



SACE in Iran: project and export finance solutions

Roundtable on infrastructures in Iran, ANCE, Rome, December 15th, 2015

Company profile

SACE, the Italian Export Credit Agency, is a joint stock company owned by Cassa Depositi e Prestiti (Cdp) whose shareholders are the Italian Government and major Italian bank foundations. The Group provides export credit insurance, investment protection, financial guarantees, sureties and other financial solutions best suited for projects and initiatives involving Italian partners or related supplies from Italy and covers risks in more than 180 countries.

SACE's mission is to promote Italian exports and investments abroad, supporting the international development of Italian economy as well as projects of strategic importance.



Export credit, credit insurance, investment protection, sureties,
reinsurance, financial guarantees, project & structured finance



Short-term credit insurance, sureties and construction risks



Data acquisition and credit recovery

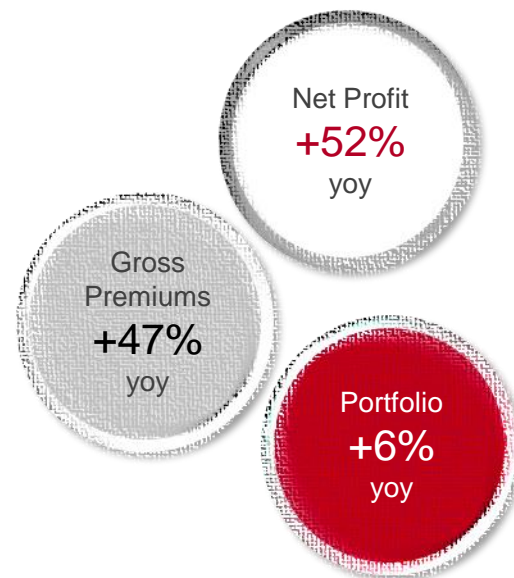


Factoring and discounting of credit with the public sector

SACE Group: Key Results

Highlights (First half of 2015)

New Guarantees	€ 4.4 Bn
Outstanding Commitments	€ 76.2 Bn
Gross Premiums	€ 252.6 Mn
Net Income	€ 308 Mn
Claims Paid	€ 136.2 Mn
Shareholders' Equity	€ 4.8 Bn
Rating (Fitch)	A-



