	Recruitment	% recruitment	% recruitment on the total	Terminations	% terminations	% terminations on the total
Males	152	57%	20%	73	56%	10%
Females	114	43%	15%	58	44%	8%
<b>TOTAL</b>	<b>266</b>	<b>100%</b>	<b>18%</b>	<b>131</b>	<b>100%</b>	<b>9%</b>

In relation to the distribution of recruitment and terminations by geographical area, please refer to the table below.

Turnover by Geographic Area	Recruitment	% recruitment	% recruitment on the total	Terminations	% terminations	% terminations on the total
North	21	8%	19%	17	13%	15%
Centre	120	45%	16%	73	56%	10%
South	122	46%	19%	41	31%	7%
Abroad	3	1%	10%	-	0%	0%
<b>TOTAL</b>	<b>266</b>	<b>100%</b>	<b>18%</b>	<b>131</b>	<b>100%</b>	<b>9%</b>

In relation to the distribution of recruitment and terminations by geographical area, please refer to the table below.

Turnover by Age Groups	Recruitment	% recruitment	% recruitment on the total	Terminations	% terminations	% terminations on the total
Up to 30	32	12%	41%	20	15%	26%
Between 30 and	196	74%	18%	89	68%	8%
Greater than 50	38	14%	11%	22	17%	7%
<b>TOTAL</b>	<b>266</b>	<b>100%</b>	<b>18%</b>	<b>131</b>	<b>100%</b>	<b>9%</b>

Among the 1497 workers, the professional category with the greatest number of employees is that of the clerical workers (1214), followed by middle managers (234) and managers (49). This directly reflects the nature of the business model adopted.

Below is a representation by category with respect to age groups and gender

Professional grade by gender	Female	%	Male	%	Overall total	%
Managers	7	1%	42	6%	49	3%
Clerical workers	653	87%	561	75%	1214	81%
Middle management	89	12%	145	19%	234	16%
<b>OVERALL TOTAL</b>	<b>749</b>	<b>100%</b>	<b>748</b>	<b>100%</b>	<b>1497</b>	<b>100%</b>

Professional grade by Age Groups	> 50	%	<30	%	Between 30 and 50	%	Overall total	%
Managers	35	10%	0%	0%	14	1%	49	3%
Clerical workers	189	56%	78	100%	947	88%	1214	81%
Middle management	113	34%	0%	0%	121	11%	234	16%
<b>OVERALL TOTAL</b>	<b>337</b>	<b>100%</b>	<b>78</b>	<b>100%</b>	<b>1082</b>	<b>100%</b>	<b>1497</b>	<b>100%</b>

With reference to **educational qualifications**, 80% of the headcount are graduates: the majority of employees (1,202) hold a degree or equivalent, while the remaining 20% (295) have a secondary school diploma.

The **dominant geographical areas of origin 3** are Central Italy (49%) and the South (42%), followed by the North (8%) and staff from abroad (2%).

The **average age** among the Group's staff is currently around 45 years of age: 5% of employees (78) are under the age of 30; 72% (1082) are aged between 30 and 50 years<sup>4</sup>, while 23% (337) are over the age of 50.

Within the *governance* bodies (Boards of Directors of the companies within the reporting scope) the average age is 53 years - 27% of the members are aged between 40 and 50, while the remainder are over 50 years of age.

Furthermore, the data recorded in 2017 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. In 2017, female staff amounted to 50% of the total (748 men and 749 women): a perfect balance confirming the effective commitment to gender equality.

The women of the Group actively participate in company life and are distributed within the various functions: 34% of managerial positions are held by women, while the remaining female workers hold clerical positions (54% of the total). This data is particularly encouraging if correlated with turnover: indeed, the number of female recruits during the year (114) was twice the number of relative terminations (58).

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

Types of contract	TOTAL	Male	Female	% Female
Fixed term contracts	406	221	185	46%
Permanent contracts	1091	527	564	52%
<b>TOTAL</b>	<b>1497</b>	<b>748</b>	<b>749</b>	
Full-time	1406	744	662	47%
Part-time	91	4	87	96%
<b>TOTAL</b>	<b>1497</b>	<b>748</b>	<b>749</b>	

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.

#### Accidents and absenteeism

In 2017, as in previous years, there were no fatal or serious work-place accidents. The Group's staff, in fact, mainly performs office work with a low specific risk.

The main cause of injury is represented by travel to reach the workplace. In 2017, out of a total of 268 lost work days due to accidents, 94% (252 days) are classified as "*commuting accidents*", while the remaining 6% (16 days) were occupational accidents that occurred at the workplace. In relation to gender distribution, the incidence of accidents is significantly higher for women (85%) than for men (15%). 98% of accidents occurred in Lazio, where the Group mainly conducts its business.

<sup>3</sup> The areas of origin are attributed according to the Country/place of birth. The Italian regions have been grouped 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).

<sup>4</sup> Of these: 558, equal to 37%, are in the age group between 30 and 40 years while 602, equal to 40%, are between 40 and 50 years of age.

Type of Injury	Gender	Lazio	Marche	Total days not worked
Commuting	Males	36	5	41
	Females	211		211
	<b>Total</b>	<b>247</b>	<b>5</b>	<b>252</b>
Workplace	Females	16		16
	<b>Total</b>	<b>16</b>		<b>16</b>
<b>OVERALL TOTAL</b>		<b>263</b>	<b>5</b>	<b>268</b>

In 2017 the number of injured employees was 14<sup>5</sup>, of which 12 due to commuting accidents and 2 at the workplace; the incidence of injured employees on the total workforce is 0.94%.

In relation to the injury frequency (IR) rate, accident seriousness rate (LDR) and absenteeism rate (AR), please refer to the following table. As no cases of occupational disease have been recorded, the rate of occupational disease is not reported (*Occupational Diseases Rate*).

GRI Definitions	Calculation Procedure	Ref.	Value
<i>IR - Injury Rate</i>	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 <sup>6</sup>	<b>TOTAL</b>	<b>1.30</b>
		Males	0.71
		Females	1.95
<i>LDR - Lost Day Rate</i>	Ratio between days not worked due to an accident and the total working hours during the year, multiplied by 200,000	<b>TOTAL</b>	<b>20</b>
		Males	6
		Females	35
<i>AR - Absentee Rate</i>	Number of days of absence <sup>7</sup> divided by the number of workable days <sup>8</sup> in the same period, multiplied by 200,000	<b>TOTAL</b>	<b>5,130</b>
		Males	4,011
		Females	6,274

Finally, it should be noted that during the reporting period no episodes related to discriminatory practices were recorded.

## 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, the regulation of middle management and clerk-level employment contracts is regulated by 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.

<sup>5</sup> Only attributable to the Invitalia Parent Company, including 10 women and 4 men.

<sup>6</sup> Corresponding to 50 working weeks of 40 hours for 100 employees.

<sup>7</sup> This calculation includes days of absence due to illness, accidents and unjustified absences.

<sup>8</sup> Workdays are calendar days, excluding Saturdays, Sundays and holidays

## 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 parameterised on predefined, objective and measurable economic and financial indicators<sup>9</sup>. Specifically, two systems are envisaged, both linked to financial indicators and differentiated by targets of responsibility:
  - 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.

Furthermore, 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, will be monitored on the basis of a performance assessment which will become systematic and annual, with an adversarial engagement between the Human Resources department and Operational Line managers.

Furthermore, in 2017, an international consultant firm performed an assessment of the positions and remuneration of the key management positions of the Parent Company and of the Companies included in the scope of consolidation. This assessment, which was shared with the Board of Directors in the autumn of 2017, led to a review of managers' salary *ranges* and the salaries of some managers which were not aligned with the market. This revision was subsequently approved by the Board of Directors.

<sup>9</sup> There are no environmental or social performance targets.



## Relationships with Stakeholders

During 2017, the renewal of the Invitalia National Collective Contract was an important opportunity for discussion and dialogue with stakeholders. As previously mentioned, this contract is valid for the entire Group. Consultations and adversarial engagement were conducted with the relevant stakeholders (trade unions, Board of Directors, employees ...) that proved decisive for achieving firm and mutually agreeable results. In fact, the renewal, in addition to introducing significant mechanisms of improvement from an organizational standpoint, has laid the groundwork for new approaches to professional training and development.

Specifically, the CCNL renewal agreement of the introduced important changes regarding the remuneration structure. In particular, it is noteworthy that salaries are no longer aligned with the scheduled Harmonised Consumer price index but with the aggregate one; the introduction, on an experimental basis, of the Production Bonus; the review of company roles, which are linked to salaries; and the introduction of an indemnity linked to the position of Project Responsible Officer (RUP).

### 2.2.3 Development and enhancement of human resources

As explained in section C, one of the goals of the contract renewal negotiations was to achieve development and enhancement of distinctive corporate skills. This led to the definition of a professional system, attentive to the contributions that individual professional figures can give to the sustainable development of the Group and the implementation of staff development and training strategies useful to reinforce the skills of these communities. The system in question also leverages staff motivation factors and the typical appreciation of *work-life balance* and *the employee benefit framework*.

#### 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:** New approaches to professional training and development were been launched in 2017. The intermediate roles of *Professional Master* and *Professional Senior* were introduced to provide operational support and professional coordination within the company functions. They are aimed at combining operational and production needs with the growth and enhancement of the profiles involved. In 2017, an assessment enabled 51 appointments of this kind.

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. The exchange of internal skills and the "mobility" of resources are therefore enhanced.

- **Enhancement of corporate talent:** the companies of the Group conduct targeted investment in the development of their internal resources, identifying and enhancing the talents capable of contributing to the company's success. Through a careful analysis of knowledge and skills, the *management team* defines professional medium-long term development paths, supported by targeted initiatives.

Furthermore, during the year, development and coaching courses for selected resources continued as a key aspect of the operational processes. Furthermore, at the end of the year, an innovative talent scouting project was launched; named *Collegames*, it was set up according to a gaming paradigm. The initiative, which saw the active participation of 41% of the corporate workforce, laid the foundations for a course of assessment and development reserved for top performers (4%).

- **Performance Management:** Starting from 2018, all employees, whatever their role and level, are included in a system for assessing the performance and conduct of company staff. The *performance management* system enables people to measure their goals, achievements and skills and to invest in their continuous growth by sharing

a dedicated individual development plan with the company. This initiative, launched experimentally in the second half of 2017, involved 100% of the company workforce.

#### 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 the previously discussions.

In 2017, for the companies in the reporting scope, 1,178 persons were involved in training initiatives, equal to about 79% of the company workforce. Approximately 33,463 training hours were provided<sup>10</sup> for an average of 22 man-hours. In relation to the distribution by gender, a summary table is shown below.

#### Rank

Managers		
Resources involved	pp	46
% with respect to the total number of people involved	%	4%
% with respect to the Managers of Invitalia, Infratel and Invitalia Ventures	%	94%
HH/U recorded	hh	1,027
Average training hours per person	hh	21
% compared to total hours worked	%	3%
Middle management		
Resources involved	pp	171
% with respect to the total number of people involved	%	15%
% compared to the Middle Management of Invitalia, Infratel and Invitalia Ventures	%	73%
HH/U recorded	hh	5,599
Average training hours per person	hh	24
% compared to total hours worked	%	17%
Clerical staff		
Resources involved	pp	961
% with respect to the total number of people involved	%	82%
% with respect to the employees of Invitalia, Infratel and Invitalia Ventures	%	79%
HH/U recorded	hh	26,837
Average training hours per person	hh	22
% compared to total hours worked	%	80%

<sup>10</sup> The training hours are calculated on the basis of the calls to training events.

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

#### Gender

Females		
Resources involved	pp	600
% with respect to the total number of people involved	%	51%
% with respect to Invitalia, Infratel and Invitalia Ventures	%	80%
HH/U recorded	hh	14,886
Average training hours per person	hh	20
% compared to total hours worked	%	44%
Males		
Resources involved	pp	578
% with respect to the total number of people involved	%	49%
% with respect to Invitalia, Infratel and Invitalia Ventures	%	77%
HH/U recorded	hh	18,577
Average training hours per person	hh	25
% compared to total hours worked	%	56%

#### Employee benefits

On the topic "*Employee benefits*", in line with the contract renewal goals, the responsibilities of the current corporate technical commission for training and requalification have been expanded to include the field of worker benefits and wellbeing.

With a view to an interactive and participatory listening to the needs of the corporate community, an *online survey* was launched in November 2017 dedicated and aimed at all employees in order to identify wellbeing and benefit-related needs. An online questionnaire was used to gauge the knowledge, extent of use and degree of satisfaction related to the actual and potential initiatives activated by the company. The survey involved almost 1400 people, of which more than half (53%) under the age of 45; in addition, the participation was marked by a perfect *gender balance* (51% women).

This analysis evidenced homogeneous need categories which formed the basis of a Benefit & Wellbeing Plan with ad hoc initiatives for:

- Services dedicated to children
  - School fees and tuition fees in institutions of all levels, school and university texts, canteen service and school transport, support for the first years and support for education
  - Expenses for summer and winter camps, study holidays
  - Leisure activities and parenting support
- Services dedicated to the family
  - Assistance services for elderly family members who are over 75 years old or non-self-sufficient family members
  - Subscriptions to public transport services
- Services dedicated to the person
  - Orientation & training
  - Culture and leisure
  - Travel and *time saving*
  - Wellbeing (sport and wellness)

In this context, a service platform was created during 2017 with the aim of providing a systematic approach to the many initiatives, underway and planned, linked to corporate wellbeing and benefits to support employees in defining their work-life balance. The concept consists of a network of services to support the needs of the person at different stages of life. The platform, organised in a structured manner according to the needs perceived by the employee, has already been prepared for the implementation of the use of the production bonus as a tool to able workers to choose specific corporate benefits.

In addition to the discounts and affiliation agreements, some specific projects have been launched to support employees with children: as every year, one-week summer camps have been organised in various Italian facilities for children aged 7 to 14. Summer camps represent a type of "pure benefit system", i.e. services in which the company unilaterally undertakes to cover 100% of the related costs.

However, this is the first year that employees' children attending the 4th and 5th years of secondary school have been given the chance to take part in a project designed to provide orientation in the world of work and University. The course has been developed as 8 seminars in e-learning mode with structured meetings and the testimony of many professionals. Two encounters were also organised for the parents who were thus able to assist in the youngsters' decision efforts. The project also awarded the attendees up to 50 certified hours of school/work formative credits. Also this project was fully funded by the company, admitting all the people who had applied for participation (17 in total), thus partaking in a significant innovative project in terms of personal development.

It should also be noted that the insurance policy for the reimbursement of medical expenses for employees was renewed in July 2017. This allows access to healthcare services provided by affiliated physicians and/or indirect health services by means of recourse to non-affiliated facilities and/or physicians. The network of affiliated facilities can be consulted on the dedicated intranet page and all employees are entitled to it.

Concerning equal opportunities and non-discrimination, it should be noted that the Group provides welfare 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.

#### 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 wellbeing 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 ILD 231/01. The achievement of the certification (recognised both to Invitalia and to Infratel, which comprehensively covers 99.6% of the workforce with respect to the reporting scope) demonstrates the Group's commitment to creating a safe and secure working environment, where staff wellbeing 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 2017-2018, 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;
- Safety organisation chart, composition of emergency teams for each company location;
- Risk assessment documents, emergency plans and plans for each company office (updated/reviewed in November 2017);
- Specific information with rules of conduct: Recommendations on the use of video terminals;
- 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;
- Other documentation of the HSMS (Minutes of the Management Review, Policy, Goals, etc.)

For Invitalia Ventures, occupational health and safety procedures are still being defined and will be made available starting in June 2018.

To promote competence and awareness on WHS issues and in compliance with the relevant regulations (ILD no. 81/08 as amended, MD 388/03, MD 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 the 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 firefighting 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 November 2017, 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 ILD no. 81 of 2008. The participation of workers in the health and safety process is also assured through the 7 Health and Safety Worker Representatives (of which 6 for Invitalia and 1 for Infratel), involved through the periodic meeting pursuant to Article 35 of ILD 81/08 as amended, as well as by the invitation to participate in inspections, checks and occasions for sharing and discussion in order to assess risks and organisation (appointment of emergency workers, 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.

The Group 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 4 of ILD 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.).

### I – 2.3 The internal control system and the fight against both active and passive corruption

Invitalia adopts a vital and correct management system that is 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 following are part of the system: Code of Ethics, Organisation Model, Management and Control, Agency Anti-corruption Plan, Privacy Protection System.

#### 2.3.1 Code of Ethics

In addition to the indications in par. 2.2, the ethical codes 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 the acknowledgment of the Code of Ethics adopted pursuant to ILD no. 231/01 as integrated pursuant to the anti-corruption legislation.

### 2.3.2 The Organisation, Management and Control Model

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

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.

Always in accordance with the provisions of Italian Law 190/2012 as amended, the Boards of Directors of the group companies have identified their respective Corruption and Transparency Prevention 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 view of the close connection between the measures adopted pursuant to ILD no. 231/01 and the Corruption and Transparency Prevention 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 SB:

- 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 the fulfilment of the transparency obligations (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 RPCT pursuant to Article 43, ILD 33/2013 as amended by ILD 97/2016.

From the perspective of the simplification and effectiveness of the control systems, the two subjects, 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 ILD 231/01 and the Code of Ethics, as well as the sharing of the results of the supervisory activities undertaken.

### 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 highly significant with respect to the actions that Invitalia puts in place. 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, the ANAC rulings and the directives of the Economy and Finance Ministry.

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 and Transparency Prevention Officers (RPCT) 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 prevent and mitigate the risk of corruption crime which may affect Invitalia, through the adoption of an Internal Control System integrated with the Model pursuant to ILD 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.

As regards the Parent Company, the Plan prepared in 2017 for the 2018-2020 three-year period incorporates changes, with respect to the previous year's version, also due to what happened to an employee, subject to a criminal proceeding and charged on suspicion, among other things, of the crime of corruption by deed contrary to official duties. The affair entailed the suspension of the employee's salary and dismissal. This event led to an acceleration of the implementation of a series of measures aimed at the continuous improvement of anti-corruption measures. These involved:

- the implementation of a specific training activity for staff;
- the protection of corporate information assets and a stronger segregation of access to information contained on the IT applications used for the management of incentive measures;
- organizational and procedural changes;
- the prevention of possible conflicts of interest in the employment of consultants and/or collaborators.

The Plan also includes the review of the mapping of risk areas and related control systems following the completion, in 2017, of the *risk control self-assessment*, aimed at updating Model 231 – special section. Furthermore, the risk assessment is carried out annually by the *Internal Auditing* function, based on a judgment on the effectiveness of the internal control system adopted, intended as the capacity of the same to contain, within the limits mentioned above, the probabilities of the occurrence of risky events. The *risk control self-assessment* activity contributed to an even more precise and complete representation of the company's activities at risk and also provided indications regarding the effectiveness of the control measures adopted, in terms of prevention and mitigation of the risk of corruption in specific corporate processes; The effectiveness of the supervision is determined by:

- the design of protocols and procedures (control architecture), i.e. the intrinsic characteristics of the process, the organisational structure, the positioning within the various operational activities;
- operation of the control system, i.e. the results of the audits carried out.

The mapping of the activities potentially most exposed to the risk of corruption required a complex and structured information gathering effort.

All of the 11 operating areas of the parent company, the 7 of Infratel's and the only operating area present 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.

In the parent company, the *risk assessment* effort has highlighted 29 processes that comprise activities sensitive and/or instrumental to the commission of the crimes relevant for Invitalia.

In Invitalia Ventures, the *risk assessment* highlighted 14 processes that comprise activities sensitive and/or instrumental to the commission of the crimes considered relevant, while the Infratel *risk assessment* brought to light 20 "sensitive" processes.

Following the mapping of the risk areas, control systems aimed at preventing corruption crime and managing the associated risk have been identified, in line with the provisions of the Organisational, Management and Control Models pursuant to ILD no. 231/01.

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 notified to all employees via email and are also always accessible via the company intranet. With regards to the Transparency Plan, we point to the revision that took place during the year, following the issue of a bond listed on a regulated market by Invitalia on 20 July 2017, with the exclusion of applicability to Invitalia and the Group companies of the provisions pursuant to ILD 33/2013 in light of the provisions of Article 2-bis, par.2, point (b) of the decree itself and Article 26 par. 5 of ILD 175/2016. 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 listed in ILD no. 39 of April 2013, "Provisions on the subject of non-disclosure and incompatibility of positions with public administrations and with private entities under public control";
- as listed in ILD 50/2016 with reference to the transparency obligations set out therein;

As regards training on the issues in question, the training programme was updated to include the 2018 forecast of new specific anti-corruption measures.

As for 2018, the **Parent Company**, following the events mentioned above, has planned a specific training course for the personnel involved in the facilitation granting process. This specific classroom training activity will focus on the main rules of conduct to be followed in the various phases of the complex process of managing business incentives, with reference to the most relevant critical issues specific to each phase. The aim is to raise sensitivity and awareness of the role of personnel involved in the process of managing enterprise incentives, with specific training on expected virtuous and ethically correct conduct. Furthermore, for all the Invitalia staff, training in e-learning mode shall also be provided on the Organisational Management and Control Model - special section, in its latest version updated in 2017.

The fundamental aim is to continue to promote the process of change in values started with the adoption of the Corruption and Transparency Prevention 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.

Although not initially planned, following the corruption event that emerged in 2017, a classroom training course was held on 18 October 2017. It involved all the staff responsible for managing enterprise incentives (approximately 450 people, equal to 33% of the Agency staff) and all the Agency personnel responsible for organisational units. In total, the course was attended by 612 people, equal to 44% of the company headcount. The training effort was based on the circumstances that occurred, simulating the methods applied and conducting in-depth analysis of the criminal aspects of corruption and fraud. This event, managed in first person by the Managing Director of Invitalia, had a significant training impact on all the personnel involved.

Regarding **Invitalia Ventures**, in 2017, a training course strictly focused on operational aspects was conducted. Its goal was to ensure a better understanding of the measures outlined in the Anti-corruption Plan. The session was attended by the RPCT and two of the company's 6 employees (33%) working in sensitive areas. At the end of the course an evaluation questionnaire was submitted which was successful.

Regarding **Infratel**, on the other hand, an extensive employee training programme on the issues in question was conducted in 2016. In 2017, an e-learning training course was planned for implementation in 2018. Therefore, e-learning training services were acquired from a specialised company. These are to be implemented using the Parent Company's platform already used to provide training and to prepare customised content on the anti-corruption model and system.

Although no specific training activity has been organised for the members of the BoD, it should be noted that both for Infratel and for Invitalia Ventures, the RPCTs are two members of the respective Boards of Directors.

Regarding the actions undertaken during the year 2017, with regard to the controls, 12 audits were performed by the **Parent Company** concerning the necessary application of protocols and procedures related to the various events which occurred. These supplemented the necessary internal checks aimed at mitigating the risk of criminal actions pursuant to Italian Law 190/2012, together with the observance of compliance with the same applicable law (checks on the declarations of non-transferability and incompatibility and on transparency obligations).

Also for **Infratel**, in 2017, checks were performed to ascertain the compliance of the procedures implemented by the corporate functions in charge with respect to the indications listed in 3 control protocols, 3 procedures and 2 Operating Instructions, all of which dedicated to the supervision of risks pursuant to Italian Law 190/2012 and ILD 231/01.

Regarding *whistleblowing*, Invitalia, in line with the provisions of Italian Law no. 190/2012, Decree Law 90/2014 converted into Italian Law 114/2014, as well as ILD no. 72/2015, has adopted a specific procedure starting from 20 October 2016. This procedure addresses the management of reports relating to illegal or irregular conduct and regulates the reporting methods, the performance of preliminary investigations for the assessment of the reported circumstances, the involvement of the various internal and external subjects and bodies for the implementation of subsequent actions, as well as ensuring the best protection for the whistleblower. Considering the enactment of Italian Law 179/2017 of 14.12.2017 prescribing "Provisions for the protection of persons who report crimes or irregularities which have come to light in the context of a public or private employment relationship" and of the note dated 15 December 2017 with which ANAC announced the preparation of specific Guidelines for the management of such reports, the *Compliance* function has been activated to perform appropriate in-depth analysis of any adjustments/additions to be made to Model 231 and the currently applicable procedure.

Regarding Invitalia, during 2017, 9 reports of illegal conduct were received on the dedicated email address anticorruzione@invitalia.it. These reports, in accordance with the procedure, were subjected to assessment and analysis along with 22 other reports directly submitted to the Supervisory Body.

In cases where the information was detailed and relevant, these reports led to the activation of the *Internal Audit* function to enable specific investigations to be undertaken, the results of which were consistently notified to the Invitalia Chair and the Managing Director for the determination of the appropriate initiatives to be undertaken. As regards Infratel and Invitalia Ventures, no corruption-related reports warranting the envisaged procedures were received.

#### 2.3.4 Business partners

In 2017, Invitalia set up its own Register of Suppliers for the group companies for the purpose of awarding contracts, pursuant to Article 36, paragraph 2, points (a) and (b), Article 157, paragraph 2, and Article 31, paragraph 8, of ILD no. 50/2016, according to the procedures established by ANAC Resolution no. 1097 of 26 October 2016 guidelines no. 4, as well as ANAC Resolution no. 973 of September 14, broken down into the following sections:

- Services related to architecture and engineering;
- Works;
- Supply of various goods and services;
- Environmental managers and accredited laboratories;
- Tender competition commissioners for the most economically advantageous offers.

Invitalia reserves the right not to use the aforementioned Register in cases in which it decides to resort to the purchase of goods and services offered by the public administration electronic market managed by CONSIP Spa. For the management of the register, and the selection of suppliers, INVITALIA is equipped with an IT system (hereinafter, the IT Platform) capable of digitally managing:

- tender procedures for the assignment of works, services and supplies;
- ideas and design competitions;
- The Supplier Register
- 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 *Ethical code*, as well as the Rules for the Use of the Platform.

Thence, at enrolment, all bidders in the Supplier Register are asked to accept the group's anti-corruption policies and our code of ethics.

Furthermore, in the procedures managed by Invitalia as the contracting authority/executive body, 100% of the participants are asked to accept the group's anti-corruption policies and our code of ethics.

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. In the event that several economic operators participate under a grouping procedure, only the group leader is required to register on IT Platform. Invitalia is also extending to the other operators of the group (or at least those involved in tender procedures) the request to acknowledge and accept its Code of Ethics.

#### 2.3.5 Description of the processes implemented to ensure the absence of conflicts of interest

As mentioned in chap. 2.1 *General Information*, the Group upholds the absolutely binding principle of compliance with the laws and regulations in force in all the countries 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 during the recruitment of new resources. 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. Also family members must be excluded from any association with real or potential conflict of interest situations.

Regarding applicable countermeasures in the event of unethical or unlawful conduct, please refer to previous discussions in par. 2.3.3.

#### 2.3.6 The personal data protection system

The Group is constantly working on the personal data protection system in order to ensure that adequate rules, standards and controls are effectively applied to the protection of data entrusted to it.

*Data governance* is becoming one of the essential elements of business strategy. In fact, the group handles a vast **amount of data** for which it must expressly ensure consistently reliable integrity and confidentiality in its management. This is an increasingly topical issue, which the Group is intent on addressing and aligning its procedures to best practices. The adjustments for the new GDPR (*General Data Protection Regulation* - EU regulation 2016/679) expected in May 2018 will provide an important opportunity to implement initiatives aimed at reinforcing data protection actions and mitigating risks related to their processing, in compliance with the principle of transparency.

Promoting development and sustaining the Country's competitiveness requires the sharing and application of good conduct and best practices. For this reason, specific *compliance tutorials* are in preparation to ensure univocal interpretations and certainty of references. The tutorials will be aimed at both new recruits (to ensure their familiarity with our practices from the very beginning) and employees with seniority, to encourage mutually agreed responses to everyday challenges.

#### I – 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 wellbeing, 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 energy and the implementation of CO2 emission reduction programmes**

We believe that practicing responsible behaviour can reduce wastage and sustain the commitment of individual employees to the protection and respect for the environment and the conservation of natural resources.

In 2017, the consumption of electricity, mainly associated with office lighting and air conditioning at the various Company locations<sup>11</sup>, amounted to 2,656 MWh (+10% compared to 2016), corresponding to a total of 9561 Gigajoules<sup>12</sup>.

The consumption of natural gas used for office heating amounted to 136,000<sup>13</sup> cubic metres (+12% compared to 2016) which equates to 4762.7 Gigajoules<sup>14</sup>.

Therefore, with regard to the direct production of Greenhouse Gases, expressed in CO2 equivalent, gas fuel consumption produced 266 tons of CO2, while the consumption of electricity indirectly generated 995 tons of CO2<sup>15</sup>.

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 show a progressive reduction of operation from 5 pm onwards. Outside working hours, however, these systems are essentially turned off.

As for vehicle fuel consumption, this is considered negligible and not reported. The company has a fleet of only 8 cars intended for service requirements.

The consumption of water, mainly for hygienic purposes, recorded a consumption of 15.99 cubic metres/000. Invitalia promotes a responsible and responsible use of water, which is provided exclusively by the public mains system.

<sup>11</sup> The data reported in this paragraph refers only to the offices in which Invitalia is the owner of a contract for the supply of water, electricity or gas. In particular, we refer to the Rome offices located in Via Calabria, Via Boccanelli and Via Tirso. The latter was vacated during 2017.

