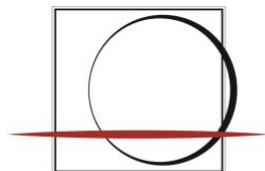


POLIGRAFICO E ZECCA DELLO STATO ITALIANO

Financial Statements

31 December 2018



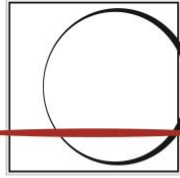
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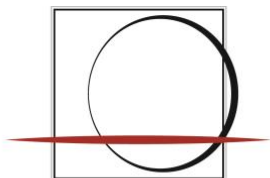
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Report on Operations



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

Board of Directors

(Shareholders' Meeting of 25 July 2017: three-year period 2017-2019)

Chairman

Domenico Tudini

Chief Executive Officer

Paolo Aielli (appointed by the Board of Directors on 28 July 2017)

Directors

Elisabetta Maggini

Luana Labonia

Francesco Alessandro Caruso

Board of Statutory Auditors

(Shareholders' Meeting of 25 July 2017: three-year period 2017-2019)

Chairman

Alessandra d'Onofrio

Stading Auditors

Renato Cambursano

Giuseppe Colucci

Alternate Auditors

Palma Mantaci

Domenico Patrizi

Court of Auditors

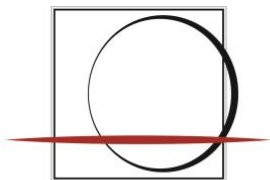
(Article 12 of Italian Law No 259 of 21.3.1958)

Chief Magistrate

Paolo Luigi Rebecchi

Deputy Chief Magistrate

Francesco Vitiello



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External Audit
(Shareholders' Meeting of 25 July 2017: three-year period 2017-2019)

Independent Auditors
Ernst & Young S.p.A.

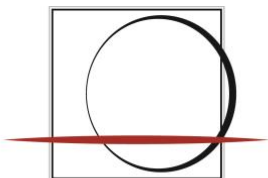
Chief Financial Officer
(Board of Directors, 28 July 2017)

Raffaele Zappa

Supervisory Body
(Board of Directors, 18 October 2017: three-year period 2017-2019)

Chairman
Tiziano Onesti

Members
Pietro Cavasola
Massimo Proietti



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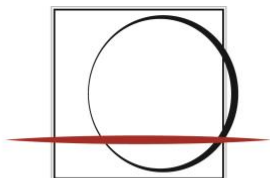
Main income, financial and operating figures

<i>Income figures</i>				
<i>(€/000)</i>		2018	2017	2016
Revenues		459,694	372,574	345,612
Value of production		466,684	394,896	362,595
Operating value of production		464,064	383,851	346,065
EBITDA		180,505	167,250	148,625
Operating EBITDA		177,885	156,206	143,068
Operating EBITDA/Turnover	%	38.70	41.93	41.40
Financial elements		380	4,728	7,035
Net profit		57,358	49,765	38,958
R.O.S.	%	22.47	18.74	17.60
R.O.I.	%	14.55	7.79	6.93
R.O.E.	%	13.89	9.70	7.62

<i>Equity and financial figures</i>			
<i>(€/000)</i>	2018	2017	2016
Shareholders' equity	470,084	562,727	549,972
Net financial position	549,509	407,562	506,592

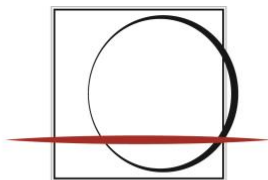
<i>Other information</i>				
		2018	2017	2016
Investments <i>(€/000)</i>		95,994	19,345	22,431
No. of employees at start of year	(1)	1,736	1,707	1,661
No. of employees at year end	(1)	1,860	1,736	1,707

(1) The number of employees includes those on fixed-term contracts: 90 for 2018 and 50 for 2016.



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Production volumes delivered (values in 000)					
Products	m.u.	2018	2017	Change	%
Pharmaceutical stamps	pc	2,411,806	2,466,479	(54,673)	(2.22)
- internal production	pc	2,466,479	2,466,479	0	
- external production	pc	0	0	0	
Prescription pads	bl	1,899	2,321	(422)	(18.18)
Tobacco tags	pc	2,924,294	3,357,000	(432,706)	(12.89)
Markings of which	pc	1,663,344	1,629,836	33,508	2.06
- Wine markings	pc	1,443,344	1,335,136	108,208	
- Alcoholic beverage markings	pc	220,000	294,700	(74,700)	
Lottery	t.sp.	326	329	(3)	(0.91)
Electronic passports	pc	2,186	1,848	338	18.29
Residence permits	pc	1,222	1,151	71	6.17
Electronic ID cards v. 3.0	pc	5,451	1,225	4,226	344.98
Card-printed and experimental ID cards	pc	1,634	3,402	(1,768)	(51.97)
Drivers licence cards	pc	7,480	7,010	470	6.70
Registration plates	pc	2,941	3,106	(165)	(5.31)
- Car registration plates	pc	2,386	2,593	(207)	
- Moped and motorcycle registration plates	pc	405	398	7	
- Misc. registration plates	pc	150	115	35	
Legal tender	pc	360,450	502,473	(142,023)	(28.26)



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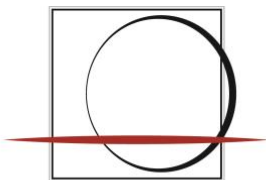
Dear Shareholder,

we are happy to share the positive industrial and economic results achieved in 2018, a year that saw the consolidation of performances achieved in previous years, with milestones aimed at creating a company capable of carrying out the task of guarantor of public faith, in an efficient and innovative manner and with a high potential for growth. Poligrafico today is a distinguished centre of expertise for Italy, capable of integrating and managing complex security issues, both physical and logical, fully aware of its need to oversee sectors that are of particular importance to the general public such as the physical and digital identity of individuals and things, anti-counterfeit measures and traceability in essential products such as drugs and foodstuffs, the processing of sensitive information (State laws, databases of public interest) and coinage.

During the year, work continued on building a solid business structure based on innovation, capable of efficiently carrying out the mission conferred upon it by the State as guarantor of public faith. In line with this mission, the Company has completed the processes of insourcing the distinctive planning skills and capacities required for a sensitive production process in terms of security, thereby reducing the risk of dependency on technologies owned by third parties.

In a strategic perspective of direct control of sensitive activities, at the production plant in Foggia, investments were made to allow for monitoring of the entire production cycle of high-level watermarked paper and holographic systems, to be used primarily for the production of paper for passports. In order to better manage these activities, in July Poligrafico and Banca d'Italia signed a cooperation agreement aimed at setting up a company dedicated to the production, according to the in-house organisational model, of special security paper and security and/or anti-counterfeiting elements/products. Following a joint initiative with Banca d'Italia, the company Valoridicarta S.p.A. was incorporated in November. Through this initiative, Poligrafico is one of the few European players in the sector capable of overseeing an integrated cycle (paper production and production of holographic elements to be incorporated into paper) and at the same time achieves important strategic objectives, eliminating the risks arising from procurement from private individuals, operating under more favourable conditions than those of the market.

Further management action was focused on the purchase and/or renewal of production lines and the digitisation of processes: the creation of a new, technologically innovative registration plates line at the Verrès plant, which will enter into production in the early months of 2019 and will flank the existing line at the Foggia plant, which has also been



suitably modernised. System works carried out and in the process of being finalised, will allow Poligrafico to effectively control the integrated production cycles, to equip itself with a technologically advanced manufacturing structure where digitisation will be pervasive, to acquire a strong positioning among the leading international operators and to create space for new commercial opportunities.

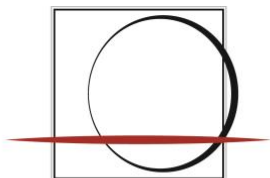
With regard to information technology, the activities and actions undertaken during the last financial year and continued in 2018, will be completed over the next two years. They aim to provide significant support to projects for the security, innovation and digital transformation of the Company through stronger process efficiency, capable and rational use of ICT resources, ensuring protection of the information and data assets of the Company. In this respect, the works will focus on strengthening the physical infrastructures, the Data Centres and the Cloud, implementation of advanced tools for the generation and dissemination of digital services, security systems, protection and safeguarding of information.

The project for the new Electronic ID Cards (EIC) continued. This is based on advanced technical characteristics, aligned with international best practices, and represents a key element in the process to modernise the Italian Public Administration. In fact, the EIC plays a fundamental role in the plan for defining and protecting the physical and digital identity of citizens, ensuring international interoperability through compliance with the ICAO standard, already adopted at global level for passports, and at the same time acts as an enabling platform for the provision of services by public and private entities.

In compliance with the Ministry of the Interior's programme, in total the installation of 10,943 workstations occurred, designed for the EIC issue process in 7,937 Municipal Authorities, while the total amount of cards issued was approximately 6.7 million.

The EIC project is an essential paving stone in the path to technical and functional convergence with other electronic ID and travel documents (passports and residence permits), guaranteeing high levels of security, efficiency and optimisation of production, issue and control processes, also through the adoption of a centralised customisation process.

Following the entry into force of Decree No 14 of the Ministry of Infrastructure and Transport of 16 January 2018, the procedure for the annual updating of the programmes for the purchase of goods and services and public works, to be published on institutional web sites, was launched. At its meeting on 18 July, the Board of Directors took note of the update of the two-year 2018/2019 programme for the purchase of goods and services and the three-year 2018/2020 work plan; while at its meeting on 19 December it



approved the update of the three-year 2019/2021 programme for public works and the two-year 2019/2020 programme for the purchase of supplies and services. From an initial audit carried out, at the end of the year procedures for the awarding of goods and services were activated for an amount of approximately € 285 million against a forecast for 2018 of € 432 million; for public works, awarding procedures for an amount of approximately € 24 million were activated, against an estimate for 2018 of € 48 million. The new model of looking to innovation in doing business translates to a constant and growing attention to research and development activities. The commitments associated with the development of new materials, innovative solutions and the strengthening of security and anti-counterfeit requirements on core products have continued, as well as those relating to the development of ICT solutions for the provision of new value-added services. The strengthening of research activities was realised through the assessment and enhancement of internal skills and through partnerships with centres of excellence and universities in Italy, triggering a major development of skills that will allow the Company to stand effectively alongside other international operators and be able to promote technological and market changes. In this sense, the partnerships with Università La Sapienza in Rome, Bari Polytechnic and the Bruno Kessler Foundation have continued.

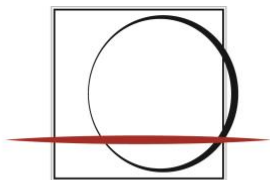
As of 1 January 2018, in accordance with the provisions of Article 13-quater of Law No 96 of 21 June 2017, Italy suspended the issue of euro coins with a value of one Eurocent and two Eurocents. Following on from this provision, the Ministry has quantified its need for standard circulation coins as 320 million, a quantity then adjusted during the year to 354 million, a quantity in any case less than the 2017 request, although concentrated on more cost effective values.

To celebrate the 70th Anniversary of the Italian Constitution, Italian Constitution booklets were produced and distributed to all students.

In relation to the judicial and legal databases, the Company's commitment to the process of digitising judicial databases and the Normattiva project has continued.

In March, the statements on postage stamps for the years 2007-2011 were approved, allowing for the payment of VAT for approximately 12 million.

Law No 111 of 28 September 2018 on "Provisions for the adjustment of the State budget for 2018" published in the Official Gazette of 28 September 2018, allowed for the disbursement, in November, of approximately € 512 million to cover the company's receivables due from the MEF: € 45.7 million for 2002-2005 common prints; € 466.5 million for banknotes, stamps and electronic documents. Furthermore, taking into



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account the insufficient 2018 allocations with respect to deliveries, an additional € 117 million was provided to cover these receivables, attributable to the supply of banknotes, passports, residence permits and Electronic ID Cards.

The operation led to the finalisation and approval of the statements for the years 2007-2017 for the supply of banknotes and security documents and the years 2002-2005 for the supply of common prints, net of transport costs. Poligrafico paid VAT on the accounts for an amount of approximately € 312 million.

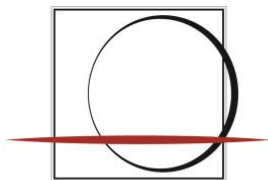
The 2018 turnover of the Company reached € 460 million, recording a further improvement on previous years, benefiting not only from the EIC dissemination process, but also from the positive trend in demand for other products, such as electronic passports, residence permits, the electoral contract and wine markings. The latter segment saw the voluntary inclusion among Poligrafico customers of new consortia, as recognition of the validity and effectiveness of the product in terms of anti-counterfeit measures, traceability and product protection. On the other hand, turnover in lottery-related activities and pharmaceutical stamps remained constant.

The Company's commitment to property asset management continued, giving preference to aspects of rationalisation, upgrading of premises for production use at all the plants and modernisation of management offices, also with a view to improving the well-being of workers and improving efficiency.

Innovation and change must go along with a process of enhancing the workforce and strengthening internal professional skills, both technical and managerial. In 2018, whilst 112 employees left the company, 146 were recruited, resulting in a total workforce at year end of 1,770 (over 90 staff on fixed-term contracts). Greater attention was paid to training and dissemination of the performance culture, with particular reference to project management.

In 2018 the Company completed the process of cultural, managerial and organisational change with the appointment of Employer Plant Managers. Furthermore, the project for the adoption of the BBS (Behaviour Based Safety) protocol was launched, which provides for an increase in workers' awareness of safe behaviour to be adopted in all work phases of the Company's production processes.

The Company considers sustainability to be a fundamental objective in its decisions. In fact, we consider that our contribution at business level, in line with the Company's specific mission and over and above achieving positive financial results, must offer benefits to the community, generating positive impacts in environmental and social terms.



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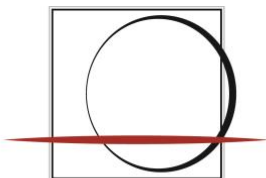
In terms of the custody chain, Poligrafico completed the implementation of a dedicated Management System, having passed the surveillance audit in December 2018, for the monitoring and implementation of the management system for the custody chain in accordance with the Forest Stewardship Council (FSC®) international standard.

In terms of income and profit, 2018 closed with particularly positive results, even exceeding the predefined targets:

- operating EBITDA reached € 178 million (approximately 39% of turnover);
- EBIT amounted to € 103 million, after the allocation of provisions to take account of potential business risks;
- the profit for the year was € 57 million, after taxes for the year of € 46 million;
- the self-financing capacity, together with the liquidity ratios, remains particularly positive and allows the Company to face with certainty the demanding current and prospective plan of technical, ICT and property investments, as well as deferred-income strategic plans.

The only area of uncertainty remains the lack of approval from the Ministry of the Economy and Finance for the receivables relating to the supply of plain paper (2006-2018) and related transport costs (2002-2006), which amount to, net of advances received, € 121 million with related VAT to be paid of € 78 million. It should be noted that funds have been set aside for transport costs, net of VAT. The dispute between Poligrafico and Unicredit Factoring remains open as regards these amounts. The first phase of the proceedings was completed in September 2017, with a favourable outcome for Poligrafico, which took steps to recover the aforementioned amounts paid, plus interest accrued. These amounts were recovered in 2018, although Unicredit Factoring appealed against the relevant decisions.

In October 2018, the Board of Directors approved the 2019-2021 Business Plan, which, in terms of objectives and strategies, is deeply consistent with that envisaged, and implemented in recent years and identifies the path forward to further strengthen the Company's role as guarantor of the public faith. The initiatives implemented through the programme for renewal of the technological level of production assets and the strengthening of internal skills, have been based on consolidating this role and developing the industrial structure of Poligrafico towards a model capable of combining, in a Technological Centre of Excellence, an advanced factory, multi-sided digital platforms and "best in class" IT infrastructure. In line with its mission as guarantor of the public faith, Poligrafico will continue to play an important role in Italy as regards the protection



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

of the interests of the general public, in terms of: protecting the physical and digital identity of citizens, the fight against counterfeiting, acceleration of the digitisation of the country; treatment of sensitive information and valuation of the national artistic heritage, with particular reference to metal and graphic arts.

The strategic objective for the next three years will be to make the current development pervasive, transferring the positive effects of this process of innovation to the benefit of the general public, where possible without additional burdens for the economy, including through a partial revision of the price system.

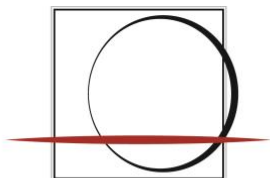
These benefits will be realised through a continuous strengthening of the product mix with value-added services designed to increase the accessibility and use of Poligrafico products by customers and citizens, through the constant adaptation of solutions to the highest safety standards available, through the development of new market opportunities for the benefit of business competitiveness.

To this end, the Company will continue the management actions already undertaken in terms of: enriching the wealth of professional and organisational skills, enhancing the technical and technological heritage whilst respecting the guidelines of business innovation and development, constant orientation towards improvement and quality, integrated vision between business and profit objectives and those relating to social and environmental sustainability. It will also continue to strive for an integrated vision of its operating methods, combining specific business and profit objectives with those of benefit to the community (implicit in the company mission and the features of the services and products provided) and social and environmental responsibility, including the preparation of a specific report.

We are confident that the business objectives laid out will give a further boost to the virtuous path undertaken by your Company and strengthen its capacity to operate under market conditions and with the highest standards of innovation, pursuing goals of public interest.

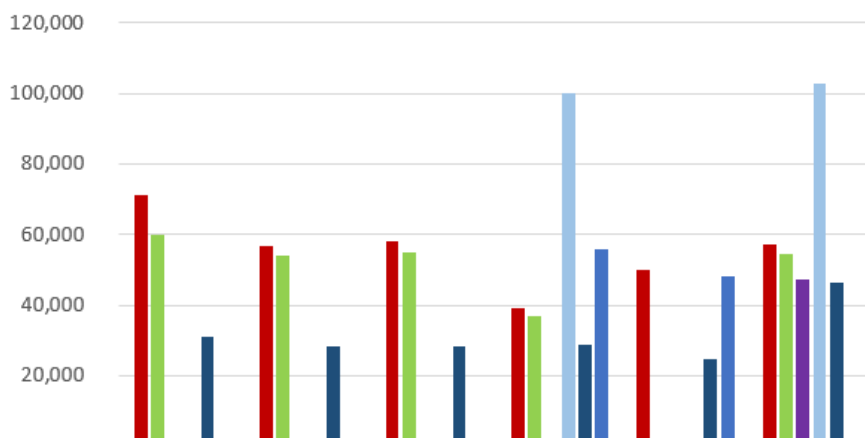
The determination shown by management and personnel will be highly important and, as always, we count upon our Shareholders' faith in us and in the people working with us who work hard every day to contribute to the Company's results.

To all we wish to express our sincere thanks for having made Poligrafico better, and for having provided a better service to the public and to the Public Administrations.



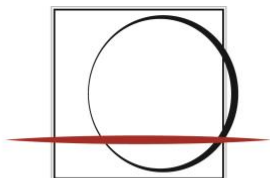
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Resources generated in the 2013-2018 period



	2013	2014	2015	2016	2017	2018
net income for the year	71,075	56,616	57,900	38,958	49,765	57,358
ordinary dividend	60,000	53,800	55,000	37,000		54,490
dividend distribution related to 2017 retained earning						47,277
extraordinary dividend				100,000		102,723
Income taxes	31,077	28,489	28,389	28,891	24,796	46,328
MEF receivable depreciation				56,000	48,000	

total resources generated	91,077	82,289	83,389	221,891	72,796	250,818
total resources distributed	91,077	82,289	83,389	165,891	24,796	250,818
total general resources distributed 2013-2018						698,260



Summary of results for the year

In 2018, Poligrafico achieved a turnover of € 460 million, up 23.5% on 2017. The following were recorded in particular:

- a positive performance for electronic passports, ID cards, electoral material, wine and alcoholic beverage markings, Official Gazette inserts, the minting of legal tender and coin collections;
- a consistent performance for pharmaceutical stamps and the lottery;
- a negative trend for medical prescription pads, registration plates, revenue stamps and postage stamps, tobacco tags, alcoholic beverage markings and the RAI contract.

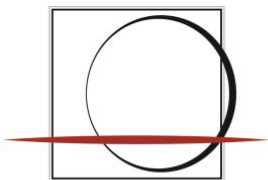
The breakdown of turnover in the main business segments is as follows:

<i>(values in €m)</i>				
Turnover	2018	2017	Change	%
ID documents	183.14	107.45	75.69	70.44
Security prints	112.29	118.90	(6.61)	(5.56)
Registration plates	60.33	64.80	(4.47)	(6.90)
Electoral graphics	31.59	10.00	21.59	215.90
Legal and Administrative	34.47	31.84	2.63	8.26
Minting, coin collections and medallions	33.71	37.49	(3.78)	(10.08)
Other activities	4.16	2.09	2.07	99.04
Total	459.69	372.57	87.12	23.38

Specifically:

ID documents

2018 can be considered a year of full implementation of new highly strategic projects; in particular, 2018 saw the continuation of the rollout plan for the new Electronic ID Cards with coverage of approximately 8,000 Italian Municipal Authorities and with the delivery of more than 5.4 million documents compared to 1.2 in 2017, with a total turnover of € 75 million. During 2018, several initiatives were launched to promote the Electronic ID Card as a platform enabling the provision of physical and digital services, capable of considerably extending the levels of security in identity control and authentication to access them.



In particular, development has begun that will allow for the use of the EIC as a tool for access to services provided over the internet, through fixed workstations as well as through mobile terminals. In this regard, the EIC is currently going through the notification process to be recognised as an identification tool at European level, in compliance with the requirements of EU Regulation No 910/2014, the so-called eIDAS (electronic IDentification authentication and signature). Once the notification process has been completed, it will therefore be possible to use the EIC as a tool for secure access to services provided by public and private entities not only in Italy, but in all EU countries. The EIC meets the requirements of the highest level of eIDAS security - Level of Assurance 3. In this respect, Poligrafico has further consolidated its close partnership with the Digital Transformation Team of the Prime Minister's Office and the Digital Italy Agency.

Issue of the new residence permit (PSE 380) continued in compliance with Regulation (EC) 380/2008 at all magistrates courts in Italy. Over 1.2 million residence permits were delivered in 2018, up slightly on the 2017 figure. The work of the Interministerial Commission is underway, as regards the monitoring of the PSE project for the finalisation of the adjustments of the residence permit model in accordance with the provisions of EU Regulation No 1954/2017, which must be implemented by March 2020.

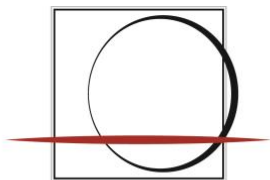
The electronic passport experienced a positive trend in 2018, with the delivery of more than 2 million documents for magistrates courts, police stations, embassies and consulates, with a growth of more than 10% compared to 2017.

During the year, in the technological field, the Central and Security Systems for the Issuance of Electronic Passports and Residence Permits was implemented at the Disaster Recovery site in Bari.

The analysis for the finalisation of the technical requirements for the new peripheral infrastructures relating to Electronic Passports and Residence Permits, which must be installed by the second half of 2020, has been initiated.

As requested by the Ministry of the Interior, work is underway to obtain the ISO 27001 security certification for the Public Key Infrastructure, for verifying documents held at the CEN in Naples.

Public administrations continue to be interested in Poligrafico products, such as ATe cards, personal ID cards in electronic format. In this regard, the Decree of the Ministry of Agriculture, Food and Forestry Policies and Tourism of 18 December 2018 was published, establishing an electronic card for the staff of the Central Inspectorate for



Quality Protection and Fraud Repression in Agricultural and Food Products (*Ispettorato centrale della tutela della qualità e della repressione delle frodi dei prodotti agroalimentari - ICQRF*).

Registration plates

2018 saw a slight decrease in car registrations (1,950,000 cars), down 2.5% on the previous year, which had a negative impact on deliveries, with an 8% drop in turnover to approximately € 54 million.

The delivery performance of registration plates for motor vehicles and motorcycles went against the trend, achieving turnover of over € 4.0 million.

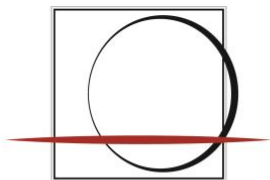
Security prints

Turnover of tobacco tags, € 7.3 million (-10% compared to last year), has suffered from a reduction in supply, due to lower demand from the Customs and Monopolies Agency, as a result of the need to dispose of stocks, following the introduction of a new tag in November 2018. The new markings have been created in accordance with the requirements of the regulations implementing the directive on the traceability of tobacco, both in terms of elements of security prints and formats (a change from a single universal format to three different formats, intended for packaging of different sizes and graphics characteristics).

The demand for DOC and DOCG wine markings continued to rise, with a structural increase in turnover that in 2018 reached over € 13.8 million (+9% compared to 2017), due in part to the adoption of protection markings by some of the DOC designated origin holders. In particular, there was a significant increase in requirements generated by the adoption of markings through the newly established *Pinot Grigio delle Venezie* DOC designation, which contributes annually with a share of more than 150 million markings. A similar development is expected in 2019 following the adoption of the markings from the Abruzzo consortium DOC designations. For the management of 2020 requirements, an updated version of the wine markings section of the Single Values Portal (*Portale Unico Valori*) has been released.

For alcohol markings, demand fell due to the lower requirements of the Customs and Monopolies Agency, a demand influenced by the disposal of stock, in view of the introduction of the new markings scheduled for 2019. Turnover totalled € 7.3 million in 2018, with a decrease of more than € 2.5 million compared to 2017.

The revenue stamps and postage stamps segment, with a turnover of € 2 million, saw a further significant decline (-30%) compared to the previous year due to a market that continues to feel the effects of technological development in the sector and the



behaviours of the Poste Italiane customer, with the adoption of electronic franking to replace traditional postage stamps.

The negative trend of medical prescription pads continues, with a turnover of € 4.1 million, marking a 20% decrease compared to last year. The decrease is due to the continuous and gradual spread of electronic prescriptions, and to the disposal of stocks held by the Regions and Autonomous Provinces.

With reference to pharmaceutical stamps, the quantities delivered remained at particularly high levels (2.4 billion), but substantially constant in terms of turnover (€ 59 million), compared to 2017. During the year, the use of the new Stamps Portal was consolidated, as the only tool for managing orders with monitoring of the production, delivery and after-sales management phases.

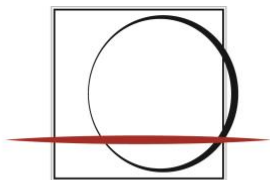
The turnover of Lottery ticket receipts (approximately € 6.5 million) was in line with 2017.

In terms of product traceability, Poligrafico continued its project planning activities and the related sensitisation of institutions and public opinion, designed to acquire new contracts in the agri-food industry and other product segments, where the risk of counterfeit is high.

Particular emphasis was placed on the protection of Italian quality production, with the initiation of a collaboration with CSQA Certificazioni, the Italian certification company for the agri-food sector, aimed at extending the model of wine markings to the geographical indications of the agri-food sector. The agreement envisages the implementation of testing of the model with a number of the most important Italian geographical indications.

Electoral graphics

In 2018, general elections were held (4 March 2018), as well as administrative elections for the regions of Lazio, Lombardy and Molise, and a number of popular referendums. Electoral rounds were held in a catchment area of more than 65 million voters (general elections alone involved some 47 million voters). The turnover amounted to € 23.5 million. The main innovation introduced by the new Electoral Law (Law No 165 of 3 November 2017) was the adoption of the anti-fraud slip, used only for general elections, in order to combat the phenomenon of the so-called "ballerina card" or the possibility that within the voting booth, pre-completed cards are used, replacing those received by the Chair of the polling station. The solution adopted involves the introduction of an attachment to the card, equipped with a perforation, on which an irremovable security



element has been inserted, produced by Poligrafico, and affixed by the Chair of the polling station when validating the voting cards.

The security element, referred to as the "anti-fraud stamp", is made of adhesive watermarked paper and has columning that makes the stamp unusable in the event of removal. Approximately 210 million units were produced at the Foggia plant. Each polling station received, through the Prefectures, a reel containing 3,000 stamps with a unique serial number composed of the abbreviation of the province and an 8-digit sequential number.

Turnover from publications and forms amounted to € 6.8 million, following the creation and publication of the Italian Constitution booklets to celebrate its 70th anniversary. At the request of the MIUR, as part of the celebrations for the 70th anniversary of the Italian Constitution, the booklets, with over 8 million copies, were distributed as a gift to the entire student population.

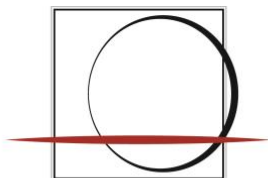
Legal and Administrative

Turnover benefited positively from the increase in the number of ads (+12%), recording an overall increase in terms of revenues of approximately 8%. Activities to gather ads via web interface continued, allowing individuals requiring inserts to interact directly with Poligrafico, now accounting for 91% of total inserts managed.

As in previous years, the consideration paid to Poligrafico by the MEF for the management of the online Official Gazette was confirmed at € 4 million.

As regards judicial databases, work continued on the management of the "Normattiva" project, which allows members of the public to access the contents of regulatory acts with the option of displaying the original version of the text or with any amendments displayed in chronological order, or even in force at a date specified by the user, thereby enhancing supply in the web-based segment supporting Public Administration and the public. Following the integration of the Official Gazette database with the numbered and unnumbered regulatory acts published since 1861 into the textual version originally published, in 2018 the numbered acts published in the Official Gazette from 1861 to 1935 were released in a "multi-version" format, as provided for in the relative Agreement signed with the Prime Minister's Office.

Again in the field of judicial databases, analysis has begun for the creation of a Unified Portal for judicial-legal data, which starting from the assets already available to Poligrafico in its legislative function as printer/manager of the Official Gazette, has as its ultimate goal - through the completion of resident judicial databases, integration with



external databases and editorial activities - the creation of a Portal for free consultation by Public Administrations, businesses and citizens.

In 2018, development, implementation and maintenance continued of other Information Portals along with dematerialisation services, provided by Poligrafico for Public Administrations.

Among the activities worth mentioning from 2018 are:

- the signing of the Memorandum of Understanding between MEF, MiSE, MiBAC and Poligrafico for the construction of a single Italian museum complex for banknotes and coins;
- discussions with the AIFA on the finalisation of a framework convention to encourage the dematerialisation and integration of information systems and the strengthening and encouragement of activities to prevent and combat the counterfeiting of medicines;
- the signing of the Executive Agreements with the CSM with regards to the Project for the dematerialisation and obscuration of sentences and disciplinary orders and the Project for the Cataloguing of anti-mafia documentation;
- discussions with the Scientific Police Department as regards the Project for the dematerialisation of the photo-signalling card.

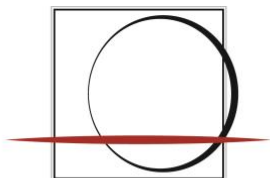
Minting, coin collections and medallions

For 2018, the Ministry of the Economy and Finance requested the minting of a contingent of 320 million coins intended for circulation with a clear reduction compared to 520 million in the previous year; during the year, a number of additions were received which led to orders being placed in 2018, for up to a total of 354 million coins.

The decrease in demand was due to Italy's suspension of the issue of one and two Eurocent coins, as provided for in Italian Legislative Decree No 50/2017.

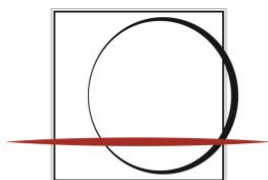
Of the 2018 contingent, a total of 224 million coins were delivered, to which 136 million from the previous year's contingent were added. The total quantity of coins delivered was down on the previous year at 360 million (502 million in 2017). Production of the contingent was completed in December 2018 to facilitate the start-up of preliminary activities for 2019 minting.

In 2018 the Italian coin collecting sector saw an increase in turnover (€ 3.2 million compared with € 2.7 million in 2017) thanks to the timetable of releases starting in January, and a busy plan of events/communications, which enabled a reversal of the trend in the sector.



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New commercial initiatives should also be noted, which have made it possible to expand the scope of *Zecca* activities through participation in tenders and new projects. These include the supply of coin planchets to Ireland, obtained following the award of the European tender; the continuation of the supply of coins for the Republic of Slovenia in 2018/2019 and finally the introduction of the identification tags created for the Customs and Monopolies Agency.