Risk insured by Geographical Area

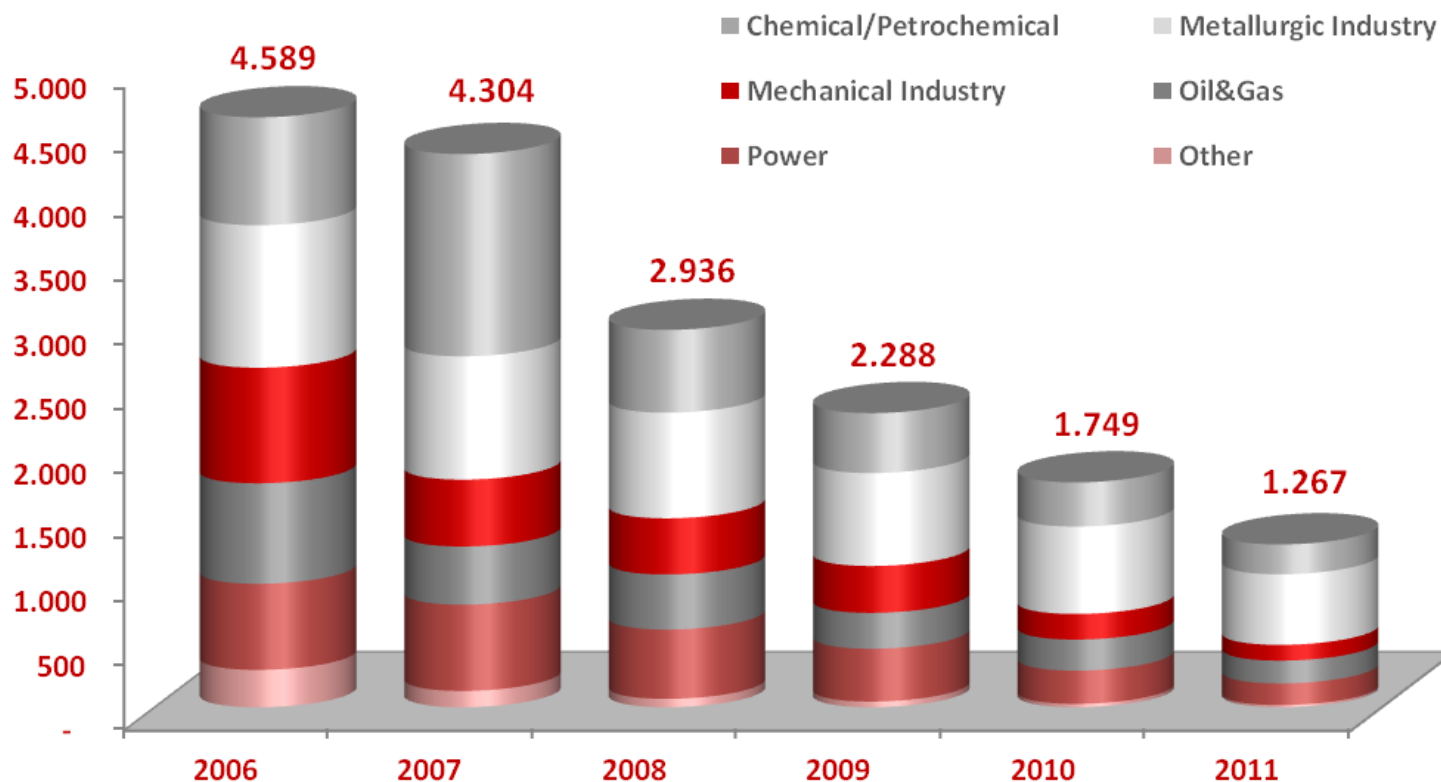
Highlights

(Outstanding Commitments. 1H 2015)



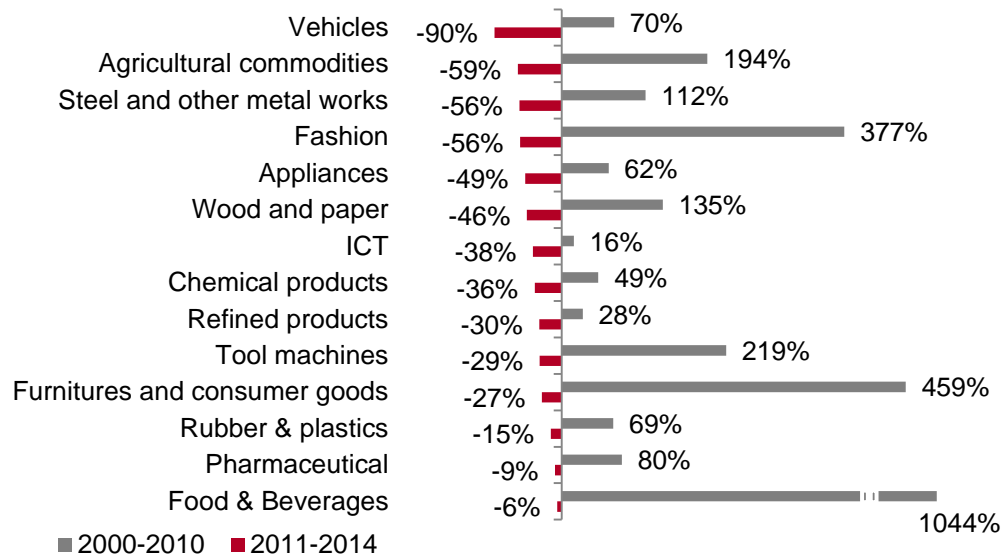
Italy	23%
Russia and CIS	13%
MENA	11%
Turkey and Near East	7%
Asia Pacific	6%
Central and Eastern Europe	5%
Brazil and South America	5%
Mexico and Central America	4%
Sub Saharan Africa	3%
India and South Asia	2%
Other	23%

Iran: historical commitments (industry mix; 2006-2011; €/mIn)



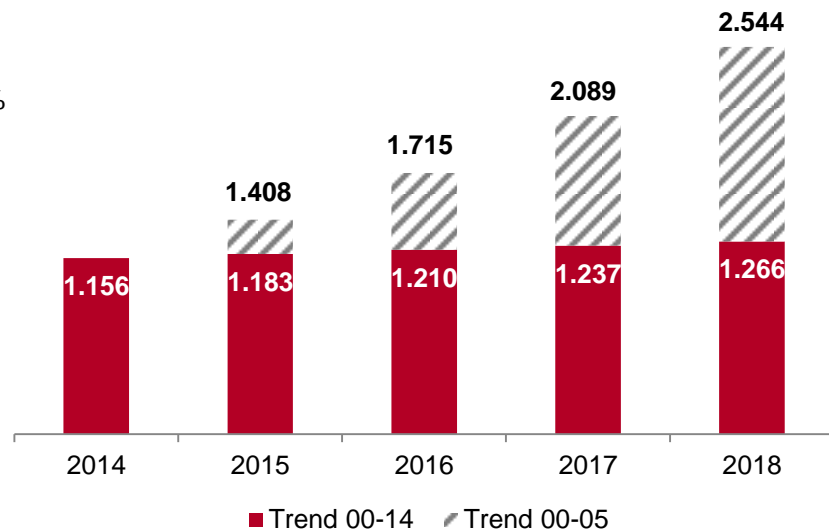
Industrial Sector	2006	2007	2008	2009	2010	2011
Chemical/Petrochemical	18%	37%	22%	20%	20%	18%
Metallurgic Industry	24%	22%	28%	32%	39%	43%
Mechanical Industry	20%	12%	15%	16%	11%	10%
Oil&Gas	17%	11%	15%	12%	14%	14%
Power	15%	16%	18%	18%	15%	13%
Other	6%	3%	2%	2%	2%	1%
TOTAL	100%	100%	100%	100%	100%	100%