<sup>12</sup> The sources used to calculate the energy consumption are the bills of electricity and natural gas suppliers and refer only to the offices in which Invitalia is the owner of a contract for the supply of electricity and gas. Consumption was then reported in GJ using the value 0.0036 GJ/KWh for electricity and the coefficient 35.0197 (GJ/000 StdM3) for gas, the coefficient used for the inventory of CO2 emissions in the UNFCCC national inventory (source: [Italian acronym: MATTM - The Italian Ministry of the Environment]).

<sup>13</sup> At the time of closing of the Non-Financial Statement, no aggregate data had been received for the last 8 months for the Via Calabria, Rome office. In order to make the description of consumption significant, consumption data for 2016 was considered.

<sup>14</sup> *ibid*

<sup>15</sup> The calculation of CO2 emissions was based on electricity and natural gas consumption data. The emission factors used are:

- the most up-to-date Terna parameter (375 gCO2/KWh referred to 2015) for electricity

- the coefficient used for the inventory of CO2 emissions in the national inventory UNFCCC (source MATTM) for natural gas (55.837 tCO2/TJ)

- **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.

For the printing of our proprietary publications (e.g. the Social Responsibility Report) and for 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.

- **Sustainable mobility: the use of transport solutions with a lower environmental impact and the use of distance communication tools**

Starting from 2017, following the results of the survey on wellbeing needs, a *Mobility Manager* was appointed who initiated the definition of a mobility plan aimed at reducing the environmental impact of employee travel and promoting a better balance between work and private life.

- **Redevelopment of work spaces and common areas**

Furthermore, starting from autumn 2017, the Group has initiated a series of renovations and redevelopment projects. Concurrently, initiatives were undertaken to dematerialise paper archives and consequently dispose of hard-copy documentation. This allowed for a recorded increase in recycled paper of over 74% compared to 2016, for a total of over 19,230 kg.

I - 3 Correlation table between ILD 254/2016 and the Global Reporting Initiative standards

						GRI Disclosure	Paragraph in the document
The corporate model for management and organisation of the company's activities					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" + 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" + 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	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" + 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" + 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" + 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" + Report on Operations, § C
					Explanation of the material aspects	103-1 of GRI standard 103	see Methodological note
	Management approach	103-2 of GRI standard 103	see Methodological note + Correlation table with ILD 254/2016				
Themes pursuant to ILD 254/2016		Related material themes	Practical policies		Risks generated and incurred	GRI Disclosure	Paragraph in the document
a) b)	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.		Given the segment in which the Company operates, (the tertiary sector), environmental risk profiles are not applicable	103-1: Management 302.1 of GRI standard 302 305.1 of GRI standard 305 305.2 of GRI standard 305	see Methodological note See also § 2.4 "Use of energy, water resources and emissions of greenhouse gases or pollutants" See also § 2.4 "Use of energy, water resources and emissions of greenhouse gases or pollutants" See also § 2.4 "Use of energy, water resources and emissions of greenhouse gases or pollutants"
c)	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.					



Themes pursuant to ILD 254/2016		Related material themes	Practical policies		Risks generated and incurred	GRI Disclosure	Paragraph in the document
d)	Social and staff-related aspects	<ul style="list-style-type: none"> <li>- Development and enhancement of human resources</li> <li>- Actions related to Employee benefits</li> <li>- Health protection and safety</li> </ul>	<p>The policies applied to personnel management are described in the following documents:</p> <p>Development and Enhancement of human resources</p> <ul style="list-style-type: none"> <li>- CCNL and agreement hypothesis</li> <li>- The Code of Ethics</li> <li>- The Organisation And Management Model</li> <li>- Labour Recruitment And Provision Of Personnel</li> </ul> <p><i>Actions related Employee Benefits and Wellbeing</i></p> <ul style="list-style-type: none"> <li>- Regulation of the corporate wellbeing plan</li> <li>- Employee Benefit and Wellbeing Agreement</li> </ul> <p><i>WHS Management System</i></p> <ul style="list-style-type: none"> <li>- Manual of the Workplace Health and Safety Management System</li> <li>- Management of non-compliances, corrective actions and preventive actions (WHS)</li> <li>- Hazard identification, risk assessment and determination of applicable controls</li> <li>- Investigation of accidents</li> <li>- Performance measurement and monitoring</li> </ul>		No particularly significant risk profiles are identified in the areas related to the management of human resources	<p>103-1: Management Approach</p> <p>401-1 of GRI standard 401</p> <p>401-2 of GRI standard 401</p> <p>403-1 of GRI standard 403</p> <p>403-2 of GRI standard 403</p> <p>403-4 of GRI standard 403</p> <p>404-1 of GRI standard 404</p> <p>404-3 of GRI standard 404</p> <p>405-1 of GRI standard 405</p> <p>406-1 of GRI standard 406</p>	<p>Methodological note</p> <p>See also § 2.2.1 "Social aspects and those related to personnel management" + Report on Operations, § C</p> <p>See also § 2.2.3 "Social aspects and those related to personnel management" + Report on Operations, § C</p> <p>See also § 2.2.4 "Social aspects and those related to personnel management" + Report on Operations, § C</p> <p>See also § 2.2.1 "Social aspects and those related to personnel management" + Report on Operations, § C</p> <p>See also § 2.2.4 "Social aspects and those related to personnel management" + Report on Operations, § C</p> <p>See also § 2.2.3 "Social aspects and those related to personnel management" + Report on Operations, § C</p> <p>See also § 2.2.3 "Social aspects and those related to personnel management" + Report on Operations, § C</p> <p>See also § 2.2.1 "Social aspects and those related to personnel management" + Report on Operations, § C</p> <p>See also § 2.2.1 "Social aspects and those related to personnel management" + Report on Operations, § C</p>
e)	Respect for human rights	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					
f)	The fight against active and passive corruption	Prevention of and fight against corruption	<p>The policies practiced in the <i>fight against corruption (active and passive)</i> are regulated within the following documents:</p> <p>Code of Ethics</p> <ul style="list-style-type: none"> <li>- The Organisation, Management and Control Model</li> <li>- Corruption and Transparency Prevention Plan (updated annually)</li> <li>- Management of Corruption Reports, Irregularities and Offenses</li> </ul>		The risks associated with corruption are set out in the Model pursuant to ILD 231 (Crimes against public administration, Corporate offenses, Crimes for terrorism, subversion of the democratic order and organised crime) and in Italian Law 190 of 2012.	<p>103-1: Management</p> <p>205-1 of GRI standard 205</p> <p>205-2 of GRI standard 205</p> <p>205-3 of GRI standard 205</p>	<p>Methodological note</p> <p>See also § 2.3 "Corruption" + cf. transparent company: <a href="http://www.invitalia.it/site/new/home/trasparenza/altri-contenuti/corruzione.html">http://www.invitalia.it/site/new/home/trasparenza/altri-contenuti/corruzione.html</a></p> <p>See also § 2.3 "Corruption" + cf. transparent company: <a href="http://www.invitalia.it/site/new/home/trasparenza/altri-contenuti/corruzione.html">http://www.invitalia.it/site/new/home/trasparenza/altri-contenuti/corruzione.html</a></p> <p>See also § 2.3 "Corruption"</p>

## L - INFORMATION PURSUANT TO ARTICLE. 2428, PARAGRAPH 3 OF THE CIVIL CODE

### Research and development activities

During the year, the Parent Company did not make significant investments in research and development activities.

### Treasury shares

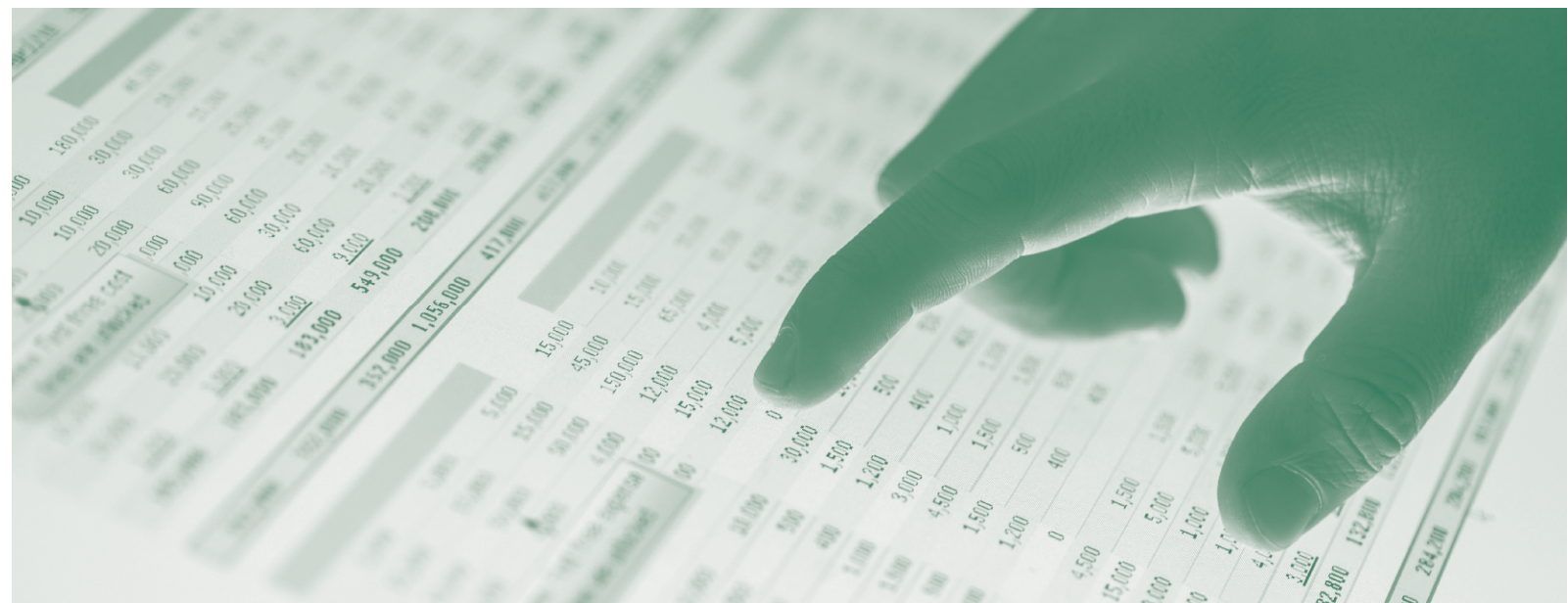
The Parent Company does not directly or indirectly own treasury shares.

### 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 Parent Company is not subject to management and coordination by another company or body pursuant to Article 2497 of the Italian Civil Code.



## PRESENTATION OF THE FINANCIAL STATEMENTS

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## Consolidated statement of financial position - Asset items

Amounts in thousands of euros

	Consolidated statement of financial position - Assets	31.12.2017	31.12.2016
10	Cash and cash equivalents	89	11
20	Financial assets held for trading	37,866	55,864
30	Financial assets at fair value	32,907	27,119
40	Financial assets available for sale	748,369	12,548
60	Receivables	2,981,248	1,110,773
70	Hedging derivatives	110,536	-
90	Equity investments	40,481	43,825
100	Tangible assets	241,459	244,392
110	Intangible assets	39,521	44,133
120	Tax assets	35,758	19,238
	a) current	18,444	13,640
	b) prepaid	17,313	5,598
130	Non-current assets and asset groups held for sale	277,707	280,056
140	Other assets	117,396	82,620
	<b>TOTAL ASSETS</b>	<b>4,663,337</b>	<b>1,920,579</b>

## Consolidated statement of financial position - Liability items

Amounts in thousands of euros

	Consolidated Statement of Financial Position - Liabilities	31.12.2017	31.12.2016
10	Loans payable	1,965,019	107,027
20	Securities issued	739,168	-
60	Adjustments to values of generic hedged financial liabilities	80,993	-
70	Tax liabilities	1,373	760
	a) current	1,248	760
	b) deferred	125	-
80	Liabilities associated with assets in disposal	70,064	79,627
90	Other liabilities	1,004,138	993,619
100	Employee severance liabilities	12,057	9,318
110	Provisions for risks and charges	23,459	10,330
120	Share capital	836,384	836,384
160	Reserves	(65,665)	(71,912)
170	Revaluation reserves	(4,925)	(2,286)
180	Profit (Loss) for the year	1,298	(42,223)
190	Shareholders' equity attributable to non-controlling interests	(26)	(65)
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4,663,337</b>	<b>1,920,579</b>

## Consolidated statement of profit or loss and other income

Amounts in thousands of euros

	Consolidated statement of profit or loss and other comprehensive income	31.12.2017	31.12.2016
10	Interest income and similar revenues	32,819	5,274
20	Interest expense and similar charges	(12,277)	(530)
	<b>INTEREST INCOME</b>	<b>20,542</b>	<b>4,744</b>
30	Commission income	179,823	121,733
40	Commission expenses	(32,975)	(19,894)
	<b>NET COMMISSIONS</b>	<b>146,848</b>	<b>101,839</b>
50	Dividends and similar income	77	-
60	Net income from trading activities	(408)	(434)
70	Net result from hedging activities	6	-
80	Net result of financial assets and liabilities at fair value	789	701
90	Profit/loss from sale or repurchase of:	5,385	176
	a) financial assets	5,385	176
	<b>INTERMEDIATION MARGIN</b>	<b>173,239</b>	<b>107,026</b>
100	Net value adjustment/recoveries for impairment of:	(11,606)	(13,985)
	a) financial assets	(11,591)	(13,985)
	b) other financial transactions	(15)	-
110	Administrative expenses:	(153,397)	(114,266)
	a) personnel costs	(116,777)	(88,575)
	b) other administrative expenses	(36,620)	(25,691)
120	Adjustments/Reversals on tangible asset values	(15,048)	(13,868)
130	Adjustments/Reversals on intangible asset values	(8,117)	(7,778)
150	Net provisions for risks and charges	(6,190)	(5,420)
160	Other operating income and expenses	29,882	23,323
	<b>PROFIT FROM OPERATIONS</b>	<b>8,763</b>	<b>(24,968)</b>
170	Profit (Loss) on equity investments	(1,766)	6
	<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>6,997</b>	<b>(24,962)</b>
190	Taxes on income from continuing operations	(5,596)	(620)
	<b>PROFIT/(LOSS) ON CONTINUING OPERATIONS, NET OF TAX</b>	<b>1,401</b>	<b>(25,582)</b>
200	Profit (Loss) from assets in disposal groups held for sale, net of taxes	(65)	(16,651)
	<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>1,336</b>	<b>(42,233)</b>
210	Profit (Loss) for the year attributable to non-controlling interests	38	(10)
220	<b>PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT COMPANY</b>	<b>1,298</b>	<b>(42,223)</b>

## Consolidated statement of comprehensive income

Amounts in thousands of euros

	Items	31.12.2017	31.12.2016
10.	Profit (Loss) for the year	1,336	(42,233)
20	Other income, net of taxes not reclassified to profit or loss account		
40.	Defined benefit pension schemes	(222)	(688)
	<b>Other income components, net of taxes, reclassified to profit or loss account</b>		
100.	Financial assets available for sale	(2,639)	8,308
130.	<b>Total of other comprehensive income, net of taxes</b>	<b>(2,861)</b>	<b>7,620</b>
140.	<b>Comprehensive income (Items 10 + 130)</b>	<b>(1,525)</b>	<b>(34,613)</b>
150.	Consolidated comprehensive income attributed to non-controlling interests	38	(10)
160	<b>CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PARENT COMPANY</b>	<b>(1,563)</b>	<b>(34,603)</b>

## Consolidated Statement of Changes in Shareholders' Equity

Items	Balance as at 31.12.2015	Allocation of previous year's result	Changes in the financial year		Consolidated comprehensive income for the year	Group shareholders' equity as at 31.12.2016	Non-controlling interest equity as at 31.12.2016
			Changes in reserves	Operations on shareholders' equity			
				Reserves			
Share capital	836,722			(292)		836,384	46
Reserves	(56,737)	(9,893)	(4,695)		(688)	(71,912)	(10)
Revaluation reserves	(10,594)				8,308	(2,286)	-
Profit (loss) for the period	(9,893)	9,893			(42,233)	(42,223)	(10)
<b>Total Group Shareholders' Equity</b>	<b>759,833</b>					<b>719,963</b>	
Shareholders' equity attributable to non-controlling interests	(335)						(65)

Items	Balance as at 31.12.2016	Allocation of previous year's result	Changes in the financial year		Consolidated comprehensive income for the year	Group shareholders' equity as at 31.12.2017	Non-controlling interest equity as at 31.12.2017
			Changes in reserves	Operations on shareholders' equity			
				Reserves			
Share capital	836,384					836,384	
Reserves	(71,912)	(42,223)	48,692		(222)	(65,665)	(64)
Revaluation reserves	(2,286)				(2,639)	(4,925)	-
Profit (loss) for the period	(42,223)	42,223			1,298	1,298	38
<b>Total Group Shareholders' Equity</b>	<b>719,963</b>					<b>767,092</b>	
Shareholders' equity attributable to non-controlling interests	(65)						(26)

## Consolidated statement of cash flows

A. Cash flows from operational activity	Amount 31.12.2017	Amount 31.12.2016
<b>1. Operations</b>	<b>40,049</b>	<b>(332)</b>
- result for the year (+/-)	1,298	(42,233)
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(702)	(296)
- gains/losses on hedging activities (-/+)	(10)	-
- net value adjustments for impairment (+/-)	5,658	13,985
- adjustments to tangible and intangible fixed asset values (+/-)	23,165	21,646
- net provisions for risks and charges and other costs/revenues (+/-)	8,585	5,420
- unpaid taxes and duties (+)	1,248	620
- net value adjustments of assets groups in disposal, net of tax effect (+/-)	823	-
- other adjustments	(16)	526
<b>2. Cash generated/absorbed by financial assets</b>	<b>18,511</b>	<b>(48,265)</b>
- financial assets held for trading	17,911	185
- financial assets at fair value	(4,999)	(2,000)
- financial assets available for sale	6,037	-
- receivables from banks	(1,193)	2,308
- receivables from clients	25,867	(40,983)
- other assets	(25,112)	(7,775)
<b>3. Cash generated/absorbed by financial liabilities</b>	<b>305,302</b>	<b>(14,392)</b>
- payables to banks	(35,883)	34,148
- payables to financial institutions	2,110	-
- payables to clients	9,573	(23,929)
- securities issued	349,281	-
- financial trading liabilities	-	-
- financial assets at fair value	-	-
- other liabilities	(19,829)	(24,611)
<i>Net cash generated/absorbed by operations</i>	<b>363,861</b>	<b>(62,989)</b>
<i>Net cash generated/absorbed by operations on assets held for sale</i>	<b>(6,638)</b>	<b>(6,303)</b>
<b>B. Investing activities</b>		
<b>1. Cash generated by</b>	<b>(823)</b>	<b>5,400</b>
- sales of equity investments	-	5,048
- dividends collected on equity investments	-	352
- sale of financial assets held to maturity	-	-
- sales of tangible assets	-	-
- sales of intangible assets	-	-
- sales of business units	(823)	-
<b>2. Cash absorbed by</b>	<b>(107,511)</b>	<b>(48,924)</b>
- purchase of equity investments	(94,347)	(24,724)
- purchases of financial assets held to maturity	-	-
- purchases of tangible assets	(11,112)	(15,989)
- purchases of intangible assets	(2,052)	(8,211)
- purchases of business units	-	-
<i>Net cash generated/absorbed by investing activities</i>	<b>(108,334)</b>	<b>(43,524)</b>
<i>Net cash generated/absorbed by investing activities on Assets held for sale</i>	(4,067)	6,836
<b>C. Financing activities</b>		
- issue /purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other purposes	-	-
<i>Net cash generated/absorbed by financing activity</i>	-	-
<i>Net cash generated/absorbed by financing activities on Assets held for sale</i>	-	-
<b>Total net cash generated/absorbed in the year</b>	<b>244,823</b>	<b>(105,980)</b>

Reconciliation	Amount 31.12.2017	Amount 31.12.2016
Cash and cash equivalents available at the beginning of the year	86,925	192,905
total net cash generated/absorbed during the year	244,823	(105,980)
<b>Cash and cash equivalents at the end of year</b>	<b>331,748</b>	<b>86,925</b>
<b>of which assets held for sale</b>	<b>6,027</b>	<b>9,516</b>
Reconciliation		
<i>Item 60 - Receivables from Banks-Deposits and current accounts (financial resources available on demand for current operations)</i>	325,632	77,398
<i>Item 10- Cash and cash equivalents</i>	89	11
<i>Cash and cash equivalents at year-end Assets held for sale</i>	6,027	9,516
<b>Cash and cash equivalents at the end of year</b>	<b>331,748</b>	<b>86,925</b>
<i>Item 60 - Receivables from Banks-Deposits and current accounts (financial resources available on demand for current operations)</i>	325,632	77,398
financial resources for the implementation of facilitation/incentive measures	173,892	195,672
financial resources dedicated exclusively to contracts and/or agreements	377,603	332,635
<b>ITEM 60- Receivables from Banks-Deposits and current accounts</b>	<b>877,127</b>	<b>605,705</b>



## NOTES TO THE FINANCIAL STATEMENTS

## Part A – ACCOUNTING PRINCIPLES

### A.1 – General considerations

#### Section 1 - Declaration of compliance with international accounting standards

These 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, 2017, as required by European Union Regulation no. 1606/2002 implemented in Italy by ILD 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 9 December 2016 - "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. [Italian Consolidated Banking Act] , 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 financial statements as previously indicated and applied continuously over time. The foregoing is stated also on the basis of a *proveritate* legal opinion issued by a qualified professional.

The following new accounting principles and interpretations already issued and approved by the European Union are effective for the financial years subsequent to 2017 and have not been previously adopted by the Agency:

- On 24 July 2014, the IASB published the final version of IFRS 9 "Financial instruments". The document includes the results of steps related to classification and valuation, *Impairment*, and *hedge accounting*, of the IASB project aimed at replacing IAS 39: The new standard replaces the previous versions of IFRS 9. As is known, the IASB started the project aimed at replacing IFRS 9 in 2008 and subsequently proceeded in phases. In 2009, it published the first version of IFRS 9 which dealt with the assessment and classification of financial assets; subsequently, in 2010, the rules relating to financial liabilities and derecognition were published. In 2013, IFRS 9 was amended to include the general *hedge accounting* model. In September 2015, EFRAG (the European Financial Reporting Advisory Group) completed its *due process* for the issue of *endorsement advice* which was then presented to the European Commission. This document, adopted by the European Union with Regulation no. 2067 of 29 November 2016, is applicable starting from the financial years beginning on or after 1 January 2018.
- 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 principle 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 coincides with *leasing* or otherwise, 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*.

- On 12 April 2016, the IASB published the document "*Clarifications to IFRS 15 Revenue from Contracts with Customers*". This amendment does not modify the provisions contained in the standard, but clarifies how these provisions must be applied. In particular, it is clarified (i) how to identify a *performance bond* in a contract, (ii) how to determine if an entity is a *principal* or an *agent* and (iii) how to determine the time at which the revenues deriving from the granting of licenses must be recorded. The entry into force of this amendment is also set for 1 January 2018.
- On 12 September 2016, the IASB published a number of amendments to IFRS 4 *Insurance Contracts*. The document "*Amendments to IFRS 4: applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*" has the goal of resolving the inconsistencies deriving from the deferral of the effective dates of IFRS 9 and the new accounting principle on insurance contracts. The changes apply from 1 January 2018.

#### Forthcoming accounting principles and interpretations for application

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 30 January 2014, the IASB published IFRS 14 - "*Regulatory Deferral Accounts*". The principle provides the possibility to *first-time adopters* operating in a sector with regulated rates, to continue to report "regulatory assets and liabilities" in the first IFRS financial statements using the previous local accounting principles and, in subsequent ones, to apply some limited changes. Furthermore, it is required that the assets and liabilities deriving from the regulatory activity, as well as their movements, should be presented separately in the statement of financial position, in the profit or loss and statement and in the comprehensive income statement and that specific information should be provided in the explanatory notes. It should be noted that, to date, the European Commission has decided to suspend the *Endorsement Process* pending the release of the definitive accounting standard by the IASB.
- On 11 September 2014, the IASB published the document "*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*", with the aim of resolving a conflict between IAS 28 and IFRS 10. According to IAS 28, the gain or loss resulting from the sale or contribution of a *non-monetary asset* to a *joint venture* or associate in exchange for a stake in the latter's capital is limited to the portion held by other investors unrelated to the transaction. On the contrary, IFRS 10 requires the definition of the entire profit or loss in the event of loss of control, even if the entity continues to hold a non-controlling share in the company, including, in such a case, the sale or transfer of a subsidiary to a *joint venture* or associate. The changes introduced envisage that in a sale/transfer of *assets* or a subsidiary to a *joint venture* or associate, the measurement of profit or loss to be recorded in the financial statements of the seller/transferor depends on whether the sold/transferred assets or subsidiary constitute(s) a *business* or otherwise under the IFRS 3 definition. In the event that the *assets* or the subsidiary company sold/transferred represents a business, the entity must define the gain or loss on the entire share previously held; while, conversely, the share of profit or loss relating to the portion still held by the entity must be eliminated. In December 2015, the IASB published the *Amendment* which indefinitely defers the entry into force of the amendments to IFRS 10 and IAS 28, pending completion of the IASB *equity method* project.
- On 20 June 2016, the IASB published a number of amendments to IFRS 2 - *Share-based Payment*. The document "*Classifications and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*" solves certain issues related to accounting for share-based payments. In particular, this amendment brings significant improvements (i) in the valuation of payments based on cash-settled shares, (ii) in their classification and (iii) in the accounting method in the event of a change from payments based on cash-settled shares to payments based on shares settled through equity instruments. The changes apply from 1 January 2018.

- On 8 December 2016, the IASB published a number of amendments to IAS 40 - *Investment Property*. The document "*Amendments to IAS 40 'Transfers of Investment Property'*" aims to clarify the aspects related to the treatment of transfers from and to real estate investments. In particular, the amendment clarifies that a transfer must take place if and only if there is an actual change in the use of the asset. A change of intentions by the management is not sufficient in of itself to sustain a transfer. The amendments apply to financial statements applicable to financial years beginning on or after 1 January 2018; early implementation is allowed.
- On 8 December 2016, the IASB published the document "*Annual Improvements to IFRS Standards 2014-2016 Cycle*". The changes introduced, which are part of the ordinary rationalisation and clarification of international accounting standards, concern the following principles: IFRS 1 - *First-time adoption of IFRS*, IFRS 12 - *Disclosure of interests in other entities* and IAS 28 - *Investments in associates and joint ventures*. The amendments to IFRS 1 and IAS 28 apply to financial statements related to financial years beginning on or after 1 January 2018; early implementation is permitted only for IAS 28. The amendments in IFRS 12 apply to financial statements for financial years beginning on or after 1 January 2017.
- On 8 December 2016, the IASB published the interpretation IFRIC 22 - "*Foreign Currency Transaction and Advance Consideration*", in order to provide clarification on the correct accounting of a foreign currency transaction, in the case of payments made or received in advance of the subject of the transaction to which the payments refer. The interpretation clarifies that the date of the transaction to be used for the conversion is the date on which the entity makes or receives the advance payment. IFRIC 22 applies to financial statements relating to financial years beginning on or after 1 January 2018; early implementation is allowed.
- On 18 May 2017, the IASB issued IFRS 17 - "*Insurance Contracts*". Under the new standard, the 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 starting from the financial years beginning on or after 1 January 2021.
- 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 starting from the 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 starting from the financial years starting on or after 1 January 2019.

- 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 starting from the financial years starting on or after 1 January 2019.

The possible repercussions that the accounting standards, amendments and interpretations of the next application may have on the Company's financial information have been the subject of a preliminary high-level qualitative analysis (to be further developed in view of actual application), in the light of which no significant impact on the Company's shareholders' equity is expected. In particular, as regards IFRS 9, considering that for Invitalia the performing loans are almost entirely attributable to Public Administration entities, the prevailing opinion is that the application of the standard will not result in significant increases in write-downs.

The Banca del Mezzogiorno, on the other hand, developed assessment and design activities for the subsequent accounting, organisational and IT methodological choices, taking into account the particular nature of its activities (limited portfolio stratification, in particular for the Private segment, unavailability of consistent historical series), the principle of proportionality and the possibility allowed by the principle to use all available information without excessive costs and effort.

Therefore, in compliance with IFRS 9, the Bank assesses performing loans and securities according to the expected loss criterion (Expected Credit Loss - ECL) using the best available estimates of the Probability of Default (PD) of the Loss Given Default (LGD). Furthermore, while waiting for a consolidation of the elements necessary for the definition of an internal rating system (PD) or for the accrual of an adequate historical series of losses after the Default (LDG) observed on our portfolio, we make use of reference benchmarks or regulatory values, accompanied by appropriate estimation paradigms and calibrations based on general criteria of prudence, in order to estimate risk parameters as representative as possible of the portfolio's associated risk.

The quantitative assessments carried out by BdM have led to limited estimated negative impact (equal to approximately 56 basis points on the primary Tier-1 Capital).