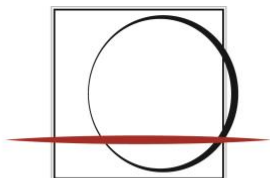
Analysis of the financial position, results and financial structure

The income statement, reclassified according to the nature of items and illustrated below, shows net profit for the year of € 57.4 million, after having made provisions for € 50 million and after recognising income taxes for the year of € 46.3 million.

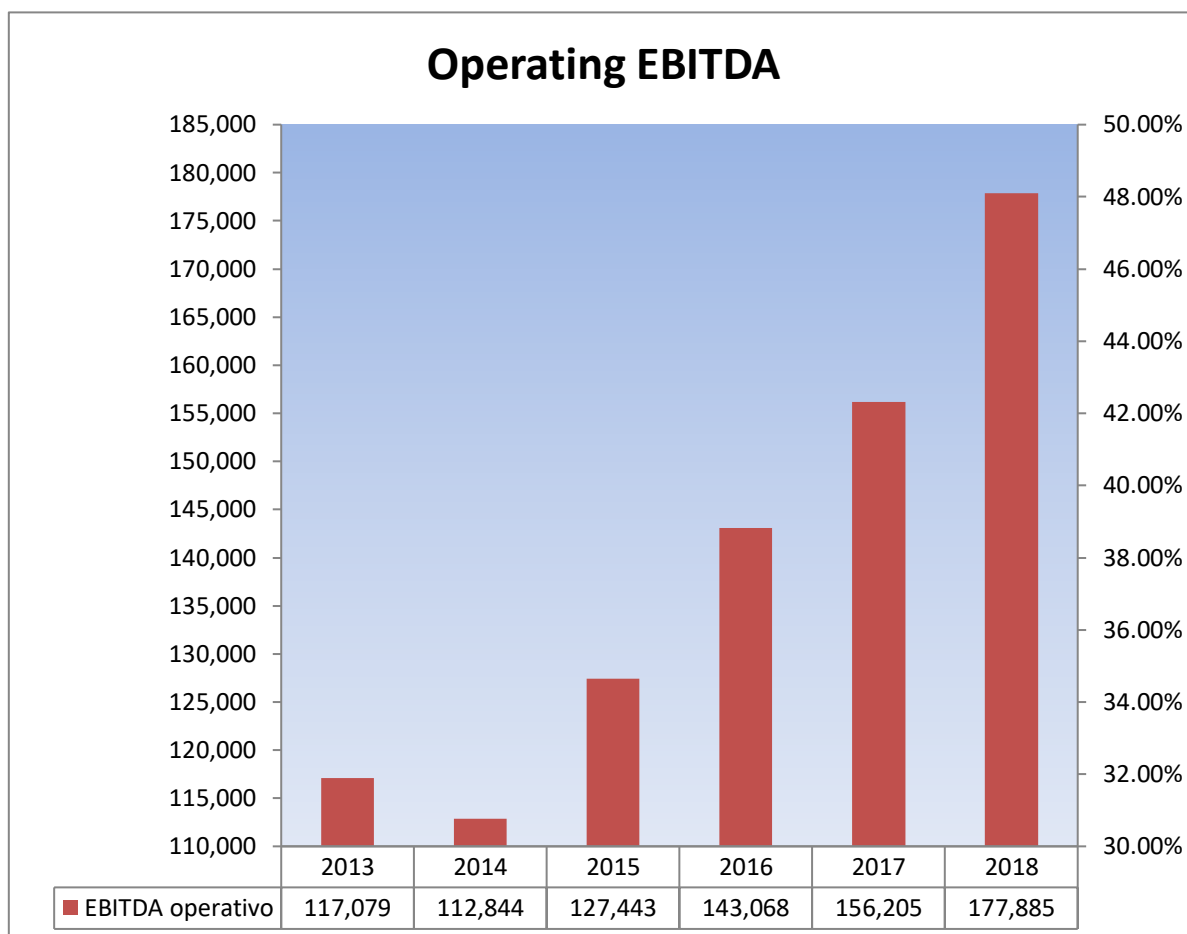
Reclassified income statement (values in €/000)	2018	2017	Changes
Revenues from sales and services	459,694	372,574	87,120
Change in inventories of work in progress, semi-finished and finished products	1,771	21,307	(19,536)
Change in contract work in progress	0	(10,738)	10,738
Production for the year	461,465	383,143	78,322
Acquisition of raw materials, consumables and goods for resale	(71,459)	(60,845)	(10,614)
Change in inventories of raw materials	5,197	3,094	2,103
Services	(106,672)	(64,574)	(42,098)
Use of third party assets	(2,191)	(1,786)	(405)
Other operating costs	(6,987)	(4,786)	(2,201)
Other revenues and income	5,220	11,753	(6,533)
Value-added	284,573	265,999	18,574
Personnel costs	(104,068)	(98,748)	(5,320)
EBITDA	180,505	167,251	13,254
<i>Amortisation/depreciation:</i>			
Intangible assets	(4,107)	(2,494)	(1,613)
Tangible assets	(23,092)	(20,782)	(2,310)
Provisions and write-down of receivables classed as current assets	0	(52,142)	52,142
EBIT before provisions	153,306	91,833	61,473
Extraordinary provisions for risks	(50,000)	(22,000)	(28,000)
EBIT after provisions	103,306	69,833	33,473
Financial income	6,317	5,042	1,275
Interest and other financial charges	(5,937)	(314)	(5,623)
Profit before tax	103,686	74,561	29,125
Taxes for the year	(46,328)	(24,796)	(21,532)
Profit for the year	57,358	49,765	7,593

EBITDA reached € 181 million, up from 2017, and represents around 39% of turnover, whilst EBIT, before provisions for risks, represents approximately 33% of the year's business volume and reached € 153 million.

Operating EBITDA (excluding, therefore, the non-recurring economic components of the company's operations) also recorded a positive performance in absolute terms,

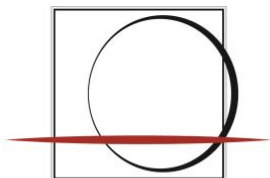


increasing from € 156 million in 2017 to € 178 million in 2018, but down as a percentage of turnover. In fact, the increase in turnover has led to an increase in costs (raw materials and electronic document services) related to the volumes generated. Furthermore, costs related to investments for the period that cannot be capitalised are on the rise.



Through a logic of continuity with the actions undertaken in previous years, the actions carried out in terms of organisational streamlining of manufacturing processes and support activities, strategic insourcing decisions regarding certain activities, and the watchful and proactive management of goods and services procurement processes, have led to the achievement of positive results, as shown by the financial ratios.

During the year, intense activity continued for the control and rationalisation of costs for goods and service purchases so as to ensure affordable, quality conditions in line with the general policy of spending review, through the expansion of awards via



competitive tenders and improvement of the budgeting process with aggregation of the internal demand. In percentage terms, these elements have made it possible to maintain steady the impact of the purchase costs of materials (15.4%), while the impact of services (23%) increased compared to production for the year.

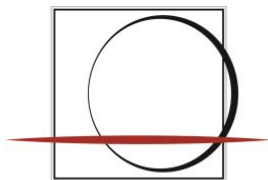
In addition to previous comments on the turnover for all the other main aggregates, note the following:

- *costs of production* increased as a result of a significant increase in production volumes, partly offset by cost control action, the effects of insourcing and public tender procedures, and inventory rationalisation. In particular, the costs for the purchase of raw materials linked to the production of security documents, expenses for the management of the electoral contract, postal costs for the delivery of the Electronic ID Card and all those services in some way related to the investments for the period, and not capitalised, increased;
- *value added*, amounting to € 285 million, represents around 62% of production for the year;
- *labour costs* (€ 104.1 million), up on the previous period (approximately 5.4%), due to the management initiatives implemented by the Company to rationalise and renew its workforce, which was partly offset by turnover of personnel, in favour of young employees at a lower cost to the company. In line with the Plan objectives and the production and technology innovation process under way in all production sectors, the professional and generational renewal programme continued, designed to create the conditions for a more suitable organisational structure.

In 2018, 112 employees left the company and 145 were recruited, in addition to one reinstatement.

EBITDA stood at € 181 million, up by around 8% on 2017 and, as a result of the changes referred to above, accounting for around 40% of the production for the year;

- *amortisation, depreciation, and provisions* for the year totalled over € 27 million. The amortisation and depreciation reflect the contribution of investments in the reporting period;
- *provisions for risks and charges*, for € 50 million, refer to the adjustment to risk provisions in relation to activities, pending finalisation, for environmental restoration of the Foggia plant, as well as for property consolidation and safety works and company restructuring;
- the financial market conditions, characterised by short-term banking interest rates of near zero, had an impact *on the financial management balance*: the returns achieved



on demand and term loans of liquidity temporarily available were markedly down. Given the situation described above, the Company was able to record positive closing returns by opening restricted short-term current accounts that minimised the risks yet earned interest. This balance is affected, however, by the charges relating to the loan granted by Deutsche Pfandbriefbank Ag, associated with the structured loan facility arranged in 2003. This amount was neutralised up to 31 December 2017 by the presence of a specific risk provision. Having assessed the nature of the provision, at the end of 2017 the Company decided to dissolve the remaining amount.

During the year, the amounts (plus interest) involved in the dispute with Unicredit Factoring were recovered. Considering that at 31 December 2018 the appeal proceedings are pending, the company has prudently decided to set aside the amounts received as interest. At the hearing of 5 February 2019, the statutory deadline for filing final statements and replies was set;

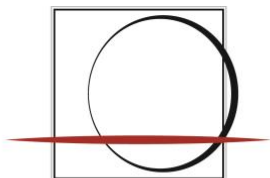
- *income taxes* refer to IRES of € 38.4 million and IRAP of € 7.9 million. This item includes income taxes (IRES 24%) and taxes on production activities (IRAP 4.82% for Lazio and Puglia and 3.9% for Valle d'Aosta) for the year. No provision was made for deferred taxation and there were no changes that led to an adjustment of the amount already allocated.

The tax burden is particularly costly due to the adjustment of the bad debt provision deductible for tax purposes to the amount of receivables as at 31 December; receivables that have decreased following the finalisation of part of the past items with the MEF. This operation led to an increase in the amount deducted in previous years as a write-down. Furthermore, among the increases for IRES purposes, the accrual to the provisions for risks, an item not deductible for tax purposes, is significant.

Among the decreases, it is worth noting the positive impact generated by the use of the provisions for risks (due to the materialisation of the expenses for which they were allocated), as well as by the introduction of the recent "Industria 4.0" concession, known as "hyper-amortisation", which Poligrafico has been able to access thanks to the certification, within the investments made in the 2017-2018 period, of certain assets, eligible as they comply with the requirements of the regulations. In fact, in 2018, once the interconnection of the assets was guaranteed, it was possible to obtain the certificate of conformity issued by a certification body.

This applies in particular to the following assets:

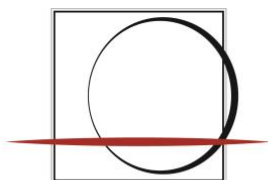
- 3 EIC packaging plants, for a total investment of around € 1.2 million;



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- 1 Automatic Register for the lottery, for the amount of € 44 thousand.
Hyper-amortisation allows for a 150% increase, for tax purposes only, of the purchase cost of certain operating assets considered highly technological, whilst deducting higher depreciation rates. As a result of this concession, the tax benefit (IRES) calculated for the period in question amounts to approximately € 68 thousand, calculated as follows:

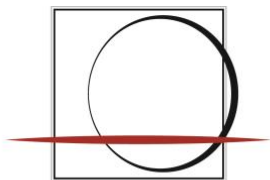
Description	Historical cost	150% increase	hyper-amortisation	Tax Savings
3 EIC packaging systems	1,250	1,875	270	65
1 Lottery Register system	44	66	13	3
Total tax savings (IRES 24%)				68



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The Balance Sheet was reclassified as illustrated in the following table, highlighting the balances for 2018 compared to those of the previous year.

Capital structure analysis (Values in euro/000)	31-Dec-18	31-Dec-17	Changes
<i>Subscribed capital unpaid</i>	0	32,817	(32,817)
<i>Fixed assets:</i>			
intangible	5,851	3,221	2,630
tangible	194,047	130,543	63,504
financial:			
- equity investments	24,579	24,548	31
- capital expenditure not yet paid	(15,750)	(15,750)	0
- receivables and other securities	17,399	27,720	(10,321)
<i>subtotal financial fixed assets</i>	<i>26,228</i>	<i>36,518</i>	<i>(10,290)</i>
<i>Total fixed assets</i>	226,126	170,282	55,844
<i>Working capital:</i>			
Inventories	63,927	57,949	5,978
Trade receivables	41,822	44,577	(2,755)
Receivables from subsidiaries	154,678	617,710	(463,032)
Receivables from shareholders due in the next financial year	32,817	32,817	0
Tax receivables	25,289	28,739	(3,450)
Other assets	1,614	4,940	(3,326)
Accruals and deferrals	4,996	5,311	(315)
Trade payables	(144,857)	(61,265)	(83,592)
Payables to subsidiaries	(121,105)	(113,760)	(7,345)
Tax and social security payables	(137,208)	(470,162)	332,954
Provisions for risks and charges	(193,997)	(158,160)	(35,837)
Other liabilities	(14,947)	(13,786)	(1,161)
<i>Total working capital</i>	(286,971)	(25,090)	(261,881)
Invested capital (less current liabilities)	(60,845)	178,009	(238,854)
Post-employment benefits	(18,580)	(21,136)	2,556
Net capital (less liabilities for post-employment benefits)	(79,425)	156,873	(236,298)
Funded from:			
<i>Own funds:</i>			
Share capital	340,000	340,000	0
Reserves and retained earnings	72,726	172,962	(100,236)
Profit for the period/year	57,358	49,765	7,593
<i>Total own funds</i>	470,084	562,727	(92,643)
<i>Medium/Long-term borrowings</i>	5,161	36,870	(31,709)
<i>Short-term borrowings (net cash and cash equivalents):</i>			
Net debt	31,709	30,334	1,375
Cash, cash equivalents and current financial receivables	(586,379)	(473,058)	(113,321)
<i>Total net cash and cash equivalents</i>	(554,670)	(442,724)	(111,946)
Total funding	(79,425)	156,873	(236,298)



The most significant changes and balance sheet assets and liabilities referred to: *subscribed capital unpaid* due from the shareholder, the Ministry of the Economy and Finance: this item referred to the medium/long-term portion of these receivables. Zeroed at 31 December, as the last instalment to be paid in 2019 is included in current assets.

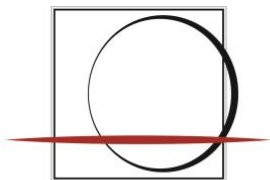
Fixed assets totalled € 226 million, markedly up on 2017 due to the following trends:

- *intangible assets*: € 5.8 million, up € 2.6 million on 2017. During the year, software programmes and licences were capitalised (€ 6.7 million), whilst the amortisation for the year was € 4.1 million;
- *tangible assets*: € 194 million compared to € 130.5 million in 2017. Investments during the year amounted to € 89 million, depreciation to € 23.5 million and disposals, sales and reclassifications to € 177 thousand. Lastly, the change in advances paid to suppliers amounted to € 1.5 million. For a detailed analysis of investments, please refer to the relevant section on Investments.

As a result of the application of OIC 16, tangible assets no longer used in the production cycle and held for sale were reclassified among current assets and measured at the lower between the net book value and the estimated realisable amount, as deduced from market trends.

- *financial assets*: € 26.2 million (€ 36.5 million in 2017). The change is due to the disposal of part of the BTP treasury bonds present in the company's portfolio through natural maturity (€ 10 million). There was a decrease in receivables classed as fixed assets under the collective policy that provides insurance cover for the post-employment benefits of personnel in the office staff categories, already included at 31 December 1985 in the policy taken out pursuant to Royal Law Decree No 5 of 8 January 1942, converted to Law No 1251 of 2 October 1942. Arrangements were also made to adjust the value of the investment in the subsidiary *Innovazione e Progetti* (in liquidation), to take into account the negative results achieved, carrying out a write-down of Euro 69 thousand.

In September, the liquidator of *Verrès SpA* (in liquidation), completed all the transactions required to close the liquidation. After the legal deadline, the company was removed from the companies register (28 December 2018). The equity investment has already been written-down in previous years, therefore the assets recognised in the allocation plan have been charged to partial repayment of the share capital, credited in the first few days of 2019.



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- *The working capital* was negative for € 287 million following the settlement of receivables from the parent company for the years 2007-2017, for the supply of banknotes, postage stamps and electronic documents, and for the years 2002-2005 for the supply of common prints and the increase in payables to suppliers, related parties and provisions for risks. In particular:
- *inventories*: € 64 million, up on the previous year due to the higher quantities of raw materials for the production of electronic documents, semi-finished products relating to electronic documents, paper produced, car and motorcycle registration plates and coinage. The “inventories” item also includes corporate assets no longer used in the production cycle and measured at the lower between the residual value and their estimated realisable value (€ 157 thousand);
- *trade receivables and other assets*: € 236 million, down by € 469 million and comprising trade receivables and receivables from customers, parent companies, associates, subsidiaries and related parties.

In March the statements on postage stamps for 2007-2011 were approved.

Law No 111 of 28 September 2018 on "Provisions for the adjustment of the State budget for 2018" published in the Official Gazette of 28 September 2018, allowed for the disbursement, in November, of approximately € 512 million to cover past debts:

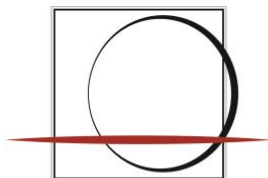
- common prints 2002 - 2005 for € 45.7 million;
- banknotes, stamps and electronic documents for € 466.5 million.

Furthermore, taking into account the insufficient amounts allocated for 2018 compared to deliveries, an additional € 117 million was provided to cover these receivables, attributable to the supply of banknotes, passports, residence permits and paper ID cards.

Following these collections, the statements for the years 2007-2017 for the supply of banknotes and security documents, 2012-2017 for postage stamps and the years 2002-2005 for the supply of common prints, net of transport costs, were closed.

These receivables also include the last amount due for the payment to be received from the Shareholder.

- *tax receivables*: € 25.2 million in taxes for which reimbursement has been requested and for which deferred-tax assets have been paid;
- *trade payables and other liabilities*: € 281 million, which has increased due to greater purchases and investments made during the year. This item includes trade payables, payables to subsidiaries, associates, parent company, related parties, employees and to social security and welfare institutions for related contributions. In addition, this



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item includes the payable due to the Ministry of the Economy and Finance relating to funding disbursed this year to pay the injunction orders of Unicredit Factoring against Omnia Logistic invoices as part of the transport service for 2002-2006;

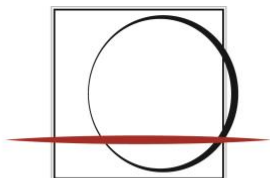
Moreover, as already mentioned, during the year, following the collection of around € 34 million by the counterparty Unicredit Factoring, the supplier's credit positions were reopened.

- *tax and social security payables*: € 137 million, down by around € 333 million; the change is due to the payment of VAT debt for more than € 300 million. The approval of the 2007-2017 statements for banknotes and 2002-2005 statements for common prints resulted in the payment of more than 300 million in VAT. Finally, this item includes withholdings on employee income and similar for December, paid in January 2019;
- *other provisions for risks and charges*: € 194 million, net of utilisations (€ 14 million) and provisions of € 50 million. The provisions were determined through a prudential calculation of potential liabilities that could arise from the settlement of trade and industrial positions as well as the potential inexistence of assets. In particular, this provision refers to: returns on contracts relating to the supply of security documents, registration plates and pharmaceutical stamps; charges relating to contracts in progress for which costs to be incurred in future years are estimated; restructuring costs to cover the estimated costs to be incurred for planned streamlining of the production sites and for the modernisation and safety-related works on the various premises.

Net financial position: positive for € 549.5 million. During the year an extraordinary dividend of € 103 million was paid in addition to the ordinary dividend of € 47 million. In addition, VAT was paid on all supplies and services for over € 400 million.

The net financial position comprises cash, cash equivalents and current financial receivables for € 586.4 million, short-term borrowings for € 32 million and medium/long-term borrowings for € 5.2 million. In particular:

- € 31.4 million refers to the structured loan facility transaction carried out in 2003 with Deutsche Pfandbriefbank Ag against annuities to be collected from the MEF. Their natural balancing entry is therefore the receivable due from the State for subscribed capital unpaid, principal and interest, for a total of € 32.8 million. The entire transaction will be completed during 2019;

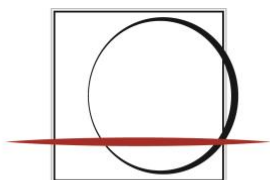


POLIGRAFICO E ZECCA DELLO STATO ITALIANO

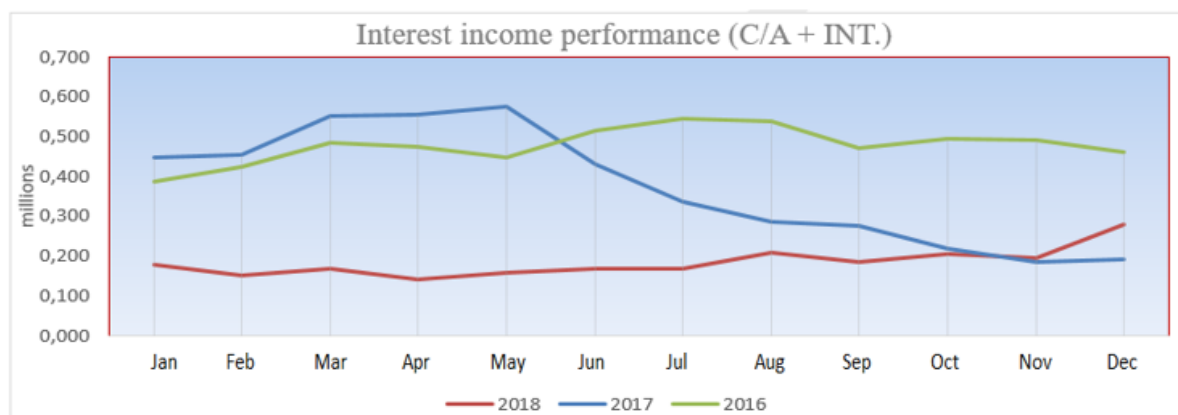
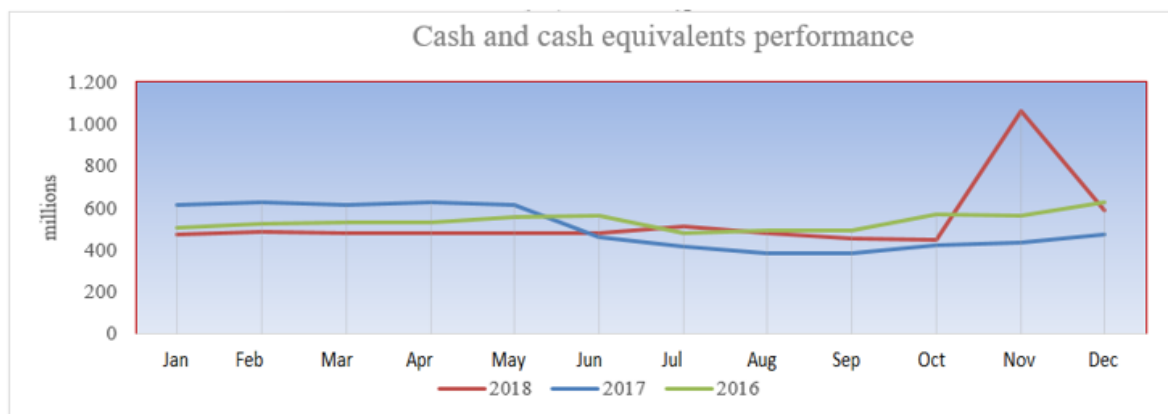
- € 5.3 million (€ 5.1 million due beyond 1 year and € 0.2 million within 1 year) refer to the residual debt on loans granted by Cassa Depositi e Prestiti and maturing on 31 December 2035;
- € 0.2 million (€ 0.1 million due beyond 1 year and € 60 thousand within 1 year) refer to the loan agreed in previous years by the merged entity Bimospa to construct the photovoltaic plant.

Net financial position	31-Dec-2018			31-Dec-2017
<i>(value in €/000)</i>	Within 1 year	Beyond 1 year	Total	Total
Cash, cash equivalents and current financial receivables	586,379		586,379	473,058
Payables:				
to banks	(118)	(60)	(178)	(292)
to other lenders	(31,591)	(5,101)	(36,692)	(66,912)
Total	554,670	(5,161)	549,509	405,854

Financial resources	31-Dec-2018		31-Dec-2017	
<i>(value in €/000)</i>	Amount	Rate (%)	Amount	Rate (%)
Government securities	15,000	0.1	24,955	1.46
Liquidity at banks	585,639	0.57	472,428	0.51
Cash on hand	54		65	
Total	600,693		497,448	
Accrued interest not paid	686		565	
Total	601,379		498,013	

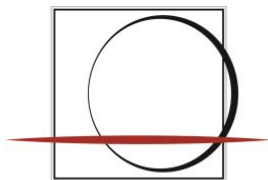


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The table below shows the main cash flow items:

Cash flow		
<i>Availability 31 December 2017</i>		<i>473,058</i>
Wages and Salaries		(61,736)
Taxes		(514,621)
Suppliers		(223,526)
Customers	1,019,699	
Dividend		(150,000)
Mortgage expense		(33,418)
Unpaid share capital	32,817	
Other receipts	33,456	
Financial transactions	10,649	
<i>Subtotal</i>	<i>1,096,621</i>	<i>(983,301)</i>
<i>Availability 31 December 2018</i>		<i>586,379</i>



Internal Control System and Regulatory Compliance *(pursuant to Article 6 of Italian Legislative Decree 175/2016, Report on Corporate Governance - Internal Control System, Code of Ethics)*

The internal control and risk management system comprises the set of rules, procedures and organisational structures that aim to identify, measure, manage and monitor the main risks. It contributes to company operations that are consistent with the business objectives defined by the Board of Directors, facilitating the adoption of reasoned decisions and helps to ensure protection of the corporate assets, the efficiency and effectiveness of company processes, the reliability of information provided to the corporate bodies and the market, compliance with laws and regulations as well as with the Articles of Association and internal procedures, as defined in the Corporate Governance Code issued by Borsa Italiana.

Poligrafico's present internal control system is the result of a series of integrations and updates with the aim of implementing a governance model that is increasingly advanced and in line with national reference models and best practices.

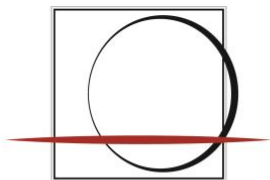
The internal control and risk management system generally involves all operating levels of the company and comprises the set of organisational structures, business practices and procedures that aim to ensure the pursuit of corporate strategies and achievement of the following:

- compliance with strategic and operating plans;
- compliance with internal and external regulations;
- effectiveness and efficiency of business processes;
- integrity and reliability of accounting and operating information;
- asset protection and prevention of crimes.

Management and personnel of Poligrafico are expected to systematically carry out self-diagnostics of the internal control system in their respective areas of responsibility.

The following levels of control are envisaged as part of the overall monitoring of the company control system, as support to Senior Management:

- first level, under the responsibility of operations management, which defines and manages the line controls intrinsic to the operating processes. These are procedural, ICT, financial and behavioural controls carried out by those undertaking a certain activity and by those responsible for supervising that activity. All corporate functions carry out these direct controls when managing operations under their responsibility;



- second level, which monitors the risk assessment and monitoring process, guaranteeing consistency with business objectives and satisfying organisational segregation criteria in a manner sufficient to allow effective monitoring. This area is the responsibility of a number of central monitoring and control functions such as the Chief Financial Officer, Quality, Safety and other forms of management system auditing as required by international standards (e.g. UNI EN ISO 9001:2015, OHSAS 18001:2007, etc.). These types normally do not meet the criteria of complete independence and are therefore considered valid as second level controls;
- third level, supervised by Internal Auditing, which provides independent assessments through general audit of the structure and operations of the internal controls.

The company's internal control and risk management system involves different bodies assigned specific roles and responsibilities as indicated below.

Board of Directors

The Board plays an absolute central role in the internal control and risk management system as it defines the fundamental aspects of the organisational, administrative and accounting structure and the guidelines for the internal control and risk management system, in such a way that the Company's main risks are correctly identified, measured, managed and monitored.

It has the full extent of powers necessary for administration of the Company, with the right to take all suitable action for achieving the corporate purpose except for any actions reserved by law and the Articles of Association for the Shareholders' Meeting.

Chairman of the Board of Directors

The Chairman operates within the duties assigned by law, the Articles of Association, the corporate governance system and delegated powers and, amongst other things, is required to chair and coordinate the work of the Board of Directors.

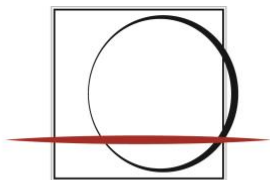
Chief Executive Officer

Appointed to oversee the operations of the internal control and risk management system, implementing guidelines defined by the Board of Directors.

Arranges the planning, implementation and management of the internal control and risk management system, constantly verifying its overall adequacy, effectiveness and efficiency.

Management

As part of its duties and in the achievement of related objectives, management guarantees the correct format and effective operations of the internal control and risk management system over time. To this end, also based on the risks managed, it



establishes specific control activities and monitoring processes designed to ensure the effectiveness and efficiency of the internal control and risk management system and to prevent/identify irregularities and/or fraudulent acts.

Board of Statutory Auditors

The Board of Statutory Auditors is called upon to supervise compliance with the law and the Articles of Association and with the principles of sound administration in carrying out business activities, and to monitor the effectiveness of the internal control system.

Independent Auditors

Perform the audit services pursuant to Article 2409-bis *et seq.* of the Italian Civil Code, and audit of the financial statements of Poligrafico.

Magistrate of the Court of Auditors

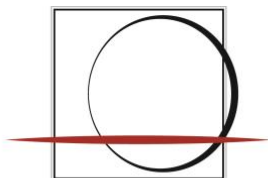
Poligrafico operations are subject to control by the Court of Auditors which, pursuant to Article 12 of Italian Law No 259 of 21 March 1958, reports to the Presidents of the two parliamentary chambers on the results of audits conducted.

Supervisory Body pursuant to Italian Legislative Decree 231/01

As part of the “Organisation, Management and Control Model”, Poligrafico has established a specific Supervisory Body - assigned independent powers of initiative and control - with the task of supervising the operations and compliance of the Model and to arrange its updating. The latest update to the Model was approved by the Board of Directors meeting of 16 December 2015 and takes into account the new legislation (Italian Law of 15/12/2014, Law 68/2015 “Provisions on environmental offences” and Law 69/2015 “Provisions on offences against Public Administration, mafia-like association and false accounting”), case law and organisational measures.

Composed of two external members and one internal member, who cannot be assigned operating duties, the Supervisory Body also guarantees monitoring of reports from third parties and the reports issued periodically by the company department managements involved in processes “at risk of crime”.

The Supervisory Body, appointed pursuant to Italian Legislative Decree 231/01, supervised the operations and compliance of the Model and guaranteed the monitoring of reports from third parties and reports received periodically from the managers of processes identified as “at risk of crime”. The activities carried out did not bring to light any cases that would require action in relation to the provisions of the Model and Code of Ethics of Poligrafico. In relation to activities under its responsibility, the Body issued periodic reports to the Board of Directors and other company control bodies (Board of



Statutory Auditors, etc.) on the performance of its activities, in line with provisions of the current Model and the Supervisory Body Regulations.

To guarantee the correct implementation of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001, the Corruption Prevention Plan pursuant to Law 190/2012 and the principles of the Code of Ethics, Poligrafico prepared an integrated information and training plan which was held in recent years without distinction for the organisational roles and responsibilities of attendees, with specific training activities designed to give full and correct disclosure and sensitise all employees on the contents of these documents, also taking into account any organisational changes.

Ethics Committee

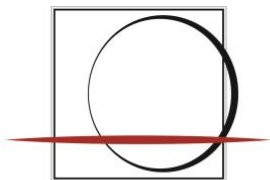
At its meeting of 16 December 2015, the Board of Directors approved the updated version of the Code of Ethics, which gathers the principles and rules of conduct adopted by the Company and which defines the general rules with which all persons working in the corporate context must comply.