Italy-Iran trade flows analysis (2014-2018, euro/mln)



Technology transfer has been severed...

...a huge potential could be unlocked after Implementation Day



SACE estimates on ISTAT data

Focus on Iran

- ✓ As of November 2015, SACE's exposure towards the country amounted approximately to about € 650 million, mainly related to transactions in the Oil&Gas and Steel sector.
- ✓ SACE is currently evaluating additional projects in the Oil&Gas, Automotive, Infrastructure and Automotive, involving both large and medium banks to facilitate the financing. A credit due diligence is on-going to define credit limits on 11 target banking counterparts in Iran in both public and private sector
- ✓ Well before the implementation day, SACE has proactively started to devise technical solutions to address two main trends detected in the Iranian market: on the one hand, the need to revamp most of the existing industrial facilities through the import of spare parts, components and consumables and, on the other hand, the need to restore the liquidity and depth of the banking market through short term credit solutions.
- ✓ While developing new business opportunities SACE is also pursuing the recovery of the outstanding exposure towards some major Iranian banks.

New opportunities

SACE is developing tools and instruments to further facilitate business relations between respective countries and provide additional financing support to bilateral trade **after Implementation Day**.

In particular, SACE is evaluating the following measures:

- 1) **Medium-long term credit lines** to finance large projects with the support of the Ministry of Finance of Iran in sector such as Oil&Gas, Petrochemical, Infrastructure, Industrial Machinery, Mechanical Engineering and Mining, where the Italian exporters excel both in terms of know-how and quality of production. **Project finance solutions** are also available.
- 2) **Guarantees** to facilitate investment in the country by Italian companies.

Medium-Long Term Credit Line

Main features:

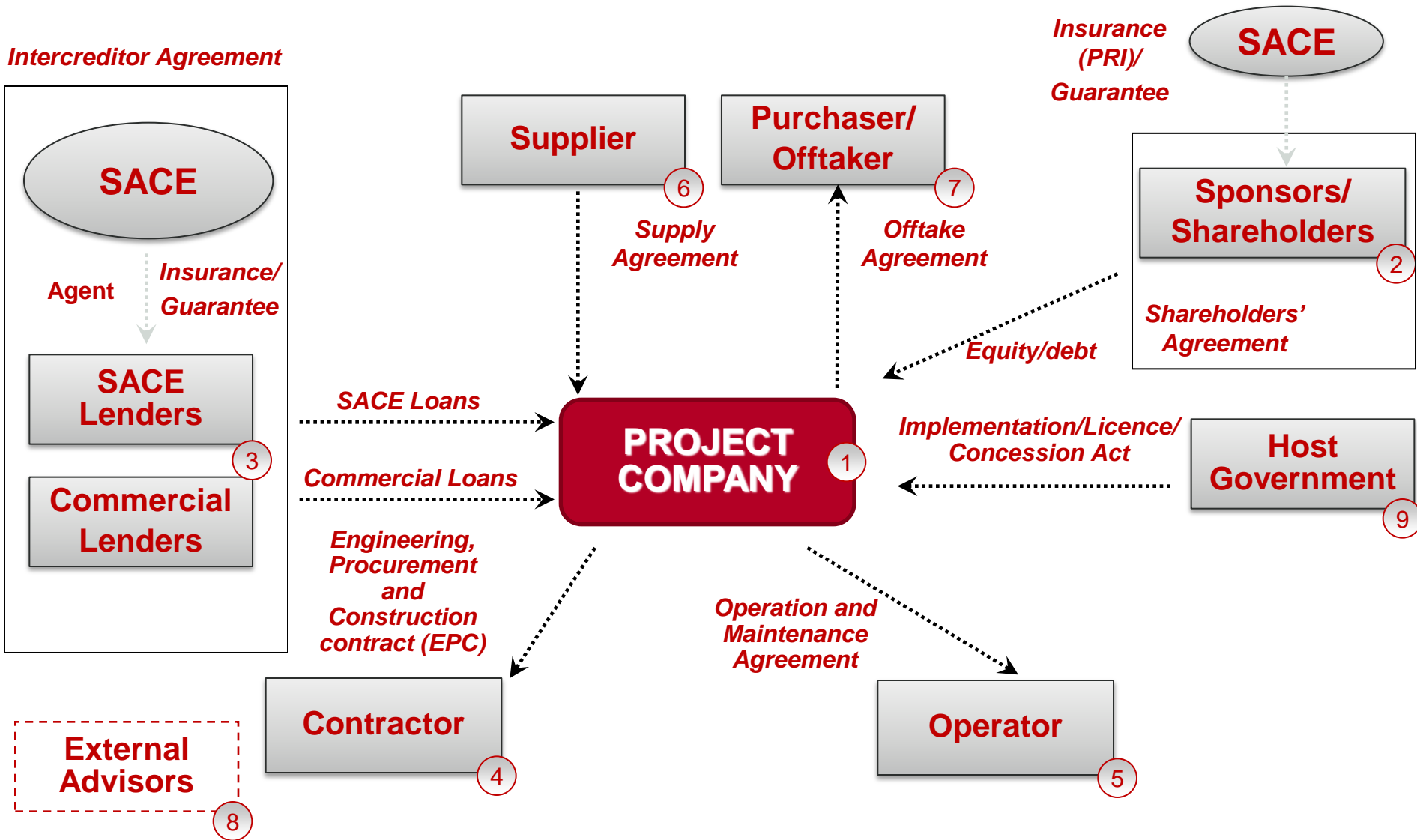
- ✓ Public sector or private sector entities with sovereign guarantee
- ✓ Transaction size: large to very large
- ✓ Percentage of coverage: up to 100%
- ✓ Lender: any finance party acceptable to SACE
- ✓ Repayment period: up to 10 years, in compliance with OECD regulations
- ✓ Interest rate: floating (6 months EURIBOR) or fixed rate (CIRR¹)