## Part A – ACCOUNTING PRINCIPLES

### Section 2 - General principles of preparation

The consolidated financial statements are prepared according to the general principles referenced in the "Systematic Framework" (Framework) for the preparation and presentation of the financial statements. Therefore, the consolidated 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 statement of profit or loss and income, 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.

With regard to the statement of cash flows, it should be noted that the same is prepared considering only the cash available for current operations and not also cash associated with the implementation of facilitation/incentive measures and/or those dedicated exclusively to contracts and/or agreements. This method of representation provides a better view of the cash flows available for the Group's operations.

The tables in the note to the financial statements, unless otherwise indicated, are prepared in thousands of euros.

In compliance with the provisions of Article 5 of ILD no. 38/2005, the consolidated financial statements have been prepared using the euro as the accounting currency.

The consolidated financial statements were approved on 23 April 2018.

### Section 3 - Events after the reporting period

In the period between the reporting date of these financial statements and the date of their approval, the subsequent events described in the Directors' Report did not require the application of any amendments to the financial information provided.

### Section 4 - Other aspects

The consolidated financial statements have been subjected to legal review by the Company PriceWaterhouseCoopers Spa.

### Section 5 - Scope and methods of consolidation

The consolidated financial statements include the financial statements of the National Agency for the attraction of investments and enterprise development 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 2017 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 intragroup 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.

### Corporate aggregations - Acquisition of Banca del Mezzogiorno - MedioCredito Centrale Spa

As previously discussed in the Directors' Report on operations, in the course of the accounting period, on 7 August 2017, the Parent Company completed the acquisition of 100% of Banca del Mezzogiorno - MedioCredito Centrale Spa from Poste Italiane Spa, controlled by the Ministry of Finance, which in turn is the sole shareholder of Invitalia.

The acquisition, for a price of approximately 390 million euros (before adjustments), resulted in a significant increase in the scope of consolidation of the Invitalia Group, considering that Banca del Mezzogiorno - MedioCredito Centrale Spa, as at 31 December 2017, holds assets amounting to 2.610 billion euros (2.575 billion euros on the date of transfer of control) and shareholders' equity of 255 million euros (430 million euros on the date of the transfer of control).

This operation was considered as a *business combination under common control*, without significant influence on the future cash flows of the net assets transferred, since the companies participating in the business aggregation (Invitalia and Poste Italiane) are controlled, in accordance with the international accounting standard IFRS 10 by the same entity, i.e. by the Ministry of Economy and Finance, both before and after the implementation of the aggregation and given that this control is not of a temporary nature. These transactions are excluded from the scope of application of IFRS 3 and are not governed by other IFR standards. In the absence of a reference accounting standard, the selection of the accounting principle for the transactions in question, in relation to which no significant influence on future cash flows can be demonstrated, is guided by the principle of prudence which leads to the application of the criterion of continuity of values of the net assets acquired. Assets are determined at book values that resulted from the accounting records of the companies acquired prior to the transaction. With regard to the *business under common control* transactions, regardless of the pre-existing shareholding ratio, the transferee entity must record the transferred business value at its historical book level by increasing its net equity by an equal amount. This accounting approach refers to the proposals presented by Assirevi in the Preliminary Guidelines on the subject of IFRS (OPI no. 1 Revised) - "Accounting treatment of *Business combinations of entities under common control* in financial statements and in the consolidated financial statements", issued in October 2016.

Therefore, the accounting of the business combination on the consolidated financial statements has been excluded from the scope of application of IFRS 3 and records reflect a value continuity approach.

In particular, the assets and liabilities of the Banca del Mezzogiorno were recorded by Invitalia at their historical accounting values determined on the basis of the accounts of the acquired entity at the control transfer date, which was set at 30 June 2017, the date closest to that of the last available accounts of Banca del Mezzogiorno. At the transfer date, the difference between the price paid and the historical accounting values of the transferred business, amounting to approximately 42 million euros, was recorded in shareholders' equity under the item "Other reserves".



## Exclusive equity investments in subsidiaries

The exclusive equity investments in fully-consolidated consist of:

Company names	Registered office	Relationship		Shareholding ratio		% Available votes	A = direct control B = indirect control
				Investing Company	Share %		
<b>Item 90 - Equity investments</b>							
INFRADEL ITALIA Spa	Rome	Majority of voting rights at the ordinary shareholders'		INVITALIA Spa	100.00%	100.00%	A
INVITALIA PARTECIPAZIONI Spa	Rome	Majority of voting rights at the ordinary shareholders'		INVITALIA Spa	100.00%	100.00%	A
INVITALIA VENTURES Spa	Rome	Majority of voting rights at the ordinary shareholders'		INVITALIA Spa	100.00%	100.00%	A
BANCA DEL MEZZOGIORNO Spa	Rome	Majority of voting rights at the ordinary shareholders'		INVITALIA Spa	100.00%	100.00%	A
<b>Item 130 - Assets held for sale</b>							
ITALIA TURISMO Spa	Rome	Majority of voting rights at the ordinary shareholders'		INVITALIA Spa	100.00%	100.00%	A
MARINA DI PORTISCO Spa	Portisco	Majority of voting rights at the ordinary shareholders'		INVITALIA Spa	100.00%	100.00%	A
TRIESTE NAVIGANDO SRL (EX GALLIPOLI NAVIGANDO)	Rome	Majority of voting rights at the ordinary shareholders' meeting		INVITALIA Spa	100.00%	100.00%	A
AQUILA SVILUPPO Spa in liquidation	Rome	Majority of voting rights at the ordinary shareholders'		INVITALIA PARTECIPAZIONI Spa	90.00%	90.00%	B
SVILUPPO ITALIA CALABRIA S.c.p.A. in liquidation	Rome	Majority of voting rights at the ordinary shareholders' meeting		INVITALIA PARTECIPAZIONI Spa	99.84%	99.84%	B
SVILUPPO ITALIA CAMPANIA Spa in liquidation	Rome	Majority of voting rights at the ordinary shareholders'		INVITALIA PARTECIPAZIONI Spa	99.88%	99.88%	B

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 130 and asset liability items 80, respectively.

## A.2 Section related to the main items of the financial statements

### Criteria adopted

This chapter indicates the accounting standards adopted for the preparation of the 2017 consolidated financial statements.

The accounting principles adopted are shown taking into account the classification, registration, valuation and cancellation phases 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 held for trading

This category includes financial instruments that, regardless of their technical substance, are held for trading purposes. Any derivative instruments that have not been negotiated for hedging purposes fall within this category.

Initial recording of financial assets takes place on the settlement date.

At initial entry, the financial assets held for trading are measured at *fair value*, as opposed to the other categories of financial assets, which, unless otherwise indicated, do not include transaction costs or revenues related to the instrument itself, which are recorded in the statement of profit or loss and income statement.

After initial entry, financial assets held for trading are measured at fair value with a contra-entry to the income statement.

Market quotations are used (bid/ask prices or, in their absence, average prices) for the determination of the *fair value* of financial instruments quoted on an active market.

In the absence of an active market, estimation methods and valuation models are used that take into account all risk factors related to the instruments and are based on data that can be found on the market. In particular, use is made of methods based on the valuation of listed instruments that have similar characteristics, discounted cash flow calculations, option pricing models and values measured in recent comparable transactions.

Only particular equity securities and their related derivative instruments, for which it is not possible to determine fair value in a reliable manner according to the guidelines indicated above, are maintained at cost.

Financial assets are derecognised when the contractual rights on the cash flows deriving from them expire or when the financial asset is sold, substantially transferring all the risks and benefits associated with it.

Gains and losses realised on sale or repayment and unrealised gains and losses deriving from changes in the *fair value* of the trading portfolio, are classified under "Net income from trading activities".

In the event that the Group sells a financial asset classified in its trading portfolio, it is eliminated at the date of its transfer (settlement date).

### Financial assets at fair value

The portfolio "financial assets recorded at *fair value*" contains those securities for which it was deemed appropriate to apply the so-called "*fair value option*". The same criteria are applied for entry, valuation and cancellation established for the trading portfolio. The *fair value* of these instruments is determined by referring to the market value at the end of the reporting period. The variations in *fair value* of the derivatives which do not satisfy the conditions to be qualified as hedges are recorded in the profit and loss account.

### Financial assets held to maturity

The Group does not hold any financial assets with the intention of keeping them until maturity.

### Financial assets available for sale

This item includes non-derivative financial assets other than those classified as financial assets held for trading, held to maturity, valued at *fair value* and/or as loans/receivables.

The item also includes equity investments, unlisted, not-qualified for control, connection or joint control (non-controlling interests).

The initial recording of the financial asset takes place on the settlement date for debt or equity securities and on the date of disbursement in the case of loans.

At the time of initial recognition, the assets are recorded at cost, understood as the *fair value* of the instrument, including transaction costs or proceeds directly attributable to the instrument itself.

After initial recognition, the assets available for sale continue to be valued at *fair value*, gains or losses arising from a variation of *fair value* are recorded in a specific equity reserve called "Valuation reserve" until the financial asset is cancelled or a loss in value is recognised. At the time of cancellation or recognition of an impairment loss, the accumulated profit or loss is reversed to the profit and loss account, with the specific aforementioned Reserve being reset.

Equity securities, for which it is not possible to determine the *fair value* in a reliable manner, are held at cost.

The verification of the existence of objective evidence of impairment is performed at each financial statement closing date.

The amount of the reversal cannot, in any case, exceed the value of "amortised cost" that the instrument would have had in the absence of previous adjustments.

Assets are derecognised when the contractual rights on the cash flows deriving from them expire or when the asset is sold, transferring all the risks and benefits associated with it.

#### **Loans [Receivables]**

Loans fall within the broadest category of financial instruments and consist of those relationships for which the Company holds a cash flow right.

Receivables include loans to customers, banks and financial institutions, both directly paid and purchased from third parties, which envisage fixed or otherwise determinable payments, not listed on an active market and not originally classified as available for sale financial assets.

The receivables item also includes trade receivables and repurchase agreements.

Receivables are initially registered at *fair value* and subsequently measured at amortised cost, using the effective interest rate method.

The amortised cost is equal to the initial value net of any capital repayments, increased or decreased by value adjustments and reversals and the amortisation of the difference between the amount disbursed and that repayable at maturity. The effective interest rate is the rate that equates the present value of future cash flows to the amount of the loan disbursed, adjusted by directly attributable costs or revenues.

In the case of loan disbursements at lower than market rates or those normally applied to loans with similar characteristics, the initial recognition is equal to the discounting of future cash flows calculated at an appropriate rate, with the difference with respect to the disbursed amount carried to the profit and loss account. If the *fair value* initial recognition of loan receivables is lower than the disbursed amount, due to a lower rate applied compared to the market rate, initial recognition takes place at this lower value, determined by discounting future flows at the market rate applicable for loans with similar characteristics. This adjustment is not made for loans granted under the provisions of the law or under special facilitation/incentive-related laws (for which the company has only partial exposure to credit risk), on the assumption that the financial and economic effects arising from the maintenance of these receivables are absorbed by the same funds (recorded under item 90 of the liabilities), or implicitly discounted in the funding related to such purposes.

Trade receivables which mature within the normal commercial terms are not discounted.

At each financial statement closing date, receivables are subjected to an "*impairment test*" to check for any losses in value. These impaired loans are subject to an analytical assessment process and the amount of the value adjustment of each credit is equal to the difference between the book value of the same at the time of valuation (amortised cost) and the current value of the expected future cash flows, in turn calculated by applying the original effective interest rate. The expected cash flows take into account the expected repayment times, the presumed realisable value, any guarantees, as well as the costs that are expected to be incurred for the recovery of the credit exposure. Cash flows relating to receivables whose recovery is expected within a short period (12 months) are not discounted. The original effective rate of each loan remains unchanged over time, even in the event of any restructuring of the relationship involving the change in the contractual rate and also if the relationship becomes, in practice, contractually non-interest-bearing.

The value adjustment is recorded in the profit and loss account. The original value of the receivables is reinstated in subsequent years to the extent that the reasons that determined the adjustment cease to exist, provided that such valuation can be objectively linked to an event that occurred after the adjustment itself. Value reversals are recorded in statement of profit or loss and other income, and cannot in any case exceed the amortised cost that the loan would have had in the absence of previous adjustments.

Specific loan receivables without any objective evidence of *impairment*, i.e. as a rule, performing loans, are subject to collective assessment, to estimate the implicit risk level. Also the collectively determined value adjustments are recorded in the profit and loss account.

With specific reference to loans to customers claimed by Banca del Mezzogiorno - MedioCredito Centrale SpA, these adjustments are calculated on an analytical basis for individually significant impaired credit positions, and on a collective basis for all other positions grouped in homogeneous categories.

#### **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 associated companies also include those acquired in connection with the implementation of concessional measures financed by national and/or EU funds for which the risk is totally or partially covered by said funds.

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.

#### **Tangible assets**

The item includes land, buildings, furniture, plant and machinery.

Tangible assets are recorded at historical cost, including any directly attributable accessory charges, as well as financial charges incurred during the period of realisation of the assets. Assets acquired through the aggregations of companies that took place before 1 January 2004 were recorded at the pre-existing book value determined on the basis of the National Accounting Standards in the context of these aggregations, as a value that replaces the cost.

As determined above, the cost of the assets, whose use is limited in time, is systematically amortised each year on a straight-line basis, starting from the moment in which the assets are available for use and on the basis of their estimated economic-technical life, by applying depreciation rates designed to represent the residual possibility of use of the assets themselves.

If significant parts of these tangible assets have diverse useful lives, these components are accounted for separately.

Land, whether free of construction or attached to civil and industrial buildings, is not depreciated as it has an unlimited useful life. Depreciation is not calculated for assets leased to third parties if the related contracts provide for the obligation to return the assets in their original consistency, with provision, where necessary for their renovation and/or replacement.

The depreciable amount is determined by deducting its residual value from the cost, where significant. If the residual value is equal to or greater than the book value, the depreciation amount is null. The residual value is subject to periodic verification with a time interval consistent with the specific nature of the asset.

In the presence of specific indicators regarding the risk of non-recovery of the carrying amount of tangible fixed assets, these are subjected to a verification to detect any loss in value ("*impairment test*").

This verification consists of estimating the recoverable value of the asset (represented by the higher among the presumable market value, net of costs of sales, and the value-in-use) as well as comparison with the related net book value. If the latter is higher, the assets are depreciated to their recoverable value. In defining value-in-use, the expected future cash flows before taxes are discounted using a discount rate, before taxes, which reflects the current market estimate referred to the cost of money over time and to the specific risks of the asset in question. Losses in value are recorded in the profit and loss account in the depreciation costs and reversals. These losses in value are reversed if the reasons that generated them no longer exist.

#### ***Intangible assets***

Intangible assets are identifiable non-monetary assets without physical substance, held for use over a multi-year or indefinite period. They 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.

Intangible assets with a finite useful life are amortised starting from the moment in which the assets become available for use, on the basis of their residual possibility of use and in relation to the useful life of the assets themselves.

Should the useful life be indefinite, no amortisation is applied, but only the periodic verification of the adequacy of the fixed asset carrying values.

Also these assets are subjected to *impairment* tests using the same methods previously indicated for tangible assets.

Periodic amortisation, permanent losses in value, and any reversals are allocated to the profit and loss account under the item "net value adjustments on intangible assets".

An intangible asset is eliminated from the statement of financial position at the time of disposal and if no future financial benefits are expected. Intangible assets are recognised at cost, determined according to the same methods indicated for tangible assets.

Gains or losses arising from the sale of an intangible asset are calculated as the difference between the disposal value and the carrying amount of the asset and are recorded in the profit and loss account at the time of disposal.

#### ***Non-current assets, asset in disposal groups held for sale and liabilities associated with assets in disposal groups held for sale***

This category includes non-current assets held for sale and assets and liabilities related to disposal groups for which the sale is highly probable. This includes those groups of assets for which a disposal process was initiated based on the reorganisation plan drawn up in compliance with the 2007 State Budget and the subsequent Directive issued by the Economic Development Ministry of 27 March 2007 or in execution of the 2017-2019 Plan approved by the EDM and the MEF in December 2016. These assets are valued at the lower of the carrying amount and their *fair value*, net of disposal costs.

Income and charges attributable to assets in disposable groups held for sale, considered as discontinued operations, are recorded in the profit and loss account and as a separate item in the statement of cash flows.

#### ***Contracts in progress***

Contracts related works in the construction phase (contracts in progress or works in progress) are valued on the basis of the contractual consideration accrued with reasonable certainty in relation to the progress of the works and according to the 'percentage of completion' criterion. This assigns the revenues and the economic result of the contract to specific financial years, in proportion to the progress performance of the works themselves.

The positive or negative difference between the value of the contracts completed and that of the received advances is recorded respectively in the assets or liabilities of the statement of financial position, also taking into account any devaluation of the works constructed in order to take into account the risks associated with the non-recognition of work performed on behalf of the clients.

Contract revenues, in addition to the contractual considerations, include variants, price revisions as well as any *claims* to the extent that they are likely to represent actual revenues that can be reliably determined.

In the event that a loss is expected on the completion of the contracted work, it is fully recorded in the accounts when it occurs, regardless of the progress of the contract.

### **Inventory**

Inventories are valued at the lower of purchase cost and net realisable value. The purchase cost is determined through the application of the weighted average cost method or the specific cost.

### **Hedging transactions**

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 Bank's Profit and Loss. 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 (the so-called *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 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. In compliance with the instructions issued by the Bank of Italy for the compilation of the financial statements of the banks, the adjustment of the value of the financial assets/liabilities subject to generic hedging is recorded in Asset item 90 and Liability item 70 as a contra-entry of item 90 in the Profit and Loss account.

### **Loans payable, securities issued and other liabilities**

Payables and other liabilities are initially recognised at cost, corresponding to the *fair value* of liabilities, net of transaction costs that are directly attributable to the same.

After initial recognition, payables are valued according to amortisation cost criteria using the original effective interest rate method.

With reference to payables for non-controlling interest funds under management related to facilitation measures which the Agency is responsible for implementing as envisaged by the measures themselves, no accounting treatment is performed on the assumption that the financial and equity effects are absorbed by the relative loans (see also the information in the Liabilities item of the Adopted Criteria section).

Payables and other revocable liabilities with an indefinite duration are similar to short-term payables and therefore not subject to the amortised cost criterion.

Similarly, trade payables which mature within the normal trade terms are not discounted.

### **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].

#### **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 valued 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.

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 ILD 344/2003.

To this end, relations between the Agency and the subsidiaries participating in this regimen are governed by a specific contract.

#### **Recognition of revenues**

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.

#### **Other information**

##### **Government grants**

Government grants are recorded at *fair value* when there is reasonable certainty that they will be received and that all the conditions referring to them are satisfied.

When the grants are related to cost components (for example grants for operating expenses), they are recorded under "Other operating income", and systematically distributed in the various financial years so that the revenues are commensurate with the costs they intend to offset.

When the grants are related to assets (for example, for plant and machinery) their value is suspended in long-term liabilities and progressively released to the profit and loss account under the item "Other operating income" in proportion to the useful life of the reference asset and therefore in the financial year in which the amortisation of the asset is charged to the profit and loss account.

In the event that a contribution 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 income statement in the financial year in which it becomes payable.

##### **Costs for leasehold improvements**

Renovation costs for third party real estate are capitalised in consideration of the fact that for the duration of the lease contract the user company has control of the assets and can derive future economic benefits from them.

The aforementioned costs are amortised over a period not exceeding the duration of the lease and are classified in the item "Tangible assets".

### ***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 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 2017, 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 Bank. 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 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***

No transfer transactions were carried out between portfolios of financial assets during the year.

### ***A.4 Disclosure on fair value***

#### **A.4.3 Fair value hierarchy**

*Fair value* evaluations are classified on the basis of a hierarchy of levels that reflects the significance of the inputs used in the evaluations themselves.

##### *Level 1:*

quoted prices listed on an active market - according to the definition given by IAS 39;

##### *Level 2:*

inputs other than quoted prices mentioned in the preceding paragraph, which are directly (price) or indirectly (derived from prices) expressed by the market;

##### *Level 3:*

inputs that are not based on observable market data.

## Part B – Information on the Statement of Financial Position

### ASSETS

<b>Section 1 - Cash and cash equivalents - Item 10</b>	<b>89</b>	<b>11</b>
	<b>31.12.2017</b>	<b>31.12.2016</b>
Cash	89	11
<b>TOTAL</b>	<b>89</b>	<b>11</b>

The item also includes the balance of two prepaid credit cards used for minimal urgent expenses.

<b>Section 2 – Financial assets held for trading - Item 20</b>	<b>37,866</b>	<b>55,864</b>
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Financial assets held for trading consist of domestic government securities and financial instruments; the securities portfolio, which accounts for 14% of the available liquid assets owned, is made up of securities with an average duration of 3 years and an average rating of BBB-, a marked improvement on the previous year's rating (BB +). The superior quality of the securities portfolio compared to the previous year was obtained through investments in domestic government securities. The average performance of trading securities was 1.80%, marginally lower than the results of the previous year (2.11%), due to the further contraction in interest rates and credit spreads during the year, which reached extremely low levels, even negative for shorter-term maturities. At the end of the year the limits on investment in fixed-income securities were extended, increasing the maximum average duration to 7 years, in order to move the bond investments out of the negative trap of poor returns offered by short-term rates.

#### 2.1. Financial assets held for trading: product composition

	31.12.2017		31.12.2016	
	Level 1	Level 2	Level 1	Level 2
<b>Cash assets</b>				
1. Debt securities				
. Other debt securities	35,671	2,195	53,541	2,323
<b>TOTAL</b>	<b>35,671</b>	<b>2,195</b>	<b>53,541</b>	<b>2,323</b>

#### 2.3. Financial assets held for trading: breakdown by debtors/issuers

	31.12.2017	31.12.2016
<b>Cash assets</b>		
Governments and Central Banks	18,303	16,414
Other public bodies	1,155	2,323
Banks	15,906	34,657
Other issuers	2,502	2,470
<b>TOTAL</b>	<b>37,866</b>	<b>55,864</b>

#### 2.4. Annual changes

	Debt securities
<b>Initial balances</b>	55,864
<b>Increases</b>	
Purchases	15,077
Positive changes in Fair Value	181
Other changes	300
<b>Decreases</b>	
Sales	(4,024)
Repayments	(28,663)
Negative changes in fair value	(268)
Other changes	(601)
<b>Closing balances</b>	<b>37,866</b>

Please refer to Annex A.1 for the details of the movement.

<b>Section 3 – Financial assets at fair value - Item 30</b>	<b>32,907</b>	<b>27,119</b>
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Financial assets at fair value consist of capitalisation policies with guaranteed capital, which increased marginally during the year up to an amount of approximately 32 million euros, equal to 12% of available liquidity. These investments perform a counter-cyclical function capable of mitigating the reduction in market yield rates with an annual remuneration of the average invested capital of 2.67%.

#### 3.1 Financial assets valued at their fair value: composition

	2017	2016
	Level 3	Level 3
1. Debt securities		
. Other debt securities	32,907	27,119
<b>TOTAL</b>	<b>32,907</b>	<b>27,119</b>

The method for determining the fair value (level 3) of these instruments is based on the historical capitalisation of the average annual rate of return calculated by the issuing company based on the regulation of the policy itself, valued net of the related management fee.

#### 3.2 Financial assets measured at fair value: breakdown by debtors/issuers

	2017	2016
Financial institutions	32,907	27,119
<b>TOTAL</b>	<b>32,907</b>	<b>27,119</b>



### 3.3 Financial assets measured at fair value: annual changes

	Debt securities
<b>Initial balance</b>	27,119
<b>Increases</b>	
Purchases	5,000
Positive changes in Fair Value	788
<b>Closing balance</b>	<b>32,907</b>

Please refer to Annex A.2 for the details of the movement.

There are no financial assets constituted as collateral for own liabilities and commitments.

<b>Section 4 - Financial assets available for sale - Item 40</b>	<b>748,369</b>	<b>12,548</b>
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The item consists of units of UCITS. The latter represent medium and long-term investments in closed-end funds.

#### 4.1 Composition of item 40 "Financial assets available for sale"

Items/Values	31.12.2017		31.12.2016
	Level 1	Level 2	Level 2
Debt securities	740,100		
Equity securities and Undertakings for Collective Investment in Transferable		8,269	12,548
<b>TOTAL</b>	<b>740,100</b>	<b>8,269</b>	<b>12,548</b>

#### 4.2 Financial assets available for sale: composition by debtors/issuers

Items/Values	31.12.2017	31.12.2016
<b>A. Cash assets</b>		
a) Governments and Central Banks	740,100	
e) Other issuers	8,269	12,548
<b>TOTAL</b>	<b>748,369</b>	<b>12,548</b>

#### 4.3 Financial assets available for sale: annual changes

Items/Values	Debt securities	Equity securities and UCITS shares	Total
<b>Previous final balance</b>	-	<b>12,548</b>	<b>12,548</b>
Changes in scope of consolidation	748,701	-	748,701
<b>Initial balance</b>	<b>748,701</b>	<b>12,548</b>	<b>761,249</b>
Purchases	3,037,963	2,623	3,040,586
Positive changes in fair value	6,834	72	6,906
Other positive changes	18,141	1,168	19,309
Sales	(3,038,565)	-	(3,038,565)
Repayments		(67)	(67)
Negative change in fair value	(4,966)	(2,406)	(7,372)
Value Adjustments	-	-	-
Transfers to other portfolios	-	-	-
Other negative variations	(28,008)	(5,669)	(33,677)
<b>Closing balance</b>	<b>740,100</b>	<b>8,269</b>	<b>748,369</b>

The item "financial assets available for sale" has undergone a considerable increase compared to the previous year due to the acquisition of the Banca del Mezzogiorno. In particular, the balance of 748 million euros, for 740 million euros refers to government securities of the Italian Republic held by the Bank and for the remaining 8 million euros refers units of UCITS held in portfolio 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 and the valuation date.

For available-for-sale financial assets comprising debt securities, the fair value shown in the financial statements is acquired from active market quotations and available in a list under regulatory authorities.

Please refer to Annex A.3 for an analytical breakdown of equity securities, UCITS shares and the related movements.

<b>Section 6 – Receivables - Item 60</b>	<b>2,981,248</b>	<b>1,110,773</b>
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The item is composed as follows:

	2017	2016
Receivables from banks	881,970	609,356
Receivables from financial institutions	1,652	521
Receivables from clients	2,097,626	500,896
	<b>2,981,248</b>	<b>1,110,733</b>

#### Section 6.1 – Receivables from banks

	2017			2016		
	Book value	Fair Value		Book value	Fair Value	
		L1	L3		L1	L3
<b>Deposits and savings accounts</b>	<b>877,126</b>		<b>877,126</b>	<b>605,705</b>		<b>263,264</b>
<b>Debt securities</b>	<b>3,017</b>	<b>3,001</b>	-	<b>3,003</b>	<b>2,974</b>	
Other debt securities	3,017	3,001	-	3,003	2,974	
<b>Other Assets</b>	<b>1,827</b>		<b>1,827</b>	<b>648</b>		<b>648</b>
<b>OVERALL TOTAL</b>	<b>881,970</b>	<b>3,001</b>	<b>878,953</b>	<b>609,356</b>	<b>2,974</b>	<b>263,912</b>

The sub-item "Deposits and current accounts" includes:

- financial resources available on demand for current operations for 325.632 million euros (77.398 million euros as at 31 December 2016) of which 16.911 million euros, locked as a result of the settlement agreement in December 2016, until the outcome of the ISA/ISMEA dispute described in the Directors' Report on Operations. The Group's greater financial resources compared to the previous year are mainly attributable to the subscription of the bond issued by the Parent Company and to the liquidity existing in the Banca del Mezzogiorno-Mediocredito Centrale, a shareholding acquired in the course of the year 2017;
- restricted financial resources for the implementation of facilitation measures financed by national and EU funds (further described in item 90 of liabilities) for a total of 173.892 million euros (195.673 million euros as at 31.12.2016);

	2017	2016
Fund for the construction of Broadband and Ultra-Broadband networks	42,979	58,887
The sustainable growth fund	39,668	43,288
Italian Law 181/89 (Interventions in Crisis Areas)	29,042	31,872
Revolving Fund Italian Presidential Decree 58/87	29,148	26,715
Patent Agreements	11,608	15,976
Italian Law 208/98 Incentive funds	14,762	15,333
ERDF funds formerly Garanzia Italia	1,821	-
National funds formerly Garanzia Italia	1,721	-
Tourism Promotion	1,247	1,247
Other Operational Funds	907	821
Re-industrialisation of the Ottana area	787	804
Museum sites of Excellence	202	730
	<b>173,892</b>	<b>195,673</b>

- financial resources dedicated "exclusively and otherwise" to contracts and agreements signed with public administrations for a total of 377.603 million euros.

	2017	2016
Regional Broadband and Ultra-Broadband contracts	244,244	254,186
Interventions in Bagnoli - Coroglio area	86,508	50,000
Funds dedicated to non-exclusive Public Contracts	23,371	15,947
Tendered contracts for local authorities (1)	11,204	5,503
CIPE 62-130/02 contracts	10,719	5,887
Hydrogeological instabilities	1,134	870
Other	423	241
	<b>377,603</b>	<b>332,634</b>

(1) Interest not yet earned

The availabilities report increases essentially related to:

- contributions disbursed for 10 million euro, aimed at interventions for the reclamation of asbestos in the former Eternit area of Sin Bagnoli-Coroglio, pursuant to the 2015 State Budget;
- grants for 27 million euros for urgent environmental reclamation and urban regeneration of the Bagnoli-Coroglio area - Article 17 of Italian Decree Law 148/2017.