Therefore, in implementation of Article 58 of the Code, at its meeting of 16 December 2015 the Board of Directors established a specific Ethics Committee. This Committee is a body with advisory and guidance duties and is composed of the *pro tempore* heads of the General Affairs, Legal and Purchasing Department, the Human Resources, Organisation and General Services Department and the Internal Auditing Department. The Ethics Committee is responsible in particular for monitoring the implementation and compliance with the principles of the Code of Ethics. The Committee has its own operating regulations and arranged the examination of reports received concerning alleged violations of the Code.

Chief Financial Officer pursuant to Italian Law 262/2005

By a specific amendment to the Articles of Association, as per the wishes of the Shareholder, Poligrafico introduced the role of Chief Financial Officer to its Governance model, responsible for:

- preparing suitable administrative and accounting procedures for presentation of the separate financial statements and all other financial disclosures;
- confirming the adequacy and effective application of these procedures during the year to which the documents refer, as well as their correspondence with the accounting records and entries and their reliability in providing a true and fair representation of the equity, economic and financial position of the company and, if consolidated financial statements are envisaged, of the group of companies included in the consolidation.



In line with provisions of the Articles of Association, during the year the Chief Financial Officer continued to review the administrative and accounting processes both to ensure the implementation of regulatory provisions (such as, by way of example, the extension of the obligation of electronic invoicing to transactions between private parties provided for by Law No 205 of 27 December 2017) that took place in 2018, with a view to strengthening the internal control system - where possible replacing manual controls with automatic controls or, where appropriate, envisaging control reports - and to improving the efficiency of the processes, automating repetitive and low value-added activities, facilitating the circulation of the necessary information, or by introducing suitable digital storage methods for accounting and tax records to ensure that such records have the authenticity, integrity, reliability, readability and availability required by law.

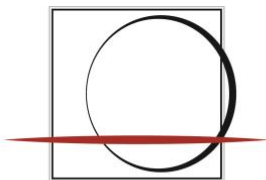
In fact, Poligrafico is committed to a process of constant updating of administrative and accounting processes, and review of the adequacy of the internal control in managing administrative and accounting risks.

Activities also continued during the year to assess business processes that have an impact on the financial statements, and therefore on the economic, equity and financial position of the company, to the limits of and consistent with the duties assigned by the Articles of Association. Given management's responsibility, as part of the company organisation, for the accuracy of data produced, its control and input in the related information flows, testing was carried out during the year to verify the effectiveness and efficiency of the controls, with particular regard to those to be carried out directly by the company process managers. The related results were disclosed to and analysed with the department managers responsible for maintaining the internal control system designed to guarantee the reliability of financial information.

For verification of the adequacy and actual operations of the control model adopted, the Chief Financial Officer also receives cooperation from the Internal Auditing Department.

Corruption Prevention and Transparency manager pursuant to Italian Law 190/2012

With regard to provisions on the prevention and repression of corruption and illegality in public administration pursuant to Italian Law 190/2012 and on transparency and disclosure obligations pursuant to Italian Legislative Decree 33/2013, on 22 September 2015 the Board of Directors appointed a single Corruption Prevention and Transparency Manager (CPTM). The CPTM has prepared the document updating Poligrafico's Corruption Prevention and Transparency Plan (CPT Plan), approved by the Board of



Directors at its meeting of 24 January 2018, which includes a specific section, obligations in matters of transparency, as envisaged by Article 10, paragraph 2 of Italian Legislative Decree 33/2013.

The Plan was prepared in compliance with guidelines indicated in the reference documents issued by ANAC and contains the general principles of conduct defined in the Code of Ethics and the measures and indicators which aim to prevent corruption pursuant to Law 190/2012, prepared by the CPTM and adopted by the company's governing body, integrating the prevention and control measures in reference to offences envisaged in articles 24 and 25 of Italian Legislative Decree 231/2001, specifically adopted in a separate document entitled "Organisation, Management and Control Model of Poligrafico".

The adoption procedure for the CPT Plan envisages the involvement of the entire organisational structure in the preparation/implementation stages of the anti-corruption measures and indicators and in the risk assessment/management/handling stage.

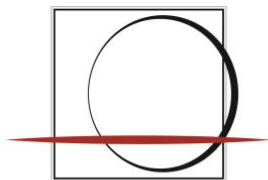
This plan constitutes the Poligrafico security programming document and contains the aims, institutions and guidelines prepared by the CPTM on the basis of information and data supplied by the relevant company heads of Department/Structure/Function.

In 2018, with support from the Compliance of Corruption Prevention and Transparency unit of the Internal Auditing Department, the CPTM supervised the operations and compliance with the Prevention Plan and compliance with the rules on incompatibility and non-transferable nature of duties pursuant to Legislative Decree No 39/2013. The CPTM also began monitoring the compliance with established deadlines, in relation to implementation of the prevention measures identified during interviews with the heads of Department/Function, for the purpose of preparing the 2018 Corruption Prevention and Transparency Plan.

Finally, to protect against the risk of corruption and in accordance with the relevant regulatory requirements, the Poligrafico Anti-Corruption Policy was prepared, approved by the Board of Directors at its meeting of 15 December 2016. The Policy establishes the goals pursued by Senior Management to prevent corruption, outlining the general principles and standards of conduct to be adopted in order to comply with external and internal regulations on corruption prevention and transparency.

Internal Auditing Department

The Internal Auditing Department is coordinated by the Chairman and reports directly to the Board of Directors, pursuant to the Articles of Association, and is not responsible for any operating activities.



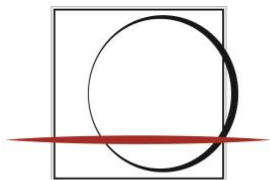
In line with the “Standards for the Professional Practice of Internal Audit”, issued by the Institute of Internal Auditors, the Internal Auditing Department is responsible for assisting the organisation in pursuing its objectives, providing support to Senior Management and department managers through independent and objective activities designed to assess and improve the control, risk management and corporate governance processes.

The Department assesses the overall adequacy of the internal control and risk management system by adopting a professional and systematic approach, taking into consideration the extent and specific nature of Poligrafico operations, making Senior Managers and management aware of any critical issues that could compromise the business objectives, promoting initiatives to continuously improve the control and risk management processes.

The annual audit plan is prepared on the basis of gradual coverage of the main business processes, to be implemented over the medium/long term, according to a risk analysis approach that ensures measurement of the adequacy of the overall internal control system and, amongst others, providing support in the audit plans of the Supervisory Body and the Control Prevention and Transparency Manager, as well as in obligations of the Chief Financial Officer.

The Department audits the significant processes through an integrated internal control and risk management assessment approach, adding to the tests to be carried out in various areas in order to cover the various compliance assessment needs under its responsibility, with the aim of reducing the impact of operations of the different organisational units of the company and maximising the audit coverage of business processes.

In 2018, the Internal Auditing Department of Poligrafico underwent an external Quality Assurance Review (QAR), through an independent external audit of the results of the internal self-assessment. The qualified external audit company, selected through a tender procedure, issued a "general compliance" report (maximum positive evaluation expected) of the Internal Audit structure and activities carried out by the Department with respect to the Standards and Code of Ethics issued by the worldwide Institute of Internal Auditors. The external QAR will be repeated in accordance with the same Standards (at least every 5 years).



Data Protection Officer pursuant to EU Regulation 2016/679

In accordance with the provisions of Article 37, paragraph 1 of Regulation (EU) 2016/679, on 11 May 2018 the Board of Directors appointed the Data Protection Officer (DPO).

The DPO reports directly to the highest level of the Data processing controller on issues relating to the processing of personal data and is placed organically, as a separate organisational unit, within the Internal Auditing Department.

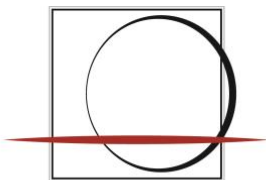
The DPO has prepared the "Privacy management system" manual - adopted by the Data Controller on 30 March 2018 - with attached procedures relating to the management of the register of processing activities and the management of appointment agreements, the execution of the Data Protection Impact Assessment and the Privacy Risk Assessment, the Data breach, the management of the activities of the Data Protection Officer, the drafting of Guidelines and permissions, the management of the exercise of rights by the parties concerned.

The purpose of this system is to ensure that the company structures adopt the appropriate technical and organisational measures required by the aforementioned EU Regulation and to demonstrate - pursuant to Article 24 of the same Regulation - that personal data is processed in accordance with current legislation on privacy.

In light of the provisions of the Privacy Management System, the DPO has appointed Internal data processors, identified as the heads of Department/Activity/Plant, delegating to them certain obligations that fall under the responsibility of the Data Controller, such as, for example, the preparation of the Processing records for the corporate structure under their responsibility, the implementation of the Impact Assessment for high-risk processing, the identification of third parties to be appointed as External managers, the appointment of "Authorised Persons" for the processing purposes of the Department to which they belong.

The Manager responsible for suitable security measures and for the work of the system administrators has also been identified as the head of the IT Systems and Services Department.

Following the inclusion of the DPO in the Internal Auditing Department, the Board of Directors approved an addition to the 2018 Audit Plan, in which specific audit activities were included, aimed at monitoring the implementation and application of the Regulation.



The DPO, with the support of the Internal Auditing Department, has therefore initiated monitoring activities in relation to the company processes identified as being at high risk for the rights of the parties concerned.

Certification of logical, physical and environmental Health and Safety Management Systems

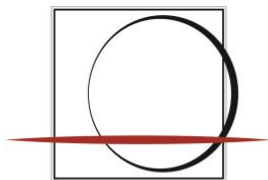
Poligrafico is a major reference point for the State in protecting the physical and digital identity of individuals and things, for anti-counterfeit and traceability systems, the management of sensitive data (State laws, databases of public interest) and coinage.

To this end, in 2018 the company was committed to completing the process of cultural, managerial and organisational change with the appointment of the Employer Plant Managers. A project for the adoption of the BBS (Behaviour Based Safety) protocol was launched, which provides for an increase in workers' awareness of safe behaviour to be adopted in all work phases of the company's production processes. During the year, all technical and administrative activities were also carried out in line with the company's strategic objectives, in order to initiate the process of integrating the Health and Safety Management Systems with other international schemes.

During the year, the Company adapted its Health and Safety Management Systems to the new ISO 45001 standard, which is expected to be certified in early 2019, as well as all the activities required to maintain the UNI EN ISO 14001:2015 and OHSAS 18001:2007 systems.

In a period of increasing awareness of the issue of proper management of computer data and protection of information assets, 2018 represented an important milestone for Poligrafico in terms of implementation of the Information Security Management System and achievement of UNI CEI EN ISO/IEC 27001:2017 certification for the Rome and Foggia offices, which confirmed that it had developed a system capable of preserving the confidentiality, integrity and availability of information according to a risk management model that combines confidentiality in the management of information within the company with specific information for the managers of corporate processes. During the year, all activities for the maintenance of the Management System and associated operations were also completed.

The implementation of these systems also provides integrated management of the risk prevention measures related to occupational health and safety and the environment, also in relation to the Model pursuant to Italian Legislative Decree 231/2001, strengthening its internal controls.



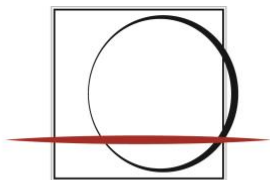
The adoption and implementation of a Management system compliant with the requirements of international standards such as OHSAS 18001:07 and UNI EN ISO 14001:15 could be a valid defensive mechanism for excluding the existence of culpability of the organisation, confirming the proactive approach adopted by Senior Management.

In terms of the custody chain, and, in the field of sustainability, through the traceability of products of forestry origin, the organisation completed the implementation of a dedicated Management System, having passed the surveillance audit in December 2018, for the monitoring and implementation of the management system for the custody chain in accordance with the Forest Stewardship Council (FSC®) international standard.

From examination of the key indicators (e.g. the severity and frequency indicators), in relation to data available for the reference industrial sector in Italy, the significance emerges of the results achieved that confirm the validity of the policy adopted. The activities carried out by Poligrafico allow better identification of the critical aspects, which consequently results in managing the related processes with an increasing degree of effectiveness and efficiency. The monitoring of technical parameters relating to workers' health and safety and environmental protection was constant, and likewise the upgrading of structures and protection devices so as to guarantee an improved level of workplace safety and reduced environmental impact.

In 2018, ordnance clearance continued at the Foggia plant, in the presence of a widespread ferromagnetic anomaly, while with regard to the implementation of the Geological Profile of the Foggia plant and of Parco Paglia, the need arose to integrate analytical checks downstream of the clearance activities carried out.

In the period in question, it is confirmed that no proceedings of any nature have been brought against the organisation for the commission of offences or claims of potential environmental damage.

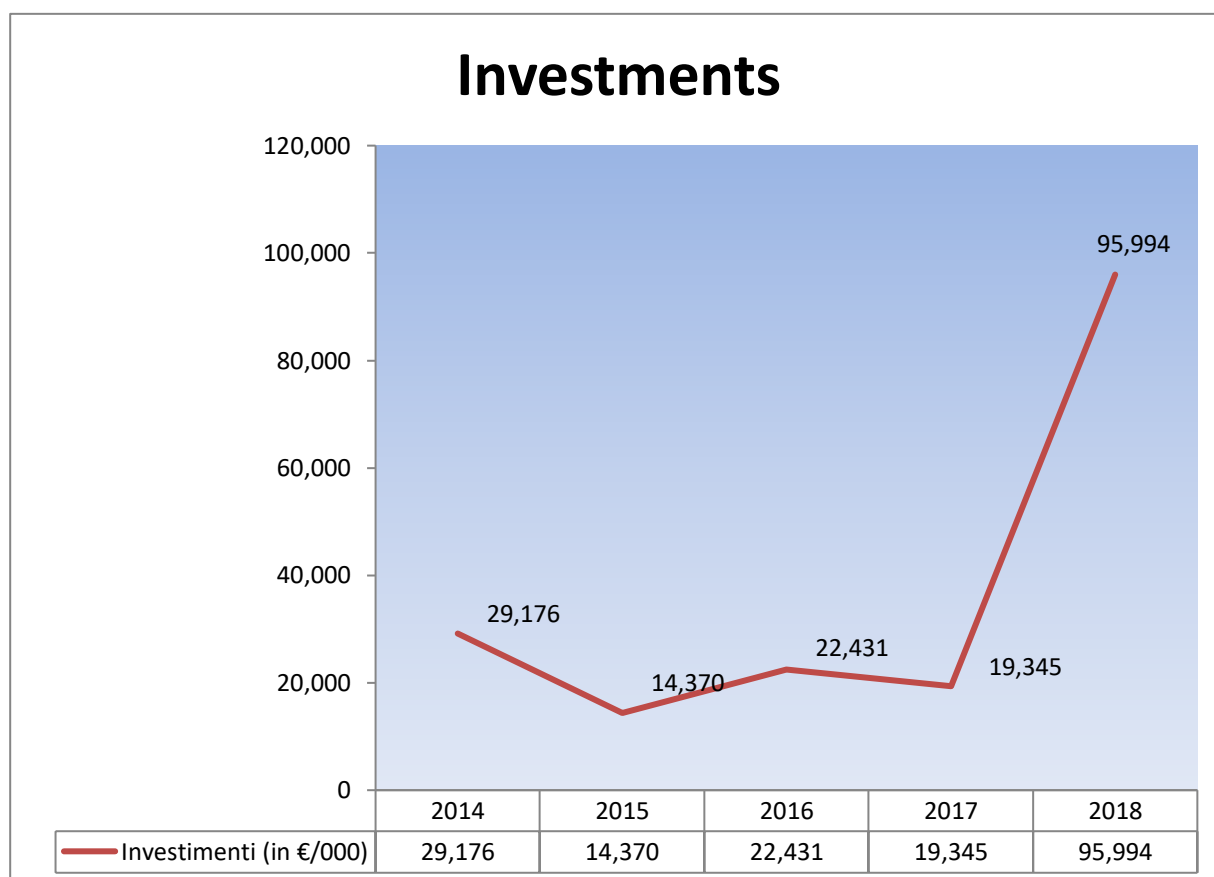


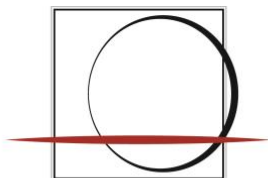
Investments

In 2018, the Company was committed to the investments provided for in the plan, marking a sharp increase both in terms of the use of financial resources and in terms of the renewal of the production infrastructure and the recovery of a number of properties. Added to this were advances paid to suppliers (around € 12.0 million), as a consequence of this process.

The main investments made for each production site are illustrated below, with comparison figures from previous years:

<i>(value in €m)</i>						
Production facilities	2018	%	2017	%	2016	%
Banknote Printing Works and Traditional Productions	4.71	4.91	7.23	37.39	10.14	45.25
Foggia	51.17	53.30	2.11	10.93	4.2	18.73
Zecca and Verrès	2.03	2.11	2.1	10.85	0.27	1.19
Business Solutions	0.80	0.83	2.6	13.43	4.17	18.61
Central Departments	37.29	38.85	5.3	27.4	3.64	16.22
Total	96.00	100	19.35	100	22.42	100





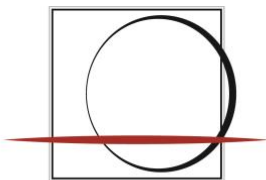
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The investments performance in 2018 for each production site is illustrated below:

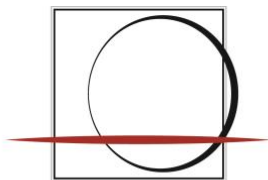
<i>(value in €m)</i>				
Production facilities	Investments	%	Capitalisations	%
Banknote Printing Works and Traditional Productions	4.71	4.91	3.24	4.30
Foggia	51.17	53.30	34.75	46.14
Zecca and Verrès	2.03	2.11	1.84	2.44
Business Solutions	0.80	0.83	0.74	0.98
Central Departments	37.29	38.84	34.75	46.14
Total	96.00	100	75.32	100

The most significant investments in 2018 were:

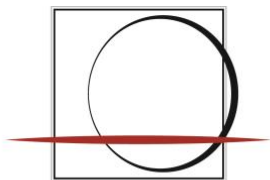
- *The continuous processing machine in Tondo*, the project to restore and modernise the second continuous processing machine at the Foggia plant was initiated and completed. This involved the reconstruction of the Press-Pre-Drying-Post-Drying-Heating-Smoothing area; the purchase of a new forming machine; the purchase of a machine for the production of watermark canvases, the modernisation of the steam plant serving the continuous processing machine; the restoration of the Impasti facility and the purchase of a new "Approach Flow" system; the revamping of the GAW starch cooking system was carried out; the upgrade of the Size Press/HSM system, the purchase of a new safety filament unwinding facility; a new DCS control system - CSF measurement bridges for product control in the production process; a new rewinding facility for production in the continuous processing machine, a new quality laboratory; a new cutter for banknotes; a machine for the application of holographic foil on banknotes;
- *Security documents*, the technological update continued on the Central and Issue Security Infrastructures at the State Police CEN, an investment that began in 2016; the renewal of the existing peripheral infrastructure by equipping it with new workstations for the issue of electronic documents; a new EIC v. 3.0 packaging machine was purchased; an upgrade of the Bowe mailing system for EIC and PSE was implemented; a latest-generation control system was purchased for the EIC v. 3.0 and PSE customisation line; a new system was purchased for the ISO/ICAO verification of the electronic RFID customisation of Passports, PSE and EIC v. 3.0; the following was carried out - the upgrade of the 9-colour Heidelberg machine for the printing of the new electronic residence permit; as part of the production of



- plastic cards, a new inlay lamination facility and a digital X-RAY system for the verification of RFID passport and card inlays were purchased;
- *Traditional productions*, in the production of pharmaceutical stamps an upgrade of the printing machine was carried out by purchasing a total control system for cutting; the upgrade of reel printing machines at the Foggia plant was completed; the current Atlas cutting line was updated to start production of tobacco and wine markings in the new format; all Kodak inkjet printheads were upgraded for the production of adhesive wine markings, mounted on the customisation systems at the OCV and Foggia plants; a new CTOP facility for the production of offset printing plates was purchased; the Gallus machine for the printing of stamps and adhesive labels was upgraded; finally, new shredders were purchased to increase the shredding capacity of production waste, in line with the greater security requirements;
 - *Minting, coin collections and medallions*, at the Zecca plant, a wire EDM machine for the production of material and an automated pad printing system for coins and medallions were purchased; a laser scanning system was used to digitise plaster and steel models; an upgrade of the vertical monetary press was carried out; at the Verrès plant, the Balconi press and a precision tangential grinding machine for the production of metal planchets were purchased;
 - *Information Technology*, in order to ensure Business Continuity, also in line with the Digital Administration Code, a series of activities have been launched to ensure Business Continuity and Disaster Recovery of all internal and external services provided, in order to minimise the destructive, or otherwise harmful effects caused by major emergencies or "catastrophic" events that affect the regular provision of operations or, in the most serious cases, lead to an interruption of the same with consequent loss of data. Business continuity will be managed according to a three-tier model: Primary site (PS) at the Rome office - Hall C; Business Continuity Site (BC) at the Rome office - Via Gino Capponi, for synchronous replication of all services provided by Poligrafico (both internal and external); Disaster Recovery Site (DR) at the Foggia office, for non-synchronous replication of all services provided by Poligrafico (both internal and external). New software licenses for Oracle databases were purchased; the Disaster Recovery site at the Single Backup Centre of the Ministry of the Interior was implemented; finally, the technological renewal of the primary Data Centre was completed;



- *Property investments and restoration works*, plant upgrading and adaptation works have continued and new investments such as the new fire prevention system in the Rome sites have been initiated; for the Salario Centre the construction of the operational centre has also been completed, which will allow for the grouping of safety control and system layout functions serving the buildings to provide an integrated system with the functions of a modern Building Management System; work was carried out to set up the Business Continuity Data Centre with annexed technological support systems at the *Zecca* Plant; the redevelopment and restoration project for the property in Via Principe Umberto began with the renovation of a number of rooms on the ground floor for the launch of the "ARS Metallica" exhibition inaugurated in December 2018 for the 110th anniversary of the *Scuola dell'Arte della Medaglia*; the segregation of the departments was completed through the purchase of automatic doors at the OCV plant; a new video surveillance system and a new water treatment plant serving the thermal power plant at the Foggia plant were established and work was carried out on upgrading various buildings for the installation of the new continuous processing machine and the production of security elements (holography and hologram application); for the Verrès plant, the new video-surveillance system was installed, the coverings of materials containing asbestos in a compact matrix were isolated and removed, a new biological section for water treatment was designed, and all the necessary works were carried out to modernise the new lines and the plant's power plants;
- *Process/product improvement activities*, the first reduced-size tobacco tags were produced and supplied, in compliance with the new European regulations; a project for the migration of UV drying systems currently installed towards LED systems was started in anticipation of the release of the new European regulations concerning sodium-vapour lamps; production data was entered using facilitated masks; the production process for stamps was revised in compliance with GMP regulations; an upgrade of the Drent plant was carried out with the insertion of digital heads, in-line stackers and funfold output for the production of vehicle licensing and Modus products in a single step. In the Traditional Production sector, production data was entered by means of facilitated masks and the Data collection process started for the production of passports and a 100% control system, with complete re-reading of data in the EIC customisation line.
- *Projects in progress*



Various tender procedures were launched in 2018 to allow investments to be completed as envisaged in the Business Plan.

In particular, the insourcing of holographic production, which began in 2017, continued; the new holographic department at the Foggia plant will be completed in 2019, with the purchase of a rotogravure printing machine, a metalliser, a post-combustion boiler, primary and secondary cutting lines, a holographic vision system and an embosser.

To complete the second continuous processing machine, the MTS system and Isravision will be implemented in early 2019 on the paper production lines for sheet tracking and watermark control, directly during production, on the BW cutter and hologram application machines for product control over the entire production process.

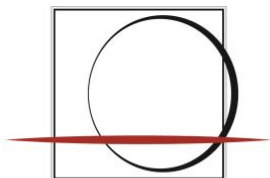
The project for the revamping of the registration plate line at the Foggia plant began in 2017 and includes a new oven and a registration plate painting system that will allow for a more efficient product in terms of quality and production. A new process automation and quality control system will be implemented, as well as a new coating machine for the implementation of the automatic and customised deep drawing of the car plate, which will provide the possibility of producing a "personal" plate, and will make the deep drawing phase fully automated.

The new technologically advanced registration plate system is currently being tested at the Verrès plant, and will be operational by early 2019.

Restoration and consolidation work has begun on the linked property, the chimney of the former Lurgi plant, which will be completed in the first four months of 2019. In order to evaluate the historical and artistic interest of the buildings in the Foggia plant and dating back to the time of first construction, a collaboration relationship has been established with the Supervisor for Cultural and Artistic Heritage (*Soprintendenza dei beni culturali ed artistici*).

Taking into account the opportunity to produce the new passport with data pages in polycarbonate, there are plans to purchase a new plant for the production and initialisation of passports with polycarbonate data pages, a machine for construction and a facility for cutting electronic inlays.

Work is well underway on the construction of the new Green Data Centre at the Foggia plant, a latest-generation modular data centre that will act as a Disaster Recovery site for Poligrafico and an active site for the provision of IT services for other PAs.



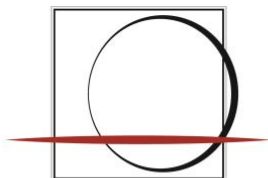
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A new department for the customisation of EICs and cards is currently being developed at the Foggia plant, which will guarantee a back up of these productions and provide a greater guarantee on deliveries than the requirements of identification documents.

The analysis of the logistic automation of the warehouses continues with a warehouse automation system including stacker cranes, handling systems and integrated management software.

In the printing sector, investments have begun for the commissioning of a new 2-colour silkscreen printing facility, the upgrade of the second Gallus printing facility for the insertion of digital colour printing and a new plant for UV 70x100 sheetfed offset printing.

Finally, a digital press will be purchased for product traceability and security, with the capability of printing "variable data" on a hologram.

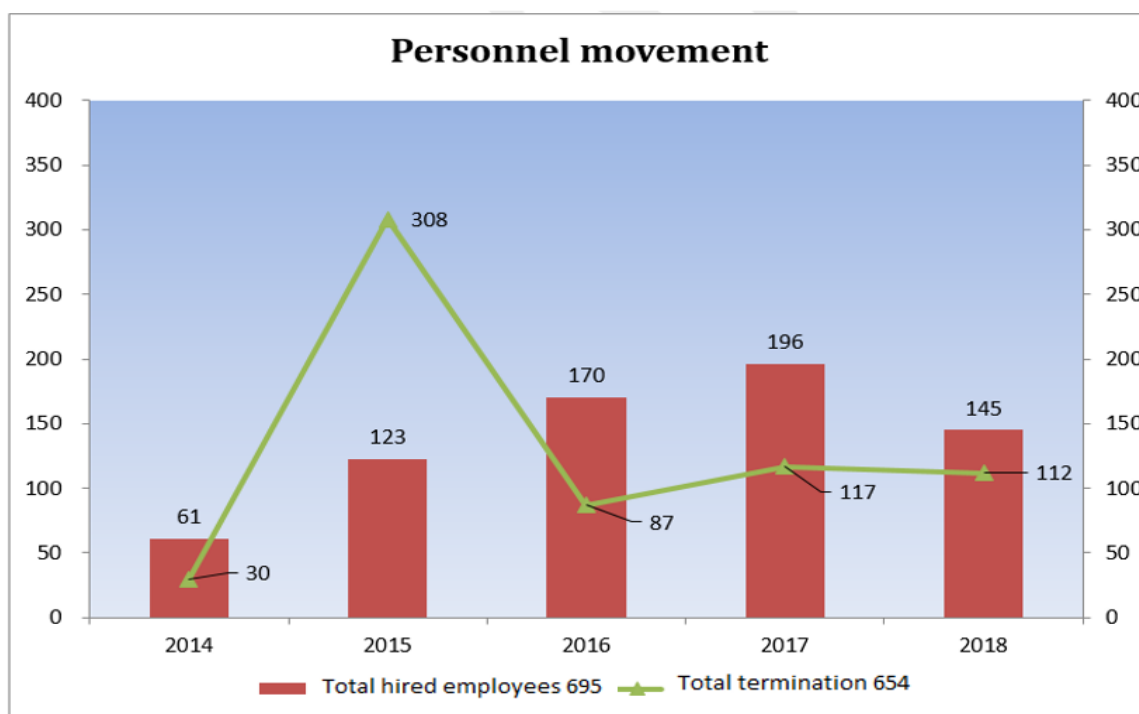


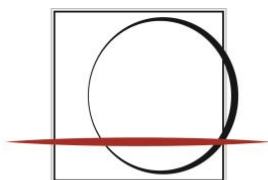
Human resources and organisation – Industrial relations

At 31 December 2018, Poligrafico had 1,770 employees, 34 more than at 31 December 2017 (+1.9%).

In line with the Plan objectives and the production and technology innovation process under way in all corporate production sectors, the professional and generational renewal programme continued, designed to create the conditions for a more suitable organisational structure.

The recruitment plan implemented during the year resulted in the induction of 145 employees (4 executives, 24 managers, 29 office staff and 88 manual workers) plus a reinstatement (+8.4% compared to 2017), with an average age of 33. Employees leaving the company numbered 112 (-6.5% compared to the end of 2017), with an average age of 57. In particular, 2 executives, 3 middle managers, 15 managers, 51 office staff and 41 manual workers terminated their service. 80% of employees leaving (90 staff) decided to voluntarily accept the staff leaving incentive. The remaining 22 terminations referred to voluntary resignations (18) or other reasons (4). The generational turnover was about 15% on the average for the period.





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In 2018, the company used supply contracts to meet its temporary needs for both production and staffing activities. At 31 December there were 90 active positions. The breakdown of personnel by production plant and employment category, compared with the final figures for the previous year, was as follows:

Production facilities	Executives and Office staff	Manual	Total 2018	Total 2017
Banknote Printing Works and Traditional Productions	200	439	639	586
Foggia	100	163	263	274
Zecca	66	84	150	157
Verrès	9	19	28	27
Integrated Solutions Development	91	0	91	91
IT Systems and Services	241	0	241	259
Central Departments	352	6	358	342
Subtotal			1,770	
Personnel on fixed-term contracts			90	
Total	1,059	711	1,860	1,736

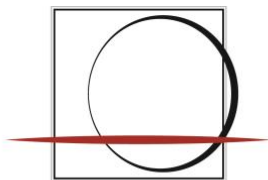
The average age of employees in service at 31 December was 45.5, recording a decrease compared to previous years (46.3 in 2017, 47.5 in 2016).

Gender/ Age	20 ≤ years ≤ 30	31 ≤ years ≤ 40	41 ≤ years ≤ 50	51 ≤ years ≤ 60	over 60	Totals	%
Female	42	102	103	129	53	429	24.24
Male	226	317	246	352	200	1,341	75.76
Total	268	419	349	481	253	1,770	100.00

Analysis of the workforce breakdown by education level shows that 85% of Poligrafico employees have a junior high-high school qualification, which is equal to 100% if the level of education of new recruits alone is analysed.