The facility is intended to support Italian exports to the Iranian public sector (public entities or any other entities ultimately owned by the Republic of Iran).

SACE shall retain an option to intervene in the funding of the transaction with modalities to be agreed upon between the finance parties in accordance with applicable law.

¹) Subject to the approval of SIMEST, the Italian Development Institution dedicated to supporting and promoting the activities of Italian companies abroad.

Buyer's Credit – Project Finance (a snapshot)



The role of SACE in PF Transactions 1/2

- ✓ **Diversification of funding sources and multiplying effect.** Lower syndication risk on sweet/sour basis;
- ✓ **Preservation of bank credit lines.** More resources available: banks can free up capital for new loans and alternative investment;
- ✓ **Competitive financial package.** Longer maturities, and reduced all-in cost for the Borrower;
- ✓ **Environmental impact assessments** high level of confidence that these issues are properly identified and addressed;
- ✓ **Competitive edge for the exporter** by providing attractive payment conditions to the foreign buyer;
- ✓ **Stable cash flow for the exporter.** Financial stability and exemption from credit risk. Certainty of repayment.

The role of SACE in PF Transactions 2/2

- ✓ A significant **track record** in Project and Structured Finance, guaranteeing large-scale limited and non-recourse finance transactions since the mid-90s;
- ✓ Diversified and recently expanded his activity (new products) as well as further widened its **eligibility criteria**;
- ✓ **Streamlined transaction approval** process allowing to obtain the required commitment in an efficient manner;
- ✓ **Consolidated working relationship** with all other major ECAs, multilateral agencies and commercial banks, allowing efficiency in multi source transactions.

SACE approach in a PF transaction

SACE's approach to PF transactions features:

- ✓ **early involvement** in the financing process in order to streamline due diligence and negotiations and achieve a timely closure of the financing, including issuance of the SACE insurance coverage;
- ✓ **participation in financial negotiations**: a dedicated team is set up in order to guarantee timely and effective support to the various counterparties involved. This approach ensures that SACE's requirements and issues are directly discussed and addressed with the parties concerned as early as they arise, achieving more transparency, efficiency and time savings;
- ✓ **appointment of independent advisors** (e.g. legal, technical, market, insurance, environmental, tax, etc.) to be shared with lenders, provided the appropriate measures to manage likely conflicts of interest;
- ✓ **co-operation with the other financiers** involved in the transaction: extensive hands-on experience in multi-sourcing PF involving several ECAs, IFIs, commercial lenders and local financing institutions. Full and transparent information sharing and cooperation with all other financiers in the due diligence process;

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