It should be noted that cash related to the resources restricted for the implementation of facilitation 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.

On 1 November 2008, a total of 32.500 million euros was reclassified in terms of nominal value, taking the 1 July 2008 market value as a reference. The values and effects of the reclassification are summarized below, as required by IFRS 7.

Technical form	Sector of origin	Nominal value at the transfer date	Fair Value at 31.12.10	Fair Value at 31.12.11	Fair Value at 31.12.12	Fair Value at 31.12.13	Fair Value at 31.12.14	Fair Value at 31.12.15	Fair Value at 31.12.16	Fair Value at 31.12.17	Compatible value at 31.12.17
Debt securities	Financial assets held for trading	32,500	16,217	11,557	4,123	4,530	4,808	3,001	2,974	3,001	3,017
<b>TOTAL</b>		<b>32,500</b>	<b>16,217</b>	<b>11,557</b>	<b>4,123</b>	<b>4,530</b>	<b>4,808</b>	<b>3,001</b>	<b>2,974</b>	<b>3,001</b>	<b>3,017</b>

In summary

	(Costs)/Revenue
<b>Absence of transfer</b>	
Negotiation	27
<b>TOTAL</b>	<b>27</b>
<b>With transfer</b>	
Negotiation	30
<b>TOTAL</b>	<b>30</b>

For the securities deriving from the "financial assets held for trading" portfolio, the profit and loss account would have included positive components for 27,000 euro, corresponding to the difference between the 2017 and 2016 fair values.

As a result of the reclassification, the adoption of the "amortised cost" method produced positive net components for 30,000 euros.

## 6.2 Receivables from financial institutions

	2017		2016	
	Book value	Fair Value	Book value	Fair Value
	Perfor	L3	Perfor	L3
<b>1. Financing</b>	<b>1,500</b>	<b>1,500</b>	<b>192</b>	<b>192</b>
1.4 Other financing	1,500	1,500	192	192
<b>3. Other assets</b>	<b>152</b>	<b>152</b>	<b>329</b>	<b>329</b>
<b>TOTAL CARRYING AMOUNT</b>	<b>1,652</b>	<b>1,652</b>	<b>521</b>	<b>521</b>

There are no receivables constituted as collateral for own liabilities and commitments.

## 6.3 Receivables from clients

	2017				2016			
	Book Value		Fair Value	L3	Book value		Fair Value	L3
	Performing	Impaired	L3		Performing	Impaired		
		Purchased		Others		Purchased	Others	
<b>1. Financing</b>	<b>1,571,266</b>	-	<b>136,087</b>	<b>1,839,247</b>	<b>71,211</b>	-	<b>50,540</b>	<b>121,751</b>
<b>1.2 Factoring</b>	<b>13,745</b>	-	-	<b>13,745</b>	<b>11,634</b>	-	-	<b>11,634</b>
- with recourse	10,777	-	-	10,777	9,421	-	-	9,421
- without recourse	2,968	-	-	2,968	2,213	-	-	2,213
<b>1.6 Other financing</b>	<b>1,557,521</b>	-	<b>136,087</b>	<b>1,825,502</b>	<b>59,577</b>	-	<b>50,540</b>	<b>110,117</b>
<i>of which: from the enforcement of guarantees</i>	1,711	-	-	-	2,774	-	-	-
<b>3. Other assets</b>	<b>379,410</b>	-	<b>10,863</b>	<b>390,273</b>	<b>360,965</b>	-	<b>18,180</b>	<b>379,145</b>
<b>TOTAL CARRYING AMOUNT</b>	<b>1,950,676</b>	-	<b>146,950</b>	<b>2,229,520</b>	<b>432,176</b>	-	<b>68,720</b>	<b>500,896</b>

The sub-item "**Financing**" includes the receivables due from customers of Banca del Mezzogiorno - MedioCredito Centrale SpA, which amounted to 1,595 million euros at 31 December 2017. The related net value of receivables adjusted for impairment according to the consolidated profit and loss account at 31 December 2017 amounted to approximately 5 million euros. The sub-item "**Financing**" also includes receivables for 81.706 million euros (of which 48.916 million euros for impaired positions) charged to the provisions of Italian Law no. 81/89, whose risk of insolvency is not charged to Invitalia and those charged to the DPR 58/87 revolving fund equal to 13,396 euros whose risk of insolvency is borne by Invitalia only after continuation of default 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 performing assets**" includes receivables for services provided to Ministries and Public Administrations for 321 million euros (of which 279 million euros for invoices to be issued<sup>1</sup>) and receivables from borrowers for 58 million euros.

The positions are constantly monitored in order to intervene, as far as possible, on the billing

<sup>1</sup> the amount reflects invoice issuing processes that, in most cases, require preliminary completion of all the checks on activities and costs and the subsequent authorisation to issue the invoice by the client.

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 prescribed and, in cases of evident irrecoverability or bad debt, the Company proceeded to write-down or write-off the related receivable.

<b>Section 7 - Hedging derivatives - Item 70</b>	<b>110,536</b>	<b>-</b>
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The hedging derivatives are all related to the provision made through bond issues by a Group subsidiary. The change compared to 2016 is in line with the changes that the expected hedging discount rates have recorded over the two years.

### 7.1 Composition of item 70 "Hedging derivatives"

The breakdown by type of hedge and fair value levels is shown below:

	31.12.2017		31.12.2016	
	Fair Value	Notional value	Fair Value	Notional value
	Level 2		Level 2	
<b>A. Financial Derivatives</b>				
1. Fair Value	110,536	360,681	-	-
<b>TOTAL</b>	<b>110,536</b>	<b>360,681</b>	<b>-</b>	<b>-</b>

### 7.2 Hedging derivatives: covered portfolios and type of coverage

The breakdown by portfolios covered and by type of coverage is shown below:

Operations/Type Of Hedge	Fair Value					Financial flows		Foreign investments	
	Specific					General	General		Specific
	Rate-related risk	Foreign exchange risk	Credit risk	Price risk	Other risks				
2. Portfolio	-	-	-	-	-	110,536	-	-	
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,536</b>	<b>-</b>	<b>-</b>	

**Section 9 - Equity Investments - Item 90**
**40,481**
**43,825**
**9.1 Equity investments: information on equity investments**

Company name:	Registered office	Site headquarters	Equity holding %	Available votes	Book value 31.12.2017	Fair Value 31.12.2017
<b>C. Companies subject to significant influence</b>						
EX CNOW CONSORTIUM	Venice	Venice	52%	52%	1	1
SPINNER CONSORTIUM	Bologna	Bologna	33%	33%	7	7
ELETTRA SINCROTONE TRIESTE SPA	Trieste	Trieste	4%	4%	1,999	1,99
LAMEZIA EUROPA SCPA	Lamezia Terme	Lamezia Terme	20%	20%	708	708
MARINA ARENELLA SRL	Palermo	Palermo	30%	30%	-	-
MARINA DI REGGIO CALABRIA SRL	Reggio Calabria	Reggio Calabria	72%	72%	-	-
SICULIANA NAVIGANDO SRL	Siculiana	Siculiana	95%	95%	56	56
TRAPANI NAVIGANDO SRL	Trapani	Trapani	100%	100%	-	-
VIVENDA SPA	Rome	Rome	30%	30%	13,600	13,60
<b>of which companies acquired under Law 181/89 as amended</b>						
GUSTAVO DE NEGRI & ZA.MA. SRL	Caserta	Caserta	20%	20%	202	20
SKY TECNO SRL	Naples	Naples	22%	22%	-	-
TEKLA SRL	Scafati	Scafati	26%	26%	653	65
<b>TOTAL EQUITY INVESTMENTS IN COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE</b>					<b>17,226</b>	<b>17,226</b>
<b>Non-significant companies</b>						
ALA BIRDI	Arborea	Arborea	30%	30%	2,819	2,81
C.R.A.A. SRL IN LIQUIDATION	Arese	Arese	15%	15%	38	38
CFI-COOPERAZIONE FINANZA	Rome	Rome	1%	1%	643	64
FINMEK SOLUTIONS SPA IN ARRANGEMENT PROCEDURES	L'Aquila	L'Aquila	30%	30%	-	-
FONDERIT ETRURIA in bankruptcy	Livorno	Livorno	13%	13%	-	-
IDC-ITALIAN DISTRIBUTION	Rome	Rome	7%	7%	-	-
ISTIT ENCICLOPEDIA TRECCANI	Rome	Rome	7%	7%	4,849	4,84
ITALIACAMP SRL-UNIPERSONALE	Rome	Rome	5%	5%	1	1
MARINA DI VILLA IGIEA SPA	Palermo	Palermo	8%	8%	565	56
MECCANO SCPA	Fabriano	Fabriano	4%	4%	78	78
SASSI ON LINE SERVICE S.C.P.A. IN LIQUIDATION	Bari	Bari	10%	10%	-	-
SOCIETÀ PER CORNIGLIANO SPA	Genoa	Genoa	10%	10%	1,357	1,35
TINTORIA STAMPERIA DEL MOLISE IN LIQUIDATION	Bojano	Bojano	30%	30%	-	-
TRADIZIONI DI CALABRIA SPA IN BANKRUPTCY	Cirò	Cirò	49%	49%	-	-
TRADIZIONI ITALIANE SPA IN BANKRUPTCY	Cirò	Cirò	13%	13%	-	-
WAHO0 SPA	Cagliari	Cagliari	18%	18%	-	-
<b>of which companies acquired under Law 181/89 as amended</b>						
CSRA SRL BANKRUPT	Massa	Massa	40%	40%	-	-
CATWOK SPA IN BANKRUPTCY	Naples	Naples	23%	23%	564	56
CMS SRL IN BANKRUPTCY	Laterza	Laterza	19%	19%	1,370	1,37
DESIGN MANUFACTURING SPA	Pozzuoli	Pozzuoli	8%	8%	-	-
ELMIRAD SERVICE SRL IN LIQ.NE	Taranto	Taranto	12%	12%	120	12
GRIMALDI SPA	Caserta	Caserta	5%	5%	-	-
JONICA IMPIANTI SRL	Taranto	Taranto	9%	9%	278	27
METALFER SUD SPA IN BANKRUPTCY	Torre Annunziata	Torre Annunziata	37%	37%	697	697

Company name:	Registered office	Operating headquarters	Equity holding %	Available votes	Book value 31.12.2017	Fair Value 31.12.2017
MODOMECC BUILDING SRL	Massafra	Massafra	7%	7%	168	168
PERITAS SRL	Brindisi	Brindisi	15%	15%	326	326
PRO.S.IT. SRL IN BANKRUPTCY	Naples	Naples	27%	27%	499	499
SALVER SPA	Rome	Rome	14%	14%	2,524	2,524
SIAPRA SPA	L'Aquila	L'Aquila	6%	6%	-	-
SICALP SRL IN BANKRUPTCY	Campiglia Marittima	Campiglia Marittima	36%	36%	1,033	1,033
SIMPE SPA	Acerra	Acerra	4%	4%	3,600	3,600
SISTEMA WALCON SRL	Cassana	Cassana	45%	45%	-	-
SURAL SPA BANKRUPT	Taranto	Taranto	1%	1%	253	253
TIRRENA MACCHINE SRL IN BANKRUPTCY	Massa	Massa	44%	44%	1,472	1,472
<b>TOTAL NON SIGNIFICANT EQUITY INVESTMENTS</b>					<b>23,254</b>	<b>23,254</b>
<b>TOTAL EQUITY INVESTMENTS</b>					<b>40,481</b>	<b>40,481</b>

**9.2 Annual changes in equity investments:**

	31.12.2017	31.12.2016
<b>A. Initial Balance</b>	<b>43,825</b>	<b>44,993</b>
<b>B. Increases</b>	<b>1,551</b>	<b>1,497</b>
B.1 Purchases	1,409	-
B.2 Value reversals	39	8
B.4 Other positive changes	103	1,489
<b>C. Decreases</b>	<b>(4,896)</b>	<b>(2,665)</b>
C.1 Sales	(3,904)	(644)
C.2 Value adjustments	(2)	(9)
C.3 Other negative changes	(990)	(2,012)
<b>D. Closing balance</b>	<b>40,481</b>	<b>43,825</b>

The analytical changes in equity investments are shown in Annex A.5.

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.

### 9.3 Significant investments: accounting information

Company name:	Registered office	Equity holding %	Book value 31.12.2017	Total assets	Total revenues	Amount of net shareholders' equity	Result of the last fiscal year
<b>Companies subject to significant influence</b>							
EX CNOW CONSORTIUM	Venice	52%	1	-	-	3	-
SPINNER CONSORTIUM	Bologna	33%	7	20	-	20	5
ELETTRA SINCROTONE TRIESTE SPA	Trieste	4%	1,999	146,811	52,176	52,324	1,256
LAMEZIA EUROPA SCPA	Lamezia Terme	20%	708	8,850	874	3,542	40
MARINA ARENELLA SRL	Palermo	30%	-	-	-	-	-
MARINA DI REGGIO CALABRIA SRL	Reggio Calabria	72%	-	-	-	-	-
SICULIANA NAVIGANDO SRL	Siculiana	95%	56	326	42	59	41
TRAPANI NAVIGANDO SRL	Trapani	100%	-	93	53	248	457
VIVENDA SPA	Rome	30%	13,600	105,488	101,611	30,699	515
<b>of which companies acquired under Law 181/89 as amended</b>							
GUSTAVO DE NEGRI & ZA.MA. SRL	Caserta	20%	202	-	-	-	-
SKY TECNO SRL	Naples	22%	-	-	-	-	-
TEKLA SRL	Scafati	26%	653	-	-	-	-
<b>TOTAL SIGNIFICANT EQUITY INVESTMENTS</b>			<b>17,226</b>	<b>261,588</b>	<b>154,756</b>	<b>86,399</b>	<b>1,391</b>

### 9.4 Significant equity investments: information on dividends received

During the 2017 financial year, the Parent Company received dividends from the company Sky Tecno Spa for 77,000 euros.

### 9.5 Non-significant investments: accounting information

Company name:	Registered office	Equity holding %	Book value 31.12.2017	Total assets	Total revenues	Amount of net shareholders' equity	Result of the last fiscal year
<b>Non-significant companies</b>							
ALA BIRDI	Arborea	30%	2,819	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
FINMEK SOLUTIONS SPA IN ARRANGEMENT PROCEDURES	L'Aquila	30%	-	-	-	-	-
FONDERIT ETRURIA in bankruptcy	Livorno	13%	-	-	-	-	-
IDC-ITALIAN DISTRIBUTION	Rome	7%	-	-	-	-	-
ISTIT ENCICLOPEDIA TRECCANI	Rome	7%	4,849	-	-	-	-
ITALIACAMP SRL-UNIPERSONALE	Rome	5%	1	-	-	-	-
MARINA DI VILLA IGIEA SPA	Palermo	8%	565	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%	-	253	-	1,272	(20)
SOCIETÀ PER CORNIGLIANO SPA	Genoa	10%	1,357	74,749	10,666	13,570	64
TINTORIA STAMPERIA DEL MOLISE IN LIQUIDATION	Bojano	30%	-	-	-	-	-
TRADIZIONI DI CALABRIA SPA IN BANKRUPTCY	Cirò	49%	-	-	-	-	-
TRADIZIONI ITALIANE SPA IN BANKRUPTCY	Cirò	13%	-	-	-	-	-
WAHOO SPA	Cagliari	18%	-	-	-	-	-
<b>of which companies acquired under Law 181/89 as amended</b>							
CSRA SRL BANKRUPT	Massa	40%	-	-	-	-	-
CATWOK SPA IN BANKRUPTCY	Naples	23%	564	-	-	-	-
CMS SRL IN BANKRUPTCY	Laterza	19%	1,370	-	-	-	-
DESIGN MANUFACTURING SPA	Pozzuoli	8%	-	-	-	-	-
ELMIRAD SERVICE SRL IN LIQ.NE	Taranto	12%	120	-	-	-	-
GRIMALDI SPA	Caserta	5%	-	-	-	-	-
JONICA IMPIANTI SRL	Taranto	9%	278	-	-	-	-
METALFER SUD SPA IN BANKRUPTCY	Torre Annunziat	37%	697	-	-	-	-
MODOMECC BUILDING SRL	Massafra	7%	168	-	-	-	-
PERITAS SRL	Brindisi	15%	326	-	-	-	-
PRO.S.IT. SRL IN BANKRUPTCY	Naples	27%	499	-	-	-	-
SALVER SPA	Rome	14%	2,524	-	-	-	-
SIAPRA SPA	L'Aquila	6%	-	-	-	-	-
SICALP SRL IN BANKRUPTCY	Campiglia Marittim	36%	1,033	-	-	-	-
SIMPE SPA	Acerra	4%	3,600	-	-	-	-
SISTEMA WALCON SRL	Cassana	45%	-	1,587	153	5,008	(322)
SURAL SPA BANKRUPT	Taranto	1%	253	-	-	-	-
TIRRENA MACCHINE SRL IN BANKRUPTCY	Massa	44%	1,472	-	-	-	-
<b>TOTAL NON SIGNIFICANT EQUITY INVESTMENTS</b>			<b>23,254</b>	<b>210,033</b>	<b>17,986</b>	<b>122,206</b>	<b>(71)</b>

<b>Section 10 - Tangible assets - Item 100</b>	<b>241,459</b>	<b>244,392</b>
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#### 10.1 Tangible assets for functional use: composition of assets valued at cost

Items/Values	31.12.2017	31.12.2016
<b>Property assets</b>	<b>241,459</b>	<b>244,392</b>
(a) Land	6,730	6,410
b) Buildings	63,212	59,379
c) Furniture	467	93
e) Others	171,050	178,510
<b>TOTAL</b>	<b>241,459</b>	<b>244,392</b>

#### 10.5 Tangible assets for functional use: annual changes

The movement is shown in the following table:

Items/Values	Land	Buildings	Furniture	Others	TOTAL
<b>A. Previous final balance</b>	<b>6,410</b>	<b>59,379</b>	<b>94</b>	<b>178,510</b>	<b>244,392</b>
<b>A.1 Changes in scope of consolidation</b>			451	623	1,074
<b>A.2 Initial balance</b>	<b>6,410</b>	<b>59,379</b>	<b>545</b>	<b>179,133</b>	<b>245,466</b>
<b>B. Increases</b>					
B.1 Purchases	319	5,795	52	5,025	11,192
<b>C. Decreases</b>		<b>(1,962)</b>	<b>(129)</b>	<b>(13,108)</b>	<b>(15,199)</b>
C.2 Amortisation		(1,953)	(129)	(12,966)	(15,048)
C.7 Other negative changes		(9)		(142)	(151)
<b>D. Closing balance</b>	<b>6,730</b>	<b>63,212</b>	<b>467</b>	<b>171,050</b>	<b>241,459</b>

There are no:

- tangible assets pledged as collateral for debts and commitments;
- assets acquired under finance leases;
- assets held for investment purposes.

<b>Section 11 - Intangible assets - Item 110</b>	<b>39,521</b>	<b>44,133</b>
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#### 11.1 Composition of item 110: "Intangible assets"

Items/Valuations	31.12.2017	31.12.2016
	Assets measured at	Assets measured at
<b>2. Other intangible assets:</b>		
<b>2.1 Owned</b>	<b>39,521</b>	<b>44,133</b>
- Generated internally	4,049	9,336
- Other	35,472	34,797
<b>TOTAL</b>	<b>39,521</b>	<b>44,133</b>

The Item "Others" refers essentially to the subsidiary Infratel for 32,109 million euros for the acquisition of rights to use third party telecommunications infrastructure, in IRU mode (*Indefeasible Right of Use*) for a period of 15 years. 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.

#### 11.2 Intangible assets: annual changes

Items/Values	Amount
<b>A. Previous final balance</b>	<b>44,133</b>
<b>A.1 Changes in scope of consolidation</b>	<b>1,537</b>
<b>A.2 Initial balance</b>	<b>45,670</b>
<b>B. Increases</b>	<b>3,876</b>
B1 Purchases	3,876
<b>C. Decreases</b>	<b>(10,025)</b>
C.2 Amortisation	(8,117)
C.5 Other negative changes	(1,908)
<b>D. Closing balance</b>	<b>39,521</b>

The changes in the year, as well as the amortisation for the period, are essentially due to:

- Completion of the process of procedure computerisation aimed at bringing efficiencies into company operations for 1.538 million euros provided by the Parent Company;
- Capitalisation of software investments by the subsidiary Banca del Mezzogiorno for 1.600 million euros;
- 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 1.087 million euros and assets under construction related to software implementation activities for 263,000 euros.

<b>Section 12 - Tax assets - Item 120</b>	<b>35,758</b>	<b>19,238</b>
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#### 12.1 Composition of item 120 "Tax assets: current and prepaid"

	31.12.2017	31.12.2016
Current	18,444	13,640
Prepaid	17,313	5,598
<b>TOTAL</b>	<b>35,758</b>	<b>19,238</b>

The "current" tax assets essentially consist of reimbursement amounts due from the tax authorities, requested primarily by the Parent Company and by a fully consolidated company.

<b>Section 13 - Non-current assets, groups of assets held for sale and associated liabilities - Item 130</b>	<b>277,707</b>	<b>280,056</b>
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The item's composition is shown below:

	<b>31.12.2017</b>	<b>31.12.2016</b>
Cash and cash equivalents	16	10
Financial assets available for sale	189	191
Receivables	12,606	18,080
Equity investments	18,804	15,342
Tangible assets	221,427	221,017
Intangible assets	448	254
Tax assets	2,534	2,466
Other assets	21,683	22,697
<b>TOTAL</b>	<b>277,707</b>	<b>280,056</b>

The item refers to the companies that were put up for sale following the reorganisation and disposal plan approved by the Economic Development Ministry with the Ministerial Decree of 31 July 31, 2007 or in compliance with the 2017 - 2019 Business Plan approved by the MEF and the EDM 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 Campania Spa in Liquidation;
- Sviluppo Italia Calabria Spa in Liquidation;
- Aquila Sviluppo Spa in Liquidation;
- Marina di Portisco Spa.

The sub-item "**equity investments**" represents the value of the investee companies valued at equity. Attachments A.6, A.7, and A.8 respectively show the percentage of ownership and analytical change of the individual investments valued at equity.

The sub-item "**tangible assets**" refers mainly to Italia Turismo Spa, for which it should be noted that in January 2018, Invitalia initiated a procedure for the sale of the investment and, in the alternative, of the assets owned by Italia Turismo, divided into identified lots. No bids for the individual lots occurred for this procedure, which ended on 31 March 2018, a fact to be taken into account for the purpose of determining the fair value of the related assets held for sale.

<b>Section 14 - Other assets - Item 140</b>	<b>117,396</b>	<b>82,620</b>
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Composition:

	<b>31.12.2017</b>	<b>31.12.2016</b>
Inventory	41,708	30,724
Indirect tax receivables from tax authorities	42,964	36,609
Receivables from social security institutions	387	309
Receivables and advances from suppliers	1,133	1,292
Security deposits	2,996	2,905
Prepayments (only those related to other assets)	8,728	7,687
Receivables and various items	19,480	3,093
<b>TOTAL</b>	<b>117,396</b>	<b>82,620</b>

The sub-item "**Inventories**" includes:

- 7.8 million euros of 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;
- 33.9 million euros related to the installation of Infratel SpA's "broadband" and "ultra-broadband" deployment work.

Payables and sundries for 16.8 million euros are related to Items in transit (Direct Debit) and charges incurred on third party assets from a subsidiary (Banca del Mezzogiorno).

## Part B – Information on the Statement of Financial Position

### LIABILITIES

<b>Section 1 - Payables - Item 10</b>	<b>1,965,019</b>	<b>107,027</b>
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The breakdown of the item by type of credit is shown in the following table:

Items	31.12.2017			31.12.2016	
	To banks	To financial institutions	To clients	To banks	To clients
Financing	1,044,697		532,031	38,216	1,584
- Repurchase agreements	208,189			37,916	
- Other financing	836,508		532,031	300	1,584
Other payables	91,193	232,211	64,888	1	67,226
<b>TOTAL</b>	<b>1,135,890</b>	<b>232,211</b>	<b>596,919</b>	<b>38,217</b>	<b>68,810</b>
fair value level 3	1,142,935	232,211	629,833	38,217	68,810
<b>TOTAL FAIR VALUE</b>	<b>1,142,935</b>	<b>232,211</b>	<b>629,833</b>	<b>38,217</b>	<b>68,810</b>

The increase recorded by the item "Payables to banks" is essentially attributable to the change in the scope of consolidation following the acquisition of Banca del Mezzogiorno Spa and refers to recourse to Eurosystem credit operations and interbank exposure with repurchase agreements and new interbank deposits with an 18-month duration. Furthermore, the Bank has entered into a new pool loan from banking counterparties. The other components of the item are related to fixed term deposits to guarantee hedging derivatives and others.

<b>Section 2 - Outstanding securities - Item 20</b>	<b>739,168</b>	<b>-</b>
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#### 2.1 Composition of item 20 "Securities issued"

The breakdown is detailed in the following table:

	31.12.2017			31.12.2016	
	Book value	Fair Value			Book value
		Level 2	Level 3		
1. Securities					
Bonds					
- Structured	41,007	41,742			
- Others	698,161	419,046	349,728	-	
<b>TOTAL</b>	<b>739,168</b>	<b>460,788</b>	<b>349,728</b>	<b>-</b>	

The item includes the bond issued by the Parent Company in July for a total value of 350 million euros, functional both for the acquisition of Banca del Mezzogiorno-Mediocredito Centrale and for the optimisation of working capital.

The issue price was 99.784% of the nominal value with a nominal return rate of 1.375%. The repayment of the capital is expected in a single five-year maturity and annual coupons. This loan is listed on the regulated market of the Luxembourg stock exchange. The item also includes the Securities in

circulation of a subsidiary consisting of bonds listed on the electronic bond market.

The recognition in the financial statements is amortised at cost, the changes for the year are shown in item 20 Interest expense and similar charges.

<b>Section 6 - Adjustment of the value of financial liabilities subject to generic hedging - Item 60</b>	<b>80,993</b>	<b>-</b>
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#### 6.1 Composition of item 60 "Adjustment of the value of financial liabilities subject to generic hedging":

	31.12.2017	31.12.2016
	Book value	Book value
Adjustments to values of generic hedged financial liabilities	80,993	-
<b>TOTAL</b>	<b>80,993</b>	<b>-</b>

The item reflects the effect of changes in discounting rates compared to the previous year.

#### 6.2 Financial liabilities subject to generic hedging of interest rate risk: composition

Hedged liabilities	31.12.2017	31.12.2016
Securities issued	389,440	-

The hedges refer exclusively to Bond issues.

<b>Section 7 - Tax liabilities - Item 70</b>	<b>1,373</b>	<b>760</b>
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#### Composition:

	31.12.2017	31.12.2016
Current	1,248	760
Deferred	125	
<b>TOTAL</b>	<b>1,373</b>	<b>760</b>

<b>Section 8 - Liabilities associated with assets held for sale - Item 80</b>	<b>70,064</b>	<b>79,627</b>
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#### Composition:

	31.12.2017	31.12.2016
Loans payable	46,146	45,927
Other liabilities	17,283	23,595
Employee severance liabilities	498	462
Provisions for risks and charges	6,137	9,643
<b>TOTAL</b>	<b>70,064</b>	<b>79,627</b>

Please refer to the comment of the corresponding asset item 130 for the list of companies to which the aforementioned amounts refer.



<b>Section 9 - Other liabilities - Item 90</b>	<b>1,004,138</b>	<b>993,619</b>
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*Composition:*

	2017	2016
Capital grants	470,604	439,010
Payables for third-party funds under management	272,623	317,383
Payables to clients for contracted works in progress	101,911	93,225
Suppliers	66,714	74,782
Accrued expenses and deferred income	19,233	19,067
Payables to employees	12,357	8,788
Payables to social security institutions	6,322	5,222
Payables to tax authorities	2,897	7,154
Tax consolidation payables	311	481
Guarantees and deposits received	131	131
Accrued expenses	18	-
Sundry payables	51,017	28,376
<b>TOTAL</b>	<b>1,004,138</b>	<b>993,619</b>

The **capital grants** are related to:

- grants for plant amounting to 350.314 million euros recognised to the subsidiary Infratel by the EDM for the construction of broadband and ultra-broadband infrastructure, which essentially determined the increase for the year;
- contribution of 7.849 million euros received from the Parent Company envisaged by the programme agreement for the re-industrialisation of the Ottana/Bolotana/Noragugume crisis area and aimed at the acquisition of an industrial complex, including works for general infrastructure as well as the implementation of environmental safety and fire prevention;
- grant of 10 million euros pursuant to Article 87 of Italian Law 289/02, disbursed by the Ministry of the Economy and Finance in 2003 to the Parent Company. Decree Law no. 35 of 14.03.2005 prescribes that the said grant can be used for the production of incubators for production companies; this amount will be credited to the profit and loss account, proportionally to the depreciation of the assets to be realised;
- grant under Italian Law 208/98 of 14.174 million euros received from the Parent Company, intended for the establishment of incubators. Said grant was provided by the Economic Development Ministry in 2005, as regulated by the Procedural Document signed by Sviluppo Italia on 14 December 2004. The amount corresponds to the amount of the grant received, net of the amount credited to the profit and loss account for the available incubators on which the calculation of depreciation was initiated;
- Grant under L.N.26/86 on the Trieste incubator, transferred to the Parent Company through the separation of the Bic Friuli Venezia Giulia business unit for 775 thousand euro;
- grant of 87.492 million euros received by the Parent Company for the environmental remediation and urban regeneration of the area of significant national interest in the Bagnoli-Coroglio area, pursuant to Article 33 of Italian Decree-Law no. 133 of 12 September 2014, converted and amended by Italian Law no. 164 of 11 November 2014. This is discussed in greater detail in section B 3 of the Directors' Report On Operations and in item 100 Tangible Assets.