The table below illustrates the breakdown by position and education level achieved:

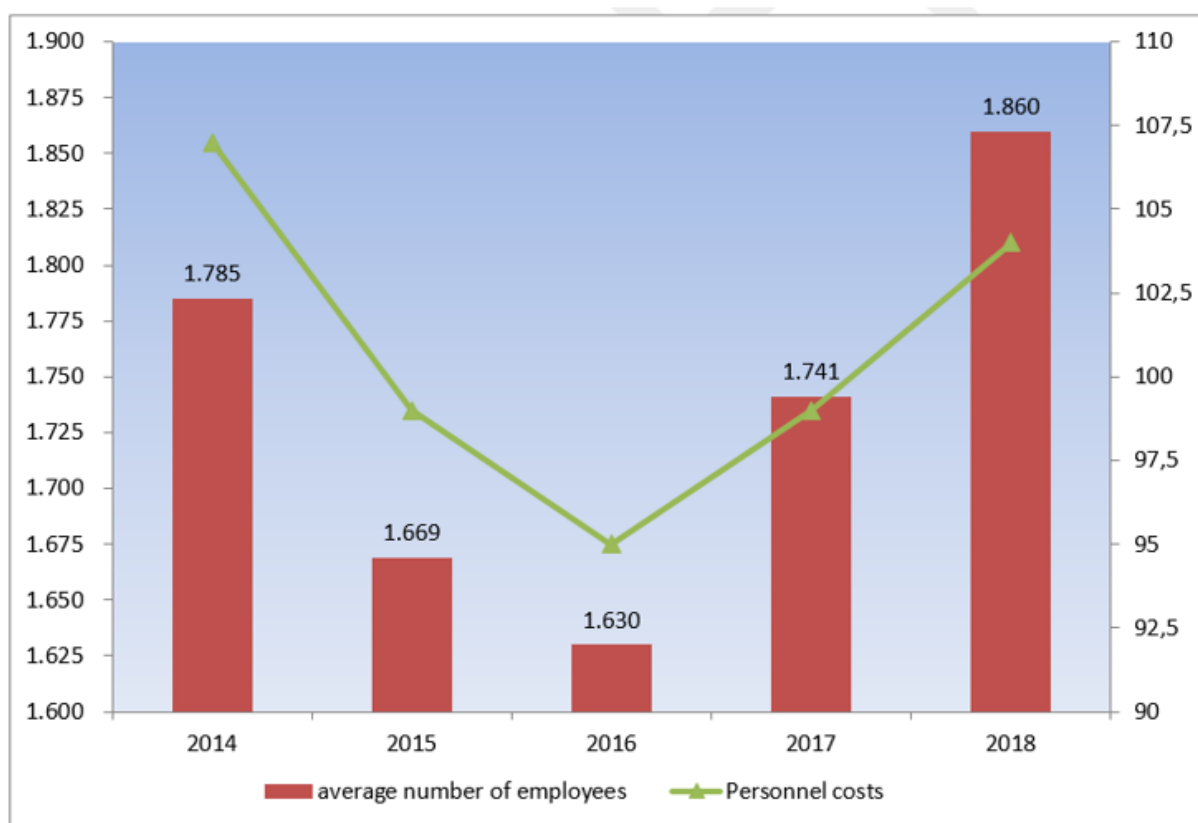
Position/Educ. level	Degree	HS Dipl.	J/High	Elementary	Totals
Executives and managers	260	206	9	0	475
Office staff	135	383	65	1	584
Manual workers	12	509	188	2	711
Total	407	1,098	262	3	1,770

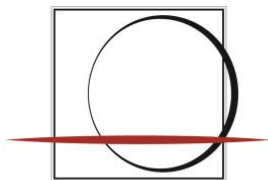


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The number of man days per capita in 2018 increased (204.9 vs 203.5), due to the combined effect of the increase in the average presence of staff compared to 2017 (15 more staff). The use of special leave for holidays, RAO and Recovery of Working Hours increased (25.4 vs. 23.9).

The absenteeism rate shows a slight increase of about 0.2% (equal to 0.79 more days), reaching around 8.26%. Within this component, absences due to sickness increased, especially for manual workers, maternity, accidents and unpaid leave. The trend in special leave, pursuant to Law 104/92, was in contrast, probably due to the current generational change. These indicators did not show a uniform trend in the various company structures: the Verrès and Foggia plants showed lower than average rates; the central functions were overall in line with the company figures (8.1% for 2018); the Banknote Printing Works and the Zecca plant showed above average rates. The use of overtime increased overall in 2018, especially at the Banknote Printing Works and Zecca plants, +91% and +40% respectively; this increase was partly offset by lower use of overtime by the Foggia, Verrès and central structures plants (-6.6%).





The total labour cost at 31 December 2018 amounted to around € 104 million, up on the final figure for the previous year as a result of the management policies implemented with the renewal and streamlining of the workforce. 31% of this change is due to the greater recourse for fixed-term contracts (around € 2.2 million, 20% to an increase in individual and collective remuneration policies, and 25% to an increase in average number of employees and extraordinary services.

Organisation

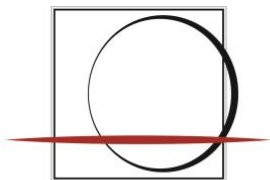
Following the development of Poligrafico as a technological centre able to integrate an advanced manufacturing and digital solutions development system, it was necessary to carry out works on the organisational model through the establishment of new structures, such as:

- *The Technical Department*, responsible for defining the best reference practices for industrial production and plant maintenance processes, for developing the new integrated business quality model (product requirements, production processes and certification system), as well as following the development of production technologies and various factory models;
- *Strategic Planning and Project Control function*, for monitoring investment projects and business development;
- *Sector Analysis and Sustainability function*, for the study of commercial trends in the relevant sectors for Poligrafico, in order to integrate the interpretation of development prospects into a framework of increasing sustainability.

Finally, in order to create an organisational structure for integration into administrative processes, management control has been included within the Administration and Finance Department, renamed as the *Administration, Finance and Control Department*. As evidence of a corporate commitment to sustainability for Poligrafico, the Factory of Arts and Crafts (*Fabbrica delle Arti e dei Mestieri*) was set up with the aim of enhancing the historical/artistic heritage of Poligrafico and the Via Principe Umberto site, as well as contributing to the environmental and social recovery of a Roman district in difficulty.

Furthermore, the position of *Senior Advisor for the Digitisation of the Public Administration* has been established to support Senior Management in the assessment of the initiatives to be undertaken in order to contribute - on the basis of the expertise of Poligrafico - to the process of digital innovation of Public Institutions.

Training



In addition to continuation of initiatives for the updating of skills in production areas and to support the various certification processes, 2018 was characterised by the launch of training products designed to support the growth and development of a management culture that can represent a point of reference for Poligrafico, today and in the future. Particular attention has been paid to the dissemination of the guidelines on Italian Legislative Decree No 231/2001, Code of Ethics, Anti-corruption, Transparency and Privacy and on ISO Standards and Certifications.

Among the most important projects launched during the year were the Team Building and Project Management initiatives and the days dedicated to the "Cyber Security Awareness" event.

The current organisational model adopted by the Company requires consistent organisational behaviour, as well as new tools and skills, including project management. In this regard, special works were organised with training sessions at basic and advanced level to assist in preparation for the certification exam. The classes, of a diverse nature, have also facilitated the exchange and networking between personnel with skills and know-how of different kinds.

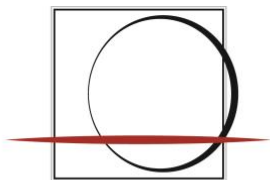
Finally, the Team Building pilot project, focussed on four company Departments, was created with the aim of developing "teamwork" as a reference organisational model for the Company, based on the capacity for integration and collaboration between people, an increasingly widespread method of development and continuous innovation.

During the year, over 20,000 hours of in-house and external training were provided, involving staff from all Company offices, for a total of about 3,500 participants in 260 course types. To support the upcoming production processes, 1,300 hours of machine training activities were provided for Direct Production Personnel (Coin minting; Medallion production; Stamps; Lottery; EIC; Digital printing; Security graphics; Holographic systems; Preparation; Programmable Logic Control; Anti-counterfeiting systems). The technical-specialist training covered various areas, in line with the process of professional updating and adaptation to new business challenges (Work Regulations, Pension Planning, the Public Procurement Code, Accounting and Financial Statements, Smart Working, Welfare, Knowledge Sharing Systems, etc.).

The cost incurred by the Company (around € 460 thousand) was partly financed by Fondimpresa.

Search and selection of personnel

As a result of the current generational and professional turnover plan, during the year the programme - as highlighted in the Business Plan - for the recruitment of new



personnel continued in order to strengthen the technical and technological know-how of professional and organisational skills, in line with the company's pillars of business development, innovation and security, with particular regard to economic, social and environmental sustainability.

During the year, 20 job alerts were published on the company web site, also using advertising channels for additional internship research such as: Placement Office for Universities, Specialist Schools and Education Authorities.

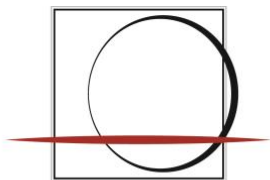
Given the high number of selections opened, the task was also assigned - via tenders - to external companies specialising in personnel searching and selection. At the same time, as part of the selections for which the aid of external companies was not requested, over 700 CVs received were screened to confirm that they matched the prerequisites.

In general, from the results of the various screening activities, around 500 candidates that were considered most suitable were interviewed, evaluated through an assessment process (group tests with the provision of specific logical tests, psychological-aptitude tests and personality questionnaires) and / or individual interviews.

Furthermore, with regard to the need to strengthen the positioning of Poligrafico with respect to young graduates coming out of Universities of greatest interest to the Company, an Employer Branding project has been implemented in Italy through the active involvement of production, R&D and business development structures, which will continue during 2019.

Industrial Relations

In 2018, activities relating to Industrial Relations were the subject of various negotiations aimed at supporting the development of processes and the organisation of the Plants, as well as defining issues falling within the remit of the first level of collective bargaining. One of the most significant and challenging issues involved the negotiations regarding the renewal of the performance bonus, for the three-year period 2018-2020, which ended in June 2018 with the signing of the relevant agreement. Through this agreement, the Company and the trade unions have agreed on a new definition of the Bonus, incorporating both the guidelines of the latest Business Plan and the new Poligrafico organisational structure. In fact, the Parties have defined a Performance Bonus which, in addition to general productivity parameters, has as its object specific indicators aimed at measuring increases in profitability, productivity and other relevant elements not only on factors of a production nature, but also on product development and technological innovation. Furthermore, by means of this Agreement, the Parties intended to remodel the criteria for correlating the individual absence rate with the



payment of the bonus, introducing a new parameter determined not only by the basic numerical calculation of absence days, but also by a "qualitative" assessment of the types of absence that have the greatest impact on the production process. The Parties have also agreed that a particularly significant objective will be set annually for the Company, which, if achieved, will have a multiplier effect on the amount of the bonus paid to plant personnel.

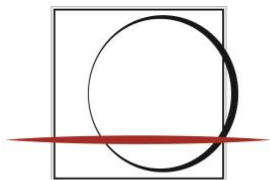
With a view to strengthening what the Company has already implemented as regards Welfare, as well as encouraging its use by employees, the option has been introduced for employees to allocate the Performance Bonus in whole or in part to Company Welfare services.

In 2018, an Agreement was signed relating to the application of Article 4, paragraphs 1 to 7-ter of Law No 92/2012, as amended by Law No 205/2017, the so-called "Isopension". In line with the Business Plan, the Company has decided to continue the process of qualitative turnover of personnel for the renewal of professional skills and generational turnover, in support of the process of technological and production development. The "Isopension" regulatory institution, which supplements that of the "exit incentive" already applied, allows employees who meet the minimum requirements for an old age pension or early retirement in the seven years following the termination of employment, to leave early.

Finally, negotiations were finalised with the signatory trade unions on national pay agreements in force in the company (Graphic Designers and Metalworkers), relating to the delicate and important topic of the transition from the national pay agreement for metalworkers to the national pay agreement for Graphic Designers, which involved employees from the Verrès plant. In order to standardise the national pay agreement applied to all company offices, on 5 September 2018 Poligrafico announced its intention to withdraw from the "Metalworkers national pay agreement" (*CCNL metalmeccanici industria*) and to apply the "National pay agreement for employees in the Graphic Design, Printing, Publishing and Multimedia section" (*CCNL delle Aziende Grafiche e Affini e delle Aziende Editoriali anche Multimediali*). Subsequently, on 6 December 2018, the Parties met and signed an agreement to define the methods for the transition between these national pay agreements and the harmonisation of all economic and regulatory conditions.

General Services

2018 saw the continuation of the gradual consolidation of the plan to streamline and reorganise activities supervised by General Services - centred on efficiency



improvement objectives and the quality of services provided - through insourcing of activities, standardisation of company equipment (PCs and printers), reorganisation of the consumables inventories as well as the redefinition of the layout management processes. The reorganisation of inventories has made it possible to centralise products for all sites in Rome (stationery, printer consumables, hygiene products, drinking water drinks at all sites, paper, envelopes and folders for offices, uniforms for staff).

Modernisation of the workstations continued with regard to IT functions and furnishings, also as part of the space rationalisation activities. Based on space efficiency improvement activities, integrated storage was arranged for consumables with an annexed area for goods disposal, and the full reorganisation and rearrangement of the central archive (former San Pellegrino site) commenced with the transfer of the material stored in the publishing deposit to the Viale Gottardo site, reorganised with the creation of spaces to accommodate the structure dedicated to the digitisation and dematerialisation of hardcopy flows.

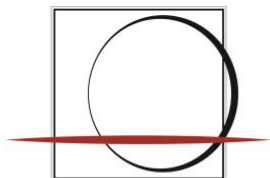
The driver service and vehicle fleet was reorganised, with structured scheduling and monitoring of the service to the benefit of the plants and employees, which resulted in a company saving on transport services.

As part of the projects to improve personal services, the documentation for the tender for catering services was drafted, a preparatory activity for the creation of the new *company restaurant*. The kitchen for hot meals was temporarily activated and the layout of the rooms at the refreshment point in Via Salaria 691 was redesigned.

With regard to sustainable mobility initiatives, 75% of the company's rental fleet was renewed (2 fully electric cars, 2 methane and hybrid cars), with benefits in terms of the environment and consumption.

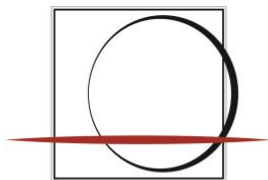
Another important initiative in this area is the analysis of the mobility needs of employees. In this regard, an IT platform was set up with a home/work travel questionnaire, the results of which enabled Poligrafico to prepare and send a detailed home/work travel plan for 2018 to the competent institutions, as well as identifying a number of sustainable mobility solutions for 2019 (carpooling, car sharing, company shuttle buses) in collaboration with other institutional players in the territory (ENAV, Invitalia).

Among the internal service reorganisation activities, in 2018 the project for the reorganisation of the Central Archive was concluded, with the audit and evaluation of all the paper material present. This activity has allowed for, in addition to the recovery



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of spaces to be redeveloped, waste authorisation to be obtained from the Archival Superintendence of paper materials.



Disputes

The Company's disputes mainly refer to the following cases:

- *civil law disputes*: during the year, 4 new proceedings were brought. The remaining litigation relates to contracts entered into with private customers/suppliers. For the most part these are old cases, the conclusion of which - in the absence of valid prerequisites for settlement - is associated with the timing of the legal proceedings brought. At year end, 10 civil cases and 64 credit collection proceedings filed by Poligrafico were still pending;
- *administrative disputes*: 10 new administrative claims were brought for which the *petitum* has not been quantified, while 14 administrative cases were dismissed. At 31 December, therefore, 16 administrative cases were still pending, for which the *petitum* has not been quantified;
- *labour law disputes*: excluding cases relating to the calculation of overtime in post-employment benefits and in indirect institutions, the number was in line with cases still pending at 31 December 2017. During the year, 11 new claims (11 claimants) were brought and 12 cases (12 claimants) conciliated, while 18 cases (18 claimants) were archived following issue of the final decision. 29 proceedings are pending with 38 claimants involved. The total value of the *petitum* is around € 6 million, of which about € 4.6 million is made up of cases of occupational disease and € 1 million for cases of demotions.

Added to these cases are the 3 (for 3 claimants) still pending on the calculation of overtime in post-employee benefits and indirect institutions (summer and Christmas bonuses and leave). In view of the change in Court of Cassation case law in favour of Poligrafico, most of the proceedings were finalised with settlement agreements based on the conditions provided for by resolution of the Board of Directors of 26 November 2012. In this respect, the reporting period saw 4 cases conciliated (for 4 claimants) and 11 cases dismissed (11 claimants);

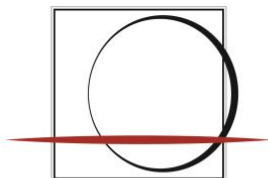
- *tax disputes*: at the end of the year, 8 cases for a *petitum* of around € 2.3 million were pending. 3 appeals were filed during the year, whilst 9 were dismissed.

Developments in the main disputes pending

- *Civil Disputes*

Alpiq Energia Italia S.p.A.

By injunction order No 25602/17, the Civil Chambers of the Court of Milan ordered Poligrafico to pay the sum of € 287 thousand, plus interest and proceedings costs.



The injunction order was issued at the request of Alpiq Energia Italia S.p.A. on the basis of a balance of payments invoice relating to the period 1 May 2012 to 30 March 2013, in which the company in question supplied electricity to the Salario plant.

This invoice, issued three years - no less - after termination of the supply contract in question, was promptly challenged by Poligrafico given the lack of proof regarding the existence of the right to any amount referred to therein.

In particular, Poligrafico pointed out to Alpiq that such an invoice was based on technical findings conducted not following agreement between the parties but solely by the network owner Acea Distribuzione.

The network owner, in fact, when replacing the meter's reading parts, arbitrarily recalculated the value of the "K constant" for invoicing, i.e. the multiplier necessary to determine the correct value of electricity withdrawn and on which basis the invoice referred to in these proceedings was issued.

This, however, is in clear violation of sector regulations which state that meter elements must be replaced only with written consent from the user, who has the right to verify the amounts shown on those meters.

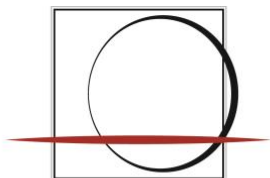
In addition, the administrative documentation forming the basis for the invoice in question - the supply invoice confirming the amounts consumed and the K constant applied - conflicts with the allegations of the network owner Acea.

This conduct, adopted without fairness and good faith, removed any certainty there may have been regarding the existence and extent of the right to receive any sum based on the Alpiq invoice.

Given these circumstances, Poligrafico filed an appeal against the aforementioned injunction order. The case was adjourned to the hearing of 23 May 2019 for admission of the preliminary evidence.

Unicredit Factoring

The cases arose from Unicredit Factoring's notification of three separate injunctions, notified in 2008, 2010 and 2011 respectively, following which Poligrafico paid a total amount of € 31 million, of which € 24 million by claim, with reference to the injunction decree of 2008, the only one with an immediately enforceable formula. The payment was made by means of funding from the Ministry of the Economy and Finance, being the receivables relating to transport services organised by Poligrafico on behalf of the Ministry.



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The proceedings were concluded in September 2017 in favour of Poligrafico which, therefore, took steps to recover these amounts, in addition to the interest accrued from the date of payment to the date of actual satisfaction.

Unicredit Factoring has appealed against the above sentences, but in any case has proceeded with the payment of the sum of € 35 million including accrued interest.

At the meeting of 5 February 2019, the statutory deadline for filing final statements and replies was set.

For the sake of completeness, it should be noted that this dispute is linked to a criminal proceeding against the Directors of the Company that handled the aforementioned transports and transferred the receivable to Unicredit Factoring. The Directors were convicted at first instance for aggravated fraud against the Ministry and Poligrafico. An appeal is currently pending.

Nuceria Adesivi S.r.l.

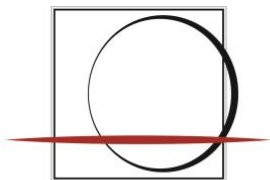
With a notice served on 9 May 2017, Nuceria brought Poligrafico before the civil court of Rome, claiming damages of € 229 thousand, as the Company would not have vacated the premises in which finished products and waste had remained at the end of the contract for the supply of the stamps. For this reason, Nuceria claims to have incurred costs for the amount requested, given that stamps, as security products, must be stored in a segregated manner and with special security measures. The appeal appears to be unfounded except for a very limited period (from January to March 2016), thus significantly reducing any amount due. The case has been postponed to the hearing of 17 October 2019 for examination of witnesses.

Acea Energia S.p.A.

Acea Energia, a number of years after termination of the power supply contract to the Salario Plant, issued - on 28 August and 14 October 2014, respectively - two invoices for a total of € 541 thousand.

Following the challenges put forward by Poligrafico against the power company's claims, Farmafactoring S.p.A. notified the company via certified e-mail (24 February 2015) that the receivable deriving from the invoices in question had been factored to it. In this respect, Poligrafico challenges the existence of the receivable claimed as due to Acea as all amounts relating to the supplies provided were paid in full at the time.

In effect, these additional amounts should be attributed to the alleged incorrect allocation of the measuring constant for the utility in question, which was followed by replacement of the old meter, in the absence of company personnel. This circumstance is a further



reason for challenging the amounts now requested, given the violation of user protection procedures.

The assignee creditor has therefore notified an injunction against which Poligrafico has lodged an objection. The next hearing will be held on 21 March 2019 for admission of preliminary evidence.

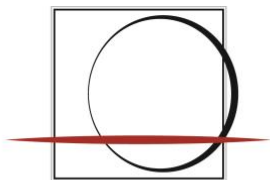
○ *Administrative Disputes*

Antitrust Authority against the Ministry of the Economy and Finance and also against Poligrafico

In 2014, the Antitrust Authority challenged the decree of the Ministry of the Economy and Finance of 23 December 2013 (the so-called “banknotes”), with appeal also filed with Poligrafico, that the Ministry has erred in its assessment by also including Lottery ticket receipts among the products to be qualified as banknotes. In particular, the said Authority considers that the integration of Article 2 of Law No 559/1966, with the insertion of paragraph 10-bis, made by Law No 98 of 9 August 2013, converting Italian Legislative Decree No 69 of 21 June 2013, does not constitute the necessary "*express regulatory reference point, of primary law or in any case deriving directly but unequivocally from a primary law rule*" to establish the exclusive right of Poligrafico. Therefore, said decree is in breach of Article 43 of the Constitution and Article 106 of the Consolidated Law on Finance, again to the effect of the Authority.

In view of the above, it therefore requested the annulment of the aforementioned decree. Poligrafico has taken legal action, noting the issues of fact and of law to show the groundlessness of the assumption of the Antitrust Authority. In particular, it referred to the recent case-law of both the Lazio Regional Administrative Court and the State Council, which, having been called upon to rule on the same decree, albeit in relation to other products (pharmaceutical stamps), recognised the full legitimacy of the contested Italian Ministerial Decree 23.12.2013.

The Lazio Regional Administrative Court, with Decision No 12254 filed on 17 December last, rejected the appeal of the Antitrust Authority. In particular, the Regional Administrative Court has acknowledged that the exclusive right of Poligrafico for the production of Lottery ticket receipts is based on Law 559/1966 which, in reserving the production of banknotes to Poligrafico itself (Article 3), defines the characteristics that the same must possess in order to be defined as such (Article 2, paragraph 10-bis as amended by Italian Legislative Decree 69/2013). Again according to the ruling in question, these characteristics can be found in the aforementioned receipts, which, in



fact, are included in the list of banknotes attached to the Italian Ministerial Decree of 23 December 2013, which is the subject of the appeal by the Antitrust Authority.

Carlucci S.r.l.

Carlucci challenged before the Regional Administrative Court the measure by which Poligrafico had denied it the supply of watermarked and numbered paper required for the production of pharmaceutical stamps, arguing that Poligrafico's exclusivity should be understood as limited to the production of pharmaceutical stamps supplied by the Italian National Health Service. It also challenged its legality on the grounds that it was contrary to national and Community law.

The Regional Administrative Court upheld the appeal, limiting the exclusive right of Poligrafico to only stamps for Italian National Health Service medicines. Poligrafico has therefore appealed to the State Council. The second instance decision No 487 of 24 January 2018, reforming the ruling of the Regional Administrative Court and accepting Poligrafico's defence arguments, recognised the latter's exclusive right contested by Carlucci. The appellant therefore brought the matter before the State Council again, requesting that the decision be revoked.

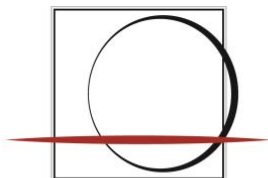
With Decision No 6814 of 30 November 2018, the State Council, accepting the exception raised by Poligrafico, declared the appeal inadmissible as it did not find in the ruling the factual error referred to by Carlucci and provided by law as a requirement for revocation.

Nuceria Adesivi S.r.l.

In 2017, Nuceria challenged before the Regional Administrative Court the measure by which Poligrafico had refused to supply it with the watermarked paper and progressive numbering required for the production of pharmaceutical stamps, claiming that Poligrafico's exclusivity was limited to the supply of watermarked paper and unique codes for stamps and, in any event, the legitimacy of that exclusivity under both Italian and Community legislation.

With Decision No 2451 of 5 March 2018, the Lazio Regional Administrative Court rejected the appeal, recognising Poligrafico's exclusive right to produce stamps. With Decision No 371 of 15 January 2019, the State Council, which was called upon to rule on the appellant's appeal, upheld the judgement at first instance.

In particular, the State Council has noted from the reference regulatory framework, the existence of the exclusive right of Poligrafico for the production of pharmaceutical stamps, stating that the reason for this exclusivity is to be found in the need to "... *preserve the general control of the public hand on the circulation and possible*



counterfeiting of drugs, to protect a higher need, such as that of public health, which must certainly be considered prevailing over the fundamental value of competition...", reaffirming that which the judges also ruled in the Carlucci case.

Furthermore, the judgement states that the conditions for making the preliminary reference to the Court of Justice of the European Union requested by Nuceria are not met in this case, since the compatibility of the recognised right with Community competition law has already been established.

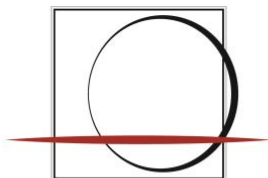
Lastly, the State Council is currently awaiting further proceedings brought by Nuceria against the decision to revoke the tender for the supply of pharmaceutical stamps issued prior to completing the insourcing of the production. In that case too, Nuceria challenged the legitimacy of Poligrafico to have exclusivity for the production of pharmaceutical stamps.

The State Council rejected the appeal filed by Nuceria with Decision No 1163 issued on 19 February 2019.

○ *Criminal Disputes*

During 2018, proceedings continued before the Criminal Courts of Foggia and Rome - some of which still in the preliminary investigation stage, others at discussion stage - against a number of *pro tempore* directors no longer in office and several former executives. The cases in question refer to:

- one action is pending for serious personal injury (Article 590 of the Italian Criminal Code) in relation to the occupational disease of a former employee, initially opened by the Foggia Magistrates Court against five *pro tempore* directors and at present limited to three of them following the dismissal of charges against the other two. The proceedings were concluded by a judgement declaring the proceedings to be statute-barred. The time limits for appeal are currently being tightened. In the event of a reform of the sentence that ascertains the Director's wilful misconduct or gross negligence, recovery will be made in accordance with the national pay agreement for Executives;
- one case pending before the Court of Appeal of Rome, following a workplace accident, against the Executive Director for occupational safety offences and serious injuries. The first instance decision sentenced the defendant to two months' imprisonment (with suspended sentence), and to pay damages to the civil plaintiff with reimbursement of legal costs. The Director has appealed against the aforementioned decision and the Institution has assumed the costs of defence



expenses, subject to recovery in the event of an irrevocable decision that establishes the Director's wilful misconduct or gross negligence.

Details of the dispute concerning the subsidiary Innovazione e Progetti S.c.p.A. (in liquidation) can be found below. The dispute, although not directly involving the Company, could have economic impacts considering that Poligrafico is the majority shareholder.

Selex Management

Innovazione e Progetti is a consortium company set up by Poligrafico (majority shareholder), Selex Management S.p.A. and Poste Italiane S.p.A. to create an Electronic ID Card in accordance with Law 43/2005.

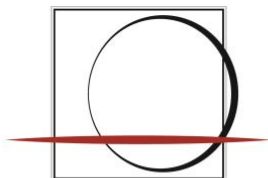
The dispute was initiated by the shareholder Selex Management S.p.A. following the Extraordinary General Meeting of Shareholders held on 30 May 2007, which resolved, with the favourable vote of Poligrafico and Poste Italiane, to dissolve Innovazione e Progetti S.c.p.A. early, pursuant to Article 2484, paragraph 1, No 6) of the Italian Civil Code, on the grounds that it was impossible to achieve the company's objectives.

The shareholder Selex Service Management S.p.A. therefore brought proceedings against I.P., challenging this resolution before the Civil Court of Rome and requesting its suspension as a precautionary measure, as well as its annulment. At the same time, it made a claim for damages of around € 23 million for claim and interest, arguing that it had acquired the machinery required for the creation of the Electronic ID Card as required by Law No 43/2005.

As a precautionary measure, both in the first and second instance, the court hearing the case accepted Selex's injunction order and ordered the suspension of the execution of the shareholders' resolution of 30 May 2007. Following this measure, Innovazione e Progetti returned "as solvent".

In its judgement of 20 October 2011, the Court of Rome found that the decision taken by the shareholders, Poligrafico and Poste Italiane S.p.A., to wind up the company was legitimate and did not involve an abuse of power, and therefore rejected all the claims made by Selex against I.P., thereby declaring that the order suspending implementation of the resolution to wind-up was not effective.

As a result of the ruling, on 22 November 2011, I.P. was once again in the state of liquidation determined by the resolution of 30 May 2007.

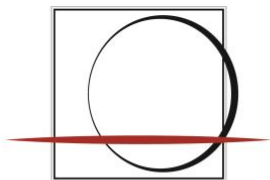


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On 10 February 2012, the shareholder Selex Service Management S.p.A. therefore appealed against the aforementioned ruling, firstly requesting the suspension of the provisional enforceability of the ruling appealed against and, principally, the annulment of the resolution of early winding-up adopted at the Shareholders' Meeting of 30 May 2007. It then repeated its claim for damages.

At the first appearance hearing on 29 May 2012, when the request for suspension was discussed, Selex withdrew from the same request.

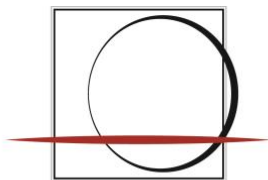
As at 31 December, the case was being withheld for decision. The sentence was delivered on 22 February 2019, a sentence entirely favourable to the company. Therefore, the liquidator will wait until the deadlines for a possible appeal to the Court of Cassation by the counterparty have elapsed, and in the event of no action, will proceed with the closure of the liquidation.



Information on business risks

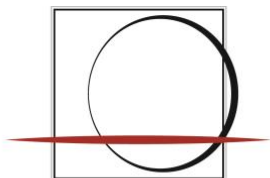
With reference to the main risk factors, derived from a socio-economic, geo-political, legislative and regulatory context, as well as from the features of the reference market and the nature of activities carried out by the Company, it is important to mention the following:

- Italian economic growth continued for the fifth consecutive year but, in 2018, slowed down compared to 2017, with weak domestic demand brought down by private consumption. In 2018, GDP at market prices increased by 1.7% compared to the previous year, while in volume terms it increased by 0.9%. The macro-economic scenario is also characterised by a high unemployment rate, in a context of further restrictions on Public Administration spending;
- the high degree of regulation - especially of a publishing nature - to which the company's activities are subject, given the particular features of the productions assigned, occasionally by law, to Poligrafico. This regulation has jumbled aspects also in terms of stratification over time, with measures that are not always coordinated, added to the many legal and regulatory provisions relating to various aspects of the business activities, affecting the methods by which they are carried out, imposing the implementation and maintenance of dedicated organisational controls with a view to monitoring compliance with the different provisions and regulatory developments to identify suitable solutions, with a strong influence on production methods and efficiency. The Company cannot exclude that future changes to existing regulations, or the issue - by legislators, authorities and supervisory bodies - of new measures, whether primary or secondary level, might affect its operations with potential negative impact on its financial position;
- the particular features of certain specific product components made, which in a number of cases call for recourse to exclusive suppliers. In addition to carefully monitoring relations with these suppliers, the company continues to perform market research in order to acquire internal skills and develop new solutions that allow for, where possible, the development of a multi-sourcing strategy or in-house production. Furthermore, in view of the risks underlying continuous technological developments, which lead to rapidly developing products/components that are technically superior to those in use, even more significance was given to research and innovation activities;



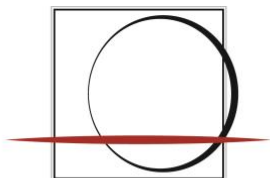
- the seniority of the credit exposure (2006-2018) in relation to the Ministry of the Economy and Finance, following the supply of goods and services relating to so-called "common prints". Discussions continued between senior management and the relevant Ministry office, in order to identify the best way to define these positions. At the end of 2018, reconciliation activities for 2006 were completed, and the related approval decree is awaited. With regard to subsequent years, in view of the IT procedure implemented at the time for the transfer of information between the MEF and Poligrafico, the Ministry considers that the data recorded in its archives is essentially in line with that of the company;
- another element of uncertainty concerns the recognition of the transport costs incurred by Poligrafico on behalf of the Ministry of the Economy and Finance for the years 2002-2006, including in the light of the ongoing criminal proceedings;
- the chance that the company and the group will be involved in administrative, civil and labour law proceedings. In a number of cases there is considerable uncertainty regarding the potential outcome of these proceedings and the extent of any economic impact. The Company constantly monitors the status of these procedures and, where considered necessary, has allocated specific risk provisions based on information gradually becoming available and the opinions formulated by internal and external legal advisors to the Company. It could happen, however, that despite the prudent approach adopted when defining the estimates, unforeseeable events or uncertainties intrinsic to the procedures may mean that the allocations prove insufficient.

To date, despite an external scenario that is not always favourable, the Company has been able to maintain balanced economic conditions, with a capacity to self-finance the planned investment commitments for renewal of the systems and IT structures, and to bring into operation projects that are significant at country level, even with deferred returns. These conditions continue to form the basis for achieving the goal of strengthening/enhancing its role as institutionally recognised supplier, and an operational/distinguished means of supporting Public Administration. Lastly, it is important to mention that, the significant commitments the Company has to face, in order to overcome their effects most efficiently, must be accompanied by positive contributions from the supervising Ministry in terms of simplifying the rules governing the business activities and consolidation of the regulatory framework that defines the scope of reference of activities assigned to Poligrafico. This with a view to finding a



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solution to a number of legal and institutional problems and to facilitate company operations, granting more certainty to the strategic design and the operational scope of the company. Maintaining an adequate level of business profitability, in order to continue creating value for the Shareholder, will therefore depend on these external variables.



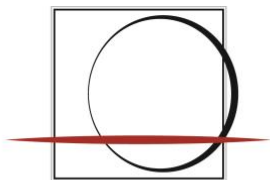
Goods and Services Purchasing Process

In 2018 there was an increase in contracts concluded, both in terms of numbers (+9%) and in value (around +8%), mainly due to the initiation of contracts related to projects to be carried out in accordance with the Business Plan.

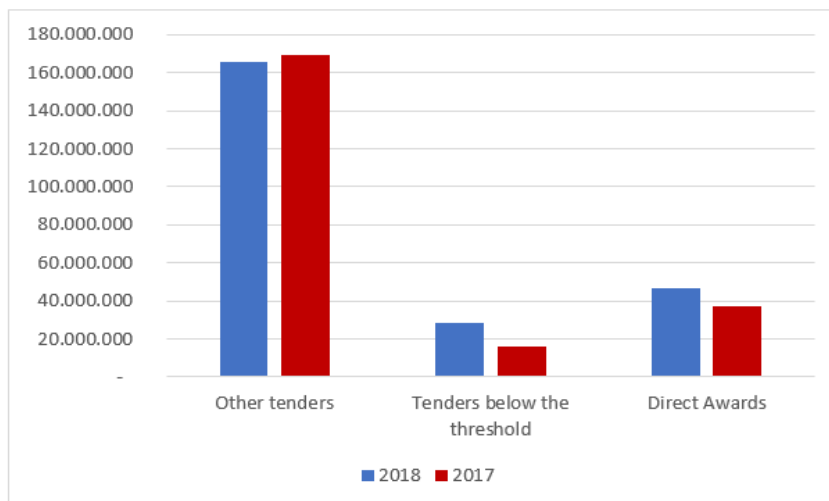
The following is an analysis of the awards closed in 2018, with the exception of the awards exempt from a tender ID code and the electoral ones.

	values in euro millions				number		
	2018	2017	Changes	%	2018	2017	%
Tenders above the threshold	165.53	169.12	(3.59)	(2.12)	114	120	(5.00)
Tenders below the threshold	28.14	16.30	11.84	72.64	348	275	26.55
Direct awards	46.39	37.25	9.14	24.54	1,498	1,403	6.77
Total	240.06	222.67	17.39	7.81	1,960	1,798	9.01

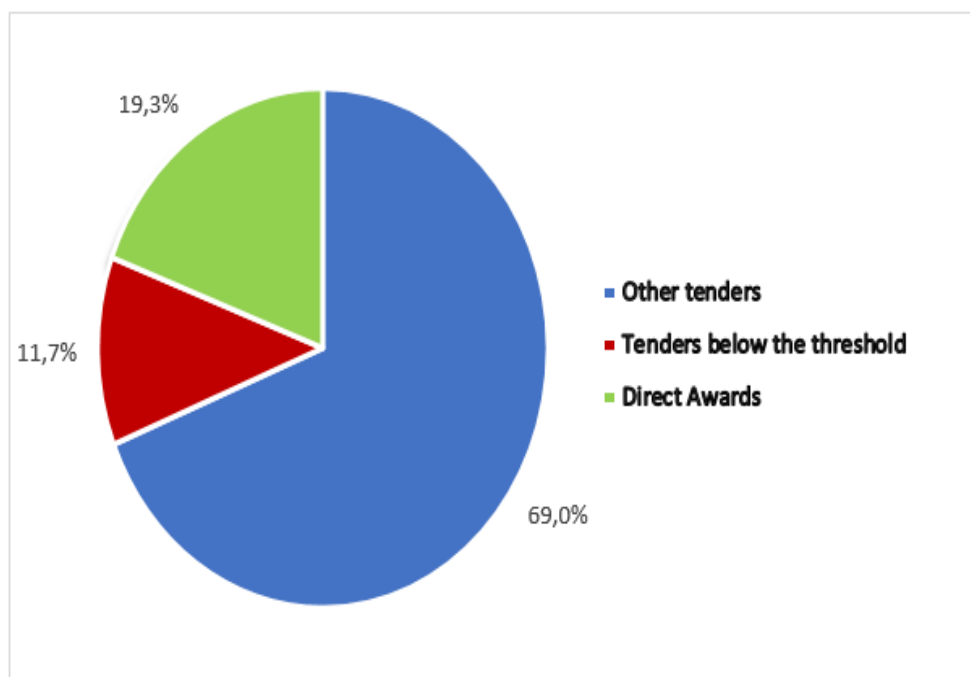
In particular, awards concluded following tenders above the threshold remained almost unchanged compared to the previous year, both in numerical terms and in terms of the amount contracted. On the other hand, there has been a significant increase in the number of contracts awarded following sub-threshold tenders, both in terms of number and amount contracted, due to the increase in negotiated procedures for public works, with a threshold of one million euros. The management of direct awards is monitored by means of monthly reports that identify and promptly justify the causes that lead to direct awards.

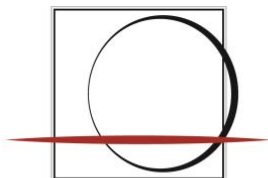


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The weight of direct awards by amount was approximately one fifth of the total, mainly referring to awards to exclusive suppliers; the remainder is represented by above and below threshold tender procedures, in particular open procedures.





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2018 saw the publication of 56 tender procedures, broken down in the following table by type of procedure and amount (higher or lower than the EU limit of € 221 thousand for services and supplies and € 5.5 million for public works):

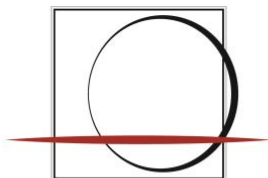
	over limit	under limit
Open	51	4
Restricted	1	0

In order to achieve the optimum economic and qualitative conditions for purchases made and in line with the general spending review policy, the Company constantly monitors the prices of strategic purchases through the above the threshold procedures, adopting, where possible, numerous levers and measures explained in the tender documentation and also aimed at expanding the competitive market, while respecting the quality of products / services.

The award value of the sample contracts (repetitive services and supplies) entered into in 2018 were compared with the award prices of the previous contracts, showing an average saving of around 7% compared to the previous awards, for an absolute countervalue of around € 1.4 million on an annual basis.

The largest savings in percentage terms were recorded on contracts relating to the All Risk Policy for the protection of the assets of Poligrafico, civil liability towards third parties and contractors (42.6%) and the cumulative accident policy for executives, middle managers and employees and non-employees (32.8%); in absolute terms, the lowest cost was obtained in the services supporting the peripheral infrastructures for the issue of passports and electronic residence permits.

In some cases, however, it has not been possible to obtain lower amounts than in previous contracts, especially in the presence of fluctuations in the cost of the raw material (e.g. anti-counterfeiting tracer chemicals; copper alloy strips for the production of planchets for the minting of coins; materials for registration plates and canvas for passports), or in cases where new contracts are the result of tenders carried out on the basis of the most economically advantageous offer, with a higher level of service. The savings achieved had no impact on the quality of products provided or the service distribution methods.



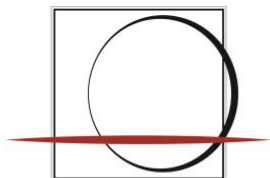
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The consolidation continues of the e-procurement platform, whose functions allow planning and management of the deadlines associated with tender procedures. On entry into force of the new Public Procurement Code, the e-procurement platform was immediately updated in order to allow the seamless publication of all tender procedures. In line with the guidelines on gradual aggregation of procurement for internal needs, the facility management project for the organised and central management of all maintenance for technology systems serving properties of the Rome plants continued. This project aims to verify the effectiveness of an integrated maintenance system: the adoption of a single multi-service contract with the aim of simplifying contract management with award to a single market operator; improvement of the operations and efficiency of plants, envisaging a suitable extent of activities under contract and enhancing the quality and planning of governance services; preparation of a works scheduling system by implementing a structured process for the management and use of centralised information systems and tools to monitor performance level indicators; expansion of the scope of works on company properties, including those in the disposal phase, as well as the related updating of regulatory and technical documents. The procedure was awarded during the year and the contract was initiated in December 2018. The management of online tenders and the suppliers' register through the e-procurement portal, has allowed for the accreditation of around 6,140 suppliers, of which 1,580 are registered and active.

987 procedures were conducted online, with breakdown as follows:

	2018	%	2017	%	2016	%
Trusted contractor	693	70.21	353	51.23	470	56.82
Direct award through negotiated tender	136	13.78	128	18.58	169	20.44
Market survey	50	5.07	87	12.63	64	7.74
Direct award on time/materials basis	8	0.81	28	4.06	49	5.93
Open tender	55	5.57	52	7.55	45	5.44
Sale	32	3.24	20	2.9	17	2.06
Negotiated tender	13	1.32	21	3.05	13	1.57
Total	987	100	689	100	827	100

In line with the strategic and operational guidelines agreed as part of the round table with the Ministry of the Interior, Ministry of the Economy and Finance and Consip, 269 procedures negotiated below the threshold through the company's e-procurement system and 5 procedures through the dynamic purchasing system of the Consip PA (SDAPA) were carried out for the purchase of the materials required to carry out the "electoral service", while the ballot papers and polling tables were purchased using criteria of territorial distribution, shared with the Ministry of the Interior, corresponding to the



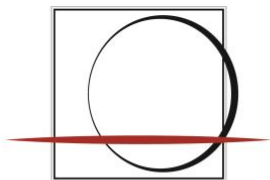
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provincial or interprovincial areas in accordance with the prefectural needs based on the type of election.

For the dispatch of electoral certificates to Italian citizens residing abroad, for the purposes of the elections of members of the European Parliament in 2019, a public procedure was published during the year in accordance with the criterion of the most economically advantageous offer.

During the last months of 2018, the complete procurement strategy for the elections to the European Parliament and the administrative elections of spring 2019 (around 3,500 Municipal Authorities) was established and shared with the Ministry of the Interior.

During the year, 32 online tender procedures were launched for the sale of assets in accordance with the overall disposal plan, reconciling the need to limit the risk of capital losses and the need to rationalise spaces. At the same time, a plan for the disposal of disused materials was implemented, which allowed for the release of useful spaces for the production and management activities of Poligrafico.



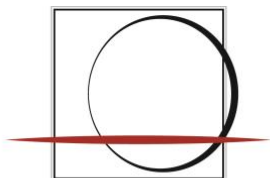
IT systems and Digitisation

During the year, numerous projects were concluded and initiated in line with Poligrafico's strategic plan, which ensures the protection of public trust, the development of skills, quality, the development of value-added services and solutions and security as the strategic lines towards which to direct programmatic action. Most of the investments were directed towards projects to strengthen, renew, rationalise and secure the company's infrastructure. The implementation of Business Continuity for all IT services, including those supporting production, will guarantee Poligrafico the protection of Data and Continuity of IT Services, with maximum protection and resilience now possible. The expansion of the infrastructure will also ensure the provision of increasingly advanced services to the PA and citizens, including from a Cloud perspective. The integration of new technologies and production systems will lead to greater industrial automation and an increase in productivity with a view to Industry 4.0.

2018 saw the completion of the activities for deploying, in all the Municipal Authorities of Italy, the workstations reserved for the issue of the new Electronic ID Card and the initiation of operation for the new central security infrastructures dedicated to the issuing and production of identity cards. As part of the Electronic Passport and Electronic Residence Permit projects, in order to guarantee the continuity of services provided, the technological updating and security of the central systems dedicated to these services were completed by launching the Disaster Recovery site at the Single Backup Centre of the Ministry of the Interior.

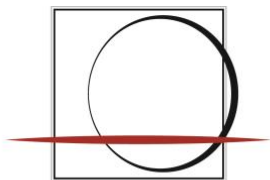
The technological renewal of the primary Data Centre has been completed; the infrastructure of the Business Continuity Data Centre has been installed and the new Green Data Centre is being built at the Foggia plant, a latest-generation modular data centre that will act as both a Disaster Recovery site for Poligrafico and an active site for the provision of IT services for other PAs.

At the Foggia site, in conjunction with the "Valoridicarta" project, the main infrastructural and application works in 2018 were concentrated on: the creation, configuration and operational start-up of new server rooms to support production and video surveillance systems, the integration of the company information system with production machines, the creation of a management information system to support the processes of the new company, the security of communications through the configuration of encryption equipment.



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During the year the company was involved in the CyPSeC (Cyber Physical Security Centre) project: a project dedicated to the company's internal security with the main task of providing the ability to analyse data and detect potential risks and/or hacking attempts, as well as prompt response to any security incidents. During the year the company was involved in the CyPSeC (Cyber Physical Security Centre) project: a project dedicated to the company's internal security with the main task of providing the ability to analyse data and detect potential risks and/or hacking attempts, as well as prompt response to any security incidents. This tool provides all the indicators necessary to measure performance of the dedicated security systems and therefore to correctly assess the level of risk and the company's exposure to threats.



Sustainability and Sector Analysis

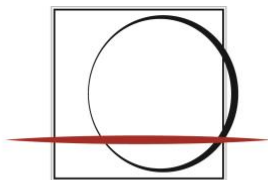
The issue of sustainability has become a fundamental objective underlying the company's strategic choices. In addition to achieving positive economic results, in line with its specific mission, the Company has chosen to offer benefits to the community, generating positive effects in environmental and social terms. In this context, it is worth mentioning:

- The 110th anniversary event for the *Scuola dell'Arte della Medaglia*, which saw the opening for the first time to the public of the premises of the Italian State Mint and the free provision of an exhibition that has showcased ancient machinery, tools, sculptures along with multimedia installations that trace the history of the Mint and display the works of the *Scuola dell'Arte della Medaglia* founded in 1908.
- The production premises of the Banknote Printing Works have been opened to employees and their families, providing them with a walk through of the production processes of the plant, in compliance with the security protocols imposed.
- The trade union agreement for the extension of the company welfare bonuses has been renewed and the mobility manager project has been launched which, following the analysis of the results of the questionnaires submitted to employees, will start in the year 2019.
- At the Foggia plant, the WHP (Workplace Health Program) project was launched to promote proper nutrition and the battle against sedentary lifestyles, issues that emerged following a consultation process involving staff located at the plant.

As regards certifications, the UNI ISO 27001:2017 certification was obtained for Information Security, focusing on the correct management of computer data and guaranteeing the protection of information assets. Following this certification, the company organised courses on IT security (security awareness) and disseminated information on the correct use of IT equipment.

Finally, training sessions were held on the administrative responsibility of companies and organisations (Legislative Decree 231/01), anti-corruption (Law 190/12) and rules of conduct (Code of Ethics) for workers, through the distribution of teaching material and the use of a test to verify the implementation of the obligations.

The purpose of these training projects is to develop, within Poligrafico, a managerial culture and consolidation of the company's value and identity system. Within a wider scenario of sharing, disseminating information and collaborating in inter-functional projects, the company has equipped itself with a platform that, through the establishment



of an internal committee of representatives from the various departments, becomes a tool for the promotion, sharing and publication of relevant news.

The requalification of the company properties and improvement of the production departments continue without interruption, with particular attention to the environmental issue, especially with reference to the Foggia plant, where the restoration of environmental conditions has allowed for the protection of a particular type of bird, the Lesser kestrel (*Falco naumanni*), a protected species included in the reference EEC directive (2009/147/EC).

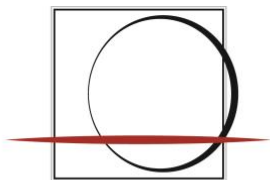
At the Foggia plant, the Green Data Centre project was launched, which involves the use of tools with high processing power and high energy efficiency.

Finally, in 2018, production began on a plant for copper coating of plachets, located at the Verrès plant, without the use of cyanide (c-free): the production process guarantees that the same product is obtained by means of galvanic baths free of the chemical compound, thus making the process eco-sustainable.

In relation to the investments made in recent years, including those relating to continuous processing machines and hologram production plants, in-depth market analyses have been carried out, with the aim of identifying new products and new outlet markets, also as a result of European legislation in sectors of specific interest.

In fact, during 2018, Poligrafico concentrated on the analysis of the following sectors:

- *Special Security Paper*, with specific focus on:
 - *Markets and Players*: analysis of the current global market for security paper, with forecasts up to 2021. Focus on the main relevant events in this market in recent years and on the players in the sector;
 - *TO BE Poligrafico*: examination of the new European regulations that will have an impact on Poligrafico production and analysis of a number of proposals for the development of current products, as well as new products;
 - *Cashless Society Focus*: in-depth analysis on the present and future use of cash throughout the world (with a focus on Italy and on the future "cashless society", a number of possible lines of action to adopt);
- *Holography*, with specific focus on:
 - *Security holograms*: an overview of security holograms, from their origin to the materials used, to the different configurations that can be created;
 - *Product trends*: analysis of the main sectors of application of holograms as security features (banknotes, identity documents, authentication products and b2b

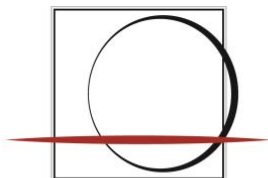


- solutions) and of the recent national and supranational regulations that have had or will have an impact on Poligrafico production;
- *Markets and players*: analysis of the current global market for security holograms, with forecasts up to 2022 and an overview of the main industry players and holographic security solutions on the market;
 - *TO BE*: benchmark for holographic security solutions on the market and presentation of a number of proposals for the development of current products and the development of new products in relevant and non-relevant business sectors for Poligrafico;
 - *Priorities and lines of action*: summary of the main evidence emerged and proposals for a number of possible lines of action to be adopted, with a SWOT analysis of the hologram market built on the positioning and know-how of Poligrafico;
 - *Banknote Focus*: in-depth analysis of the banknote security holograms sector, with analysis of the processes of origination, production and application and market trends.

Another sector analysis concerned the study of the copper-coated planchets market in Europe, with particular attention to the new galvanic plant in Verrès, analysis of the current situation of Poligrafico, markets, players and production costs.

In addition, an analysis was carried out on the competitive positioning and new products/services of a number of Poligrafico's public competitors. The report focused on the recent developments of the three main European competitors, Bundesdruckerei (Germany), Real Casa de la Moneda (Spain) and Imprimerie Nationale (France). The three parties have implemented three different models of competitive development, between the development of the products offered, both in terms of technologies and security elements, and internationalisation of processes.

With regard to scouting and participation in tenders, the company has been particularly committed to the enhancement of the minting and coin collection sector, including through the development of new commercial strategies. In particular, with regard to minting and with regard to Article 13-*quater* (suspension of the minting of 1 and 2 cent coins) of Legislative Decree No 50 of 24 April 2017, converted by Law No 96 of 21 June 2017, activities have been focused on the search for new opportunities on foreign markets, including in order to saturate the new copper coating line in Verrès, through the use of a more competitive pricing policy which has benefited, among other things,



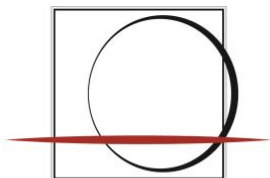
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

from the efficiencies of an integrated production cycle (planchets-copper coating-minting).

The Company has therefore intensified its foreign tendering activities to compensate for the drop in Italian demand and results at the end of 2018 were positive. Poligrafico has been awarded several foreign contracts, both for the supply of copper-plated planchets and for coins.

Scouting continued for tenders in other areas, including security documents. In this regard, Poligrafico participated in a prior information notice for the supply in England of drivers licences, residence permits and other products and a prior information notice for the renewal of electronic passports and ID cards in Finland, with the intention of also being internationally competitive in this area.

In the area of traceability, it participated in a prior information notice in England for the new tobacco tag and a prior information notice in Finland for the issue of unique identifiers for tobacco producers/importers.



Property Asset Analysis and Valuation

The company's property assets are located in Rome and Foggia and include properties used for production (in operation or in disuse), management activities (offices), warehouses and special uses (*Scuola dell'Arte della Medaglia*, sales outlet, etc.), plus a number of pieces of land.

The total gross surface area of the buildings is around 270 thousand square metres and the empty land measures around 70 hectares.

Poligrafico also rents the following:

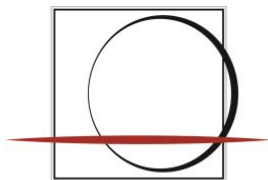
- in Rome, one store at Piazza Verdi 1, used as a sales outlet;
- in Verrès (AO), an industrial complex for the production of planchets for coinage, currently undergoing requalification for the start-up of other production lines.

The Poligrafico Business Plan confirmed the objective of modernising and improving the efficiency of equipment and spaces where business activities are carried out, contemplating an ongoing requalification of the property assets. Support action is also envisaged to improve workplace safety conditions, to further strengthen the intrusion protection measures and control of the production sites, to safeguard IT data and to focus on optimisation and energy savings with a view to continuous implementation of production safety.

Annual re-forecasting led to an increase in planned undertakings, focusing activities on improving the functions, security and valuation of the property assets, laying the foundations for the implementation of numerous works envisaged over the course of the three-year plan.

The main actions planned include:

- gradual upgrading of work environments and improvement of the general working conditions by implementing services and reorganising communal areas;
- adaptation of plant areas for the improvement of conditions for existing production and the start-up of new lines;
- implementation of infrastructures for the IT systems, to improve business continuity;
- construction of a cultural centre for Poligrafico through restoration of the historic building in Via Principe Umberto and the transfer of the *Zecca* Museum to its new home here (currently housed at the Via Salaria 712 office);
- continuous improvement of safety in the workplace and physical safety;
- greater energy efficiency;



○ improved management of building maintenance and of the systems serving them. The optimisation of space at the plants has allowed activities to be concentrated at the Rome office and at the Salaria and *Zecca* property complexes, as envisaged in the Plan. The programme, under gradual development, envisages modernisation for the Salaria Centre of all the PT Plant offices (Via Salaria 691) and restructuring of the environments to be used for general services, to be created in the former San Pellegrino building (Via Salaria 709) in order to create services and public service space (e.g. company restaurant), increase internal car parking space and offices connected to production activities.

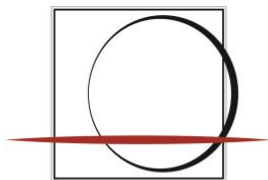
On 24 September 2018, the Purchasing department ratified the end of the "from this very moment" authorisation procedure, which recognises the urban-planning regularity of the plant, a necessary and preparatory step for the activation of the subsequent authorisation procedures. The various authorisations for the company restaurant were therefore requested, an activity that was the subject of executive planning during the year; the feasibility study for the general restructuring of the site is currently being prepared.

In the building at Via Salaria 691, the modernisation process was initiated, in order to allow for the installation of new departments for inlays, passports and the renovation of the philatelic centre. With a view to upgrading and adapting the working environments of the production departments of the Salaria Centre, the complete restructuring of the sanitary facilities has been undertaken.

For the 90th anniversary celebrations, Poligrafico opened the doors of its production plants in Via Salaria 691 and Via Salaria 712 in order to tell the story of the transition from more traditional production to the current innovative and cutting edge techniques, with which today the Company is committed to the protection of physical and digital identity, and the creation of security documents and anti-counterfeiting and traceability marks. On this occasion, in the affected areas, widespread building and plant maintenance works were carried out with a view to continuous improvement of working conditions.

At the Foggia plant upgrading and maintenance work continued on the buildings and further substantial activities are planned that will lead to complete modernisation of the buildings and the production departments associated with the new processes linked to reactivation of the second continuous processing machine.

In fact, projects and works began to upgrade various buildings in compliance with the Business Plan for the installation of the new continuous processing machine and the production of security elements (holography and hologram application). These works



involve upgrading of the buildings and the plant perimeter, from a functional, structural and layout view, with particular regard to safety and security aspects.

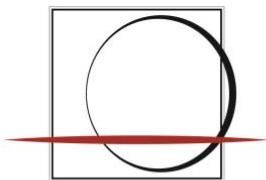
The adjustments related to the new high security productions have affected not only the buildings, but also the perimeter of the plant in terms of reinforcing the physical barriers and the security equipment of the fencing, involving a reconfiguration of road and pedestrian accesses. As the final stage of updating the perimeter and access roads, we will proceed to the expansion and optimisation of external yards to be used as a parking lot for employees and parking for vehicles entering and leaving the plant. In parallel with the works related to new productions, adaptation programs were launched related to health and safety in the workplace, such as the creation of new changing rooms for staff, and continuous adjustments related to fire prevention, the subject of a specific plan shared with the Provincial Fire Department of Foggia.

In 2018, initiatives linked to the recovery of property assets with historic value in the Foggia plant were also implemented. Restoration and consolidation work has begun on the linked property of the chimney of the former Lurgi plant, which is expected to be completed in the first four months of 2019, and collaboration continues with the Superintendence in order to assess the historical and artistic interest of the other buildings dating back to the time of first construction of the same plant.

With regard to the planned demolition of buildings already no longer used or in a non-recoverable state of conservation, the works for first demolitions were assigned.

Activities related to valuation of the Nomentano Centre continued during the year and the analyses for the determination of the profiling of the site are currently assigned. Works to improve the usage efficiency of the warehouse were carried out, which made it possible to move the *Libreria dello Stato* from Via Salaria 709 to the former Morandi building in Viale Gottardo, with the positioning of new shelving and new pallet racks. At the same time, the fire brigade authorisations for the building in Viale Gottardo with its adjoining warehouse have been renewed and a plan of action is being implemented to modernise the physical security equipment and the spaces in use.

In the Verrès plant, following the elimination of the production of 1 and 2 euro cent coins, it became possible to optimise the layout and number of machines inside the production working shed and the ecological galvanisation of the planchets, allowing for a change of strategy that led to the creation of the new line of registration plates for cars, motorcycles and mopeds inside the Coinage shed. In addition to the general building and plant works carried out for the renovation of the Coinage shed, the new video surveillance system was installed, coverings of materials containing asbestos in a



compact matrix were isolated and removed, a new biological section for water purification treatment was designed at the plant, and all the necessary works were carried out to modernise the new lines and the plant's power plants.

The design of works to improve business continuity conditions to allow for the implementation of computer equipment and security for Poligrafico as a whole has resulted in the creation of the Business Continuity Data Centre at the *Zecca* plant. Work has begun on the construction of the preliminary works for the installation of the Green Data Centre planned at the Foggia plant and the design phases for the implementation of the new campus cabling have been completed for the same plant, for which work is expected to begin in the first quarter of 2019.

At the Salario Centre, the implementation of the operational centre has also been completed, which will allow for the grouping of safety control and system layout functions serving the buildings to provide an integrated system with the functions of a modern Building Management System.

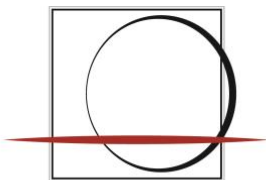
With regard to the redevelopment and restoration of the building in Via Principe Umberto, the project for the construction of a new multifunctional cultural centre, for the enhancement of high craftsmanship and art related to the historical and current production of Poligrafico, witnessed the initiation in 2018 of the design competition which is expected to conclude, in March 2019, with the selection of the winning project. As part of the enhancement of the cultural offer, maintenance work was also carried out on a number of rooms on the ground floor for the launch of the "*ARS Metallica*" exhibition, inaugurated in December 2018 for the 110th anniversary of the *Scuola dell'Arte della Medaglia*.

In order to allow for the continuous improvement of safety in the workplace, fire prevention systems and controls have been upgraded.

For the Foggia site, the security conditions of a number of buildings were also verified by means of a vulnerability analysis.

As part of physical security improvements at the Foggia and Verrès plants and at the Salario Centre, works began on the construction of new video surveillance systems in the departments and outside the premises.

With regard to the continuous implementation of physical security, an access control and attendance management system has been introduced on all sites in Rome, Foggia and Verrès. This system uses equipment and software products with a high degree of security, for maximum flexibility and configurability of the rules that govern the control of transits. The complex system installed is based on an "in line" system philosophy, in



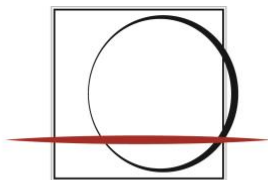
order to be able to manage any variation made to the configuration or to the database, in real time. Together with the implementation of the SW control, an integrated physical system of regimentation of the accesses to the departments and warehouses has been created, with specific attention to the loading and unloading areas for the production areas of the sites in Foggia, Verrès and the Salaria Centre, in compliance with the security certification obtained, and reconfirmed, by Poligrafico.

At the Foggia site, the tendering procedure was also launched for a new Cogeneration plant aimed at optimising the plant's electricity consumption; the steam produced will also be used to obtain further savings in the disposal of paper sludge through a drying system, with a consequent reduction in the weight of the material to be disposed of.

As part of the activities related to the maintenance of the plants serving the properties, the tender procedure for the Global Service on the plants in Rome was concluded.

In order to improve the usability of the Salaria Centre, an executive project was prepared for the redevelopment of Via Marciana Marina and for the construction of additional car parks. In addition, two working groups have been set up with Roma Capitale, the first for the construction of the junction of Via Salaria on Via Marciana Marina and the second directly with the 3rd sub-municipality for the construction of a bike path that connects Prati Fiscali to the Salaria Centre.

Finally, with regard to energy savings, during the year an audit began on all systems and upgrading works on the environmental comfort systems at the facility in Via Marciana Marina 28 were tested. These activities brought the property into energy class A. For the buildings in Rome and Verrès transformation of the lighting devices through LED technology is underway, the works for which envisage a fast return on the investment associated with the longer useful life of the bulbs and reduced use of the electricity required for them to work. All the new works in any event envisage the replacement of fixtures and fittings with elements suitable for energy efficiency and recourse to heat/air conditioning generation using heat pumps, where possible. All the new systems envisage remote monitoring and control. In 2018, the procedure for the awarding of contracts for the properties in Foggia was initiated.



Research, Development and Innovation

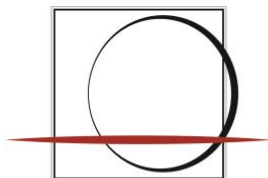
Research and technological innovation activities continued during the year with the development of numerous projects that will allow the company to monitor the market, improve the efficiency of production processes, quality and the innovative nature of products, using new technologies. The guidelines adopted referred to strengthening the security requirements of the company's core products, especially in the field of counterfeit prevention, the development of new traceability solutions and the use of technologically advanced solutions for the provision of new value-added services, and monitoring of the patenting procedures for the solutions and products identified.

In particular, the activities carried out were oriented towards the following strategic areas:

Advanced applications in the electronic identification documents sector: the main activity concerned the development of a card with a biosensor capable of identifying the holder in a certain way through the use of biometric sensors integrated in the document itself, that enable its functionality (checkpoints, payments, etc.) only if the acquired biometric parameters are positively detected. The aforementioned activity, carried out in collaboration with the Bruno Kessler Foundation, has provided very positive results and has allowed for the identification of materials and innovative processes suitable for the implementation of sensors that can be integrated into the manufacturing processes of documents in plastic materials (ID 1 or ID 3 format). Performance tests are underway and the technology patent process has also been launched.