"**Payables for third-party funds under management**" - these refer to funds for facilitation measures for which the Group is responsible for implementing the projects envisaged by the measures themselves. For further information on operations and the related forms of use, please refer also to Part D "other information", section H.2.

The composition of the payables for third party funds under management is shown below.

*Composition:*

	2017	2016
Italian Law 181/89 (Interventions in Crisis/Distressed Areas)	116,766	131,508
Revolving Fund Italian Presidential Decree 58/87	48,437	47,950
Italian Regional Law23/91 on Tourism Article 8	1,984	1,984
Italian Law 208/98 Incentive Fund	1,815	2,468
Tourism Promotion Fund pursuant to CIPE resolution 25/3/90	2,217	2,217
Museum sites of Excellence	201	730
Patent Agreement	11,551	15,946
Fund for Ottana	805	804
The sustainable growth fund (IV)	44,814	50,000
Fund for Broadband and Ultra-Broadband deployment	42,449	62,310
Virgo project	530	530
Other	1,054	936
<b>TOTAL</b>	<b>272,623</b>	<b>317,383</b>

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 23.12.96. 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 aggregate changes in the L.181/89 fund as at 31 December 2017 are shown below:

	2017	2016
Funds cashed	645,696	645,696
Capital returns to the EDM	(145,175)	(133,336)
Grants issued	(364,246)	(363,214)
Grants pending release	(2,914)	(2,914)
Losses on receivables and equity investments	(16,595)	(14,724)
<b>TOTAL</b>	<b>116,766</b>	<b>131,508</b>

The item "Capital returns" represents the amount returned to the Economic Development Ministry under Ministerial Decree 1184605/75 of 03.03.2005, which established the Single Fund, which provides for the Agency's six-monthly repayment of the capital collected for financing shares, revoked grants and investment disposals. These funds will be 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 2017 financial year:

<b>Balance as at 31 December 2016</b>	<b>131,508</b>
Capital grants paid and other uses	(1,032)
Funds cashed	-
Capital returns to the EDM	(11,839)
Losses on receivables and equity investments	(1,871)
<b>Balance as at 31 December 2017</b>	<b>116,766</b>

As at 31 December, the funds collected amounted to 645.696 million, net of the Ministry's refunds of 145.175 million and were employed as follows:

	2017	2016
Capital grants	364,247	363,214
Loan receivable from clients for pref-fin., fin. and mortgages (net)	76,472	83,850
Equity Investments (net of unpaid called-up capital)	13,759	18,222
Receivables from banks	32,904	31,872
Other financial receivables (payables) for items to be recorded	(3,456)	478
Losses on receivables, equity investments and other uses	16,595	14,724
<b>TOTAL</b>	<b>500,521</b>	<b>512,360</b>

- The **DPR 58/87 Rotational 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 **Regional Law Fund 23/91** refers to the remainder of the sums disbursed in their time by the Sicily Regional Authority (pursuant to Law no.23 of 15.05.91) net of the amount referenced in Law 359/92. With a document dated 9/04/2008, the Agency and the Sicily Regional Authority, 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 25.03.1990, 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 million euros, and benefits paid for 2.380 million euros.
- 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 17.12.2009 between the Economic Development Ministry and Invitalia, 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 **Fund for sustainable growth** 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 Economic Development Ministry 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 million euros) were used to provide subsidies to PRO.S.IT Srl in early 2010, pending further remittances from the Campania Regional Authority itself. The company in 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 million euros, while the sums disbursed to beneficiaries amounted to 5.222 million euros, with a net debt of 191 thousand euros;
- The **Venture Capital Revolving 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 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' gratuities, 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.

<b>Section 10 - Staff severance indemnity - Item 100</b>	<b>12,057</b>	<b>9,318</b>
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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 using the actuarial method i.e. "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 Euro Area "Investment Grade" as at 31.12.2017 (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).

The changes for the year are as follows:

Changes	31.12.2017	31.12.2016
Previous final balance	9,318	9,081
Adjustment to the scope of consolidation	3,448	-
Initial balance	12,766	9,081
Provisions for the year	6,827	4,937
Decreases	(7,536)	(4,736)
Liquidations completed	523	(472)
Other negative variations	(8,059)	(4,265)
<b>Final balance</b>	<b>12,057</b>	<b>9,318</b>

<b>Section 11 - Provisions for risks and charges - Item 110</b>	<b>23,459</b>	<b>10,330</b>
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#### 11.1 Annual changes

	Initial balance	Provisions	Uses/reversals	Other	Closing balance
Other risks	10,330	6,190	(11,12)	18,06	23,459
<b>TOTAL</b>	<b>10,330</b>	<b>6,190</b>	<b>(11,12)</b>	<b>18,06</b>	<b>23,459</b>

#### 11.2 Composition:

	2017	2016
Provision for urbanisation charges	188	188
Provision for contractual risk	340	1,044
Provision for labour litigation	272	329
Provision for sundry risks and disputes	22,659	8,769
<b>TOTAL</b>	<b>23,459</b>	<b>10,330</b>

The financial/equity contra-entries for provision changes are detailed below:

	Advances	Uses/reversals	Other changes
item 150 - net provisions for risks and charges	6,190	-	-
item 110 - administrative expenses	-	(761)	-
item 60 - receivables/value adjustments	-	-	18,068
	<b>6,190</b>	<b>(761)</b>	<b>18,068</b>

#### Section 12 – Shareholders' equity

<b>Item 120 - Capital</b>	<b>836,384</b>	<b>836,384</b>
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#### 12.1 Composition of item 120 "Capital"

Types	Amount
Share capital	836,384
Ordinary shares	836,384

The share capital of 836.384 million euros is represented by 1,257,637,210 ordinary shares without nominal value owned by the Economy and Finance Ministry. The Company has not issued "dividend-bearing shares" nor "convertible bonds".

\* \* \* \*

Items 160 and 170 of liabilities, respectively "Reserves" and "Valuation reserves" are commented in Part D Section 4 – Information on Capital.

<b>Item 190 Shareholders' equity attributable to non-controlling interests</b>	<b>(26)</b>	<b>(65)</b>
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	31.12.2017	31.12.2016
Share capital	(44)	(46)
Reserves	(21)	(9)
Profit (Loss) for the year	38	(10)
<b>TOTAL</b>	<b>(26)</b>	<b>(65)</b>

## Part C – Information on profit or loss and other comprehensive income

### Section 1 – Interest

<b>Interest income and similar revenues - Item 10</b>	<b>32,819</b>	<b>5,274</b>
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#### 1.1. Composition of item 10 "Interest income and similar revenues"

	Debt securities	Financing	Other transactions	Total 2017	Total 2016
Financial assets held for trading	1,106	-	-	1,106	1,577
Financial assets available for sale	438	-	-	438	-
<b>Receivables:</b>	<b>30</b>	<b>20,958</b>	<b>1,396</b>	<b>22,384</b>	<b>3,398</b>
- Receivables from banks	30	2	1,172	1,204	2,454
- Receivables from financial institutions	-	5	2	7	-
- Receivables from clients	-	20,951	222	21,173	944
Other assets	-	-	2,491	2,491	299
Hedging derivatives	-	-	6,400	6,400	-
<b>TOTAL</b>	<b>1,574</b>	<b>20,958</b>	<b>10,287</b>	<b>32,819</b>	<b>5,274</b>

Interest income refers mainly to accruals by the parent company.

<b>Interest expense and similar charges - Item 20</b>	<b>(12,277)</b>	<b>(530)</b>
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#### 1.1. Composition of item 20 "Interest expense and similar charges"

	Financing	Securities	Other	Total 2017	Total 2016
Payables to banks	(2,052)	-	(9)	(2,061)	(69)
Payables to financial institutions	-	-	-	-	-
Payables to clients	(1,182)	-	-	(1,182)	(2)
Securities issued	-	(8,913)	-	(8,913)	-
Other liabilities	(2)	-	(119)	(121)	(459)
<b>TOTAL</b>	<b>(3,236)</b>	<b>-8,913</b>	<b>(128)</b>	<b>(12,277)</b>	<b>(530)</b>

### Section 2 - Commissions

<b>Commission income - Item 30</b>	<b>179,823</b>	<b>121,733</b>
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#### 2.1. Composition of item 30 "Commission income"

Detail	31.12.2017	31.12.2016
<b>Factoring transactions</b>	<b>72</b>	<b>47</b>
<b>Guarantees issued</b>	<b>20</b>	<b>-</b>
<b>Services related to:</b>	<b>177,173</b>	<b>120,099</b>
- Management of third party funds	90,660	37,716
- Reversible compensation	149	130
- Other services	86,364	82,255
<b>Collection and payment services</b>	<b>119</b>	<b>-</b>
<b>Servicing in securitisation transactions</b>	<b>32</b>	<b>-</b>
<b>Other commissions</b>	<b>2,407</b>	<b>1,586</b>
- Other miscellaneous commissions	2,407	1,586
<b>TOTAL</b>	<b>179,823</b>	<b>121,733</b>

The item "commission income - Fund management for third parties/other services" includes (i) 30 million euros for revenues accrued by Infratel for the construction of Broadband infrastructure and contracted by the regional administration, (ii) 25 million euros of the subsidiary Banca del Mezzogiorno-MCC for services rendered in the management of subsidised funds and (iii) 121 million euros related to fees and grants for the reimbursement of costs incurred for work undertaken in the operational programmes assigned by the relevant Administrative Authorities to the Parent Company.

	2017	2016
Broadband deployment	29,842	16,447
BdM - MCC - Subsidised SME Financing	24,655	-
The Emilia Romagna earthquake	16,379	19,535
2015 Development contracts	7,343	4,006
Tech. Ass. on the 2014-2020 Enterprise and Competitiveness	7,173	1,529
ILD 185 - Title 2	6,280	5,909
Bagnoli-Coroglio remediation	5,550	5,400
New interest-free companies	5,064	2,990
Central Italy earthquake	4,985	94
System-level actions	4,547	4,359
Sabatini Capital Goods	3,942	-
Support work for the MIUR Research General Directorate	3,575	3,133
Nuovo Regime 181	3,052	1,536
National Aid Register	2,798	-
2014 - 2020 Development contracts	2,731	-
Internal areas Phase 2	2,464	1,395
Smart&Start Italia	2,249	2,687
Central Italy earthquake - Schools	2,231	-
Support for handling the migrant reception emergency	2,196	860

	2017	2016
Tourism Entrepreneurship	1,826	669
National Revolving Fund - 'Garanzia Giovani' [Guarantee for Youth]	1,762	1,218
ILD 185 - Title 1	1,732	1,168
Technical Assistance on the GDEI Action and Cohesion Plan	1,694	3,613
Development of creative cultural enterprises	1,633	720
MIUR - Support activities on 1st level controls	1,470	-
EC NOP - Technical assistance to the EDM-DGMEREEN	1,430	402
Support for the Culture and Development NOP	1,223	85
Digit GDEI ZFU	1,141	1,243
IDC for the Taranto area	995	222
ANCI	960	-
SULCIS	951	926
Complex Industrial Crises	937	868
Bagnoli - Works	822	365
TA on infrastructure projects	805	1,913
Development of cooperatives 2017	791	-
MIUR - Preparatory Services for Research Projects	761	-
System-level actions - hydrogeological instability	704	1,234
Museum sites of Excellence	683	747
Tech. Ass. EDM-GDEI Enterprises and competitiveness COP	645	-
Special Supp. for Technical Structural Mission	619	653
Smart & Start	589	249
SELF-employment tutoring	568	24
Nuova Open cup	537	-
APQ Bagnoli	522	80
Support on the 2007-2013 AdA R&M NOP	505	994
Industry 2015 - Phase 2	498	1,871
Other contractors	13,164	30,827
Reversible compensation	149	130
	<b>177,173</b>	<b>120,099</b>

<b>Commission expenses - Item 40</b>	<b>(32,975)</b>	<b>(19,894)</b>
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## 2.2. Composition of item 40 "Commission expenses"

Details/Sectors	31.12.2017	31.12.2016
Guarantees received	(283)	(423)
Distribution of third party services	(31,613)	(19,370)
Collection and payment services	(104)	(56)
Other commissions	(975)	(45)
<b>TOTAL</b>	<b>(32,975)</b>	<b>(19,894)</b>

The item "commission expenses - Distribution of third party services" underwent an increase compared to last year due to the increase in costs, equal to 25 million euros, incurred for the acquisition and construction of infrastructure related to Infratel's Broadband contract.

	2017	2016
Broadband deployment	(24,736)	(12,562)
MIUR - Support activities on 1st level controls	(608)	-
Bagnoli - Works	(564)	(253)
System-level actions	(496)	(188)
Internal areas Phase 2	(473)	(298)
APQ Bagnoli	(431)	(2)
Support work for the MIUR Research General Directorate	(426)	(328)
The Emilia Romagna earthquake	(243)	(483)
Central Italy earthquake - Schools	(390)	-
Bagnoli-Coroglio remediation	(304)	(231)
Development of cooperatives 2017	(278)	-
Central Italy earthquake	(215)	-
Factoring activities	(211)	(386)
TA on 2014-2020 Enterprises and competitiveness NOP	(205)	(32)
Tourism Entrepreneurship	(186)	(23)
Technical support on Metropolitan cities NOP	(153)	(137)
Special Supp. for Technical Structural Mission	(131)	(181)
Support on Networks and Mobility NOP Managing Authority	(110)	(259)
Support for handling the migrant reception emergency	(108)	-
Smart&Start Italia	(102)	(55)
Industry 2015 - Phase 2	(99)	(57)
IDC for the Taranto area	(96)	-
2015 Development contracts	(95)	(24)
Termini Imerese Incubator	(89)	-
New interest-free companies	(81)	(21)
Migrant reception - Pontebba	(79)	(229)
Support on the 2007-2013 AdA R&M NOP	(69)	(173)
MIUR - Preparatory Services for Research Projects	(68)	-
Migrant reception - former Serini barracks	(56)	-
Migrant reception - Gasparro barracks	(54)	-
Support for the Culture and Development NOP	(41)	-
National Revolving Fund - 'Garanzia Giovani' [Guarantee for Youth]	(39)	(3)
Museum sites of Excellence	(38)	(61)
E-procurement platform	(37)	-
System-level actions - Metropolitan areas	(31)	(115)
TA on infrastructure projects	(30)	(40)
Other contractors	(239)	(3,230)
	<b>(31,613)</b>	<b>(19,370)</b>

<b>Section 3 - Dividends and similar income - Item 50</b>	<b>77</b>	
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### 3.1 Composition:

Details/Sectors	31.12.2017	
	Dividends	
<b>Equity investments</b>		
- For merchant banking activities		77
<b>TOTAL</b>		<b>77</b>

The amount essentially includes the profits distributed by the company Sky Tecno SpA.

<b>Section 4 - Net income from trading activities - Item 60</b>	<b>(408)</b>	<b>(434)</b>
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### 4.1 Composition of item 60 "Result of trading activity":

Details/Sectors	31.12.2017				
	Capital gains	Profits from trading	Capital losses	Losses from trading	Net result
<b>Financial assets</b>					
Debt securities	181	52	(268)	(373)	(408)
<b>TOTAL</b>	<b>181</b>	<b>52</b>	<b>(268)</b>	<b>(373)</b>	<b>(408)</b>

The item represents the negative net balance of financial transactions related to debt securities in the portfolio, determined for 87,000 euros from the year-end valuation and for 321 thousand euros from net realised losses.

<b>Section 5 - Net income from hedging activities - Item 70</b>	<b>6</b>	
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### 5.1 Composition of item 70 "Net income from hedging activities"

Items	31/12/2017	31/12/2016
<b>A. Income from:</b>		
A.1 Fair value hedging derivatives	6	
<b>Total income from hedging activities (A)</b>	<b>6</b>	<b>-</b>
<b>B. Charges related to:</b>		
<b>Total charges for hedging activities (B)</b>	<b>-</b>	<b>-</b>
<b>C. Net income from hedging activities (A-B)</b>	<b>6</b>	<b>-</b>

The item represents the net result of hedging activities carried out using derivatives.

<b>Section 6 - Net income from financial assets and liabilities at fair value - Item 80</b>	<b>789</b>	<b>701</b>
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### 6.1 Breakdown of item 80 "Net result of financial assets and liabilities measured at fair value"

Details/Sectors	31.12.2017	
	Capital gains	Net result
<b>Financial assets</b>		
Debt securities	789	789
<b>TOTAL</b>	<b>789</b>	<b>789</b>

The item represents the positive change deriving from the year-end valuation of the capitalisation policies.

<b>Section 7 - Profit (Loss) from sale or repurchase - Item 90</b>	<b>5,385</b>	<b>176</b>
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### 7.1 Composition of item 90 "Profit (Loss) from sale or repurchase:

Items / Income Components	31.12.2017		31.12.2016	
	Profit	Net result	Profit	Net result
<b>Financial assets</b>				
Assets available for sale	5,385	5,385	176	176
<b>TOTAL</b>	<b>5,385</b>	<b>5,385</b>	<b>176</b>	<b>176</b>

The item represents the gains deriving from the sale of a portion of an Investment Fund.

<b>Section 8 - Net value adjustments/reversals due to impairment - Item 100</b>	<b>(11,606)</b>	<b>(13,985)</b>
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### 8.1 Net value adjustment/recoveries for impairment of receivables

	Value Adjustments	Reversals		2017	2016
	Specific	Specific	in portfolio		
<b>1. Receivables from banks</b>	-	-	-	-	<b>(1,989)</b>
- other credits	-	-	-	-	(1,989)
<b>3. Receivables from clients</b>					<b>(1,087)</b>
- other credits	(11,879)	1,955	739	<b>(9,185)</b>	(1,087)
<b>TOTAL</b>	<b>(11,879)</b>	<b>1,955</b>	<b>739</b>	<b>(9,185)</b>	<b>(3,076)</b>

### 8.2 Net value adjustments/reversals for impairment of financial assets available for sale

	Value Adjustments	Reversals	2017	2016
Equity securities and Undertakings	(2,406)		(2,406)	<b>(10,909)</b>
<b>TOTAL</b>	<b>(2,406)</b>	<b>-</b>	<b>(2,406)</b>	<b>(10,909)</b>

#### 8.4 Net value adjustments/reversals due to impairment of other financial transactions

	Value Adjustments	Reversals	2017	2016
Guarantees issued	(31)	-	(31)	-
Other transactions	-	16	16	-
<b>TOTAL</b>	<b>(31)</b>	<b>16</b>	<b>(15)</b>	<b>-</b>

<b>Section 9 - Administrative expenses - Item 110</b>	<b>(153,397)</b>	<b>(114,266)</b>
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Items/Sectors	31.12.2017	31.12.2016
Personnel costs (a)	(116,777)	(88,575)
Other administrative expenses (b)	(36,620)	(25,691)
<b>TOTAL</b>	<b>(153,397)</b>	<b>(114,266)</b>

#### 9.1 Breakdown of item 110.a "Personnel costs"

Items/Sectors	31.12.2017	31.12.2016
<b>Employees</b>	<b>(111,454)</b>	<b>(85,328)</b>
- Salaries and wages	(78,065)	(57,985)
- Social security charges	(23,188)	(18,885)
- Severance benefits	(621)	(350)
- Provision for severance indemnities	(5,047)	(3,414)
- Provision for pension funds	(30)	-
. <i>Defined benefit schemes</i>	(30)	-
- Contributions to supplementary pension funds	(1,779)	(1,501)
. <i>Defined contribution schemes</i>	(1,779)	(1,501)
- Other payments	(2,724)	(3,194)
<b>Other staff in activity</b>	<b>(3,438)</b>	<b>(2,803)</b>
Directors and Statutory Auditors	(1,252)	(721)
Recovery of expenses for employees seconded to	180	738
Reimbursement of expenses for employees seconded to	(813)	(460)
<b>TOTAL</b>	<b>(116,777)</b>	<b>(88,575)</b>

The "recoveries of expenses for employees seconded to other companies" refer almost exclusively to intragroup postings.

The "reimbursement of expenses for employees seconded to the company" were recharged to the Group companies in which they worked.

The "payments to supplementary pension plans with defined contributions" account for the severance indemnity payments made to INPS.

#### 9.2 Average number of employees broken down by category

Average number of employees	31.12.2017	31.12.2016
Managers	68	57
Executive staff	416	239
Other staff	1,347	1,114
<b>TOTAL</b>	<b>1,831</b>	<b>1,410</b>

Number of employees by category	31.12.2017	31.12.2016
Managers	56	57
Executive staff	241	240
Other staff	1,249	1,073
<b>TOTAL</b>	<b>1,546</b>	<b>1,370</b>

#### 9.3 Composition of item 110.b "Other administrative expenses"

Items/Sectors	31.12.2017	31.12.2016
- Legal and notary	(7,317)	(3,103)
Information systems	(7,640)	(3,143)
Use of third party assets	(7,037)	(6,190)
Other administrative expenses	(4,395)	(4,112)
Maintenance, various utilities	(3,631)	(2,704)
Miscellaneous third parties services	(3,085)	(1,955)
Direct and indirect taxes	(1,070)	(1,986)
Communication expenses	(1,063)	(1,099)
Consumables and other operational expenses	(532)	(813)
Insurance	(434)	(413)
Association contributions	(416)	(172)
<b>TOTAL</b>	<b>(36,620)</b>	<b>(25,691)</b>

<b>Section 10 - Net value adjustments/reversals on tangible assets - Item 120</b>	<b>(15,048)</b>	<b>(13,868)</b>
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#### 10.1 Composition of item 120 "Net value adjustment/reversals on tangible assets"

Adjustments and reversal items	31.12.2017
	Amortisation/Depreciation
<b>1. Operating assets</b>	
1.1 Owned	(15,048)
b) Buildings	(1,953)
c) Furniture	(129)
d) Instrumental	(440)
e) Others	(12,526)
<b>TOTAL</b>	<b>(15,048)</b>

The item includes depreciation for the year on owned assets (mainly incubators and infrastructure).

<b>Section 11 - Net value adjustments/reversals on intangible assets - Item 130</b>	<b>(8,117)</b>	<b>(7,778)</b>
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#### 11.1 Composition of item 130 "Net value adjustments/reversals on intangible assets"

Adjustments and reversal items	31.12.2017
	Amortisation/Depreciation
<b>2. Other intangible assets</b>	
2.1 Owned	(8,117)

<b>Section 13 - Net provisions for risks and charges - Item 150</b>	<b>(6,190)</b>	<b>(5,420)</b>
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#### 13.1 Composition of item 150 "Net provisions for risks and charges"

	31.12.2017	31.12.2016
Net provisions for other risks	(6,190)	(5,420)
<b>TOTAL</b>	<b>(6,190)</b>	<b>(5,420)</b>

The item includes potential charges related to the non-recognition of costs incurred for the implementation of regional contracts and provisions allocated to cover probable costs and risks associated with the business plan presented to the MEF and the EDM in December 2016.

<b>Section 14 - Other operating income and charges - Item 160</b>	<b>29,882</b>	<b>23,323</b>
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#### 14.1 Composition of item 160 "Other operating income and expense"

	31.12.2017	31.12.2016
Operating income	31,830	24,432
Rental income	1,213	1,350
Revenues from contractual penalties	1,184	200
Revenues from capital grants	17,492	15,737
Operating grants	8,450	4,513
Reversals	534	204
Other operating income	2,958	2,428
Operating expenses	(1,948)	(1,109)
Other operating expenses	(1,948)	(1,109)
<b>TOTAL</b>	<b>29,882</b>	<b>23,323</b>

The sub-item "revenues from capital grants" essentially includes 15.7 million euros for plant at the company Infratel and 1.7 million euros of the Parent Company, recognised on the basis of the accounting for the depreciation of the period of the assets financed by these grants.

The "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 EDM.

The "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 EDM.

The item "Rental income" includes the rents of the hangar leased to Atitech.

<b>Section 15 - Profits (Losses) on equity investments - Item 170</b>	<b>(1,766)</b>	<b>6</b>
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#### 15.1 Composition of item 170 "Gains (Losses) on equity investments"

Items	31.12.2017	31.12.2016
<b>1. Income</b>	<b>441</b>	<b>33</b>
1.1 Profits from disposals	441	8
1.3 Value reversals		24
<b>2. Charges</b>	<b>(2,207)</b>	<b>(26)</b>
2.1 Depreciation/Impairment	(1,554)	(10)
2.2 Losses on disposals	(653)	(16)
<b>Net result</b>	<b>(1,766)</b>	<b>6</b>

<b>Section 17 - Taxes on income from continuing operations - Item 190</b>	<b>(5,596)</b>	<b>(620)</b>
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#### 17.1 Composition of item 190 "Income taxes for the year of current operations"

	31.12.2017	31.12.2016
Current taxes	(5,775)	(1,651)
Changes in current taxes, previous taxes and	(358)	795
Changes in prepaid taxes	537	236
<b>TOTAL</b>	<b>(5,596)</b>	<b>(620)</b>

The item essentially includes the net value of current tax liabilities (IRAP [Italian Regional Production Tax]) and prepaid taxes.

<b>Section 18 - Profit (Loss) from assets in disposal groups held for sale, net of taxes - Item 200</b>	<b>(65)</b>	<b>(16,651)</b>
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#### 18.1 Breakdown of item 200 "Profit (Loss) of groups of assets held for sale, net of taxes"

	31.12.2017	31.12.2016
Net interest income	(1,310)	(910)
Net commissions	10,415	9,965
Administrative expenses	(6,002)	(6,686)
Net adjustments to tangible fixed asset values and	(1,910)	(17,431)
Other value adjustments	(594)	(333)
Net provisions for risks	(126)	(678)
Other revenues	2,336	2,456
Other expenses	(895)	(2,338)
Profit (Loss) on equity investments	(1,025)	(22)
Taxes	(955)	(594)
Profit/Loss from sale/purchase of assets		(80)
<b>TOTAL</b>	<b>(65)</b>	<b>(16,651)</b>

<b>Section 22 - Profit (Loss) for the year attributable to non-controlling interests</b>	<b>38</b>	<b>(10)</b>
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#### 22.1 Composition of item 210 "Profit (Loss) for the year attributable to non-controlling interests"

	non-controlling interest share	31.12.2017	31.12.2016
Non-controlling interest pro-rata share of profit (loss) of Sviluppo Italia Calabria S.C.P.A. In Liquidation	0.16%	(1)	-
Non-controlling interest pro-rata share of profit (loss) of Aquila Sviluppo Spa In Liquidation	10.00%	39	(10)
Non-controlling interest pro-rata share of profit (loss) of Sviluppo Italia Campania Spa In Liquidation	0.12%	-	-
<b>TOTAL</b>		<b>38</b>	<b>(10)</b>



## Part D – Other information

### Section 1- Specific references on the operations performed

#### B - FACTORING AND ASSIGNMENT OF RECEIVABLES

##### B.1 Gross value and carrying amount

Gross value and carrying amount	31.12.2017		31.12.2016	
	Gross value	Net value	Gross value	Net value
Performing assets	13,746	13,746	11,634	11,634
. Exposures to assignors (with recourse)	10,777	10,777	9,420	9,420
assignment of future receivables	4,835	4,835	5,240	5,240
others	5,942	5,942	4,180	4,180
. Exposures to assigned debtors (without recourse)	2,969	2,969	2,214	2,214
<b>TOTAL</b>	<b>13,746</b>	<b>13,746</b>	<b>11,634</b>	<b>11,634</b>

##### B.1.1 Factoring transactions

###### - Transactions with recourse

Factoring transactions with recourse	- advance payments		- total receivables	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
- at sight			5,942	4,180
- over 1 year	4,835	5,240		
<b>TOTAL</b>	<b>4,835</b>	<b>5,240</b>	<b>5,942</b>	<b>4,180</b>

###### Non-recourse transactions

Non-recourse factoring transactions	- exposure	
	31.12.2017	31.12.2016
- at sight	2,969	2,214
<b>TOTAL</b>	<b>2,969</b>	<b>2,214</b>

##### B.4.- Other information

###### B.4.1 Turnover of factoring transaction receivables

Turnover of factoring transactions	TOTAL	
	31.12.2017	31.12.2016
- non-recourse transactions	1,285	1,550
- transactions with recourse	3,556	3,556
<b>TOTAL</b>	<b>4,841</b>	<b>5,106</b>

##### B.4.3 Nominal value of contracts for the acquisition of future receivables

Nominal value of contracts for the acquisition of future receivables	Total	
	31.12.2017	31.12.2016
- flow of contracts for acquisition of	-	-
- amount of outstanding contracts	4,835	5,240
<b>TOTAL</b>	<b>4,835</b>	<b>5,240</b>

#### D. GUARANTEES GIVEN AND COMMITMENTS

##### D.1 Value of guarantees (real or personal) issued and commitments

Operations	31.12.2017	31.12.2016
<b>Financial guarantees issued</b>	16,858,354	16,846,792
- Banks	2,613	-
- Financial Institutions	-	-
- Clients	16,855,741	16,846,792
<b>Commercial guarantees issued</b>	18,364,033	4,657,003
- Banks	-	-
- Financial Institutions	-	-
- Clients	18,364,033	4,657,003
<b>Irrevocable commitments to disburse</b>	942,927,252	816,112,619
- Clients	942,927,252	816,112,619
. For certain use	857,226,329	815,762,872
. For uncertain use	85,700,923	349,747
Other irrevocable commitments	19,055,851	18,355,577
<b>TOTAL</b>	<b>997,205,490</b>	<b>855,971,991</b>

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 the Parent Company are limited to provision of services on behalf of the State.

### Development contracts

Operations	2017	2016
<b>"Research and Competitiveness" NOP ERDF 2007-2013:</b>		
<b>Axis-1 - "Support for structural changes"</b>		
- Revolving fund for development contracts	17,135	24,905
- Contribution for plant	11,068	22,720
<b>Axis-2 - "Support for innovation"</b>		
- Revolving fund for development contracts	38,080	119,146
- Contribution for plant	3,418	19,580
<b>Led Nop</b>		
- Revolving fund for development contracts	35,398	5,021
- Development contracts for plant	61,008	17,666
<b>Intra-regional Operational Programme "National, cultural and Tourism Attractors" - Axis-2</b>		
- Revolving fund for development contracts	430	3,277
- Development contracts for plant	6,312	8,016
<b>L'Aquila earthquake area</b>		
- Development contracts for plant	4,782	6,162
<b>2013 Basilicata regional budget</b>		
- Revolving fund for development contracts	1,699	2,596
- Development contracts for plant	2,149	5,274
<b>Centre-North Initiative</b>		
- Revolving fund for development contracts	31,649	50,677
- Lazio grant for plant	2,047	2,441
- Abruzzo grant for plant	111	462
- Piedmont grant for plant	1,948	
<b>National Acp [Action and Cohesion Plan]</b>		
- Revolving fund for development contracts	1,551	3,126
- Development contracts for plant	12,874	19,706
<b>ACP for Campania</b>		
- Revolving fund for development contracts	603	1,659
- Development contracts for plant	12	370
- Campania Region development contracts for plant	124	
<b>2014 State budget</b>		
- Revolving fund for development contracts	36,909	94,030
<b>The Termini Imerese Programme Agreement</b>		
- Revolving fund for development contracts	57	33
- Development contracts for plant	804	803
<b>Development and Cohesion Fund</b>		
- Revolving fund for development contracts	49,853	50
- Development contracts for plant	43,255	5,790
<b>E&amp;C NOP Axis-1</b>		
- Revolving fund for development contracts	7,173	
- Development contracts for plant	8,115	
<b>E&amp;C NOP Axis 3</b>		
- Revolving fund for development contracts	10,763	
- Development contracts for plant	3,000	
<b>COP</b>		
- Revolving fund for development contracts	12,500	
- Development contracts for plant	18,000	

Operations	2017	2016
<b>COP Axis-3</b>		
- Revolving fund for development contracts	17,647	
- Development contracts for plant	14,100	
<b>TOTAL</b>	<b>454,574</b>	<b>413,510</b>

### Other Measures

Operations	2017	2016
<b>"Renewable Energies and Energy Saving" IOP ERDF 2007-2013:</b>		
<b>Axis-1 - "Energy production from renewable sources"</b>		
<b>- Activity lines 1.2</b>		
- Revolving fund for subsidised loans	68,928	88,103
- Contribution for plant	4,487	4,879
<b>- Line of activity 2.1</b>		
- Revolving fund for subsidised loans	42,976	56,035
- Contribution for plant	524	81
- Restitution of interests advanced for plant and lines 1.2 and	(4,785)	
<b>- Lines of activity 1.1 - Biomasses</b>		
- Revolving fund for subsidised loans	11,948	13,574
- Contribution for plant	66	1,129
<b>Smart &amp; Start Title-1I and III</b>		
- Contribution to management and Tit expenses. II	1,625	3,807
- Grant for plant Title 3 (MD 06/03/2013)	4,689	5,077
- Grant for Smart Start Abruzzo	1,171	1,171
<b>Smart and Start Italy</b>		
- Revolving Fund - Grant for plant - Grant for management MD 24/09/14	16,749	13,946
- Revolving Fund - Grant for plant/management 2017 State Budget	2,619	
- Revolving Fund - Grant for plant/management 2014/2020	10,221	
<b>New interest-free companies</b>		
- Fund for Single revolving fund	10,920	
- Revolving Fund 2017 State Budget	5,652	
- Revolving Fund 2018 State Budget		
- Non-remunerated liquidity LED NOP 2000/2006	20,000	
<b>Self-employment</b>		
- Revolving fund	7,980	15,723
<b>AZ 3.A.1.A New Businesses NOP</b>		
- Revolving fund	7,909	
- For works	439	
<b>AZ 3.B.1.To NOP Cons. SME</b>		
- Revolving fund	4,382	
- For works	443	
<b>AZ 3.C.1.To NOP Tertiary Sector</b>		
- For works	663	
<b>The L'aquila crisis MD 14/10/2015</b>		

Operations	2017	2016
- Measure-1 for plant	1,919	
- Measure-2 for plant	729	
<b>Murgia</b>		
- For plant	5,069	5,066
<b>MD Campania 13/02/2014</b>		
- Revolving fund	7,724	
- For plant	7,439	
<b>New Law 181</b>		
- Rieti PA	7,220	
- PA Piombino	1,171	
- Growth Fund	13,134	
<b>Management of concession laws</b>		
- Single fund Article 27 par. 11 Law 488/1999	114,113	183,657
- EU funds	4,156	4,156
- CSF Fertility Project 89/94	1,996	3,061
- Young ideas change Italy	38,376	2,808
<b>Total</b>	<b>422,652</b>	<b>402,273</b>
Other commitments of uncertain use	350	350
<b>TOTAL</b>	<b>423,002</b>	<b>402,623</b>
<b>GRAND TOTAL</b>	<b>877,576</b>	<b>816,133</b>

## COMMITMENTS

### 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 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.

### NOP "Research and competitiveness" 2007-2013-ERDF R&D NOP

#### Axis-1 – support for structural changes (operational goal 4.1.1.2 "Technological-productive areas for system competitiveness")

This funding source enables the financing of investment, research and development programmes undertaken in the Industry, Tourism and Trade sectors.

### NOP "Research and competitiveness" 2007-2013-ERDF R&D NOP

#### Axis-2 - 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 the experimental research and development programmes;
- the pursuit of specific innovation, competitive improvement and environmental protection goals.

A Revolving Fund has been 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 euros of which 50 million euros dedicated to Axis-2.

	2017	2016
<b>Revolving Fund (MD 24/09/10) Axis-1</b>		
Cash at 01/01	24,905	59,192
Facilitations provided	(566)	(41,772)
Repayments from beneficiaries	10,430	7,145
Funds returned to the Ministry	(17,076)	
Amounts	(592)	
Net annual banking amounts	34	340
<b>Cash as at 31/12</b>	<b>17,135</b>	<b>24,905</b>
<b>Revolving Fund (MD 24/09/10) Axis-2</b>		
<b>Revolving Fund (MD 06/08/10)</b>		
Cash at 01/01	118,189	140,183
Facilitations provided	(21,557)	(30,132)
Repayments from beneficiaries	15,383	7,679
Funds returned to the Ministry	(72,063)	
Amounts	(1,960)	
Cash in transit	32	
Net annual banking amounts	56	459
<b>Cash available</b>	<b>38,080</b>	<b>118,189</b>
Transfers under other measures		957
<b>Cash as at 31/12</b>	<b>38,080</b>	<b>119,146</b>

	2017	2016
<b>Grants for plant (MD 24/09/10) Axis-1</b>		
Cash at 01/01	22,720	15,628
Funds cashed		72,000
Facilitations provided	(11,657)	(64,926)
Net annual banking amounts	5	18
<b>Cash as at 31/12</b>	<b>11,068</b>	<b>22,720</b>
<b>Grants for plant (MD 24/09/10) Axis-2</b>		
<b>Grants for plant (MD 06/08/10)</b>		
Cash at 01/01	19,580	30,917
Funds cashed	3,400	26,800
Facilitations provided	(19,564)	(38,242)
Net annual banking amounts	2	105
<b>Cash as at 31/12</b>	<b>3,418</b>	<b>19,580</b>

To finance these initiatives during 2017, 12.2 million euros were disbursed under MD 24/09/10 and 41 million euros under MD and 96/08/10.

#### 2000-2006 LED NOP

Resources made available from the 2000-2006 LED NOP are allocated to funding the development contracts.

	2017	2016
<b>Revolving Fund (MD 24/09/10)</b>		
Cash at 01/01	5,021	5,017
Funds cashed	45,000	
Facilitations provided	(14,635)	-
Repayments from beneficiaries	3	-
Net annual banking amounts	9	4
<b>Cash as at 31/12</b>	<b>35,398</b>	<b>5,021</b>
<b>Grants for plant (MD 24/09/10)</b>		
Cash at 01/01	17,666	22,860
Funds cashed	60,000	
Facilitations provided	(16,675)	(5,209)
Net annual banking amounts	17	15
<b>Cash as at 31/12</b>	<b>61,008</b>	<b>17,666</b>

31.3 million euros were provided by this financial source for incentives/benefits during 2017.

#### "Interregional Operational Program" - Cultural, Natural and Tourism Attractors Axis-2 - Enterprise competitiveness in the tourism sector, environmental and cultural promotion of the convergence objective regions

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.

	2017	2016
<b>Revolving fund for subsidised loans</b>		
Cash at 01/01	3,277	20,360
Returning funds to the Ministry	(1,658)	(16,229)
Facilitations provided ACP 22	(1,062)	-
Facilitations provided		(941)
Repayments from beneficiaries	143	47
Amounts	(272)	-
Net annual banking amounts	2	40
<b>Cash as at 31/12</b>	<b>430</b>	<b>3,277</b>
<b>Grant for plant</b>		
Funds cashed	8,016	11,261
Facilitations provided ACP 22	(2,132)	-
Recovering disbursed amounts	424	-
Facilitations provided	-	(3,269)
Net annual banking amounts	4	24
<b>Cash as at 31/12</b>	<b>6,312</b>	<b>8,016</b>

3.2 million euros were disbursed to finance these initiatives during the year 2017.

#### The L'Aquila Earthquake Area – Development and Cohesion Fund

The Parent Company has been specifically delegated in the context of the interventions aimed at favouring the economic and occupational recovery of the Abruzzo area hit by the April 2009 earthquake.

	2017	2016
<b>Development contracts for plant (MD 24/09/10)</b>		
Cash at 01/01	6,162	
Funds cashed		10,965
Facilitations provided	(1,380)	(4,842)
Net annual banking amounts	-	39
<b>Cash as at 31/12</b>	<b>4,782</b>	<b>6,162</b>

Disbursements made during 2017 on this measure amounted to 1.4 million euros.

#### 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 startup 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.

	2017	2016
<b>Revolving fund for development contracts (Law</b>		
Cash at 01/01	2,596	2,592
Facilitations provided	(900)	
Net annual amounts	3	4
<b>Cash as at 31/12</b>	<b>1,699</b>	<b>2,596</b>
<b>Development contracts for plant (Law 228/2012)</b>		
Cash at 01/01	5,274	1,728
Funds cashed		3,542
Facilitations provided	(3,130)	
Net annual banking amounts	5	4
<b>Cash as at 31/12</b>	<b>2,149</b>	<b>5,274</b>

A single development contract that was admitted to the subsidies absorbed the entire financial allocation.

#### The Centre-North Initiative - D.L. [Italian Decree Law] 69/2013

The financial sources active on development contracts also include Italian Law 69/2013 which contains provisions for economic growth.

	2017	2016
<b>Revolving Fund Development Contracts (DM 24/09/10)</b>		
Cash at 01/01	50,677	54,751
Facilitations provided	(25,957)	(7,487)
Repayments from beneficiaries	6,925	3,181
Net annual banking amounts	4	232
<b>Cash as at 31/12</b>	<b>31,649</b>	<b>50,677</b>
<b>Development contracts for plant in Lazio (MD 24/09/10)</b>		
Cash at 01/01	2,441	
Funds cashed		3,500
Facilitations provided	(395)	(1,064)
Net annual banking amounts	1	5
<b>Cash as at 31/12</b>	<b>2,047</b>	<b>2,441</b>
<b>Development contracts for plant in Abruzzo (MD</b>		
Cash at 01/01	462	
Funds cashed		4,859
Facilitations provided	(351)	(4,401)
Net annual banking amounts	-	4
<b>Cash as at 31/12</b>	<b>111</b>	<b>462</b>
<b>Development contracts for plant in Piedmont (MD</b>		
Funds cashed	2,332	
Facilitations provided	(384)	
Net annual banking amounts	-	
<b>Cash as at 31/12</b>	<b>1,948</b>	

27 million euros were provided by this financial source for incentives/benefits during 2017.

#### 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.

	2017	2016
<b>Revolving Fund Development Contracts (DM</b>		
Cash at 01/01	3,126	3,008
Funds cashed		1,200
Facilitations provided	(1,582)	(1,111)
Repayments from beneficiaries	5	1
Net annual banking amounts	2	28
<b>Cash as at 31/12</b>	<b>1,551</b>	<b>3,126</b>
<b>Development contracts for plant (MD 24/09/10)</b>		
Cash at 01/01	19,706	8,557
Funds cashed		19,100
Facilitations provided	(6,837)	(8,063)
Net annual banking amounts	5	112
<b>Cash as at 31/12</b>	<b>12,874</b>	<b>19,706</b>

This funding source has been used in the course of 2017 to make disbursements amounting to 8.4 million euros.

#### 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.

	2017	2016
<b>Revolving Fund Development Contracts (DM</b>		
Cash at 01/01	1,659	
Funds cashed	3,154	1,656
Facilitations provided	(4,211)	
Repayments from beneficiaries	-	
Net annual banking amounts	1	3
<b>Cash as at 31/12</b>	<b>603</b>	<b>1,659</b>
<b>Development contracts for plant (MD 24/09/10)</b>		
Cash at 01/01	370	
Funds cashed	7,019	10,536
Facilitations provided	(7,377)	(10,173)
Net annual banking amounts	-	7

	2017	2016
<b>Cash as at 31/12</b>	<b>12</b>	<b>370</b>
<b>Region of Campania</b>		
Funds cashed	3,000	
Facilitations provided	(2,876)	
Net annual banking amounts	-	
<b>Cash as at 31/12</b>	<b>124</b>	

In 2017, facilitation measures totalling 14.5 million euros were disbursed under the Campania ACP.

#### Italian Law 147/2013 – The 2014 Budget Law

This facilitation measure aims to finance interventions in areas of territorial safety, national interest sites and environmental policy.

	2017	2016
<b>Revolving Fund Development Contracts (DM)</b>		
Cash at 01/01	94,030	25,026
Funds cashed		68,994
Transfer of amounts to other measures	(44,600)	
Facilitations provided	(12,563)	
Repayments from beneficiaries	10	
Net annual banking amounts	32	10
<b>Cash as at 31/12</b>	<b>36,909</b>	<b>94,030</b>

By 31 December 2017, this financial allocation had covered industrial investment programme disbursements amounting to 12.5 million euros.

#### The Termini Imerese Programme Agreement [PA]

This is the Programme agreement regulating the retraining and upgrading of the Termini Imerese industrial site.

	2017	2016
<b>Revolving development fund contracts (MD 09/12/14)</b>		
Cash at 01/01	33	
Funds cashed		20,123
Facilitations provided		(20,123)
Repayments from beneficiaries	24	
Net annual banking amounts		33
<b>Cash as at 31/12</b>	<b>57</b>	<b>33</b>
<b>Development contracts for plant (MD 24/09/10)</b>		
Cash at 01/01	803	
Funds cashed		2,000
Facilitations provided		(1,200)
Net annual banking amounts	1	3
<b>Cash as at 31/12</b>	<b>804</b>	<b>803</b>

#### 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:

	2017	2016
<b>Revolving Fund Development Contracts (DM)</b>		
Cash at 01/01	50	
Funds cashed	54,500	2,300
Facilitations provided	(4,713)	(2,250)
Repayments from beneficiaries	2	
Net annual banking amounts	14	-
<b>Cash as at 31/12</b>	<b>49,853</b>	<b>50</b>
<b>Development contracts for plant (MD 24/09/10)</b>		
Cash at 01/01	5,790	
Funds cashed	41,000	7,700
Facilitations provided	(3,551)	(1,913)
Net annual banking amounts	16	3
<b>Cash as at 31/12</b>	<b>43,255</b>	<b>5,790</b>

#### Enterprise and Competitiveness

##### NOP Axis-1 - 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:

	2017
<b>Development Contracts Revolving Fund</b>	
Funds cashed	10,473
Facilitations provided	(3,300)
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>7,173</b>
<b>Development Contracts for plant</b>	
Funds cashed	13,000
Facilitations provided	(4,885)
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>8,115</b>

For the aforementioned measure, in 2017, incentives were granted for a total of 8 million euro.

#### Enterprises and Competitiveness Axis-3 NOP - SME Competitiveness

Through the Development Contract, Invitalia supports large investments in the industry, tourism and environmental protection sectors.

Commitments towards third parties are presented in the following tables:

	2017
<b>Development Contracts Revolving Fund</b>	
Funds cashed	10,763
Facilitations provided	-
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>10,763</b>
<b>Development Contracts for plant</b>	
Funds cashed	3,000
Facilitations provided	-
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>3,000</b>

Funds for 100 million euros were allocated for this measure. By 31/12/2017, 72 projects had been admitted.

#### 2014-2020 COP - "Enterprises 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:

	2017
<b>Development Contracts Revolving Fund</b>	
Funds cashed	12,500
Facilitations provided	-
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>12,500</b>
<b>Development Contracts for plant</b>	
Funds cashed	18,000
Facilitations provided	-
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>18,000</b>

#### COP - 2014-2020 Action and Cohesion Programme - "Enterprise and Competitiveness" Axis-3

Funds amounting to 355 million euros 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:

	2017
<b>Revolving fund for subsidised loans</b>	
Funds cashed	17,647
Facilitations provided	-
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>17,647</b>
<b>Development Contracts for plant</b>	
Funds cashed	14,100
Facilitations provided	-
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>14,100</b>

#### Other Measures

##### 2007-2013 ERDF IOP - "Renewable Energies and Energy Saving"

The Ministry has issued a number of implementing decrees in the context of this operational programme, as highlighted below.

On 6 August 2010, the EDM issued three decrees implementing the provisions of the Ministerial Decree of 23 July 2009 with an original allocation of 500 million euros, later reduced to 495 million euros.

The Economic in Development Ministry issued the Decree of 5 December 2013 (MD Energy Efficiency) to promote the implementation of investment programmes aimed at reducing and rationalising the use of primary energy required in the processing and/or delivery of services undertaken in existing production facilities. This initiative assists companies located in the Convergence Objective 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 Revolving Funds were activated for project lines 1.2 and 2.1, managed with separate capital and accounting.

	2017	2016
<b>Revolving fund for subsidised loans line 1.2</b>		
Cash at 01/01	88,103	99,180
<b>Facilitations provided:</b>		
EE IOP 1.2 MD 06/08/10	(688)	(311)
EE POI 1.2 MD 05/12/13 Energy Efficiency	(4,605)	(9,082)
EE IOP 1.2 MD 24/04/2015 New Energy Efficiency	(6,885)	(4,747)
<b>Repayments from beneficiaries:</b>		
EE IOP 1.2 MD 06/08/10	222	166
IOP 1.2 MD 05/12/13 Energy Efficiency	2,343	1,229
Net annual banking amounts	28	71
<b>Others</b>		
Collections to be recognised		1,597
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)	
<b>Cash as at 31/12</b>	<b>68,928</b>	<b>88,103</b>
<b>Revolving fund for subsidised loans line 2.1</b>		
Cash at 01/01	56,035	63,348
<b>Facilitations provided:</b>		
IOP EE 2.1 MD 06/08/10	-	(1,477)
IOP 2.1 MD 05/12/13 Energy Efficiency	(796)	(3,965)
IOP EE 2.1 MD 24/04/2015 New Energy Efficiency	(7,804)	(4,270)
<b>Repayments from beneficiaries:</b>		
IOP EE 2.1 MD 06/08/10	452	364
IOP 2.1 MD 05/12/13 Energy Efficiency	826	439
Net annual banking amounts	17	46
<b>Others</b>		
2017 Payments currency	(1,561)	1,561
Payables for excessive collections		(11)
2016 Excessive payment receipts	11	
Incorrect billing	(2)	
Amounts IOP EE 2.1 MD 06/08/10	(585)	
Amounts IOP 1.2 MD 05/12/13 Energy Efficiency	(1,131)	
Funds returned to the Ministry	(2,486)	
<b>Cash as at 31/12</b>	<b>42,976</b>	<b>56,035</b>

	2017	2016
<b>Grants for plant (MD 06/08/10) line 1.2</b>		
Cash at 01/01	4,879	2,853
Funds cashed		2,800
Facilitations provided	(392)	(783)
Net annual banking amounts	-	9
<b>Cash as at 31/12</b>	<b>4,487</b>	<b>4,879</b>
<b>Grants for plant (MD 06/08/10) line 2.1</b>		
Cash at 01/01	1,038	2,136
Receipts for revocation		98
Facilitations provided	(514)	(1,198)
Net annual banking amounts	-	2
<b>Cash available</b>	<b>524</b>	<b>1,038</b>
Transfers for receipt under other measures	-	(957)
<b>Cash as at 31/12</b>	<b>524</b>	<b>81</b>
Funds returned to the Ministry	(4,785)	
<b>Grants for plant (MD 06/08/10)</b>	<b>226</b>	<b>4,960</b>

A budget of 100 million euros was allocated to finance measures falling within the scope of the Decree of 5 December 2013 (MD on Energy Efficiency). 5.4 million euros were disbursed during the 2017 financial year. The Ministerial Decree of 6 August 2010 initially allocated a budget of 500 million euros, later reduced to 495 million euros. In 2017, disbursements were made for a total of approximately 1.6 million euros, to which 14.7 million euros were added under the provisions of MD 24/04/2015-New Energy Efficiency.

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.

	2017	2016
<b>Revolving fund for subsidised loans (MD 13/12/11)</b>		
Cash at 01/01	13,574	14,549
Facilitations provided	-	(1,491)
Repayments from beneficiaries	397	500
Fund release	(1,062)	-
Amounts	(970)	-
Net annual banking amounts	9	16
<b>Cash as at 31/12</b>	<b>11,948</b>	<b>13,574</b>
<b>Grant for plant (MD 13/12/11)</b>		



	2017	2016
Cash at 01/01	1,129	2,301
Facilitations provided	-	(1,178)
Fund release	(1,063)	-
Net annual banking amounts	-	6
<b>Cash as at 31/12</b>	<b>66</b>	<b>1,129</b>

A total of 7.37 million euros in benefits have been disbursed since the measure was activated.

The work performed in 2017 focused on the financial reporting of the January 2012– 2016 period, in line with the provisions of the Contract stipulated with the EDM and the start of revocation procedures for breaches which emerged during the implementation phase.

#### 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 companies with digital and/or technological content (START).

	2017	2016
<b>Smart - Grants Administrative costs - Title II (Ministerial Decree)</b>		
Cash at 01/01	3,807	6,581
Facilitations provided	(2,714)	(2,283)
Net annual banking amounts	2	39
Payables to 'Start' initiative	551	(551)
Payables to tax authorities for R.A.	(21)	21
<b>Cash as at 31/12</b>	<b>1,625</b>	<b>3,807</b>
<b>Start - for Plant Title 3 (MD 06/03/2013)</b>		
Cash at 01/01	5,077	13,611
Refunded amounts	227	-
Facilitations provided	(72)	(9,156)
Net annual banking amounts	3	71
Receipts from interest on late payments	5	-
Receivables from 'Smart'	(551)	551
<b>Cash as at 31/12</b>	<b>4,689</b>	<b>5,077</b>
<b>Smart &amp; Start Abruzzo (MD 06/03/2013)</b>		
Cash at 01/01	1,171	-
Funds cashed	-	1,170
Net annual banking amounts	-	1
<b>Cash as at 31/12</b>	<b>1,171</b>	<b>1,171</b>

By 31/12/2017, disbursements had amounted to approximately 2.5 million euros.

#### Smart & Start Italia

Smart&Start Italia benefits are reserved for innovative startups 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.

	2017	2016
<b>Revolving Fund (MD 24/09/14)</b>		
<b>Grants for plant and operations (MD 24/09/14)</b>		
Cash at 01/01	13,946	-
Funds cashed	15,192	21,430
Disbursements paid out for financing	(11,701)	(7,340)
Facilitation grants paid out	(738)	(189)
Net annual banking amounts	5	44
Repayments from financing beneficiaries	38	-
Repayments from grant beneficiaries	7	-
Payables to tax authorities for R.A.	-	1
<b>Cash as at 31/12</b>	<b>16,749</b>	<b>13,946</b>
<b>2017 State budget</b>		
<b>Revolving fund</b>		
Funds cashed	3,397	-
Disbursements paid out for financing	(622)	-
Net annual banking amounts	-	-
<b>Cash as at 31/12</b>	<b>(2,775)</b>	
<b>For plant and operations</b>		
Funds cashed	-	-
Facilitation grants paid out	(156)	-
Net annual banking amounts	-	-
<b>Cash as at 31/12</b>	<b>(156)</b>	
<b>2014/2020 NOP</b>		
<b>Revolving fund</b>		
Funds cashed	10,548	-
Disbursements paid out for financing	(261)	-
Net annual banking amounts	-	-
<b>Cash as at 31/12</b>	<b>10,287</b>	
<b>For plant and operations</b>		
Facilitation grants paid out	(65)	-
Net annual banking amounts	(1)	-
<b>Cash as at 31/12</b>	<b>10,221</b>	

By 31/12/2017, amounts totalling 13.5 million euros had been paid out, of which 12.6 million euros as financing and 959 thousand euros in the form of grants.

#### New interest-free companies

This measure is aimed at supporting entrepreneurship through the creation of micro and small enterprises.

	2017
<b>Revolving Provision for 'Single Fund' subsidised loans</b>	
Funds cashed	11,329
Facilitations provided	(415)
Repayments from beneficiaries	6
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>10,920</b>
<b>2017 State budget</b>	
Funds cashed	5,652
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>5,652</b>
<b>Non-remunerated liquidity LED NOP 2000/2006</b>	<b>20,000</b>

By 31/12/2017, benefits totalling 415,000 euros had been 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.

	2017	2016
<b>Revolving fund for subsidised loans</b>		
Cash at 01/01	15,723	-
Funds cashed	-	16,273
Repayments from beneficiaries	51	-
Facilitations provided	(7,785)	(551)
Net annual banking amounts	(9)	1
<b>Cash as at 31/12</b>	<b>7,980</b>	<b>15,723</b>

For the aforementioned measure, in 2017, incentives were granted for a total of 7.8 million euros.

### 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

	2017
<b>Development Contracts Revolving Fund</b>	
Funds cashed	8,000
Facilitations provided	(91)
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>7,909</b>

	2017
<b>Development Contracts for plant</b>	
Funds cashed	1,000
Facilitations provided	(561)
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>439</b>

#### AZ 3.B.1.To NOP Cons. SME

	2017
<b>Development Contracts Revolving Fund</b>	
Funds cashed	4,500
Facilitations provided	(118)
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>4,382</b>
<b>Development Contracts for plant</b>	
Funds cashed	500
Facilitations provided	(57)
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>443</b>

#### AZ 3.C.1.To NOP Tertiary Sector

	2017
<b>Development Contracts for plant</b>	
Funds cashed	1,000
Facilitations provided	(337)
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>663</b>

#### The 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-1 and Measure-2. 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:

	2017
<b>Measure-1 for plant</b>	
Funds cashed	2,500
Facilitations provided	(581)
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>1,919</b>
<b>Measure-2 for plant</b>	
Funds cashed	750

	2017
Facilitations provided	(21)
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>729</b>

By 31/12/2017, benefits amounting to 602 thousand euros had been 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.

	2017	2016
<b>For plant</b>		
Cash at 01/01	5,066	-
Funds cashed	-	5,058
Net annual banking amounts	3	8
<b>Cash as at 31/12</b>	<b>5,069</b>	<b>5,066</b>

A total of 47 applications were received for a total of approximately 171 million euros in benefits.