In order to allow for the use of the Electronic ID Card as a digital identity tool, a SPID-compatible format has been defined, to allow for easier integration and use for services provided by European Service Providers. The format was developed with components on Android, PC, Linux and MacOS and tested with different services: Tuscany Region, Province of Trento, Municipality of Turin, Piedmont Region. The Electronic ID Card is now an eIDAS Liv3 authentication tool. In this sense, the pre-notification phase was initiated with the sending of the required project documentation. The security audit was started with the University of Rome "La Sapienza", while the design and security audit of the digital identity format was carried out together with the Bruno Kessler Foundation of Trento. Further uses of the EIC as an authentication tool are being defined in several projects.

As part of the 5G technology experiment, Poligrafico is defining opportunities for using the EIC to unlock vehicles (e.g. car sharing or ambulances and public transport).



With Banca5, from the IntesaSanPaolo group, planning for using the EIC as a tool for identification during the opening of the bank account is ongoing.

Work continued on the development of the "clear window" security element for the thin polycarbonate data page of the Electronic Passport, the creation of which calls for dedicated assembly facilities to be designed that will be acquired during 2019.

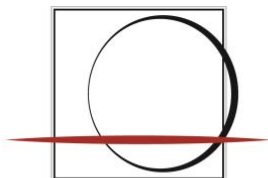
Automatic detection security systems: the first development activities for low-cost RFID devices (chip-less) have been carried out, with the objective to create electronically coded tracking systems that are economically competitive with technologies that use graphic elements (bar-codes, matrix, etc.). Furthermore, work was launched on the development of automatic recognition labelling systems for the creation of "Owners" graphic codes, printable on paper. The research project involves the development of integrated technology that uses the smartphone as a verification tool.

Anti-counterfeiting and supply chain tracking: the agri-food tracking project based on Nuclear Magnetic Resonance with the Bari Polytechnic was operationally launched. The first samples were supplied by ARPA Lazio, which takes them from the main markets of the Region. The tests were launched on oranges in order to identify the region of origin. During a meeting with DESPAR, the interest of the large-scale retail sector in the methodology under development was verified.

An App, called Trust your Wine, has been developed for Android and iOS to provide authenticity information to the consumer.

Tags and special materials: these activities were carried out in collaboration with the Bruno Kessler Foundation; the first results have led to an initial summary of tagging materials that can be used for the personalisation of inks and other materials used for the production of banknotes.

R&D Production Technologies: the industrial facility for the ecological copper coating (cyanide-free) of the coinage planchets, after the definition of the technical characteristics, has entered into full swing with the production of the entire 2018 Italian State requirement, as well as the supply of coppered material to a number of European States. In the context of ordinary coinage, a study has been carried out for the development of surface treatments of steels that can increase the life of coins, a study to be completed in 2019 by means of minting tests on ordinary coinage. Finally, an inkjet technology was developed for the creation of medallions with inserts plated with gold or other precious metals. This technique has been used, for the issue of the commemorative coin of the Vatican dedicated to the Canonisation of Pope Paul VI.



During the year, executive agreements continued with: the Bruno Kessler Foundation for the research of mobile security solutions based on smart cards; the Information Engineering department of the University of Rome "La Sapienza" for the verification of the security of EIC v. 3.0 Radio Frequency protocols; the Bari Polytechnic for the research of innovative tracking solutions based on Nuclear Magnetic Resonance.

Collaboration with Public Administrations: in support of the Ministry of Foreign Affairs and International Cooperation, Poligrafico participated in the European technical roundtables for the definition of the new Emergency Travel Document. In support of the Ministry of the Interior and the Permanent Representation in Brussels, the Company participated in the drafting of the new regulation on identity card security for all European countries.

Participation in the work of the Committee for the definition of the characteristics of Visas, Residence Permits, Passports and the technical infrastructure required for border control continues on behalf of the Ministries of the Interior and the Ministry of Foreign Affairs and International Cooperation.

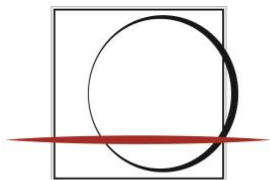
Participation in the work of the ICAO New Technology Working Group has led to Italy's participation in the ICAO Public Key Directory.

Finally, the collaboration with the State Police has been formalised within a framework agreement that covers several areas: training, development of solutions, exchange of information.

In order to improve the systems for issuing electronic documents, a framework agreement was signed with the University of Bologna, recognised as a centre of excellence in Europe for biometric techniques. The collaboration aims to improve the use of biometrics in Italian documents and develop techniques for preventing morphing.

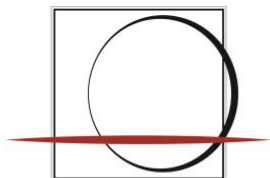
Patent portfolio: in parallel with research activities, innovative inventions were protected, both through the drafting of restricted procedures for the protection of the company's "know-how" and through the filing of Italian, European and international patents. In 2018 the patent procedure was initiated for the following patent applications, still under examination at the European Office: document with biometric recognition; security element for "clear window".

Holography: as regards holography, R&D activities focused mainly on the planning and control of investments needed to create a new dedicated production unit at the Foggia plant. In 2018, the necessary machinery was purchased to internalise the production of holographic elements, with the aim of ensuring a higher level of security, in line with



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the objectives for the fight against counterfeiting and technological development. All activities will be completed in early 2019.



Artistic production chain

The artistic departments of the Company have continued to ensure the activities of artistic design, planning and creation of the business products, corresponding with the requirements of the various external buyers, institutional and otherwise.

Publishing Products

In 2018, publishing activities saw a renewed commitment, both in the production of prestigious publications published under the *Libreria dello Stato* trademark, and in the printing of texts and graphic arts products of institutional value on behalf of the Public Administration. A new organisation of work process has made it possible to plan and schedule new releases; at the same time, a rationalisation of the stock of publishing productions has been launched with a view to convenience and opportunity, including in order to make the management process more efficient, with a consequent reduction in costs.

The following books of particular importance should be noted:

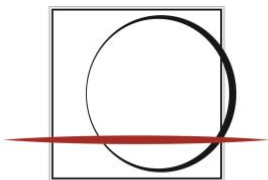
- *L'Italia Costituzionale per il Senato della Repubblica;*
- *Razza e Ingiustizia per il Consiglio Superiore della Magistratura;*
- *La Scuola dell'Arte della Medaglia: una storia attuale per la Libreria dello Stato;*
- *La Guardia di Finanza a Cento anni dalla Grande Guerra per la Guardia di Finanza;*
- *Villa Madama per la Presidenza del Consiglio dei Ministri;*
- *Le auto storiche della Polizia di Stato per il Ministero dell'Interno.*

The following graphic arts productions of particular importance should be noted:

- *Calendari da parete, da tavolo e planning per la Polizia di Stato e l'Unicef;*
- *Calendari da parete e da tavolo per i Carabinieri del CITES;*
- *Calendari per la Guardia Costiera e l'Unicef.*

Coin Collection Products

The coin collection issues during 2018 were, as usual, dedicated to topics and anniversaries of national interest. The issue calendar, which started in January, together with the plan of events and communication, have enabled a reversal of the trend in the sector. Among the initiatives carried out were the launch of the 5 euro silver coin dedicated to the anniversary of the Association of the State Police, which involved a presentation carried out in the presence of the Chief of Police, a coin which has already been sold out. Another significant theme was the "70th Anniversary of the Italian Constitution": the 5 euro coin in enamelled silver and a 2 euro commemorative coin



together with the stamp dedicated to the same anniversary were presented by the President of the Senate.

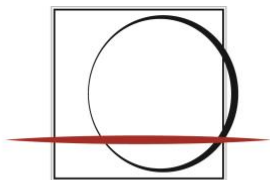
There was also great success for the 2 euro coins dedicated to the anniversary of the Ministry of Health and for the 10 euro silver coins for the FIFA World Cup, for which the licensee has formalised an order of 15,000 coins to Poligrafico.

Scuola dell'Arte della Medaglia [School of Medallion Art]

The activities governed by the school in 2018 were focused on direct etching, bas relief modelling, design, bonding and embossing, wax modelling, high smelting, 3D design, high relief and 3D shaping, history of coin and medallion art, coin and medallion minting technology, computer graphics applied to medallions and coins, restoration, preservation and reproduction of works in wax, minting and coinage articles, micro-shaping, chalcography etching, hard stone etching.

Among the projects carried out during the period the following should be noted:

- The 2018 calendar medallion: the medallion, produced since 1981, is available in two sizes: bronze (Ø 80 mm) and enamelled silver (Ø 50 mm). The prototyping of the 2019-2021 medallions was also carried out.
- At the Medagliere of the National Roman Museum an amber box from the Severian period (II-III century A.D.), found in fragments in 1929 near Tivoli, is preserved. The Medagliere requested the Mint to make a certified copy for scientific purposes. As the original is in an extremely fragile condition, delicate reproduction techniques that did not interfere with the piece were required. The School utilised an indirect method to create the copy: through a survey of the object, with precision modelling techniques and micro-forming, it reconstructed the parts with epoxy resins and pigments, in order to produce a certified copy of the ancient object.
- The *Scuola dell'Arte della Medaglia* created the design and model for the objects awarded by the MAM - *Maestro d'Arte e Mestiere*, promoted by the *Fondazione Cologni dei Mestieri d'Arte*, a special award dedicated to the very best Italian Masters of Art active in 23 different categories of artistic craftsmanship; the model has been produced in 78 pieces cast in earth by the *Zecca*.
- The Vatican State Secretariat invited the *Scuola dell'Arte della Medaglia* to submit designs for the official issue of the year VI Papal Medallion for Pope Francis. Twenty-two graphic arts projects were carried out for this purpose.
- On commission of the company Treccani Reti (formerly Editalia), five coins from the “studio” of Pietro Giampaoli and Guido Veroi from the 1950s were produced. Ten models for 5 coins were obtained by reconstructing the modelling from photographic



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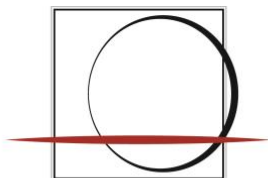
images with particular parameters that determine their mintability whilst using the current minting techniques. The pieces of the "*Lire segrete*" collection have been minted by the *Zecca* in 750‰ gold, in their original size, with a circulation of 2999 pieces per type.

- Once again this year the *Zecca* production "*Sesterzio d'argento - Premio cinematografico, Roma, il Set nella Città*" awards were held in Rome to celebrate Rome and arthouse cinema. The registration plate, the prototype for which was created by SAM in 2007, is awarded each year to the best film set in Rome.
- For the Immaculate Conception celebrations in Rome for the Pope's visit, a bas relief was produced - commissioned by Onarmo - depicting the sacred image of the "Madonna and Child" by Giovan Battista Trotti, known as *il Malosso*, (1555 - 1619), from the second half of the 1500s.

Promotion plan for 110 years of business of the School and the historic Zecca building. For the one hundred and tenth anniversary of the *Scuola dell'Arte della Medaglia*, Poligrafico organised the "*Mostra Ars Metallica, la materia, la forma e la creatività contemporanea*" exhibition in the former workshops of the *Zecca dell'Italia Unita*, open to the public for the first time. The exhibition traces the history of the building of the *Zecca* and the *mestieri d'arte* and creativity of the School. Inaugurated on 28 November 2018, it utilises seven rooms with five multimedia installations; the exhibition, through machinery, of the technological heritage of Poligrafico, sculptures, works of art and installations, aims to communicate the "know-how" and creativity from the early 1900s to current achievements and productions.

Furthermore, for the presentation of the international competition for the restoration of the historic *Zecca* building, which took place on 5 April 2018, the conference room and two rooms in the workshops of the historic *Zecca* building were set-up, a preliminary measure for the next exhibition for the 110th anniversary of the *Scuola dell'Arte della Medaglia*.

All the initiatives organised were aimed at highlighting the specific characteristics of the location and the activities of the Company, in particular the *Zecca*. An educational-scientific publication was created for the exhibition, entitled: "*La Scuola dell'Arte della Medaglia, una storia attuale*". The text is divided into two parts: the first, "the history" traces the history of the foundation of the School and the construction of the building with the integration of industrial and artistic-cultural functions; the second, dedicated to "know-how", analyses the technical-artistic journey of the current School, highlighting



the importance of the School's work within the cultural and productive landscape of the Nation.

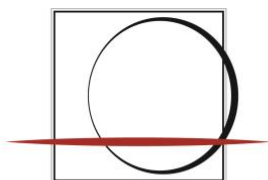
The Zecca Museum

In 2018, the valuation process for the artistic heritage of Poligrafico continued with the promotion and use of the *Zecca* Museum. Cataloguing continued of the extraordinary wealth of artistic assets housed at the Museum, and likewise promotion activities through:

- guided visits of the Museum, involving private and especially public schools;
- meetings with customers or institutions at the Museum;
- presentation events of books, medallions or coin collection products.

Also through partnerships with other Museums and Institutions (MISE, MEF, MiBACT), a process was initiated to create a single Museum complex that brings together the various topics linked to Italian art history. In this respect, a procedure was undertaken at the *Zecca* Museum which envisages its expansion by adding a weights and measures and a philately section, complete with related designer materials and unique works of immense historic and cultural value.

The purpose of the *Zecca* Museum is to develop and disseminate awareness of the history and culture of the population through the custody, study, interpretation and valuation of its coin collections. For this reason, the Museum targets visitors and users of all ages, incomes, educational levels and origin, designing visit experiences and innovative usage methods that stimulate understanding of fine metal arts. The *Zecca* Museum is therefore not only a history preservation venue, but also a space to meet, debate and reflect. The Museum also has new functions inspired by the philosophy of materiality: therefore, not only does it display collections, but has interactive stations and the chance to see the fine metal arts experts at work.



Zecca

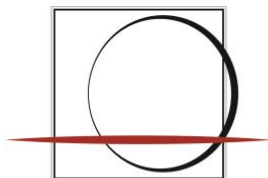
In 2018, the demand from the Ministry of the Economy and Finance for the minting of euro coins to be put into circulation amounted to 354 million coins, a sharp decrease on the figure for the previous year. In accordance with the provisions of Finance Law 96/2017, no 1 or 2 cent coins were produced. In October, the Ministry of the Economy and Finance changed its supply requests. As a result, at the beginning of the year, the quotas for the 20 cent, 50 cent and 2 euro coins were increased by 5, 16 and 10 million pieces respectively.

Value	2018	Composition	2017	Composition	Change
<i>in millions of pieces</i>		%		%	
€ 0.01	0	0.00	260	49.43	(260)
€ 0.02	0	0.00	150	28.52	(150)
€ 0.05	170	48.02	60	11.41	110
€ 0.10	100	28.25	40	7.60	60
€ 0.20	51	14.41	5	0.95	46
€ 0.50	2	0.56	3	0.57	(1)
€ 1.00	1	0.28	3	0.57	(2)
€ 2.00	30	8.47	5	0.95	25
Total	354	100	526	100	(172)

Following the new technical specifications for the production of copper plating, in 2018 we proceeded to the production of 5 cents coins with a reduced thickness of copper without encountering production or product quality problems. Approximately 360 million coins minted for standard circulation have been delivered.

Around 0.2 million coins in precious metal were produced for coin collection products. Among the commemorative proof and precious metal coins, 2 euro coins have been minted to commemorate the "70th anniversary of the Italian Constitution" and the "60th Anniversary of the establishment of the Ministry of Health". Furthermore, the following have been minted: the 5 euro bimetallic coin with the Artistic Treasures of Amatrice as its subject, the 5 euro silver coin dedicated to the "50th Anniversary of the founding of the National Association of the State Police" and the 5 euro silver coin, included in the series of 10 pieces, dedicated to the Italian Constitution, which has coloured enamel areas also produced in the proof version.

Around 3 million standard coins and 0.4 million coins in precious metal were minted for the Republic of San Marino; 26,500 proof coins were also produced. The



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commemorative coins produced were as follows: 2 euro coins in proof and precious metal versions dedicated to the "420th anniversary of Bernini's birth" and the "500th anniversary of Tintoretto's birth" and the 5 euro mono-metallic coins dedicated to the "Aries sign of the zodiac" and the "Taurus sign of the zodiac", innovative due to the material used.

For the Vatican State around 2 million standard coins, 0.9 million coins in precious metal and 0.1 million proof coins were minted. The commemorative coins minted were as follows: 2 euro coins, both in the precious metal and proof types, dedicated to the "European Year of Cultural Heritage" and to the "50th Anniversary of Padre Pio's death" and the 5 euro bimetallic coin in the precious metal and proof version dedicated to the "600th Anniversary of the dome of *Santa Maria del Fiore*". The innovative 5 euro silver coin, proof finish, dedicated to the "Canonisation of Pope Paul VI" made in a limited edition with a layer of pure gold plating.

To complete the 2018 contingents (Italy, Republic of San Marino and the Vatican State) and medallions, approximately 6,711 coins were minted.

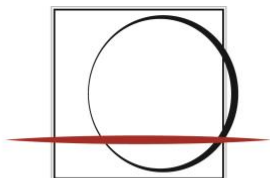
In addition to these productions there is the order from the Republic of Slovenia: in 2018 more than 1 million standard coins were produced; 80,000 Brilliant Uncirculated coins of all denominations required to make up the series of 10 pieces; 13,250 proof coins including all the denominations required for the series of 10 pieces and coins in noble metal.

For 2019, Poligrafico has been awarded, in addition to the coin collection supply, the production of 1 euro cent and 2 euro cent standard coins.

For medallions, the year ended with the production of 25,504 medallions, 16,506 medallions for Editalia, 352 artistic castings including 17 plates for the Presidency of the Republic and 1,619 RAI tokens.

Finally, for the first time, more than 11 thousand tags were produced for the Customs Agency. The design and production in all its phases, cutting, engraving, colouring and application of the clasp has been carried out entirely within the plant.

The production of 2,709 stamps can be added to this and the breaking up of around 20 tons of coins.



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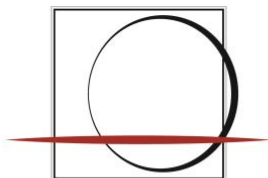
Zecca Segment Report

In application of Article 1 of the Ministerial Decree of 8 August 1979, the Zecca segment report was prepared, not subject to audit, which records a loss in 2018 of around € 5.7 million, illustrated below in its reclassified form.

Reclassified Income Statement	<i>(values in €/000)</i>	2018	2017	Change
Revenues from sales and services		33,712	37,493	(3,781)
Change in inventories of work in progress, semi-finished and finished products		6,998	(215)	7,213
Production for the year		40,710	37,278	3,432
Acquisition of raw materials, consumables and goods for resale		(23,011)	(19,780)	(3,231)
Change in inventories of raw materials		0	(449)	449
Services		(6,882)	(6,421)	(461)
Use of third party assets		0	(300)	300
Other operating costs		(884)	(826)	(58)
Other revenues and income		264	155	109
Value-added		10,197	9,657	540
Personnel costs		(14,032)	(13,034)	(998)
EBITDA		(3,835)	(3,377)	(458)
Amortisation/depreciation:				
Intangible assets		(205)	(98)	(107)
Tangible assets		(1,713)	(1,160)	(553)
EBIT		(5,753)	(4,635)	(1,118)
Profit before tax		(5,753)	(4,635)	(1,118)
Profit for the year		(5,753)	(4,635)	(1,118)

2018 turnover was € 33.7 million, down with respect to 2017 (€ 37.5 million); turnover in the year was influenced by the following trends:

- the lower 2018 contingent, in terms of number of pieces to be minted (354 million against 526 million in 2017), compared to the previous year, generated higher turnover even though deliveries at the end of December were carried over to 2019, which carried over around € 3.5 million in margin to the following year. In fact, the composition of the mix for individual coin values has focused on the most valuable denominations;
- revenues decreased in relation to implementation of the RAI contract for the production and delivery of gold tokens to gameshow winners (€ 3.1 million);



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

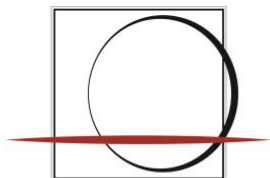
- the reduction in the RAI turnover has led to a similar reduction in the direct costs of precious metal. On the other hand, the increase in coin collection products, with higher margins, allowed for an increase in the contribution margin of 31%;
- the costs incurred for copper-coating the planchets have increased, following the start-up of the industrial plant for ecological copper-coating (cyanide-free).

It should be noted that the different sales mix (fewer "artistic products" and more "legal tender currencies") had a positive impact on the contribution margin (+ € 1.7 million).

The number of employees at year end was 150, compared to 157 in 2017. 19 employees left the company in 2018 and were replaced by 12 new hires.

In light of the above, EBITDA was negative by € 5.7 million, while the segment result was negative by around € 5.7 million (in 2017 negative by € 4.6 million).

Products	Turnover			Contribution margin			% Contribution margin	
	2018	2017	changes	2018	2017	changes	2018	2017
Medallions, Coin Collections	10,713	18,945	(8,232)	3,288	3,011	277	30.7	15.9
Euro, stamps	22,999	18,548	4,451	13,799	12,394	1,405	60.0	66.8
Total	33,712	37,493	(3,781)	17,087	15,405	1,682	50.7	41.1



Accounting Segregation

The actions taken by Poligrafico as regards accounting segregation have already been reported in previous years, based on the provisions of Italian Legislative Decree No 333 of 11 November 2003.

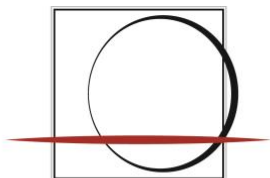
Note that, since it was established, the Company has had the duty of conducting business activities inherent to satisfying the general interests of the State, its administrations and other public entities.

Arrangements were made also for 2018 to prepare an income statement that shows the costs and revenues referring to activities attributable to duties carried out in the general interest of the State and Public Administrations, in line with commitments accepted in previous years.

Based on the analyses conducted, it emerges that Poligrafico can continue to be eligible for exemption from the obligation to implement accounting segregation, in consideration of the fact that the minimum threshold has not been reached, given that the percentage of 2018 turnover not attributable to functions carried out in favour of the State and Public Administrations equals around 3% of the total.

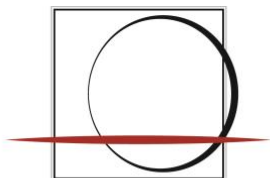
Based on these assumptions, the following reclassified income statement was prepared, not subject to audit, to provide a summary illustration of the segregation of values.

Also note that, for costs relating to common services (administration and finance, purchasing, legal affairs, internal audit, personnel, etc.), inclusion in one of the two “business segments” was arranged on the basis of chargeback parameters consistent with the actual “consumption” of such indirect functions by the segments concerned.



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

Reclassified income statement <i>(values in €/000)</i>	Direct activities for the State and the P.A.	Market activities	Total
Revenues from sales and services	445,699	13,995	459,694
Change in inventories of work in progress, semi-finished and finished products	2,024	(253)	1,771
Production for the year	447,723	13,742	461,465
Acquisition of raw materials, consumables and goods for resale	(62,079)	(9,380)	(71,459)
Change in inventories of raw materials, consumables and goods for resale	5,196	1	5,197
Provision of services	(105,400)	(1,272)	(106,672)
Use of third party assets	(2,180)	(11)	(2,191)
Other operating costs	(6,922)	(65)	(6,987)
Other revenues and income	5,129	91	5,220
Value-added	281,467	3,106	284,573
Personnel costs	(101,710)	(2,358)	(104,068)
EBITDA	179,757	748	180,505
Amortisation, depreciation and write-downs	(26,659)	(540)	(27,199)
Allocations	(50,000)	0	(50,000)
EBIT	103,098	208	103,306
Financial income and charges	380	0	380
Profit before tax	103,478	208	103,686
Taxes for the year	(46,328)	0	(46,328)
Profit for the year	57,150	208	57,358



Relations with subsidiaries

Pursuant to Article 27 of Legislative Decree No 127/91, letter c) and d), Poligrafico has not prepared consolidated financial statements.

The subsidiaries, individually and jointly, are immaterial to representing a truthful and fair view of the Group's equity, financial and economic position. In addition, the companies in liquidation were excluded from the scope of consolidation pursuant to Article 28, paragraph 2a) of Italian Legislative Decree 127/91.

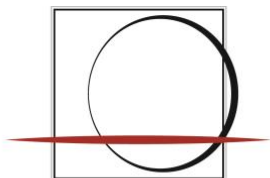
The main details of the financial positions of the subsidiaries are provided below.

Verrès S.p.A. (in liquidation) (55%)

The company was put into liquidation in 2011 with the appointment of a Sole Liquidator. During the year, once the liquidation operations had been completed, in September the liquidator deposited the final liquidation financial statements and the related allocation plan, with effect from 28 December, the day on which the company was cancelled. The allocation plan revealed amounts partially covering the share capital (€ 594 thousand) and tax credits of approximately € 11 thousand.

Valoridicarta S.p.A. (100%)

The company was incorporated on 6 November 2018 with a share capital of € 100 thousand, with the aim of producing high quality watermarked paper with holographic security features, with reference to both the market for ID documents and that for banknotes. As provided for in the Articles of Association, the first financial statements will be closed on 31 December 2019.



Innovazione e Progetti S.c.p.A. (in liquidation) (70%)

Shareholders' equity (values in €/000)	31.12.2018	31.12.2017	Change
Share Capital	30,000	30,000	0
Legal Reserve	0	0	0
Retained earnings	(561)	(461)	(100)
Liquidation Adjustments	(85)	(85)	0
Profit for the year	(99)	(100)	1
Total Shareholders' equity	29,255	29,354	(99)

Income statement (values in €/000)	2018	2017	Change
Costs of production	(112)	(131)	19
Valued Added	(112)	(131)	19
EBITDA	(112)	(131)	19
EBIT	(112)	(131)	19
Financial Income and charges	13	31	(18)
Profit before tax	(99)	(100)	1
Profit for the year	(99)	(100)	1

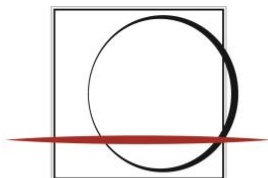
The company was put into liquidation in 2007, later suspended in 2008 by the Court of Rome on acceptance of the injunction order proposed by the shareholder Selex. It was again placed in liquidation on the orders of the Court of Rome on 20 October 2011, which considered the decision to wind up the company to be legitimate and not involving abuse of powers.

Taking into account the appeal filed in the meantime by the shareholder Selex, on 29 May 2012 the court remanded to 22 November 2016 the final decision in the appeal filed by Selex Service Management S.p.A. against decision No 20411/2011 in favour of the company.

This hearing on 17 November 2016 was adjourned as a matter of course to 14 February 2017.

On that date, the bench therefore adjourned the case for decision, granting the legal deadlines for final submissions, filing of final summonses and filing of closing reply briefs (i.e. 8 May 2017), filings that have taken place.

Subsequently, by order notified on 20 December 2017 by the Court of Appeal, the hearing was replaced on the court register and the case adjourned to 9 January 2018, when the President of the Court reported the “loss” of the entire proceedings papers, for



both the appeal and first instance cases, and at the same time adjourned the case again to the hearing of 27 February 2018 for the final decision, ordering the Clerk of Court to complete a further search for the court proceedings papers and, if unsuccessful, to request help from the parties to reconstruct them and file them with the Registry by 19 February. Having completed this action at the hearing of 27 February 2018, pronouncement on the case was again withheld and deferred directly to the presiding member of the bench for decision.

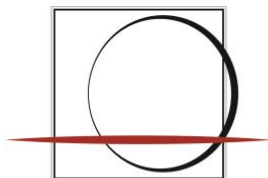
As at 31 December, the case was currently being held up for decision even though the sentence has not yet been delivered.

The sentence was delivered on 22 February 2019, a sentence that is entirely favourable to the company, in the light of the above, the liquidator will wait until the deadlines for a possible appeal to the Court of Cassation by the counterparty have elapsed, and in the event of no action, will proceed with the closure of the liquidation.

With no personnel under its immediate responsibility, the management activities were carried out directly by the administrative body, making use of the limited services provided by the parent company and third parties due to the minimised administrative tasks.

The company closed the year with a loss of € 97 thousand and shareholders' equity of € 29.3 million.

Given the company's lack of operations, interest income accrued on current accounts in which shareholder payments of share capital are paid, further reduced compared to previous years following the decline in interest rates, proved insufficient to cover the structural costs incurred, which were at the same level as the previous year and essentially comprised remuneration of corporate bodies and other administrative costs. Despite having arranged a new valuation, the consistency of provisions for risks and charges has been modified to bring it into line with the estimated overall total of costs and charges expected to be incurred for the liquidation, net of income forecast as achievable, providing coverage - albeit partial - of those costs and charges.



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*Significant events after year end and business outlook (Article 2427, paragraph 22-
quarter of the Italian Civil Code)*

In 2019 the Company will continue its action to construct a solid business structure based on innovation and capable of efficiently carrying out the mission conferred upon it by the State: to ensure public trust.

Management action for the current year is within a strategic framework that aims to further strengthen the Company in the key segments of identification documents and anti-counterfeit, and the secure processing of sensitive data, also through diversification of the product mix and opening up to new markets.

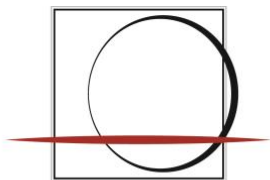
As part of the implementation and management of the information system of central and peripheral infrastructures for the issuance and control of the EIC, a series of projects have been launched that will allow for additional and integrative services to be provided to the PA (integration with the National Resident Population Register or with the transplant information system) and to citizens who can use the Card as a tool for access to PA services.

Remaining within the scope of security documents, the adaptations of the PSE in accordance with EU Regulation 1954/2017 (new technical specifications and security conditions) have been initiated; the technological upgrade of the Stranieri Web and Passport applications to verify compatibility on IE11 browsers has been completed and the development of a new document with a polycarbonate data page and implementation of the centralised emission process has begun.

Work is continuing on the renewal of production lines and the digitisation of processes; in this sense, a schedule of activities and investments for the back-up line for the EICs at the Foggia site has been finalised.

A feasibility study is underway for a centralised system for customising all security documents to ensure greater process security.

In 2019, in the field of anti-counterfeiting and traceability, the company will be employed to disseminate the traceability and anti-counterfeiting systems in the agri-food chain and in other product segments; the development of national traceability systems in accordance with EU directives and the Italian State job objectives; the strengthening of value-added services combined with anti-counterfeiting products. In the field of anti-counterfeiting and traceability, an important challenge will be to promote initiatives aimed at maintaining and developing the current "stamp system", with the proposal to



extend the Italian solution for the "stamp system" for pharmaceutical products made in Italy destined for the foreign market, where possible without additional burdens for the customer (and, consequently, for the citizen).

With reference to Directive 2014/40/EU, the development of the *tobacco tag* is underway, with the introduction of new security elements and the traceability of the same through the creation of a platform; these actions will make it possible to combat the illicit trade in tobacco products.

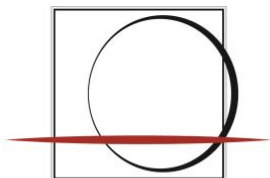
In the first few months of the year, the new registration plate facility at the Verrès plant went into operation. With reference to this product, the development and testing of the new plate with the introduction of innovative technologies (e.g. RFID markers) and/or new materials with increased security levels and the possibility of developing new mobility services is planned for 2019.

For *wine markings*, testing is planned, through the involvement of the main players of the Protection Consortia, among the most important Italian PDO and PGI food specialities. Poligrafico, in order to protect and satisfy the new needs of citizens and producers increasingly oriented to a digital experience, will create a specific marking for the project to protect and enhance the type of product selected and a software platform capable of verifying the authenticity of the data on the marking and its actual origin.

With reference to the newly established Valoricarta S.p.A., preparatory activities continued for the start of the production of banknote paper with the issue of orders for the purchase of security elements and the necessary equipment. All equipment has been delivered for the high-value watermarked and special security papers line, while the MTS test is scheduled for March 2019. Furthermore, the accreditation process involving the European Central Bank (ECB) for the production of banknote paper is of particular importance. The ECB's single accreditation system is based on a step-by-step assessment procedure to assess whether a manufacturer seeking accreditation fully meets the various profiles of the relevant accreditation requirements laid down in Decision ECB/2013/54 of 20 December 2013.

At the conclusion of the project to transform an existing but disused speciality paper production line at the Foggia plant to make it suitable for the production and transformation of high-profile security papers and banknote paper, Poligrafico had already started the aforementioned accreditation process in April 2018.

Following the incorporation, in November 2018, of the in-house company Valoricarta S.p.A., this process was formally launched in the name of the subsidiary and the



necessary steps were taken to support the preparatory inspections to obtain accreditation for the various profiles required (safety, quality, environment, health and safety at work).

In February 2019, the company therefore successfully supported the ECB's security audit, which represents the key element for the conclusion of the accreditation process. The portal dedicated to online sales, www.shop.ipzs.it has been completely reconstructed.

The executive phase for the creation of a multifunctional Cultural Centre in the historical location of via Principe Umberto is expected to begin. It includes: the *Museo delle Carte Valori e Monete*; the *Scuola dell'Arte della Medaglia*; the Sales Outlet and the Library; and lastly, spaces dedicated to temporary exhibitions and artisan shops. Finally, the extension of the collection of the Zecca Museum in Via Salaria is planned, with pieces from the MEF and MiSE collections (memorandum of understanding signed with MEF, MiSE and MiBACT).

The ISO 1429 surveillance audit on physical and logical security at the Rome office in Via Salaria was successfully completed and work is continuing on extending physical and logical security services to all company sites.

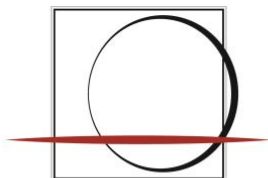
With reference to the implementation of Business Continuity for IT services, Site Preparation activities were initiated with the aim of starting up the IT equipment installed in August/September 2018 and the contractual phase of configuration and operational start-up for the "BCFase2" Business Continuity site was initiated.

Research and development activities continue, also through recourse to new partnerships with leading organisations/institutions/universities.

The Company will continue to develop and enhance its human assets, artistic and cultural heritage and property assets.

As regards business activities, the first few months of 2019 are characterised by a positive performance for turnover compared to that recorded in the same period of the previous year.

From an economic and profit-related point of view, also in relation to activities carried out by the Company in the first few months of the year, it is expected that the positive results will be maintained, in line with 2018, and allow an adequate self-financing capacity to meet the challenging plans for technical, IT, property and research investments.



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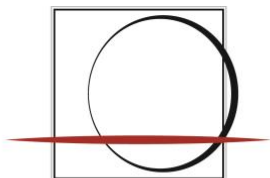
In relation to the above, in line with the revamping of the corporate mission, management leverage in 2019 will increasingly focus on enhancing the Company's capacity to act as a point of reference in protecting the primary interests of the State through products, services and designs of strong intrinsic value, in terms of guarantees of security, health protection, anti-counterfeit and traceability.

The focus on plant efficiency conditions, spending trends, strict management of company finances and "system building" capacity will be incessant, developing understandings and cooperation agreements with partners capable of contributing complementary skills and generating new business.

Activities carried out by the company in the first few months of the year, despite an external reference context with a number of critical variables, in any event indicate that the new strategic guidelines adopted and the developments planned, which see Poligrafico in a central role as guarantor of identity and authenticity, will, in addition to the self-financing of consistent financial commitments to the considerable plan of investments, allow an adequate profit level to be maintained, guaranteeing satisfactory creation of value for the stakeholders.

It is worth mentioning that, given the assigned mission of the Company, the possibility of maintaining a satisfactory level of self-financing and a profit margin in any event positive also relies on decisions made outside the Company, associated with those adopted at government level.

With the aim of constant improvement of its strategic structure, market positioning and resulting capacity to create value for the shareholder, the Company will continue to focus on improving the efficiency parameters, development, staff training, optimisation of suitable management control tools, active market and customer monitoring to seize all possible commercial opportunities, with the intention of confirming its role as leading operator in terms of technologies and solutions for Public Administration and a centre of excellence in the fields of anti-counterfeit and security.



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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Allocation of profit for the year (Article 2427, paragraph 22-septies, Italian Civil Code)

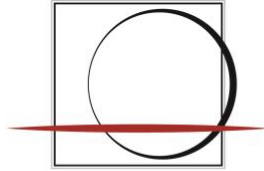
Dear Shareholder,

these Financial Statements, submitted for your approval, include information on the economic, equity and financial position of Poligrafico for 2018 and the main events occurring in the first few months of 2019. In particular, details are provided of the considerable investment plans that the company has incurred and is expected to incur for major “country system” projects (ID documents, anti-counterfeit systems, sensitive databases) and the potential risk profiles.

The 2018 financial statements close with a net profit of € 57,357,799 (exact figure € 57,357,799.07) for which the proposed allocation is as follows:

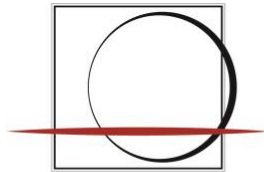
- € 2,867,889.95 to top up the legal reserve to 5%;
- the remainder, amounting to € 54,489,909.12, as a dividend.

The Board of Directors



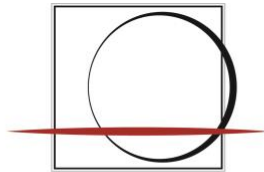
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

Balance Sheet



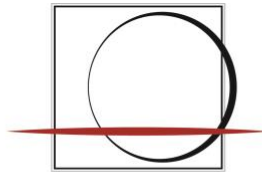
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

BALANCE SHEET			
ASSETS	31.12.2018	31.12.2017	Changes
A) Subscribed capital unpaid	32,817,000	65,634,000	(32,817,000)
B) Fixed assets:			
I Intangible assets			
3) Industrial patent rights and intellectual property rights	5,840,709	3,167,270	2,673,439
4) Concessions, licences, trademarks and similar rights	10,675	36,808	(26,133)
7) Other	0	16,897	(16,897)
Total	5,851,384	3,220,975	2,630,409
II Tangible assets			
1) land and building	66,574,487	70,411,668	(3,837,181)
2) plant and machinery	65,542,147	36,009,229	29,532,918
3) industrial equipment	75,197	106,723	(31,526)
4) other assets	26,820,848	5,249,145	21,571,703
5) assets under construction and advances	35,034,132	18,766,726	16,267,406
Total	194,046,811	130,543,491	63,503,320
III - Financial assets			
1) investments			
a) subsidiaries	20,578,385	20,547,737	30,648
a) associates	3,999,492	3,999,492	0
d) other companies	799	799	0
2) receivables			
d) others			
within 1 year	1,656,963	280,175	1,376,788
beyond 1 year	741,964	2,484,463	(1,742,499)
3) other securities	15,000,000	24,955,000	(9,955,000)
Total	41,977,603	52,267,666	(10,290,063)
Total fixed assets	241,875,798	186,032,132	55,843,666



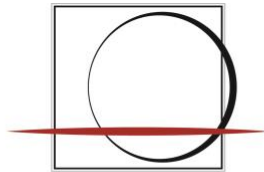
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

ASSETS	31.12.2018	31.12.2017	Changes
C) Current assets			
I Inventories			
1) raw materials, consumables and goods for resale	26,555,537	22,296,600	4,258,937
2) work in progress and semi-finished goods	22,315,772	22,209,723	106,049
4) finished products and goods for resale:	15,056,002	13,439,185	1,616,817
<i>- of which assets held for sale</i>	157,360	147,722	9,638
5) advances	0	3,548	(3,548)
Total	63,927,311	57,949,056	5,978,255
II Receivables			
1) trade	41,822,096	44,576,836	(2,754,740)
2) subsidiaries	540,901	9,026	531,875
3) associates	5,391,210	6,223,577	(832,367)
4) parent companies	147,048,852	606,284,304	(459,235,542)
5) companies under parent company control	1,697,070	5,193,504	(3,496,434)
5-bis) tax receivables	3,793,835	7,244,203	(3,450,638)
5-ter) tax assets	21,494,972	21,494,972	0
5-quater) others	1,614,052	4,939,621	(3,325,569)
Total	223,402,988	695,966,043	(472,563,055)
IV) - Cash and cash equivalents			
1) bank and postal deposits	586,324,597	472,993,204	113,331,393
3) cash on hand	54,492	64,754	(10,262)
Total	586,379,089	473,057,958	113,321,131
Total current assets	873,709,388	1,226,973,057	(353,263,669)
D) Accruals and deferrals	6,278,511	7,516,149	(1,237,638)
TOTAL ASSETS	1,154,680,697	1,486,155,338	(331,474,641)



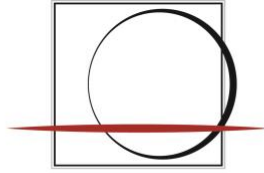
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2018	31.12.2017	Changes
A) Shareholder's equity			
I Share capital	340,000,000	340,000,000	0
IV Legal reserve	41,235,896	38,747,650	2,488,246
VI Other reserves			0
Distributable reserve	30,939,490	133,662,816	(102,723,326)
Grants	551,080	551,080	0
IX Profit for the year	57,357,799	49,764,920	7,592,879
Total Shareholders' equity	470,084,265	562,726,466	(92,642,201)
B) Provisions for risks and charges			
1) pensions and similar obligations	7,492	7,492	0
3) Other	193,989,059	158,152,413	35,836,646
Total provisions for risks and charges	193,996,551	158,159,905	35,836,646
C) Post-employment benefits	18,580,250	21,136,025	(2,555,775)
D) Payables			
4) Payables to banks			
within 1 year	117,801	114,241	3,560
beyond 1 year	60,270	178,071	(117,801)
5) payables to other lenders			
within 1 year	31,590,970	30,220,327	1,370,643
beyond 1 year	5,100,807	36,691,777	(31,590,970)
6) advances	213,532	495,513	(281,981)
7) payables to suppliers	144,644,809	60,769,165	83,875,644
9) payables to subsidiaries			
within 1 year		7,966	(7,966)
beyond 1 year	15,750,000	15,750,000	
10) payables to associates			
within 1 year	5,734	5,734	0
beyond 1 year	11,622	11,622	
11) payables to parent companies	112,253,534	113,250,885	(997,351)
11-bis) payables to companies under parent company control	8,833,828	484,270	8,348,558
12) tax payables	130,788,457	463,607,844	(322,819,387)



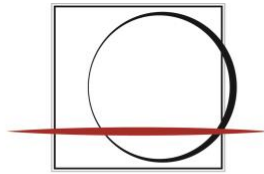
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

LIABILITIES	31.12.2018	31.12.2017	Changes
13) social security payables:			
within 1 year	5,237,583	4,597,409	640,174
beyond 1 year	1,181,800	1,957,295	(775,495)
14) other payables			
within 1 year	14,946,620	13,786,129	1,160,491
beyond 1 year			
Total payables	470,737,367	741,928,248	(271,190,881)
E) Accruals and deferrals	1,282,264	2,204,694	(922,430)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,154,680,697	1,486,155,338	(331,474,641)



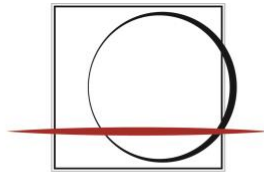
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

Income Statement



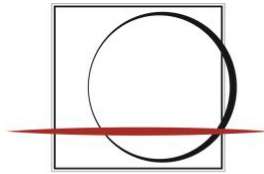
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

INCOME STATEMENT			
	2018	2017	Changes
A) Value of production			
1) revenues from sales and services	459,693,667	372,574,315	87,119,352
2) change in inventories of work in progress, semi-finished and finished products	1,770,700	21,307,281	(19,536,581)
3) change in contract work in progress	0	(10,737,646)	10,737,646
5) other revenues and income:			
a) grants	185,914	78,135	107,779
b) sundry	5,034,049	11,674,440	(6,640,391)
<i>Other revenues and income</i>	<i>5,219,963</i>	<i>11,752,575</i>	<i>(6,532,612)</i>
Total value of production	466.684.330	394,896,525	71.787.805
B) Costs of production			
6) for raw materials, consumables and goods for resale	(71,458,649)	(60,845,367)	(10,613,282)
7) for services	(106,671,560)	(64,573,701)	(42,097,859)
8) for use of third party assets	(2,191,186)	(1,785,622)	(405,564)
9) for personnel:			
a) salaries and wages	(73,412,479)	(71,448,222)	(1,964,257)
b) social security charges	(20,860,115)	(20,854,850)	(5,265)
c) post-employment benefits	(5,503,976)	(5,456,390)	(47,586)
e) other costs	(4,448,017)	(1,292,255)	(3,155,762)
f) recoveries for seconded personnel	156,789	303,340	(146,551)
<i>Personnel costs</i>	<i>(104,067,798)</i>	<i>(98,748,377)</i>	<i>(5,319,421)</i>
10) amortisation, depreciation and write-downs			
a) amortisation of intangible assets	(4,106,702)	(2,494,453)	(1,612,249)
b) depreciation of tangible assets	(23,091,867)	(20,782,251)	(2,309,616)
c) write-down of receivables classed as current assets	0	(52,141,548)	52,141,548
<i>Amortisation, depreciation and write-downs</i>	<i>(27,198,569)</i>	<i>(75,418,252)</i>	<i>48,218,683</i>
11) change in inventories of raw materials, consumables and goods for resale	5,196,856	3,094,028	2,102,828
12) provisions for risks	(50,000,000)	(22,000,000)	(28,000,000)
14) other operating costs	(6,986,779)	(4,787,079)	(2,199,700)
Total costs of production	(363,377,685)	(325,064,370)	(38,313,315)
Difference between value and costs of production	103,306,645	69,832,155	33,474,490



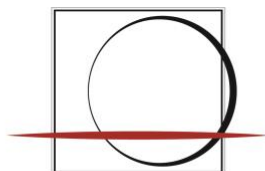
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

INCOME STATEMENT			
	2018	2017	Changes
C) Financial income and charges			
16) other financial income			
a) from receivables classed as fixed assets	252,132	12,693	239,439
b) from securities classed as fixed assets	205,833	365,000	(159,167)
c) from securities classed as current assets that do not qualify as investments	0	1,401	(1,401)
d) income other than the above	5,858,542	4,662,953	1,195,589
17) interest and other financial charges	(5,936,895)	(312,422)	(5,624,473)
17-bis) exchange gains and losses	(485)	(1,222)	737
Total financial income and charges	379,127	4,728,403	(4,349,276)
Profit before tax	103,685,772	74,560,558	29,125,214
22) income taxes			
current	(46,327,973)	(35,403,610)	(10,924,363)
deferred tax assets	0	10,607,972	(10,607,972)
23) Profit for the year	57,357,799	49,764,920	7,592,879



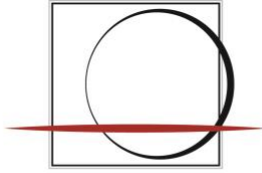
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Cash Flow Statement



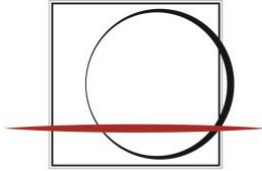
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

	2018	2017
Total net cash and cash equivalents - opening balance	473,057,958	626,867,088
Profit for the year	57,357,799	49,764,920
Income taxes	46,327,973	24,795,638
Interest expense	5,936,895	312,422
Capital gains/losses	(146,582)	40,393
Profit for the year adjusted for non-monetary items	109,476,085	74,913,373
Amortisation, depreciation and write-downs	27,624,883	24,026,144
Allocation for post-employment benefits	5,505,254	5,456,390
Allocation to provisions	53,326,386	28,702,339
Adjustment for non-monetary items with no balancing entry in NWC	86,456,523	58,184,873
Cash flow before changes in NWC	195,932,608	133,098,246
<i>Changes in NWC</i>		
Inventories	(5,978,255)	(14,125,780)
Trade receivables	465,787,119	67,186,753
Trade payables	90,937,905	(20,761,507)
Tax and social security payables/receivables	84,461,173	110,117,230
Indirect taxes paid	(425,421,358)	(161,351,935)
Prepayments and accrued income	1,237,637	(2,318,644)
Accrued expenses and deferred income	(922,430)	(323,041)
Other assets	3,325,569	(2,711,036)
Other liabilities	1,160,491	1,200,298
Advances	1,523,170	(13,173,686)
Investments that do not qualify as fixed assets	0	2,717,826
Total changes in Net Working Capital	216,111,021	(33,543,522)
Cash flow after changes in NWC	412,043,629	99,554,724
<i>Other adjustments</i>		
Interest paid	(5,936,895)	(312,422)
Provision for transformation costs	0	(6,756,887)
Income taxes paid	(34,872,126)	(37,698,270)
Utilisation of provision for post-employment benefits	(8,061,029)	(8,809,484)
Utilisation of provisions	(17,489,741)	(22,617,520)
Total other adjustments	(66,359,791)	(76,194,583)
Cash flows from operating activities	345,683,838	23,360,141
Investments in fixed assets:		
Intangible	(6,768,284)	(2,912,114)
Tangible	(89,225,981)	(16,604,308)
Disposal of fixed assets	692,662	109,709
Assets held for sale	166,401	111,863
Financial:		
Investments	(30,648)	(1,089,183)
Receivables and other securities	10,320,711	479,090
Cash flows from investing activities	(84,845,139)	(19,904,943)
Contributions from the Italian Ministry of the Economy and Finance	32,817,000	32,817,000
Dividends paid	(47,276,674)	(37,010,490)
Extra dividends paid	(102,723,326)	(100,000,000)
Financial transactions	0	(24,047,429)
Loan repayments	(30,334,568)	(29,023,409)
Cash flows from financing activities	(147,517,568)	(157,264,328)
Increase in cash and cash equivalents	113,321,131	(153,809,130)
Total net cash and cash equivalents - closing balance	586,379,089	473,057,958



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

Explanatory Notes



Structure and contents of the financial statements

These financial statements have been prepared in accordance with the regulatory provisions contained in the Italian Civil Code on financial statements, as amended by Italian Legislative Decree No 139/15, in implementation of European Directive 2013/34, comparing the figures for the year ended 31 December 2018 with those at 31 December 2017.

The Financial Statements comprise the following documents:

- Balance Sheet;
- Income Statement;
- Cash Flow Statement;
- Explanatory Notes.

These Explanatory Notes illustrate, analyse and, in certain cases, supplement the Financial Statements figures. They contain the information required by Article 2427 of the Italian Civil Code, in line with the regulatory amendments introduced by Italian Legislative Decree 139/15 and the accounting standards issued by the OIC.

The measurement of items is based on the general principles of prudence and accrual and on a going concern basis, as well as taking into account the substance of transactions.

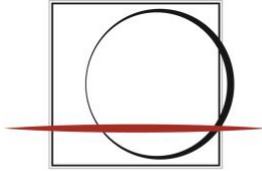
The application of Italian Civil Code provisions did not result in situations incompatible with the truthful and fair representation of events and the corporate position. Therefore, it was not necessary to deviate from any of the provisions, pursuant to Article 2423, paragraph 4 of the Italian Civil Code. Furthermore, no exceptions arose that would have required recourse to the exception envisaged in Article 2423-bis, paragraph 2 of the Italian Civil Code.

Accounting Standards

The company has adopted all the provisions of Italian law in implementation of European Directive 2013/34, with publication in the Official Gazette of Italian Legislative Decree 139/15, which supplements and amends the Civil Code in terms of general rules on financial statements presentation in relation to the formats, measurement criteria, contents of the explanatory notes and the report on operations, and amendments and additions entering into force from 1 January 2016.

All values are expressed in thousands of euro unless otherwise indicated.

The measurement criteria adopted for preparation of the financial statements at 31 December 2018 are illustrated below.



○ *Intangible assets*

These represent costs for which a multi-year use is identifiable and are accounted for on the basis of actual cost incurred, which is systematically amortised each year based on the related useful life. Considering the pace of replacement of the assets, this period is an average of three years. In cases where the value, calculated as above, is permanently lower, a corresponding impairment is recorded. For costs incurred on leased assets, for which a multi-year use is identifiable, amortisation is applied on the basis of the lease contract term.

○ *Tangible assets*

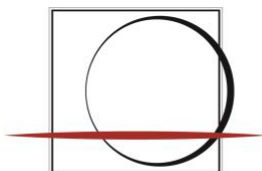
These are recognised at acquisition or production cost, plus directly attributable accessory charges and, for some of them, the amount of the revaluation and/or write-down carried out in previous years in accordance with law. The cost of the assets, calculated as above, is systematically depreciated over their residual useful life. The fixed assets which at year end proved to be permanently impaired, with a value lower than that determined as indicated above, are recognised at that lower value. This lower value is not maintained in subsequent years if the reasons for the write-down should no longer apply.

The estimated useful lives of assets are indicated below by asset type:

Asset type	Useful life in years	
	from	to
Buildings	18	33
Light constructions	10	
Plant and Machinery	5	20
Phototypesetting systems	4	
Rotary presses	5	
Industrial and Commercial Equipment	3	4
Other Assets	4	8
Electronic document workstations	Contract duration	

The value of fixed assets also includes incremental costs if these led to a longer useful life of the related assets, depreciated in relation to their new useful lives. The book value of replaced parts is eliminated and the maintenance and repair costs are recognised in the income statement in the period in which they are incurred.

Land is not depreciated, even if purchased with a building. Nor are tangible assets held for sale,



the depreciation of which ceases on the date the asset is reclassified as held for sale within current assets, at the lower between the net book value and the estimated recoverable amount based on market performance, in compliance with OIC 16.

○ *Financial assets*

Investments are recognised at cost, determined on the basis of the purchase or subscription price. The book value of investments is adjusted to take into account any impairment loss based on the corresponding portion of shareholders' equity. This lower value is not maintained in subsequent years if the reasons for such a write-down should no longer apply.

Securities not qualifying as investments are recognised based on purchase cost, adjusted for any impairment loss. This lower value, if recognised, is not maintained in subsequent years if the reasons for recognition should no longer apply.

○ *Inventories*

Inventories are goods for sale, raw materials inventories, sundry materials, paper and spare parts, for use in operations or maintenance activities, and from products in progress.

○ **Raw materials, consumables and goods for resale:** measured at the lower between the purchase cost, calculated using the “weighted average purchase cost” method, and the estimated recoverable amount based on market values.

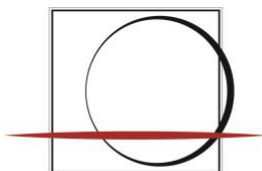
○ **Work in progress, semi-finished and finished products:** measured on the basis of cost incurred. They are calculated at the lower between the market value and the standard operating cost. At year end, the outstanding contracts are analysed to identify any impairment losses. Assets held for sale are reclassified to this item.

○ **Contract work in progress:** measured at the cost of production, including accessory charges, up to the limit of the prices agreed.

Obsolete or slow-moving goods are written down in relation to their residual useful life or taking into account their estimated recoverable amount.

○ *Receivables*

Receivables are recognised in the financial statements according to the amortised cost criterion, taking into consideration the time factor and the estimated recoverable amount. Specifically, the initial recognition value is represented by the nominal value of the receivable, net of all bonuses, discounts and allowances, and including any costs directly attributable to the transaction giving rise to the receivable. Transaction costs, any commission income and expense and all differences between the initial value and nominal value on maturity are included in the amortised cost calculation using the effective interest method.



A special bad debt provision was allocated against potential insolvency risks, reviewed periodically to assess its fairness with respect to positions for which collection is considered doubtful. In any event, further assessments are conducted at the end of each year that take into consideration uncollectable positions that have already arisen or are considered probable, as well as general economic conditions, sector-specific conditions and country risk.

○ *Accruals and deferrals*

These are calculated on an accruals basis. The item includes revenues and costs for the year that will be achieved or incurred in future years, and those achieved or incurred before year end but relating to future years.

○ *Post-employment benefits*

These are calculated in accordance with current laws and national pay agreements for graphics and paper industry operators (Rome and Foggia plants) and for engineering companies (Verrès). For employees in service at 31 December 2018, they represent the liability for post-employment benefits accrued and retained by the company, plus the amount accrued from the beginning of 2007 up to the time that employees opting for pension funds made their decision, net of advances paid and including the revaluation at 31 December 2018 pursuant to Italian Legislative Decree No 252 of 5 December 2005, as amended by changes introduced by Italian Law No 296 of 27 December 2006 (the 2007 Finance Act).

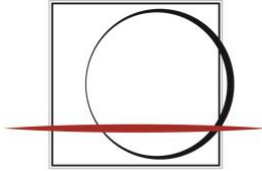
○ *Payables*

Payables are recognised in the financial statements according to the amortised cost criterion, taking into account the time factor. Specifically, the initial recognition value is represented by the nominal value of the payable, net of transaction costs and all bonuses, discounts and allowances deriving from the transaction that gave rise to the payable. Transaction costs, any commission income and expense and all differences between the initial value and nominal value on maturity are included in the amortised cost calculation using the effective interest method.

○ *Provisions for risks and charges*

The provisions for risks and charges are mainly amounts allocated to cover charges or payables, certain or probable, for which at year end it was still not possible to determine the amount or contingency date. The measurement of risks and charges also takes into account those associated with events coming to light after year end and up to the reporting date.

The potential charges resulting from equity investments made are also taken into consideration.



○ *Transactions and items in foreign currency*

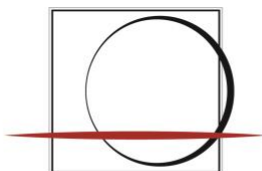
Receivables and payables in foreign currency at year end, recorded at the exchange rate valid at the time of the transaction, are translated to the year-end exchange rate. Exchange gains and losses are recognised in the income statement as financial income components. Any net translation gains are allocated to a specific reserve that remains restricted until realised.

○ *Costs and revenues*

Revenues and income, costs and charges are recognised net of returns, discounts, allowances and bonuses, as well as taxes directly associated with the sale of products and provision of services and recognised on transfer of the risks and benefits of ownership, which normally coincides with the shipping or delivery of the goods or provision of the services. Revenues and income, costs and charges relating to foreign currency transactions are calculated at the spot rate at the date on which the related transaction was carried out.

○ *Taxes for the year*

Income taxes are calculated on the basis of the estimated taxable income, in compliance with regulations in force and in compliance with the accrual principle, taking into account the tax positions of Poligrafico. Deferred tax assets or liabilities were calculated in application of OIC 25.



Consolidated Financial Statements

Pursuant to Article 27, paragraphs c) and d) of Italian Legislative Decree 127/91, Poligrafico has not prepared consolidated financial statements. The subsidiaries of Poligrafico are in liquidation or were established at the end of the year, and therefore individually or jointly they are immaterial to representing a truthful and fair view of the Group's equity, financial and economic position.

These financial statements were audited by Ernst & Young S.p.A.

Balance Sheet

Assets

A. Subscribed capital unpaid

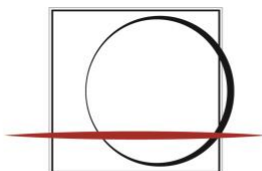
A. I Subscribed capital unpaid

This receivable, totalling € 32.8 million (€ 65.6 million at 31.12.2017), represents the last instalment of the capital contributions to be received from the Italian Ministry of the Economy and Finance on the basis of the provisions of Article 22, Italian Law No 144 of 17 May 1999, as amended by Article 154, Italian Law 388/2000, also taking into account Law 289/2002 (the 2003 Finance Act) by which, with effect from 1 January 2003, the total residual instalments of the contribution were reduced from € 41.3 million to € 32.8 million. The decrease of € 32.8 million is due to collection of the 2018 instalment.

B. Fixed assets

B. I Intangible assets

The breakdown of this item and the changes that occurred during the year are summarised in the table below:



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	01.01.2018	Changes	31.12.2018	01.01.2018	Changes	31.12.2018	31.12.2018
<i>(values in €/000)</i>	Historical Cost	Inflows	Historical Cost	Accum. amort.	Amort. for the year	Accum. amort.	Net Value
Development costs	40		40	(40)		(40)	0
Industrial patent rights and intellectual property rights	48,523	6,737	55,260	(45,355)	(4,064)	(49,419)	5,841
Concessions, licences and trademarks	10,841		10,841	(10,805)	(26)	(10,831)	11
Other	1,183		1,183	(1,166)	(17)	(1,183)	0
Total	60,587	6,737	67,324	(57,366)	(4,107)	(61,473)	5,851

	01.01.2017	Business unit merger	Changes		31.12.2017	01.01.2017	Business unit merger	Changes		31.12.2017	31.12.2017
<i>(values in €/000)</i>	Historical Cost	Historical Cost	Inflows	Outflows	Historical Cost	Accum. amort.	Accum. amort.	Annual amort.	Amort. outflows	Accum. amort.	Net Value
Development costs	40		0	0	40	(40)		0	0	(40)	0
Industrial patent rights and intellectual property rights	44,472	2,431	4,048	(2,429)	48,522	(42,928)	(2,296)	(2,451)	2,320	(45,355)	3,167
Concessions, licences and trademarks	10,829		13	0	10,842	(10,779)		(26)	0	(10,805)	37
Other	1,183		0	0	1,183	(1,149)		(17)	0	(1,166)	17
Total	56,524	2,431	4,061	(2,429)	60,587	(54,896)	(2,296)	(2,494)	2,320	(57,366)	3,221

Development costs

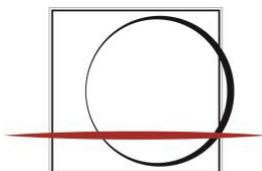
The fully amortised historical cost of € 40 thousand is attributable to the purchase of a DMI prototype magnetic code reader and a device that allows for application of the security thread in banknote production as part of the industrial research activities carried out by Poligrafico.

Industrial patent rights and intellectual property rights

The historical cost of € 55.3 million (€ 48.5 million at 31.12.2017) was amortised for a total of € 49.4 million (€ 45.4 million at 31.12.2017) and refers to:

- *industrial patent rights* for € 121 thousand, fully amortised;
- *software user rights* for € 55.1 million, amortised for € 49.3 million.

The amortisation for the year was € 4 million.



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Concessions, licences, trademarks and similar rights

The historical cost of € 10.8 million (€ 10.8 million at 31.12.2017) was amortised for a total of € 10.8 million (€ 10.8 million at 31.12.2017) and refers to software user licences.

The amortisation for the year was € 26 thousand.

Other intangible assets

The total capitalised cost, equal to € 1.2 million and amortised for € 1.2 million, referred to works undertaken on leased properties (the Verrès plant and the commercial premises in Piazza Verdi).

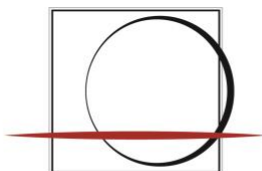
The amortisation for the year of € 17 thousand was calculated by taking into account the duration of the lease.

B. II Tangible assets

Tangible assets are recognised at purchase or production cost, plus directly attributable charges and, for some, adjusted by the amount of the revaluations and/or write-downs carried out in previous years in accordance with law, including those required in Article 15 of Italian Law 333/92 at the time of final determination of Poligrafico share capital. The cost of the assets, calculated as above, is systematically depreciated on the basis of their residual useful life.

Tangible assets are made up as follows:

<i>(values in €/000)</i>	01.01.2018		Changes		31.12.2018	01.01.2018		Changes		31.12.2018	31.12.2018
	Historical Cost	Reval. write-down	Inflows	Outflows	Historical Cost	Accum. deprec.	Annual deprec.	Deprec. outflows	Accum. deprec.	Net Value	
Land and Building	191,750	61,706	1,274	(585)	254,145	(183,045)	(5,106)	581	(187,570)	66,575	
Plant and Machinery	294,138	506	40,293	(12,772)	322,165	(258,635)	(10,591)	12,603	(256,623)	65,542	
Industrial and Commercial Equipment	182	0	21		203	(75)	(53)		(128)	75	
Other Assets	62,366	59	29,344	(821)	90,948	(57,176)	(7,768)	817	(64,127)	26,821	
Assets under construction	5,241		95,994	(78,204)	23,031					23,031	
Total	553,677	62,271	166,926	(92,382)	690,492	(498,931)	(23,518)	14,001	(508,448)	182,044	
Advances	13,526		25,045	(26,568)	12,003					12,003	
Total	567,203	62,271	192,004	(118,950)	702,495	(498,931)	(23,518)	14,001	(508,448)	194,047	
							of which reval/write-down at 31.12.2018			62,271	



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(values in €/000)	01.01 2017		Business unit merger	Changes		31.12 2017	01.01 2017	Business unit merger	Changes		31.12 2017	31.12 2017
	Historical Cost	Reval. write- down		Historical Cost	Inflows				Outflows	Historical Cost		
Land and Building	192,217	61,707		596	(1,063)	253,457	(178,898)		(5,145)	998	(183,045)	70,412
Plant and Machinery	289,309	510	3	10,837	(6,015)	294,644	(251,355)	(3)	(13,246)	5,969	(258,635)	36,009
Industrial and Commercial Equipment	150		10	21	0	181	(21)	(7)	(47)	0	(75)	106
Other Assets	66,309	59	386	4,802	(9,131)	62,425	(62,861)	(353)	(3,093)	9,131	(57,176)	5,249
Assets under construction	6,255	0		19,345	(20,359)	5,241	0		0	0	0	5,241
Total	554,240	62,276	399	35,601	(36,568)	615,948	(493,135)	(363)	(21,531)	16,098	(498,931)	117,017
Advances	353			15,930	(2,757)	13,526						13,526
Total	554,593	62,276	399	51,531	(39,325)	629,474	(493,135)	(363)	(21,531)	16,098	(498,931)	130,543

Land and Building

The historical cost of € 254.1 million refers to the production buildings and the land on which they lie. Accumulated depreciation at 31 December 2018 was € 187.6 million, of which € 5.1 million was depreciation for the year, and refers only to industrial buildings as land is not depreciated.