#### 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.

	2017
<b>Revolving fund</b>	
Funds cashed	9,500
Facilitations provided	(1,717)
Payables to tax authorities	(59)
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>7,724</b>
<b>Grant for plant</b>	
Funds cashed	8,700
Facilitations provided	(1,320)
Net annual banking amounts	-
Payables to tax authorities	59
<b>Cash as at 31/12</b>	<b>7,439</b>

A total of 3 million euros were disbursed under the aforementioned measure in 2017.

#### New Law 181

With the Decree of 09/06/2015, the EDM 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 euros of investment;
- Other areas for which 2 applications have been submitted.

Commitments towards third parties are presented in the following tables:

	2017
<b>Rieti PA</b>	
Funds cashed	7,220
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>7,220</b>
<b>PA Piombino</b>	
Funds cashed	1,171
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>1,171</b>
<b>Growth Fund</b>	
Funds cashed	13,134
Net annual banking amounts	-
<b>Cash as at 31/12</b>	<b>13,134</b>

#### 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 ILD 185/2000. Title-1 refers to measures in support of entrepreneurship and Title - 2 addresses initiatives supporting self-employment.

	2017	2016
Cash at 01/01	248,804	274,229
Facilitations pending release	(114,113)	(183,657)
Mortgages	3,075,110	2,159,157

During the course of the year, mortgages were disbursed for 3.075 million euros, of which 806 thousand euros for Title-1 and 2,269 for Title-2. Such receivables will become true "available resources" only to the extent that such amounts will actually be repaid.

#### Fertility project

The programme supports the development of entrepreneurial initiatives promoted by non-profit organisations.

	2017	2016
Cash at 01/01	5,720	6,724
Facilitations pending release	(1,196)	(3,061)

For the Fertility Project, the entirely disbursed total commitments, net of released sums, amounted to 5.7 million euros at 31 December 2017.

### 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.

	2017	2016
Cash at 01/01	2,356	3,967
Facilitations pending release	(38,376)	(2,808)

Under this project, the total commitment at 31 December 2017 stands at 2.4 million euros.

### 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.

	2017	2016
Cash at 01/01	425	425
Payables for Funds Received	(4,156)	(4,156)

These funds do not show changes from the 2009 financial year.

### Composition "Other irrevocable commitments"

	2017	2016
For certain use		
<b>Banks</b>	11,454	11,454
<b>Clients</b>	5,359	6,902
	<b>16,813</b>	<b>18,356</b>

Regarding the composition of the item "Other irrevocable commitments to banks", this consist of a Guarantee Fund amounting to approximately 11 million euros established under Article 25 of Italian Law 196 dated 24/06/1997, which provides development support to the former recipients of 'Youth Entrepreneurship' programmes.

Regarding the composition of the item "Other irrevocable commitments to clients", this concerns amounts to be disbursed against loan agreements concluded with beneficiary companies under Italian Law 181/89.

The composition of the payables for third party funds under management is shown below.

### H. Operations with third party funds

#### H.1. Nature of funds and type of use

	2017		2016	
	Public funds		Public funds	
		of which: at own risk		of which: at own risk
<b>Performing assets</b>				
. Other financing	482,163	15,903	418,132	18,205
. Of which: from the enforcement of guarantees and commitments	-	-	-	-
. Equity investments	5,623	-	7,994	-
. Of which: for merchant banking	5,623	-	7,710	-
<b>Impaired assets</b>				
<b>Bad debts</b>				
. Other financing	100,433	-	100,599	-
of which: from the enforcement of guarantees and commitments	-	-	-	-
. Equity investments	8,136	-	10,228	-
. Of which: for merchant banking	8,136	-	10,228	-
<b>Overdue/past due exposures</b>				
. Other financing	3,277	3,277	1,579	1,579
of which: from the enforcement of guarantees and commitments	-	-	-	-
<b>TOTAL</b>	<b>599,632</b>	<b>19,180</b>	<b>538,532</b>	<b>19,784</b>

The loan amounts, net of cash receipts, shall be entered in the corresponding assets of the Statement of Financial Position (Item 60 - Receivables and Item 90 - Investments).

### 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

The parent company 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.

Financing 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.

###### Management, measurement and control systems

For the quantification of capital requirements considered necessary to cover a given risk, i.e. current internal risk capital, the Parent Company adopts a standard procedural approach applicable to the determination of prudential capital requirements (cf. 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.

###### 2.2 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).

###### 2.3 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 credit exposures by associated portfolios and credit quality (book value)

	Bad debts	Impairments	Rescheduled loans	Exposures expired	Other assets	TOTAL
Financial assets held for trading	-	-	-	-	37,866	37,866
Financial assets at fair value	-	-	-	-	32,907	32,907
Financial assets available for sale	-	-	-	-	748,369	748,369
Receivables from banks	-	-	-	-	881,970	881,970
Receivables from financial institutions	-	-	-	1,645	7	1,652
Receivables from clients	146,950	-	-	384,439	1,566,237	2,097,626
<b>TOTAL</b>	<b>146,950</b>	<b>-</b>	<b>-</b>	<b>386,084</b>	<b>3,267,356</b>	<b>3,800,390</b>

## 2. Credit exposure

### 2.1 Credit exposures to customers: gross and net values as well as expiry bands

	Gross exposure	Adjustments of specific values	Value Adjustments in portfolio	Net exposure
<b>A. CASH EXPOSURES:</b>				
a) Bad debt	190,192	(43,242)	-	146,950
d) Expired exposures not impaired	384,439	-	-	384,439
e) Other exposures not impaired	1,567,229	(492)	(500)	1,566,237
<b>Total</b>	<b>2,141,860</b>	<b>(43,734)</b>	<b>(500)</b>	<b>2,097,626</b>
<b>B. OFF-BUDGET EXPOSURES:</b>				
a) Impaired	-	-	-	-
b) Not impaired	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>2,141,860</b>	<b>(43,734)</b>	<b>(500)</b>	<b>2,097,626</b>

### 2.2 Exposures to financial institutions: gross and net values

	Gross exposure	Adjustments of specific values	Value Adjustments in portfolio	Gross exposure
<b>A. CASH EXPOSURES:</b>				
a) Bad debt	-	-	-	-
b) Likely defaults	-	-	-	-
c) Expired past due exposures	-	-	-	-
d) Expired exposures not impaired	1,645	-	-	1,645
e) Other exposures not impaired	11	-	(4)	7
<b>Total</b>	<b>1,656</b>	<b>-</b>	<b>(4)</b>	<b>1,652</b>
<b>B. OFF-BUDGET EXPOSURES:</b>				
a) Impaired	-	-	-	-
b) Not impaired	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>1,656</b>	<b>-</b>	<b>(4)</b>	<b>1,652</b>

## 3.1. 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 the Parent Company, 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, rates of Exchange, inflation, volatility in stock prices, credit spreads, commodity prices (generic risk) and issuer credit ratings (specific risk).

For the quantification of current internal market risk capital, the Parent Company adopts a standard procedural approach applicable to the determination of prudential capital requirements (cf. Bank of Italy Circular 263/2006, Title II, Chapter 4, Section I). Given the extent of its Regulatory Capital, Invitalia believes that it is not required to make estimates in terms of prospective internal capital nor to undergo related stress testing for that risk.

Market risk comprises three types of risk: interest rate risk, price risk and currency risk.

### 3.1.1 INTEREST RATE RISK

#### QUALITATIVE INFORMATION

##### 1. General aspects

Interest rate risk is the current and prospective risk of volatility in profits or capital arising from adverse interest rate variations.

*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 2017, 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 2017, 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.

Also the interest rate risk is 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.

##### 2. Models and other methods for measuring and managing interest rate risk

For the quantification of interest rate risk on the current internal capital, the Parent Company uses the simplified methods set out in Annex C, Title III, Chapter 1 of Bank of Italy Circular no. 263/2006. Given the extent of the Regulatory Capital, the Parent Company believes that it is not required make estimates in terms of prospective internal capital.

The use of the simplified approach indicated by the Bank of Italy Circular no. 263/2006 includes a hypothesis of stress based on parallel and instantaneous shock of the rate curve of  $\pm 200$  bps.

### 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 the parent company, this risk is essentially limited to *equity investment* transactions. The selection process applied to investments to be acquired requires a prior analysis carried out by a dedicated specialist unit, taking into account the consistency of the prospected industrial project, the adequacy of the expected return on investment *range (internal rate of return)* with respect to the risk of the investment itself and the prior identification of reasonably suitable viable way-outs. 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 FOREIGN-EXCHANGE RISK

Assets and liabilities denominated in foreign currencies are not present.

### 3.3 OPERATIONAL RISKS

#### TOTAL QUALITATIVE CRITERIA

##### 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.

For the quantification of current internal operational risk capital, the Parent Company adopts a standard procedural approach applicable to the determination of prudential capital requirements (cf. Bank of Italy circular 216/96). 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.

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 ILD 231/2001.

In brief: the adopted organisation, management and control model, subject to the requirements of ILD 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

### Section 4. Information on equity

#### 4.1.2 Quantitative information

##### 4.1.2.1 The Group's equity: breakdown

Items/Values	31.12.2017	31.12.2016
<b>1. Capital</b>	836,384	836,384
<b>3. Reserves</b>	(65,665)	(71,912)
- profits	(108,066)	(72,060)
a) legal	873	873
d) others	5,818	5,818
e) previous years' results	(114,757)	(78,751)
- others	42,401	148
<b>5. Revaluation reserves</b>	(4,925)	(2,286)
- Available-for-sale financial assets	(4,925)	(2,286)
<b>7. Profit (Loss) for the year</b>	1,298	(42,223)

The changes in the item "Reserves" are detailed as follows:

	Initial balance	Increases	Decreases	Final balance
<b>3. Reserves</b>	<b>(71,912)</b>	<b>49,246</b>	<b>(42,999)</b>	<b>(65,665)</b>
- profits	(72,060)	6,993	(42,999)	(108,066)
a) legal	873	-	-	873
d) others	5,818	-	-	5,818
e) previous years' results	(78,751)	6,993	(42,999)	(114,757)
- others	148	42,253		42,401

Approximately 42 million euros of the increase in equity is attributable to the acquisition of Banca del Mezzogiorno – Mediocredito Centrale Spa from Poste Italiane, under the Agency's 2017-2019 business plan and approved by BoD on 16/12/2016.

The transaction was classified as "under common control" since it took place between two entities both controlled by the MEF, so IFRS 3 has not been applied for the purposes of the consolidated financial statements because such transactions are explicitly excluded from the beginning, and consolidation has taken place "in continuity of values" within the meaning of the Assirevi [the Italian Association of Auditors] preliminary guidelines in terms of IFRS (OPI 1 Revised § 1.1.a.).

The values considered were those reported in the financial statements of Banca del Mezzogiorno – Mediocredito Centrale Spa, based on the following main considerations:

- the consolidated financial statements of Poste Italiane do not include details that would enable an analysis of the values in question in the Invitalia accounts;
- The MEF does not draw up any consolidated financial statements; hence the continuity of values at the level of the parent would not be achieved even using the values resulting from the statement of financial position of the Italian Post Office.

Furthermore, the adopted accounting procedure is also quite consistent with that reported in Invitalia's bond issue disclosure in connection with the Group's pro forma long-term performance.

It should be noted that despite the fact that the Bank's shareholders' equity exceeds the value entered in the separate financial statements by approximately 42 million euros (in any case subject to the ongoing quantification of the fair value of the assets and liabilities of the acquired subsidiary, from which initial evidence would suggest that a revenue could be recorded in the Agencies profit and loss account) this circumstance has not been considered as an indicator of impairment of the acquired Business since:

- the difference between the price paid and the net equity of the Banca del Mezzogiorno was essentially due to negotiation-related assessments beyond the scope of value-in-use terms;
- Banca del Mezzogiorno has reported very positive performances in the past and foresees similar accomplishments in future;
- any impairment recognised at the consolidated level would have already emerged in the shareholders' equity in the separate financial statements of the Banca del Mezzogiorno used for the preparation of consolidated statements.

#### 4.1.2.2 Revaluation reserves of financial assets available for sale: composition

Assets/Values	31.12.2017	31.12.2016
	Negative	Negative
- UCITS shares	(4,925)	(2,286)
<b>TOTAL</b>	<b>(4,925)</b>	<b>(2,286)</b>

#### 4.1.2.3 Revaluation reserves of financial assets available for sale: annual variation

Assets/Values	31.12.2017
	- UCITS shares
<b>Initial balance</b>	<b>(2,286)</b>
<b>Positive changes</b>	<b>2,406</b>
Impaired negative reserves carried to the profit and loss account	2,406
<b>Negative changes</b>	<b>(5,045)</b>
Reductions in fair value	(1,360)
Other changes	(3,685)
<b>Closing balances</b>	<b>(4,925)</b>

## Section 5. Analytical statement of comprehensive income

Items	Gross amount	Income tax	Net amount
<b>10. Net Profit (Loss) for the year</b>	<b>6,932</b>	<b>(5,596)</b>	<b>1,336</b>
<b>Other income not reclassified to profit and loss account</b>			
<b>40. Defined benefit pension schemes</b>	<b>(256)</b>	<b>34</b>	<b>(222)</b>
<b>100. Financial assets available for sale</b>			
a) changes in fair value	(640)	(720)	(1,360)
b) reclassification to profit and loss account			
- impairment adjustments	2,406	-	2,406
c) other changes	(5,403)	1,718	(3,685)
<b>130. Total other income components</b>	<b>(3,893)</b>	<b>1,032</b>	<b>(2,861)</b>
<b>140. Comprehensive income (Items 10 + 130)</b>	<b>3,039</b>	<b>(4,564)</b>	<b>(1,525)</b>
<b>150. Consolidated comprehensive income attributed to non-</b>	<b>38</b>	<b>-</b>	<b>38</b>
<b>160. Consolidated comprehensive income attributable to the parent company</b>	<b>3,001</b>	<b>(4,564)</b>	<b>(1,563)</b>

## Section 6 - Transactions with related parties

### Information on transactions with related parties

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 Development, all subsidiaries controlled by the Ministry of the Economy, any other house-companies of the Ministry of 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 2017 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 February 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 compensation of managers vested with strategic responsibilities (including directors and statutory auditors)**

a) short-term benefits	2,816,823
b) post-employment benefits	
<i>of which related to defined benefit plans</i>	-
<i>of which related defined contribution plans</i>	702,678
c) other long-term benefits	-
d) employment severance indemnity	224,529
e) payments in shares	-

**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 intragroup 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**

Amounts in thousands of euros

Company name	Financing	Receivables from Banks	Financial assets	Other active transactions	Financial liabilities	Other passive transactions	Guarantees issued	Non budgetary operations
<b>Sole shareholder</b>								
MEF	43	-	-	-	-	-	-	-
<b>Subsidiaries (direct and indirect)</b>								
BANCA DEL MEZZOGIORNO - MEDIOCREDITO	-	-	-	185	-	(931)	-	-
INFRATEL ITALIA SPA	7,678	-	-	14,667	-	(754)	9,354	-
INVITALIA PARTECIPAZIONI SPA	719	-	-	82,372	(1,369)	(5,129)	-	-
INVITALIA VENTURES SGR SPA	-	-	-	1,726	(435)	(84)	-	-
ITALIA TURISMO SPA	44,622	-	-	15,776	-	(159)	1,110	-
MARINA DI PORTISCO SPA	739	-	-	1,936	-	(25)	-	-
TRIESTE NAVIGANDO SRL	-	-	-	1,835	-	-	112	-
<b>Companies subject to significant influence</b>								
GUSTAVO DE NEGRI E ZA.MA SRL MANIF	864	-	-	-	-	-	-	-
IP PORTO ROMANO SRL	-	-	-	173	-	-	-	-
ISOLA DI PROCIDA NAVIGANDO SPA	-	-	-	31	-	-	-	-
LAMEZIA EUROPA SCPA	-	-	-	12	-	-	-	-
MARINA D'ARECHI SPA	13,396	-	-	89	-	-	-	-
TEKLA SRL EX MEXALL SISTEMI	1,299	-	-	19	-	-	-	-
<b>Other related parties</b>								
ALITALIA IN A.S.	-	-	-	2	-	-	-	-
ANAS SPA	-	-	-	832	-	(20)	500	-
C.F.I. S.c.p.A. - Cooperazione Finanza	-	-	-	-	-	-	-	-
CDP SPA	-	-	2,502	-	(97,265)	-	-	5,441
ENAV SPA	1,667	-	-	-	-	-	-	-
ENEA	-	-	-	-	-	-	12	-
ENEL SPA	-	-	-	45	(100,000)	(4,882)	5	-
EQUITALIA GIUSTIZIA	-	-	-	-	(6,121)	-	-	-
GSE - GESTORE DEI SERVIZI ENERGETICI	-	-	-	4,839	-	-	-	-
GRUPPO POSTE ITALIANE SPA	11,884	-	-	1,226	(2,819)	(230,040)	-	620
LEONARDO SPA	198	-	-	1	-	-	-	-
Economic Development Ministry	57,057	-	-	-	-	-	-	-
MONTE DEI PASCHI DI SIENA SPA	-	16,897	-	1	-	-	-	-
RAM - -RETE AUTOSTRADE	17	-	-	-	-	-	-	-
RETE FERROVIARIA ITALIANA SPA	-	-	-	-	-	(171)	200	-
STUDIARE SVILUPPO SRL	883	-	-	-	-	-	-	-
SV. ITALY CALABRIA IN LIQUIDATION	766	-	-	111	-	(900)	-	-
SVIL.ITALIA CAMPAGNIA IN LIQUIDATION	-	-	-	576	-	(8,743)	-	-

## Financial transactions

### Amounts in thousands of euros

Company Name	Net interest	Net commissions	Administrative expenses	Other revenues
<b>Subsidiaries (direct and indirect)</b>				
BANCA DEL MEZZOGIORNO-MEDIOCREDITO	-	-	(188)	-
INFRATEL ITALIA SPA	(16)	(1,382)	(192)	(87)
INVITALIA PARTECIPAZIONI SPA	-	(758)	145	15
INVITALIA VENTURES SGR SPA	-	(121)	(510)	(14)
ITALIA TURISMO SPA	(498)	(435)	(281)	(23)
MARINA DI PORTISCO SPA EX SNS	-	(76)	(141)	(83)
<b>Companies subject to significant influence</b>				
GUSTAVO DE NEGRI E ZA. MA. SRL MANIF	(288)	-	-	-
IP PORTO ROMANO SRL	-	-	(11)	-
MARINA D'ARECHI SPA	(547)	-	-	(1)
TEKLA SRL EX MEXALL SISTEMI	(30)	(33)	-	-
LAMEZIA EUROPA SCPA	-	-	(3)	-
<b>Other related parties</b>				
ANAS SPA	-	-	(89)	-
CDP SPA	(652)	-	-	-
ENAV SPA	66	-	-	-
ENEL SPA	14	-	(1,077)	-
EQUITALIA GIUSTIZIA	(29)	-	-	-
GRUPPO POSTE ITALIANE SPA	(984)	(18)	(3,081)	-
LEONARDO SPA	5	-	-	-
MONTE DEI PASCHI DI SIENA SPA	-	-	0.31	-
RAM-RETE AUTOSTRADE MEDITERRANEE SPA	-	-	-	-
RETE FERROVIARIA ITALIANA SPA	-	-	(454)	-
STUDIARE SVILUPPO SRL	46	-	-	-

## Other informative details

### AUDITOR FIRM FEES

Below is the schedule of fees pursuant to Article 149-duodecies of the issuers' regulations.

Description of services	Company	Total
Audit services	PricewaterhouseCoopers SpA	454
	PricewaterhouseCoopers SpA	-
Certification services*	PricewaterhouseCoopers SpA	213
	PricewaterhouseCoopers SpA	-
Tax consulting	PricewaterhouseCoopers SpA	-
	PricewaterhouseCoopers SpA	-
Other non-audit services	PricewaterhouseCoopers SpA	-
	PricewaterhouseCoopers SpA	10
<b>TOTAL</b>		<b>676</b>

(\*) Includes non-recurring fees for the issue of comfort letter as part of the process of issuing bonds in July 2017.

## SECTOR-RELATED INFORMATION

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 ILD no. 1 of 9 January 1999 by the EDM 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 3 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 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 accounted for under a separate item.

Financial year 2017	Agency	Infratel	Banca del Mezzogiorno		Invitalia Ventures	Invitalia Partecipazioni	Consolidated Total
			Lending activities	Interventions for development			
Amounts in thousands of euros							
VALUE OF OPERATING 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

Financial year 2016	Agency	Infratel	Invitalia Ventures	Invitalia Partecipazioni	Consolidated Total
VALUE OF OPERATING PRODUCTION	113,675	21,081	1,236	721	136,713
ADDED VALUE	84,660	5,948	1,049	(529)	91,128
GROSS OPERATING MARGIN	3,697	804	563	(2,511)	2,553



## ANNEXES TO THE NOTES TO THE FINANCIAL STATEMENTS

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ANNEX A.1

Changes in "financial assets held for trading"

Debt securities	Initial inventory	Purchases	Positive changes in Fair Value	Other positive changes		Repayments	Sales	Negative changes in fair value	Other negative changes	Final inventory	Issuer risk rating		
											MOODY'S	S&P	FITCH
<b>Governments and Central Banks</b>													
BTP [Italian Govt. Bond] 12/11/2017	6,153	-	-	-		(6,070)	-	(66)	(17)	-			
BTP 01/02/21 STRIP (ZC)	1,946	-	32	-		-	-	-	-	1,978	Baa2	BBB	BBB
BTP 01/08/2021 STRIP (ZC)	1,236	-	15	-		-	-	-	-	1,251	Baa2	BBB	BBB
BTP 22/04/17	7,079	-	-	-		(7,049)	-	-	(30)	-			
BTP 15/10/2023 0.65%	-	2,946	-	4		-	-	(15)	-	2,935	Baa2	BBB	BBB
BTP 01/08/27 2.05%	-	4,045	-	34		-	-	(13)	-	4,066	Baa2	BBB	BBB
BTP 15/11/24 1.45%	-	4,039	-	7		-	-	(20)	-	4,026	Baa2	BBB	BBB
CCTS EU 15/04/25	-	4,047	-	6		-	-	(6)	-	4,047	Baa2	BBB	BBB
	<b>16,414</b>	<b>15,077</b>	<b>47</b>	<b>51</b>		<b>(13,119)</b>	-	<b>(120)</b>	<b>(47)</b>	<b>18,303</b>			
<b>Other public bodies</b>													
UMBRIA REGION 31/12/18	2,323	-	6	-		(1,144)	-	(30)	-	1,155	--	BBB	--
	<b>2,323</b>	-	<b>6</b>	-		<b>(1,144)</b>	-	<b>(30)</b>	-	<b>1,155</b>			
<b>Banks</b>													
BANCA POP. VICENZA 25/10/2018	1,903	-	-	-		-	(1,885)	-	(18)	-			
BANCA POPOLARE 14/03/19	3,694	-	37	101		-	-	(24)	(98)	3,710	Ba2	--	--
BANCA POPOLARE 22/01/18	3,189	-	12	72		-	-	(31)	(69)	3,173	Ba2	--	--
BANCA POPOLARE 06/12/17	2,658	-	-	-		(2,639)	-	(12)	(7)	-			
BPM 31/03/18	1,054	-	-	31		-	-	(14)	(31)	1,040	Ba2	--	--
CR VALTELLINESE 17/10/17	104	-	-	-		(102)	-	(1)	(1)	-			
ICCREA 20/03/18 VAR	4,679	-	12	-		-	(2,139)	-	(5)	2,547	--	--	BB+
ICCREA 25/11/19	2,042	-	11	3		-	-	(6)	(4)	2,046	--	--	BB+
POP. VICENZA 20/01/17	2,979	-	-	-		(2,883)	-	-	(96)	-			
UNICREDIT 21/09/18 VAR	1,031	-	2	1		-	-	(12)	(1)	1,021	Baa1	--	BBB
UNICREDIT 31/10/17	1,012	-	-	-		(1,005)	-	(4)	(3)	-			
UNICREDIT 16/11/2017	2,988	-	11	-		(2,999)	-	-	-	-			
UNICREDIT 19/06/19	2,370	-	11	20		-	-	(14)	(18)	2,369	Baa1	--	BBB
VENETO BANCA 20/01/17	4,954	-	-	-		(4,772)	-	-	(182)	-			
	<b>34,657</b>	-	<b>96</b>	<b>228</b>		<b>(14,400)</b>	<b>(4,024)</b>	<b>(118)</b>	<b>(533)</b>	<b>15,906</b>			
<b>Other issuers</b>													
CDP RETI 29/05/22	1,456	-	16	16		-	-	-	(16)	1,472	Baa3		BBB
CDP 30/09/20 VAR	1,014	-	16	5		-	-	-	(5)	1,030	Baa2	BBB	BBB
	<b>2,470</b>	-	<b>32</b>	<b>21</b>		-	-	-	<b>(21)</b>	<b>2,502</b>			
<b>GRAND TOTAL</b>	<b>55,864</b>	<b>15,077</b>	<b>181</b>	<b>300</b>		<b>(28,663)</b>	<b>(4,024)</b>	<b>(268)</b>	<b>(601)</b>	<b>37,866</b>			

## ANNEX A.2

### Changes in "Financial assets at Fair Value"

Amounts in thousands of euros

Financial Assets At Fair Value	Initial inventory	Purchases	Positive changes in Fair Value	Other changes	Repayments	Final inventory
CATTOLICA ASSICURAZIONI 25/3/2020	1,050	-	29	-	-	1,079
CATTOLICA ASSICURAZIONI 25/3/2020	1,050	-	29	-	-	1,079
CATTOLICA ASSICURAZIONI 14/4/2022	-	1,000	16	-	-	1,016
CATTOLICA ASSICURAZIONI 14/4/2022	-	1,000	16	-	-	1,016
CATTOLICA ASSICURAZIONI 14/4/2022	-	1,000	16	-	-	1,016
CATTOLICA ASSICURAZIONI 14/4/2022	-	1,000	16	-	-	1,016
CATTOLICA ASSICURAZIONI 14/4/2022	-	1,000	17	-	-	1,017
PRAMERICA LIFE SpA	8,516	-	261	-	-	8,777
ITAS VITA	5,878	-	124	-	-	6,002
UNIPOL ASSICURAZIONI SPA	5,449	-	141	-	-	5,590
UNIPOL ASSICURAZIONI SPA	(1,047)	-	25	-	-	1,072
UNIPOL ASSICURAZIONI SPA	(1,047)	-	25	-	-	1,072
UNIPOL ASSICURAZIONI SPA	(1,047)	-	25	-	-	1,072
UNIPOL ASSICURAZIONI SPA	508	-	12	-	-	520
UNIPOL ASSICURAZIONI SPA	509	-	12	-	-	521
UNIPOL ASSICURAZIONI SPA	509	-	12	-	-	521
UNIPOL ASSICURAZIONI SPA	509	-	12	-	-	521
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE</b>	<b>27,119</b>	<b>5,000</b>	<b>788</b>	<b>-</b>	<b>-</b>	<b>32,907</b>

## ANNEX A.3

### Changes in "Financial assets available for sale"

Financial assets available for sale	Initial balance	Purchases	Other changes	Positive changes in fair value	Repayments	Sales	Other negative changes	Negative changes in fair value	Final inventory
<b>UCITS Shares</b>									
QUADRIVIUM FUND	64	-	-	2	(67)	-	-	-	-
NEXT FUND	1,305	-	-	69	-	-	-	-	1,374
NORTHWEST FUND	3,631	-	167	-	-	-	-	(2,406)	1,393
ITALIA VENTURE FUND 1 (*)	7,548	2,623	1,000	-	-	-	-	(5,669)	5,502
	<b>12,549</b>	<b>2,623</b>	<b>1,167</b>	<b>72</b>	<b>(67)</b>			<b>(8,075)</b>	<b>8,269</b>
<b>GOVERNMENT BONDS</b>									
BTP ITALIA	748,701	3,037,963	18,140	6,834	-	(3,038,565)	(28,008)	(4,966)	740,100
	<b>748,701</b>	<b>3,037,963</b>	<b>18,140</b>	<b>6,834</b>	<b>-</b>	<b>(3,038,565)</b>	<b>(28,008)</b>	<b>(4,966)</b>	<b>740,100</b>
	<b>761,250</b>	<b>3,040,586</b>	<b>19,307</b>	<b>6,906</b>	<b>(67)</b>	<b>(3,038,565)</b>	<b>(28,008)</b>	<b>(13,040)</b>	<b>748,369</b>

(\*) 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

### Changes in "Receivables classified as debt securities"

Amounts in thousands of euros

Receivables: debt securities	Initial inventory	Positive Changes	Repayme	Negative Changes	Closing balances
Banks					
SANPAOLO IMI FRN 20/02/18	3,003	16	-	(2)	3,017
<b>TOTAL DEBT SECURITIES</b>	<b>3,003</b>	<b>16</b>	<b>-</b>	<b>(2)</b>	<b>3,017</b>

## ANNEX A.5

### Equity investments

Company name:	Initial inventory	Purchases	Value reversals	Other positive changes	Sales	Value Adjustments	Other negative variations	Final inventory
<b>Companies subject to significant</b>								
EX CNOW CONSORTIUM	1	-	-	-	-	-	-	1
SPINNER CONSORTIUM	0	-	-	8	-	(2)	-	7
ELETTRA SINCROTONE TRIESTE SPA	1,913	-	-	86	-	-	-	1,999
LAMEZIA EUROPA SCPA	708	-	-	-	-	-	-	708
MARINA ARENELLA SRL	282	-	-	-	(282)	-	-	-
MARINA DI REGGIO CALABRIA SRL	25	-	-	-	-	-	(25)	-
SICULIANA NAVIGANDO SRL	17	-	39	-	-	-	-	56
TRAPANI NAVIGANDO SRL	209	-	-	-	-	-	(209)	-
VIVENDA SPA	13,600	-	-	-	-	-	-	13,600
<b>of which companies acquired under Law 181/89 as amended</b>								
GUSTAVO DE NEGRI & ZA.MA. SRL	202	-	-	-	-	-	-	202
SKY TECNO SRL	755	-	-	-	(755)	-	-	-
TEKLA SRL	653	-	-	-	-	-	-	653
	<b>18,365</b>	<b>-</b>	<b>39</b>	<b>94</b>	<b>(1,037)</b>	<b>(2)</b>	<b>(234)</b>	<b>17,227</b>
<b>Non-significant companies</b>								
ALA BIRDI SRL	2,818	-	-	1	-	-	-	2,819
C.R.A.A. SRL IN LIQUIDATION	38	-	-	-	-	-	-	38
CFI-COOPERAZIONE FINANZA	643	-	-	-	-	-	-	643
ISTIT ENCICLOPEDIA TRECCANI	3,440	1,409	-	-	-	-	-	4,849
ITALIACAMP SRL-UNIPERSONALE	1	-	-	-	-	-	-	1
MARINA DI VILLA IGIEA SPA	702	-	-	-	-	-	(136)	565
MECCANO SCPA	77	-	-	-	-	-	-	78
SOCIETÀ PER CORNIGLIANO SPA	1,351	-	-	6	-	-	-	1,357
<b>of which companies acquired under Law 181/89 as amended</b>								
CSRA SRL BANKRUPT	620	-	-	-	-	-	(620)	-
CATWOK SPA IN BANKRUPTCY	564	-	-	-	-	-	-	564
CMS SRL IN BANKRUPTCY	1,370	-	-	-	-	-	-	1,370
DESIGN MANUFACTURING SPA	990	-	-	-	(990)	-	-	-
ELMIRAD SERVICE SRL IN LIQ.NE	120	-	-	-	-	-	-	120
GRIMALDI SPA	307	-	-	-	(307)	-	-	-
JONICA IMPIANTI SRL	278	-	-	-	-	-	-	278
METALFER SUD SPA IN BANKRUPTCY	697	-	-	-	-	-	-	697
MODOMEC BUILDING SRL	168	-	-	-	-	-	-	168
PERITAS SRL	326	-	-	-	-	-	-	326
PRO.S.IT. SRL IN BANKRUPTCY	499	-	-	-	-	-	-	499
SALVER SPA	2,524	-	-	-	-	-	-	2,524
SIAPRA SPA	1,570	-	-	-	(1,570)	-	-	-
SICALP SRL IN BANKRUPTCY	1,033	-	-	-	-	-	-	1,033
SIMPE SPA	3,600	-	-	-	-	-	-	3,600
SURAL SPA BANKRUPT	253	-	-	-	-	-	-	253
TIRRENA MACCHINE SRL IN	1,472	-	-	-	-	-	-	1,472
<b>TOTAL EQUITY INVESTMENTS</b>	<b>25,460</b>	<b>1,409</b>	<b>-</b>	<b>7</b>	<b>(2,867)</b>	<b>-</b>	<b>(756)</b>	<b>23,254</b>
	<b>43,825</b>	<b>1,409</b>	<b>39</b>	<b>102</b>	<b>(3,904)</b>	<b>(2)</b>	<b>(990)</b>	<b>40,481</b>

**ANNEX A. 6****Non-current assets, assets in disposal groups: information on equity investments**

Amounts in thousands of euros

Company name	Equity share %	Book value
CONSORZIO MARINA DI PORTISCO	50.00%	10
I.T.S INFORMATION TECHNOLOGY SERVICES SPA	17.33%	300
IP PORTO ROMANO SRL	30.04%	3,603
MARINA DI ARECHI	16.00%	14,718
SALERNO SVILUPPO	20.00%	114
TRIESTE NAVIGANDO SRL	100%	59
<b>TOTAL OTHER COMPANIES</b>		<b>18,804</b>

**ANNEX A. 7****Non-current assets, assets in disposal groups: changes during the year**

Company name	Initial inventory	Positive changes	Negative changes	Revaluations	Depreciation / Impairment	Final inventory 31/12/2017
CONSORZIO MARINA DI PORTISCO	10	-	-	-	-	10
I.T.S INFORMATION TECHNOLOGY SERVICES SPA	300	-	-	-	-	300
IP PORTO ROMANO SRL	3,603	-	-	-	-	3,603
MARINA DI ARECHI	15,049	-	-	-	(331)	14,718
NEW CEFALÙ	-	-	-	-	-	-
SALERNO SVILUPPO	114	-	-	-	-	114
TRIESTE NAVIGANDO SRL	68	-	-	-	(9)	59
<b>TOTAL OTHER COMPANIES</b>	<b>19,144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(340)</b>	<b>18,804</b>

## ANNEX A. 8

### Non-current assets in disposal groups

#### Changes in financial assets available for sale

Amounts in thousands of euros

Company name	Initial inventory	Increases	Decreases	Final inventory
CALPARK	25	-	-	25
CALU	75	-	-	75
CALZATURIFICIO DI LUZI	77	-	-	77
CROTONE DEVELOPMENT	4	-	(4)	-
PACT TERR. A T.C.	-	-	-	-
POLLINO SVILUPPO	-	1	-	1
PROTEKOS	10	-	-	10
<b>TOTAL ITEM 40</b>	<b>191</b>	<b>1</b>	<b>(4)</b>	<b>188</b>



## CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER of CONSOB REGULATION 11971 of 14 MAY 1999, AS AMENDED



National Agency for the attraction  
of investments and enterprise development SpA

**Certification of the consolidated financial statements pursuant to Article 81-ter of Consob Regulation no. 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 dated 24 February 1998:
  - Suitability in relation to the characteristics of the Group and
  - the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31.12.2017.
  
2. In this regard, during the 2017 financial year, the following significant aspects emerged:
  - 2.1 The corporate reorganisation activity launched by the Agency continued in implementation of the provisions of the Reorganisation Plan approved by the Decree of 31 July 2007 issued by the Ministry of Economic Development and the subsequent 2017-2019 business plan, approved in December 2016 by the Agency's Board of Directors. In particular:
    - 2.1.1. Consorzio Garanzia Italia Confidi in liquidation: on 12 May 2017, the extraordinary shareholders' meeting of the Consorzio Garanzia Italia Confidi in liquidation approved the final financial statements and the allotment plan. The Consortium was cancelled from the Business Register on 7 July 2017.
    - 2.1.2. Italia Turismo S.p.A.: on 7 December 2017, the Board of Directors of Italia Turismo, at the request of the Parent Company, resolved to assign the shareholder Invitalia the mandate to sell its real estate assets.  
On 31 January 2018 the Agency launched the "open predetermined procedure for the sale of the stakeholding in Italia Turismo and subsequent disposal of the assets owned by Italia Turismo".
  - 2.2 On 20 July 2017, the Agency issued a bond, listed on a regulated market, for a total value of 350 million euros, to cover both the acquisition of Banca del Mezzogiorno and to assure the optimisation of working capital.
  - 2.3 On 7 August 2017, following the issue of the required authorisations by the Ministry of Economic Development, the European Central Bank and the Bank of Italy, Poste Italiane and Invitalia finalised the sale of the entire share capital of Banca del Mezzogiorno - Mediocredito Centrale to Invitalia itself.
  - 2.4 In the second half of 2017, the Agency, at the joint request of the Ministry of Economy and Finance and the Ministry of Economic Development, implemented prodromal and functional activities for the constitution of a new corporate vehicle for the promotion of export development and internationalisation of the Italian economy in countries qualified as 'high-risk'. The company, entitled Invitalia Global Investment, was incorporated on 9 January 2018 in implementation of Italian Law no. 205 of 27 December 2017.

2.5 The suitability of the administrative and accounting procedures for the preparation of the financial statements as at 31 December 2017 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).

2.6 In the course of 2017, 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 consolidated financial statements of the National Agency for the attraction of investments and enterprise development S.p.A. as at 31 December 2017:

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 consolidated financial statements, we adopted the "compilation format and rules compliant with the Bank of Italy Governor's decree of 13 March 2012" 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 T.U.B. [the Italian Consolidated Banking and Credit Law];

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 directors' report 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.

Rome, 23 April 2018

The Managing Director

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Domenico Arcuri

The Financial Reporting Officer

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Daniele Pasqualini



**National Agency for the attraction of investments and business development**

**S.p.A.** Registered office Rome – Share capital €836,383,864.02 fully paid up –

Listed in the Rome Register of Companies - tax code and VAT number 05678721001 -

Economic Activity Register no. 910303 - Single-member company of the Ministry of Economy and Finance.

**STATUTORY AUDITORS' REPORT**

**ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE NATIONAL AGENCY GROUP FOR  
THE ATTRACTION OF INVESTMENTS AND ENTERPRISE DEVELOPMENT SPA  
AS AT 31.12.2017**

Dear Shareholder,

we examined the consolidated financial statements of the National Agency Group for the attraction of investments and business development SpA and the directors' report as at 31 December 2017, drafted 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), endorsed by the European Commission up to December 31, 2017, as required by European Union Regulation no. 1606/2002, transposed 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 9 December 2016 "Instructions for the preparation of financial statements and reports of financial intermediaries under Article 107 of the T.U.B., IMELs [Electronic Money Institutions], SGRs [Asset Management Companies] and SIMs [Investment Companies]".

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).

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This exemption does not change the company's standing as a "Financial Intermediary" and, consequently, does not affect the governance of the 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.

In any case, in order to sustain continuity of disclosure, the company has maintained the drafting criteria referenced in the aforementioned Instructions indicated in the Bank of Italy Governor's decree, not considering said exemption as a cause for modification of the format to be adopted for the preparation of the financial statements.

In the Certification of the Consolidated Financial Statements pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended, issued on 23 April 2018 by the Managing Director and the Financial Reporting Office, also taking into account the provisions of article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, the following are confirmed:

- suitability in relation to the characteristics of the Group;
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31.12.2017.

The Managing Director and the Financial Reporting Officer also certify that:

- the Consolidated Financial Statements of the National Agency for the attraction of Investments and Enterprise Development SpA as at 31 December 2017: a) are prepared according to the International Financial Reporting Standards (IFRS) and the International Accounting Standards (MS) issued by the International Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC);

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b) in the preparation of the Consolidated Financial Statements the "compilation format and rules compliant with the Bank of Italy Governor's decree of 13 March 2012" were adopted 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 T.U.B. [the Italian Consolidated Banking and Credit Law; c) are aligned with the findings of the accounting books and records; d) 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;

- the directors' report 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.

In accordance with the applicable rules in such matters, our activity involved verifying the accuracy and suitability of the information contained in the documents making up the consolidated financial statements for the year ended on 31 December 2014, given that a legal audit of the accounts was delegated to the independent external auditing firm PriceWaterhouseCoopers Spa, 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 Boards of Statutory Auditors of registered companies pursuant to Article 107 TUB in the special register of financial companies.

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We ascertained:

- the correctness of the procedures followed in identifying the scope of consolidation;
- compliance of the assessment criteria adopted in preparing the consolidated financial statements with current legislation and accounting standards;
- compliance with disclosure requirements, both with regard to the financial statements and with regard to operations performance;

With regard to the financial statements of the investee companies, no direct control was carried out as this falls under the responsibility of the respective control bodies.

The Board of Statutory Officers recommends the adoption of structured and formalised intra-group procedures and the drafting of a group accounting manual, as also indicated by the Financial Reporting Officer in his drafting of the internal control system on economic and financial information pursuant to Italian Law no. 262/2005.

The Board of Statutory Officers acknowledges that the Explanatory Notes illustrate the consolidation principles and the applied assessment criteria.

The documentation examined and the information obtained did not show deviations from the rules that govern the preparation of the consolidated financial statements.

We examined the directors' report on operations performance, which also includes information on the consolidated financial statements, in order to verify that the content complies with the provisions of the law and to ensure consistency with the consolidated financial statements. The document contains adequate information on the activity undertaken and on the foreseeable evolution of the company's operations.

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The Board also acknowledges that the Directors' Report accompanying the Consolidated Financial Statements includes the Declaration of Non-financial Nature pursuant to Italian Legislative Decree no. 254 of 2016.

With separate document dated 18 May 2018 and received today, the Auditing Firm, for this purpose, has issued a Certificate of conformity.

On the basis of the information and clarifications acquired over time by the Administration and the various internal functions, the Board of Auditors believes that the directors' report presents a reliable, balanced and comprehensive analysis of the situation of the companies included in the consolidation and of the operational performance and results.

Finally, the Board of Statutory Auditors acquired the Auditing Report on the Consolidated Financial Statements issued on 18 May 2018 and submitted it today to the Board of the auditing company PriceWaterhouseCoopers Spa, which certifies:

- compliance with the International Financial Reporting Standards adopted by the European Union and with the provisions issued in implementation of Article 9 of Italian Legislative Decree 38/2005 and article 43 of Italian Legislative Decree n. 136/2015;
- a truthful and correct representation of the Group's financial position, results and cash flows.

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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 consolidated financial statements of the Group as at 31 December 2017 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:

- 1) acquisition of the entire share capital of Banca del Mezzogiorno-MedioCredito Centrale SpA;
- 2) assessment of the loans to customers from the bank of the Mezzogiorno-MedioCredito Centrale Spa;
- 3) assessment of non-current assets and groups of assets subject to disposal.

In the light of the foregoing, 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 2017 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, 21 May 2018

#### THE STATUTORY AUDITORS

Mr Ivano Strizzolo	Chairman
Ms Paola Noce	Standing Statutory Auditor
Ms Sofia Paternostro	Standing Statutory Auditor;
[3 Signatures: illegible]	



INDEPENDENT AUDITOR'S REPORT  
AUDIT IN ACCORDANCE WITH ARTICLE 14 OF ITALIAN  
LEGISLATIVE DECREE NO.39 DATED 27 JANUARY 2010 AND  
WITH ARTICLE 10 OF EU REGULATION NO. 537/2014

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***Independent external auditor's report***

*Pursuant to Article 14 of Italian Legislative Decree no. 39 dated 27 January 2010, and Article 10 of Regulation (EU) no. 537/2014*

***National Agency for the attraction of investments and enterprise development SpA***

***Consolidated financial statements as at 31 December 2017***

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***Independent external auditor's report***

*pursuant to Article 14 of Italian Legislative Decree no. 39 dated 27 January 2010, and Article 10 of Regulation (EU) no. 537/2014*

To the Shareholder of the National Agency for the attraction of investments and enterprise development SpA

**Report on the audit of the consolidated financial statements**

***Opinion***

We performed an audit of the consolidated financial statements of the Nation Agency for the attraction of investments and enterprise development Spa Group (hereinafter also the "Group"), consisting of the balance sheet as at 31 December 2017, 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 financial position of the Group at 31 December 2017, 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.

***Basic elements of 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 this report's section *Responsibility of the independent auditor for the audit of the consolidated financial statements*. We are an independent entity with respect to the National Agency for the attraction of investments and enterprise development 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,

***PricewaterhouseCoopes Spa***

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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**

### **Review of the acquisition of Banca del Mezzogiorno-MedioCredito Centrale Spa**

*Notes to the financial statements: i) Part A Accounting Policies – A.1 – General Part - Section 5 Consolidation Area and Methods ii) Part D Other Information - Section 4 Equity-related disclosures*

On 7 August 2017, the acquisition of 100% of Banca del Mezzogiorno-MedioCredito Centrale SpA (hereinafter also the "Bank") from Poste Italiane SpA was completed. Poste Italiane SpA is controlled by the Ministry of the Economy and Finance which is also sole shareholder of Invitalia.

At 31 December 2017, the Bank held total assets of EUR 2,610 million (EUR 2,575 million at the date of the transfer of control), equal to approximately 56% of the consolidated assets and shareholders' equity of approximately EUR 255 million (EUR 430 million on the date of transfer of control). The Management, considering the acquisition as a *business combination under common control* without significant influence on the future cash flows of the net assets transferred, recorded the transaction by applying the principle of continuity of the values expressed in the Bank's accounting books at the date of the transfer of control.

In consideration of the significance and complexity of the transaction, the relative impacts generated in the consolidated financial statements and the absence of specific principles and interpretations for the recording of the *business combination under common control*, particular attention was paid to the transaction and verification of the accounting procedures adopted by the Management in the consolidated financial statements as at 31 December 2017.

As part of our audit work, we undertook the following main activities in order to address this key aspect.

Through meetings and discussions with the Management, we conducted an appraisal and assessment of the procedures adopted by them in their determination of the effects of the acquisition and the values to be considered for the purposes of recording the acquisition of the Bank.

We conducted a specific investigation of the accounting procedures adopted by the Management with regard to the acquisition of the Bank and the values applied in the consolidation, in light of the accounting standards applicable in the specific circumstances and of the documentary evidence collated and analysed.

Furthermore, we recorded the absence of any *impairment* indicators.

Finally, we verified the disclosures included in the consolidated financial statements as at 31 December 2017.

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**Assessment of loans to customers from Banca del Mezzogiorno – MedioCredito Centrale SpA**

*Notes to the financial statements:* i) Part A Accounting policies – A.2 – Part related to the main financial statement items – Loans/Receivables ii) Part B Information on the balance sheet – Section 6 – Loans/Receivables – Item 60

Loans to customers claimed by Banca del Mezzogiorno – MedioCredito Centrale SpA as at 31 December 2017 amounted to EUR 1,595 million, corresponding to approximately 34% of total consolidated assets. The related net value of loans adjusted for impairment according to the consolidated profit and loss account at 31 December 2017 amounted to approximately 5 million euros.

The value adjustments on loans to customers represent the estimate, formulated by the Bank and Group Management, of the losses inherent in 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, and on a collective basis for all other positions grouped under homogeneous categories.

Loans to/Receivables from customers are a balance sheet item dominated by its estimate component and require a significant level of subjectivity, depending on the presence of numerous variables underlying assumptions and hypotheses, as well as the forecasts of the recoverable amount of future cash flows and their relative timing.

In particular, for value adjustments to impaired loans, valued on an analytical basis, estimates are invoked to determine whether an event has occurred on the expected future cash flows, on the presumable realisable value of the related guarantees and related recovery costs.

As part of our audit work, we undertook the following main activities in order to address this key aspect.

On a sample basis, we analysed the design and effectiveness of the relevant controls implemented by the Bank to support the corporate process for determining value adjustments on loans to customers. In particular, for the adjustments to impaired loans calculated on an analytical basis, we identified and tested the controls applied to the monitoring of credit positions, to the updating of the value of their protective collateral and to the approval process for determining the adjustments to be reflected in the financial statements for the year.

For loan impairment adjustments calculated on a collective basis, we identified and tested the checks on the appropriateness of the estimate model used and the reasonableness of the relevant basic assumptions.

We conducted, also by means of sample checks and discussions with the Bank's Management, a critical analysis of the methods, assumptions and hypotheses adopted by the Bank for estimating of value adjustments, taking into account the sector regulations and the best market evaluation practices. We also checked the continuity of application of the criteria applied in previous accounting periods.

We conducted reviews aimed at verifying the correspondence between management and accounting information used by the Bank, for the purpose of determining the estimate of value adjustments on loans to customers.

<p>With reference to the value adjustments of loans valued on a collective basis, these are calculated using estimation models, based on both internal and market parameters, which the Bank and Group Management deems representative of the expected loss of the portfolio in light of the best information available at the date of the financial statements. Therefore, in consideration of the foregoing, particular attention was paid to analysing the assessment models adopted for value adjustments on loans to customers claimed by the Bank as at 31 December 2017.</p> <p><b>Assessment of non-current assets and asset groups held for sale</b></p> <p><i>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 and associated liabilities ii) Part B Information on the balance sheet – Section 13 – Not current assets and groups of assets held for sale – Item 130</i></p> <p>The item Non-current Assets and groups of assets held for sale as at 31 December 2017 amounted to approximately EUR 278 million (approximately EUR 208 million net of the Liabilities associated with assets held for sale), equal to approximately 6% of total assets. Said 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 Ministry of Economic Development dated 27 March 2007 and the Invitalia 2017-2019 Business Plan approved by the Ministry of Economy and Finance and the Ministry of Economic Development in December 2016.</p> <p>These assets must be valued at the lower of their carrying amount and their <i>fair value</i> net of disposal costs.</p> <p>Therefore, in consideration of the significance of the amounts recorded in the financial statements, of the complexity and physiologically subjective nature of the <i>fair value</i> estimation process, we paid particular attention to the analysis of these valuations.</p>	<p>We performed a comparative analysis on the significant deviations from the previous year's data and examined the results in depth with the corporate functions involved.</p> <p>We analysed subsequent events and reading the corporate books.</p> <p>Finally, we verified the disclosures included in the consolidated financial statements as at 31 December 2017.</p> <p>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.</p> <p>We conducted an appraisal and assessment of the procedures implemented by the Management for the determination of the <i>fair value</i>, 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.</p> <p>We reviewed the hypotheses and assumptions underlying the appraisal models adopted by Management for the determination of the <i>fair value</i> of these assets net of sales costs.</p> <p>We performed sensitivity analyses in relation to the significant assumptions adopted by the Management in the recoverability assessments described in the previous point.</p> <p>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.</p> <p>Finally, we verified the disclosures included in the consolidated financial statements as at 31 December 2017.</p>
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### ***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 National Agency for the attraction of investments and enterprise development 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 of 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 (ISA Italia) international auditing standards 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 judgment and professional skepticism 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



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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 internal control of the Group;
- 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 on 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 persons 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 notified 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.

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### ***Other information disclosed pursuant to Article 10 of Regulation (EU) 537/2014***

On 13 July 2011, the shareholders' meeting of the National Agency for the attraction of investments and enterprise development SpA conferred on us the task of auditing the financial statements of the Company for the financial years from 2011 to 2019.

We declare that no services other than those pertinent to auditing, 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 that 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.

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### ***Report on other legal and regulatory provisions***

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#### ***Opinion pursuant to Article 14, par. 2, point (e) of Italian Legislative Decree 39/2010 and Article 123-bis, par. 4 of Italian Legislative Decree 58/1998***

The directors of the National Agency for the attraction of investments and enterprise development SpA are responsible for the preparation of the directors' report and the report on corporate governance and ownership structure of the National Agency for the attraction of investments and enterprise development as at 31 December 2017, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures indicated in the auditing standard (SA Italia) 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, par. 4 of Italian Legislative Decree 58/1998, with the consolidated financial statements of the National Agency for the attraction of investments and enterprise development as at 31 December 2017 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 the National Agency for the attraction of investments and enterprise development as at 31 December 2017 and are drafted in accordance with the law.

With reference to the declaration referenced in Article 14, par. 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 not nothing to report.

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***Declaration pursuant to Article 4 of the Consob Regulation implementing Italian Legislative Decree no. 254 of 30 December 2016***

The directors of the National Agency for the attraction of investments and enterprise development SpA are responsible for the preparation of the non-financial declaration 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, par. 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 May 2018

PricewaterhouseCoopers spa

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Luca Bonvino  
(Independent External Auditor)



## DECLARATION ON NON-FINANCIAL MATTERS - ITALIAN LEGISLATIVE DECREE 254/2017 and GRI

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***Report of the Independent External Auditors  
on the consolidated statement  
on non-financial matters***

pursuant to Article 3, par. 10, Italian Legislative Decree  
254/2016 and Article 5 of CONSOB Regulation no. 20267

***National Agency for the attraction  
of investments and enterprise development SpA***

***Financial year ended 31 December 2017***

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***Independent external auditor's report on the consolidated non-financial statement***

pursuant to Article 3, par. 10 of Italian Legislative Decree 254/2016 and Article 5 of CONSOB Regulation no. 20267

To the Board of Directors of the National Agency for the attraction of investments and enterprise development SpA

Pursuant to Article 3, par. 10 of Italian Legislative Decree no. 254 dated 30 December 2016, (hereinafter "Decree") and Article 5 of CONSOB Regulation no. 20267, we have been appointed to perform the *limited assurance engagement* in relation to the consolidated non-financial statement of the National Agency for the attraction of investments and enterprise development SpA and its subsidiaries (hereinafter the "Group") for the year ended 31 December 2017 prepared pursuant to Article 4 of the Decree, presented in the specific section of the Report on Operations and approved by the Board of Directors on 23 April 2018 (hereinafter "DNF [Dichiarazione Non Finanziaria - Non-financial Statement]").

***Responsibilities of the Directors and the Board of Statutory Auditors for the DNF***

The Directors are responsible for drafting the DNF in compliance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - Global Reporting Initiative ("GRI Standards"), with reference to the selection of GRI Standards chosen by them as the applicable reporting standards, as described in the Methodological Note of the same DNF.

The Directors are also responsible, within the terms established by law, for that part of the internal control deemed necessary to allow for the preparation of a DNF that contains no significant errors due to fraud or unintentional behaviour or events.

The Directors are also responsible for identifying the contents of the DNF, within the themes mentioned in article 3, paragraph 1, of the Decree, taking into account the Group's activities and characteristics and to the extent necessary to ensure the understanding of Group activities, its performance, its results and impact generated.

Lastly, the Directors are responsible for defining the business model for the management and organisation of the Group's activities, as well as, in reference to the issues identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or to which it is exposed.

The Board of Statutory Auditors is legally responsible for supervising compliance with the provisions established in the Decree.

***PricewaterhouseCoopes Spa***

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### ***Independence of the independent external auditor and quality control***

We are independent in conformity with the principles of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, based on the fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct. Our auditing firm adopts the *International Standard on Quality Control 1 (ISQC Italia 1)* and, as a result, maintains a quality control system that includes documented directives and procedures on compliance with ethical principles, professional principles and legal provisions as well as applicable regulations.

### ***Responsibility of the independent auditor***

Based on the procedures followed, it is our responsibility to draw a conclusion on the conformity of the DNF with regard to the requirements of the Decree and the GRI Standards. We conducted our work in accordance with the *"International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (hereinafter *"ISAE 3000 Revised"*), issued by the *International Auditing and Assurance Standards Board (IAASB)* for *limited assurance* assignments. This principle requires the planning and execution of procedures in order to acquire a limited level of assurance that the DNF does not contain significant errors. Therefore, our examination resulted in a narrower scope of inquiry than that required for a full examination according to ISAE 3000 Revised ("reasonable assurance engagement") and, consequently, it does not allow us to have the security of being aware of all the facts and the significant circumstances that could be identified through this examination.

The procedures performed on the DNF were based on our professional judgment and included interviews, mainly with company staff in charge of preparing information presented in the DNF, as well as the analysis of documents, recalculations and other procedures aimed at obtaining evidence deemed useful.

In particular, we have implemented the following tasks:

1. analysis of the relevant issues in relation to the activities and characteristics of the company reported in the DNF, in order to assess the reasonableness of the chosen selection process, in light of the provisions in Article 3 of the Decree and keeping in mind the adopted reporting standard;
2. analysis and assessment of the criteria for identifying the scope of consolidation in order to ascertain its compliance with the provisions set out in the Decree;
3. appraisal of the following aspects:
  - the corporate model for the management and organisation of the Group's activities, with reference to the management of items indicated in Article 3 of the Decree;
  - the policies practiced by the company in relation to the items indicated in Article 3 of the Decree.

With regard to these aspects, we also examined the findings reported in the DNF and the checks described in the following point 4-a.

4. appraisal of the processes underlying the generation, detection and management of significant qualitative and quantitative information included in the DNF.

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In particular, we conducted interviews and held discussions with the Management of the National Agency for the attraction of investments and enterprise development SpA. At the department in charge of drafting the DNF, we carried out limited documentation checks in order to gather information on the processes and procedures that support the collation, processing and transmission of data and information of a non-financial nature.

Furthermore, for significant information, taking into account the Group's activities and characteristics:

- at Group level:
  - a) regarding qualitative information contained in the DNF, and in particular on the business model, on the policies applied and on the main risks, we conducted interviews and acquired supporting documentation to verify consistency with the available evidence;
  - b) regarding quantitative information, we performed both analytical procedures and limited checks to ascertain the correct aggregation of data on a sample basis.
- for the National Agency for the attraction of investments and enterprise development Spa, we performed verifications and document checks on the correct application of the procedures and methods used for the calculation of the indicators.

### ***Conclusions***

On the basis of the work carried out, we have not perceived any indications that the DNF of the National Agency for the attraction of investments and enterprise development SpA and its subsidiaries for the year ended 31 December 2017 not has been drafted, in all its significant aspects, in compliance with the requirements of articles 3 and 4 of the Decree and the GRI Standards, as described in the Methodological Note of the same DNF.

### ***Other aspects***

The comparative data presented in the DNF in relation to the financial year ended 31 December 2016, has not been verified.

Rome, 18 May 2018

PricewaterhouseCoopers spa

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Luca Bonvino

(Independent Auditor)

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Paolo Bersani

(Attorney)