Plant and Machinery

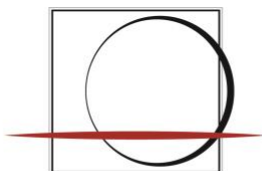
The historical cost was € 322.2 million, depreciated for € 256.7 million of which € 10.6 million was depreciation for the year. The increases refer mainly to process and product improvement activities, such as the upgrade of passport production facilities and the modernisation of the second continuous processing machine.

Industrial and Commercial Equipment

The historical cost at 31 December 2018 was € 203 thousand, depreciated for a total of € 128 thousand of which € 53 thousand was depreciation for the year.

Other Assets

The historical cost was € 91 million, depreciated for € 64.1 million. This item mainly refers to the equipment necessary for business activities at the central structures, such as hardware and furniture.



Assets under construction and Advances

Assets under construction reflect the performance of investments started during the year.

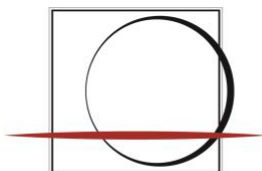
Advances as at 31 December amounted to € 12.0 million (€ 13.5 million in 2017), confirming the trend of strong investments started last year.

Some of the most significant items include:

- work continued on the modernisation of the second continuous processing machine at the Foggia plant. The completely revised facility has, among other components, a new line for cutting reams, a paper inspection system, the strip cutting and wrapping machine for plastic film, the system for marking and tracing of paper (SMTC). The volume of advances still outstanding at 31 December was approximately € 5.3 million, for an investment of € 9.2 million;
- registration plate production system at the Verrès plant. Advances paid and not covered by the related assets amounted to € 2.2 million at 31 December, for a total investment of € 8.9 million. The plant will start production in early 2019;
- finally, the upgrade of the Jagenberg cutter for € 0.4 million (total investment of € 0.5 million); the construction of facilities for the production of INLAY; the purchase of a Gallus machine and the upgrading of machinery for the production of passports at the OCV plant for € 3.3 million.

Purchases during the year, broken down by production site and referring to asset groups are shown in the following table:

<i>(values in €/000)</i>	Banknote Printing Works and Traditional Productions	Zecca and Verrès	Foggia	Business Solution	Central structures	Total
Industrial patent rights and intellectual property rights	19				6,718	6,737
Intangible assets	19				6,718	6,737
Land and Building	155		986		132	1,274
Plant and Machinery	2,834	1,596	32,989		733	38,153
Industrial and Commercial Equipment	3	15	3			21
Other Assets	224	224	778	743	27,166	29,136
Tangible assets	3,217	1,836	34,755	743	28,032	68,583
Assets under construction	1,471	193	16,410	53	2,546	20,674
Total	4,707	2,030	51,165	796	37,296	95,994



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Further details of the main investments undertaken during the year can be found in the Report on Operations.

B. III Financial assets

Financial assets are recognised at cost, determined on the basis of the purchase or subscription price and adjusted for any confirmed impairment losses.

The balance of this item, taking into account their purchase cost and any changes, is as follow:

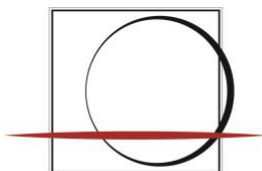
<i>(values in €/000)</i>	31.12.2017				31.12.2018		
	Cost	Revaluations Increases	Write-downs Decreases	Book value	Revaluations Increases	Write-downs Decreases	Book value
Investments	23,458	1,159	-69	24,548	100	(70)	24,578
Receivables	3,244		-479	2,765		-366	2,399
Other securities	24,955			24,955		-9,955	15,000
Total	51,657	1,159	-548	52,268	100	-10,391	41,977

Investments

<i>(values in €/000)</i>	31.12.2017				31.12.2018		
	Cost	Revaluations Increases	Write-downs Decreases	Book value	Revaluations Increases	Write-downs Decreases	Book value
In subsidiaries	20,617	0	-69	20,548	100	-70	20,578
In associates	2,840	1,159	0	3,999	0	0	3,999
In other companies	1	0	0	1	0	0	1
Total	23,458	1,159	-69	24,548	100	-70	24,578

Investments in subsidiaries

<i>(values in €/000)</i>	Registered office		31.12.2018				
			Share capital	Result	Shareholders' equity	Interest %	Book value
Innovazione e Progetti S.c.p.A. (in liquidation)	Rome	Via Marciana Marina, 28	30,000	(100)	29,354	70.00	20,478
Valoridicarta S.p.A.	Rome	Via Salaria, 691	100	0	100	100.00	100
Total							20,578



The following transactions were recorded during the year:

- *Verrès S.p.A. (in liquidation)*: following the conclusion of the liquidation operations, the company was removed from the Companies Register on 28 December 2018. In the first few days of 2019, the liquidator paid the amount set out in the allocation plan, amounting to approximately € 550 thousand.
- *Valoridicarta S.p.A.*: incorporated on 6 November 2018 with a share capital of € 100 thousand, with the aim of producing high quality watermarked paper with holographic security features, with reference to both the market for ID documents and that for banknotes. At the date of these financial statements, the company had not commenced operations; the Articles of Association provide that the first financial year may be closed on 31 December 2019.
- *Innovazione e Progetti S.c.p.A. (in liquidation)*: Poligrafico holds 70% of the share capital, represented by 21,000,000 shares with a nominal value of € 1.00 each, 25% of which fully subscribed and paid up for € 5,250 thousand.

At 31 December the proceedings brought by the shareholder Selex Service Management S.p.A. (in liquidation), better described in the Report on Operations, were still pending. The sentence, in favour of Poligrafico, was in fact filed on 22 February 2019. In light of the decisions of the magistrates court, the liquidator will wait until the deadlines for a possible appeal to the Court of Cassation by the counterparty have elapsed, and in the event of no action, will proceed with the closure of the liquidation.

Investments in associates

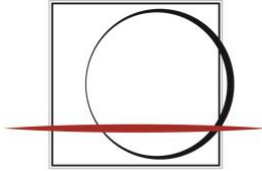
- *Istituto della Enciclopedia Italiana S.p.A.*, in which Poligrafico holds 5,807,479 shares with a nominal value of € 1.00 each, representing 9.25% of the share capital. The book value is € 4 million and corresponds with the historical cost.

Investments in other companies

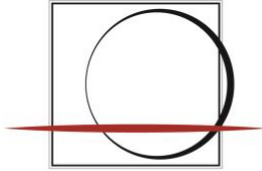
- *Meccano S.p.A.*, in which Poligrafico holds 3 shares with a nominal value of € 266.22 each, representing 0.10% of the share capital. The book value of this investment corresponds with the historical cost of € 0.7 thousand.

Other receivables, due within 1 year total € 1.7 million (€ 280 thousand at 31.12.2017), whilst those due beyond 1 year amount to € 0.7 million (€ 2.5 million at 31.12.2017), giving a total of € 2.4 million.

The total amount refers to:

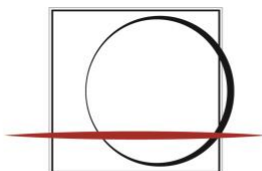


- *premiums paid on the collective capitalisation policy*, to guarantee payment of the post-employment benefits, taken out with an insurance company for € 1.6 million. The policy provides insurance cover for the post-employment benefits of personnel in the office staff categories, already included at 31 December 1985 in the policy taken out pursuant to Royal Law Decree No 5 of 8 January 1942, converted to Law No 1251 of 2 October 1942. With reference to this account, further amounts were recognised in the financial statements. In particular, within liabilities:
 - *post-employment benefits*, the total of which includes the company's payable to all employees in the office staff categories accrued at 31 December 1985, to which the aforementioned cover refers;
 - *accruals* which indicate substitute taxes on returns accrued at the end of 2018, equal to € 0.5 million;whilst under assets:
 - *current assets - other receivables*, which include part of the premiums paid on the collective capitalisation policy to be made available during the next year for a total of € 0.5 million;
 - *accruals* which include the return on the policy accrued over the years and which at the end of 2018 totals € 3.5 million.
- *Receivables from employees* totalling € 331 thousand (€ 440 thousand at 31.12.2017) arose as a result of the measures adopted after the seismic events of 31 October 2002 in favour of residents in the Molise region and the province of Foggia (Italian Law Decree No 245 of 4 November 2002, converted to Law No 286 of 27 December 2002, as amended). These measures suspended the payment of social security and welfare contributions for the period November 2002-November 2005, envisaging reimbursement in instalments, starting from February 2006, of the portion payable by the company and that payable by employees. The amount indicated therefore represents the company's receivable to be reimbursed by employees for the portion under their liability and its decrease, compared to the previous year (€ 109 thousand), represents the instalments collected in 2018. The suspended payment of social security contributions, by the company and by employees, also led to the recognition under liabilities item "social security payables" of the corresponding amount due to INPS;
- *receivables from employees* pending finalisation of pending proceedings for a total of € 40 thousand;
- *guarantee deposits* on leases for € 254 thousand.



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Other securities, totalling € 15 million, include the BTP treasury bonds held in the corporate portfolio. During 2018, approximately 10 million Treasury bonds expired.



C. Current assets

C.I Inventories

The value of inventories at 31 December 2018 amounted to € 63.9 million (€ 57.9 million at 31.12.2017), the main changes were due to increases in production materials, semi-finished and finished products from the minting of legal tender.

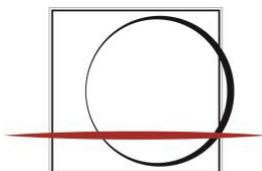
On the basis of the provisions of Ministerial Resolution No 9/995 of 11 August 1977, the value of publications is annually adjusted by a provision for write-downs, which at 31 December 2018 amounted to € 22.1 million. In addition, there is another provision totalling € 3.4 million in 2018, to prudentially take into account the limited possibility of creating such products.

The value of inventories of obsolete and slow-moving materials and products was reduced to take into account their usage or sale potential.

The closing balances of inventories can be broken down as follows:

(values in €m)	31.12.2018			31.12.2017			Change
	historical value	prov. for write-downs	Inventories	historical value	prov. for write-downs	Inventories	
Raw materials, consumables and goods for resale	37,795	(11,239)	26,556	34,495	(12,198)	22,297	4,259
Work in progress and semi-finished products	28,137	(5,821)	22,316	30,368	(8,158)	22,210	106
Finished products and goods for resale	44,082	(29,027)	15,055	48,750	(35,308)	13,442	1,613
Total inventories	110,014	(46,087)	63,927	113,613	(55,664)	57,949	5,978
of which the effect of Editalia merger				24,063	(23,000)	1,063	

- *raw materials and consumables* totalled € 26.6 million (€ 22.3 million at 31.12.2017). The increase (€ 4.2 million) is mainly due to the higher stock of production material, partially offset by the lower quantity of paper purchased;
- *work in progress and semi-finished products* amounted to € 22.3 million (€ 22.2 million at 31.12.2017). The change in the year was largely due to the increase in semi-finished products from minting of 2018 of legal tender (€ 2.9 million), offset by the lower quantity of semi-finished products of electronic documents (ID cards and electronic passports) of € 2.3 million and paper produced (€ 1.1 million);
- *finished products and goods for resale* amounted to € 15.1 million (€ 13.4 million at 31.12.2017). Finished products relating to minting of legal tender not delivered during the year, medallions and the registration plates contract increased. On the other hand, inventories relating to published materials decreased (€ 0.3 million). This also includes goods for resale as part of the Electronic ID Cards project, as well as goods no longer used in the production cycle and held for sale, measured at the lower between the net carrying value and the estimated



realisable value based on market performance.

C. II Receivables

Receivables totalled € 223.4 million (€ 695.9 million at 31.12.2017).

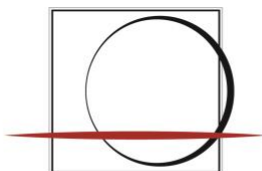
The breakdown of receivables by similar groups is as follows:

Receivables (values in €/000)	31.12.2018	31.12.2017	Changes
From customers	41,822	44,576	(2,754)
From subsidiaries	541	9	532
From associates	5,391	6,224	(833)
From parent companies	147,049	606,284	(459,235)
From companies under parent company control	1,697	5,194	(3,497)
Subtotal	196,500	662,287	(465,787)
Tax	3,794	7,244	(3,450)
Deferred tax assets	21,495	21,495	0
Other receivables	1,614	4,940	(3,326)
Subtotal	26,903	33,679	(6,776)
Total	223,403	695,966	(472,563)

Receivables by due date	31.12.2018			31.12.2017			Change
	Within 1 year	Beyond 1 year	Total	Within 1 year	Beyond 1 year	Total	
<i>(values in €/000)</i>							
Receivables classed as fixed assets							
Other receivables	1,657	742	2,399	280	2,484	2,764	(365)
Subtotal	1,657	742	2,399	280	2,484	2,764	(365)
Receivables classed as current assets							
From customers	41,822	0	41,822	44,576	0	44,576	(2,754)
From subsidiaries	541	0	541	9	0	9	532
From associates	5,391	0	5,391	6,224	0	6,224	(833)
From the parent company	147,049	0	147,049	606,284	0	606,284	(459,235)
From companies under parent company control	1,697	0	1,697	5,194	0	5,194	(3,497)
Tax	3,794	0	3,794	7,244	0	7,244	(3,450)
Deferred tax assets	21,495	0	21,495	21,495	0	21,495	0
Other receivables	1,614	0	1,614	4,940	0	4,940	(3,326)
Subtotal	223,403	0	223,403	695,966	0	695,966	(472,563)
Total	225,060	742	225,802	696,246	2,484	698,730	(472,928)

Trade receivables totalled € 41.8 million (€ 44.6 million at 31.12.2017) and refer to trade relations with customers for the sale of goods and provision of services. In particular:

- *amounts due from public customers* amounted to € 16.9 million compared to € 16.6 million in 2017, in line with the previous year. These receivables mainly comprise the receivable accrued from the Ministry of the Interior (€ 11.7 million) as part of the Electronic ID Cards



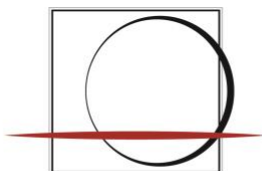
project for the supply of peripheral infrastructures; the receivable due from the Customs and State Monopolies Agency (€ 1.9 million) for the supply of tobacco tags and receivables due from Regional Authorities and Local Health Authorities for the supply of prescription pads. The remaining receivables from Ministries and other Public Administrations relate to the supply of forms, publications and inserts;

- *amounts due from private customers* amounted to € 24.9 million compared to € 28 million in the previous year. The increase in receivables is associated with the higher turnover (over € 20 million). The total mainly includes receivables from pharmaceutical companies (€ 11.2 million) for stamps, from the Vatican State and San Marino (€ 2.4 million) for the minting of coins and medallions for 2018, from consortia for the designated origin and designated geographic origin protection of wines (€ 1.8 million) for wine markings, from book publishers (around € 0.9 million) as part of the contractual relationship for the collection of inserts in the Official Gazette, and from the Italian Lottery (€ 0.9 million) for the supply of Lottery ticket receipts.

Receivables from subsidiaries amounted to € 541 thousand (€ 9 thousand at 31.12.2017). In September, once all the liquidation operations of Verrès S.p.A. had been completed, the liquidator drew up the final liquidation financial statements and the related allocation plan. After the statutory deadline for any objections (90 days) had expired, the company was removed from the Companies Register on 28 December; the remaining amounts of the allocation plan were paid in the first few days of 2019. As at 31 December, this receivable, amounting to € 535 thousand, was recognised. The remaining amount (Euro 6 thousand) is the receivable from the subsidiary Innovazione e Progetti S.c.p.A. (in liquidation), for the administrative service provided and not collected at year-end.

Receivables from associates amounted to € 5.4 million and include receivables due from Editalia S.p.A. (now Treccani Reti S.p.A.) for the supply of publications and medallions.

Receivables from parent companies represent receivables accrued from the supply of goods and services to the parent company, the Ministry of the Economy and Finance. These receivables totalled € 147 million net of write-downs (€ 606.3 million at 31.12.2017). During the year, all statements relating to the previous years 2007-2017, relating to the supply of securities, and the 2002-2005 statements for common prints (net of transport costs) were approved. These approvals allowed for the payment of VAT for more than € 300 million. Reconciliation activities continued on the supply of plain paper for 2006 and following years.



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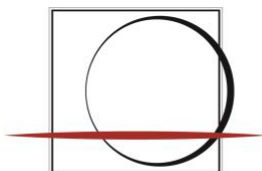
Considering the uncertainty regarding the recognition of transport costs incurred by Poligrafico on behalf of the Ministry of the Economy and Finance for the years 2002-2006, including in light of the criminal proceedings underway, in previous years the Company has prudently allocated special funds to take this situation into account (€ 104 million).

As reported in the Report on Operations, the civil proceedings between Poligrafico and Unicredit Factoring concerning the transfer of invoices relating to transport costs are still pending. The first instance judgement was favourably concluded for Poligrafico, which took steps to recover the aforementioned amounts previously paid. Unicredit Factoring has appealed against the above sentences, proceeding in any case to the payment of the amounts due. To date, the appeal judgement for the final decision is pending. With regard to subsequent years, in view of the IT procedure implemented at the time for the transfer of information between the Ministry of the Economy and Finance and Poligrafico, the Ministry considers that the data recorded in its own archives is essentially in line with that of the company. The breakdown of receivables from the parent company is as follows:

31/12/2018				
<i>(values in €/000)</i>	deliveries	advances	of which VAT	balance
Reg. plates and trad. securities	92,146	(102,686)	16,324	(10,540)
<i>2007-2017 Statement of Securities</i>	<i>(1,050,051)</i>	<i>1,050,052</i>	<i>(182,606)</i>	<i>(0)</i>
Traditional securities	92,146	(102,686)	16,324	(10,540)
Security documents	219,324	(145,342)	37,344	73,982
<i>of which:</i>				
<i>Electronic ID cards</i>	<i>91,458</i>	<i>(15,342)</i>	<i>16,518</i>	<i>76,116</i>
<i>Electronic passports</i>	<i>91,240</i>	<i>(62,000)</i>	<i>14,759</i>	<i>29,240</i>
<i>Electronic residence permits</i>	<i>36,626</i>	<i>(68,000)</i>	<i>6,067</i>	<i>(31,374)</i>
<i>2007-2017 Statement of Securities</i>	<i>(1,112,304)</i>	<i>1,112,304</i>	<i>(189,018)</i>	<i>0</i>
Security prints	219,324	(145,342)	37,344	73,982
Postage stamps	2,327	(2,343)	420	(16)
<i>2007-2017 Statement of Securities</i>	<i>(109,895)</i>	<i>109,895</i>	<i>(18,671)</i>	<i>0</i>
Postage stamps	2,327	(2,343)	420	(16)
2018 Electoral graphics and common prints	34,037	(47,625)	5,256	(13,588)
Prev. yr. electoral graphics and common prints	545,479	(410,612)	72,757	134,867
<i>2002-2005 Statement of Securities</i>	<i>(359,763)</i>	<i>359,763</i>	<i>(63,838)</i>	<i>0</i>
Common Prints	579,516	(458,237)	78,013	121,279
Coinage and other minting *	15,302	(11,172)	2,724	1,406
Total	908,615	(719,780)	134,825	186,111
Advances in excess of deliveries				77,116
Write-down of receivables				(116,178)
Total				147,049

* in split payment

The table below reports the breakdown and the changes in the bad debt provision.



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Bad debt provision			
(values in €/000)	MEF	Other	Total
Provision at 01 January 2018	120,500	2,341	122,841
Utilisation	(1,002)	(214)	(1,216)
Reclassifications	(3,320)	3,320	0
Provision at 31 December 2018	116,178	5,447	121,625

Receivables from companies under parent company control amounted to € 1.7 million (€ 5.2 million at 31.12.2017). These are receivables due from RAI for € 1.3 million as part of the service agreement for the supply and delivery of gold tokens used in game shows, and from other related parties resulting from the Official Gazette inserts service for the publication of tenders.

The movements in *trade receivables*, gross of the bad debt provision, are shown below:

(values in €/000)	Receivables at 31.12.2017	Receivables for the year	Collections related to prev. yr. receivables	Collections relating to receivables for the year	Receivables at 31.12.2018
From customers	46,436	178,250	(26,115)	(152,142)	46,429
From subsidiaries	9	603		(12)	600
From associates	6,493	2,561	(3,022)	(47)	5,985
From the parent company	726,786	363,136	(514,939)	(311,756)	263,227
From companies under parent company control	5,404	5,951	(4,256)	(5,215)	1,884
Subtotal	785,128	550,501	(548,332)	(469,172)	318,125
Bad debt provision					(121,625)
Total					196,500

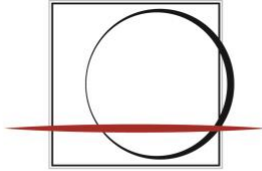
Past due receivables are managed with the relative credit collection procedure; defaulted positions are assigned to the Legal Department.

The bad debt provision prudentially takes into account defaulted positions and the risk associated with recognition of costs for transport carried out on behalf of the Ministry of the Economy and Finance.

Tax receivables totalled € 3.8 million and consist mainly of the IRES refund receivable and IRAP receivable on the labour cost component.

Deferred tax assets totalled € 21.5 million. Deferred tax assets were recognised to take into consideration future tax charges attributable to the temporary difference between carrying amounts recognised in the financial statements and the corresponding values for tax purposes.

Other receivables totalled € 1.6 million (€ 4.9 million at 31.12.2017). Other receivables include



receivables accrued from the insurance company Generali for premiums paid on the collective capitalisation policy and collected during the first few months of 2019, receivables due from banks, advances to suppliers, advances on post-employment benefits paid to employees, which are the responsibility of the INPS treasury fund and, lastly, advances paid to employees, which are the responsibility of INAIL.

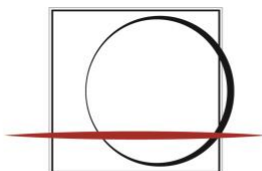
C. IV Cash and cash equivalents

Cash and cash equivalents amounted to € 586.4 million (€ 473.1 million at 31.12.2017), a difference of € 113.3 million. In addition to the normal trend in collections and commitments undertaken, at the end of the year more than € 500 million had been collected to cover past receivables for the supply of banknotes and about € 50 million for the supply of plain paper (in the 2002-2005 period), in addition to payments made to the Shareholder of € 102.7 million as an extraordinary dividend and € 47.3 million as an ordinary dividend. Finally, during the year the Company paid VAT balances falling due for over € 400 million.

D. Prepayments and accrued income

In accordance with the accrual principle, this item includes:

- *accrued income*, which amounted to € 3.3 million (€ 3.8 million at 31.12.2017), relating to income accrued for 2018 on the insurance policy (€ 3.5 million);
- *prepayments*, which amounted to € 2.9 million (€ 3.7 million at 31.12.2017), mainly attributable to the purchase of VMware licences. This item also includes costs for insurance policies, software support contracts, several lease payments and publication subscriptions entered into in 2018 but relating to future years.



Balance Sheet

Liabilities

A. Shareholders' equity

The financial statements at 31 December 2018 reported a profit of € 57.3 million. As envisaged in Article 2427, paragraph 7-bis of the Italian Civil Code, a summary statement is provided below of all shareholders' equity items with an indication of their source, utilisation and distribution options and their utilisation in previous years.

Further details on the nominal value of the shares can be found in the chapter "Other Information".

<i>(value in €/000)</i>	Amounts at 31 December 2018	Possibility of use	Available	Summary of utilisations in the last three years
Share capital	340,000			
Capital reserves:				
Grants	551	B		
Other reserves				
Profit reserves:				
- Legal reserve	41,236	B	41,236 (1)	
- Distributable reserve	30,939	A, B, C	30,939 (2)	167,626
- Retained earnings	0	A, B, C	0 (2)	73,374
Profit for the year	57,358			
Total Shareholders' equity	470,084			

Key:

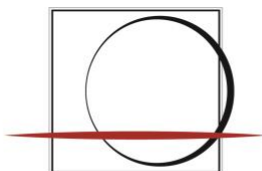
A share capital increase

B loss coverage

C distribution to shareholders

(1) Restricted portion

(2) Distributable portion



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The following table reports the changes in shareholders' equity items:

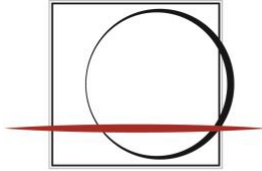
<i>(values in €/000)</i>	Share capital	Legal reserve	Distributable reserve	Grants, Law 64/86	Profit for the year	Total
01/01/2017	340,000	36,800	133,662	551	38,958	549,972
Allocation of profit for the year						
- Other allocations	0	1,948	0	0	(1,948)	0
- Dividend distribution	0	0	0	0	(37,010)	(37,010)
- Distribution purs. to Article 20 of LD 66/2014	0	0	0	0	0	0
- Profit for the year	0	0	0	0	49,765	49,765
31/12/2017	340,000	38,748	133,662	551	49,765	562,727
Allocation of profit for the year						
- Other allocations	0	2,488	0	0	(2,488)	0
- Dividend distribution	0	0	0	0	(47,277)	(47,277)
- Distribution of reserves	0	0	(102,723)	0	0	(102,723)
- Profit for the year	0	0	0	0	57,358	57,358
31/12/2018	340,000	41,236	30,939	551	57,358	470,084

While approving the financial statements at 31 December 2017 at the meeting of 27 April 2018 the Shareholders resolved to allocate the € 49.8 million profit for the year as follows:

- € 2.5 million to the legal reserve;
- Retained earnings for the remaining part equal to € 47.3 million.

Following the closure of the company's credit position as regards the MEF, with a payment to Poligrafico of over € 500 million for supplies of banknotes, electronic documents and postage stamps for the years 2007-2017, and for supplies of common prints for 2002-2005, the extraordinary shareholders' meeting held on 3 December 2018 resolved to pay the Shareholder, the Ministry of the Economy and Finance, an amount equal to € 150 million, made up as follows:

- € 47.3 million, equal to the dividend carried forward;
- € 102.7 million as an extraordinary dividend from available reserves.



B. Provisions for risks and charges

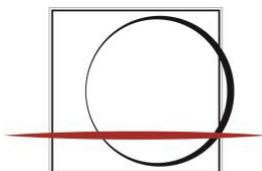
The changes in the amount, formation and utilisation of *provisions for risks and charges* are illustrated below:

- *pensions and similar obligations* refer to contributions allocated for pensions pursuant to Article 25 of the National Pay Agreement of 5 August 1937, as amended. At 31 December 2018 the provision amounted to € 8 thousand (€ 8 thousand at 31.12.2017);
- *other risks and charges* are allocated against risks and charges considered certain or probable, for which at year end however it was not possible to determine the amount or contingency date. The amounts allocated reflect the best prudential estimates based on information available at the reporting date. The total amount of these provisions was € 194 million (€ 158 million at 31.12.2017) after accounting for utilisation of € 17.3 million to cover charges incurred and allocated previously, releases for € 95 thousand and allocations and reclassifications for € 53.3 million.

Other provisions for risks and charges include:

- *The provision for dispute risks*, amounting to € 34.9 million at 31 December 2018, is for prudentially covering potential liabilities that could arise from legal disputes pending and possible settlement agreements, for which utilisations were recorded during the year for € 12.4 million and new allocations made for € 22.6 million.
- *The provision for equity investment risks*, amounting to € 183 thousand at 31 December 2018, is for covering liabilities that could arise from commitments undertaken as part of the liquidation of certain subsidiaries.
- *The provision for industrial risks*, amounting to € 158.9 million at 31 December 2018, was determined through a prudential calculation of potential liabilities that could arise from the settlement of trade and industrial positions as well as the potential inexistence of assets. Against these positions, during the year utilisation was recorded for € 4.9 million and allocations and reclassifications for € 30 million. In particular, this provision refers to: returns on contracts relating to the supply of security documents, registration plates and pharmaceutical stamps; charges relating to contracts in progress for which costs to be incurred in future years are estimated; restructuring costs to cover the estimated costs to be incurred for planned streamlining of the production sites and for the modernisation and safety-related works on the various premises.

C. Post-employment benefits



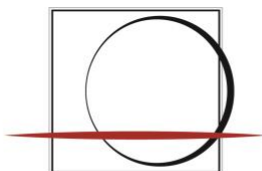
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

Post-employment benefits amounted to € 18.6 million (€ 21.1 million at 31.12.2017). The change of € 2.5 million is the sum of allocations, revaluations, indemnities paid to personnel and advances paid. During the year a total of 112 employees left the company and 145 were hired. The details of changes during the year are as follows:

Post-employment benefits (values in €/000)	
Balance at 31 December 2017	21,136
Changes during the year	
Allocation in the income statement	5,504
Benefits paid to employees on retirement or resignation	(2,261)
Advances, Legislative Decree 297/1982	(712)
Transfers to pension funds	(1,509)
Transfers to INPS Treasury Fund	(3,035)
0.5% solidarity contribution	(357)
Substitute tax on revaluations	(170)
Additional remuneration	(16)
Balance at 31 December 2018	18,580

The post-employment benefits accrued during the year (€ 5.5 million, of which € 373 thousand from revaluation of the pre-existing provision) in favour of personnel in service at 31 December 2018, are made up as follows:

- pension funds € 1.5 million;
- benefits paid to employees on retirement or resignation € 2.3 million;
- INPS treasury fund € 3.0 million;
- revaluation of the pre-existing provision € 0.4 million;
- substitute tax on revaluations for the year € 170 thousand.



D. Payables

Payables totalled € 470.7 million (€ 741.9 million at 31.12.2017).

Their breakdown by similar groups and due dates is as follows:

	31.12.2018			31.12.2017			Change
	Within 1 year	Beyond 1 year	Total	Within 1 year	Beyond 1 year	Total	
<i>(values in €/000)</i>							
to banks	118	60	178	114	178	292	(114)
to other lenders	31,591	5,101	36,692	30,220	36,692	66,912	(30,220)
advances	214	0	214	496	0	496	(282)
to suppliers	144,645	0	144,645	60,769	0	60,769	83,876
to subsidiaries	0	15,750	15,750	8	15,750	15,758	(8)
to associates	6	11	17	6	11	17	0
to parent companies	112,253	0	112,253	113,251	0	113,251	(998)
to companies under parent company control	8,834	0	8,834	484	0	484	8,350
tax payables	130,788	0	130,788	463,608	0	463,608	(332,820)
social security payables	5,238	1,181	6,419	4,597	1,957	6,554	(135)
Other payables	14,947	0	14,947	13,786	0	13,786	1,161
Total	448,634	22,103	470,737	687,339	54,589	741,927	(271,190)

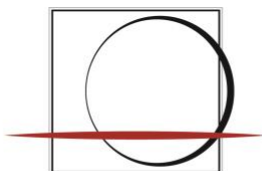
Payables to banks totalled € 0.2 million (€ 0.3 million at 31.12.2017) and refer to the loan agreed for the construction of a photovoltaic plant.

Payables to other lenders totalled € 36.7 million (€ 66.9 million at 31.12.2017). The decrease is attributable to the payment of instalments due. These positions refer to:

- the loan granted by *Deutsche Pfandbriefbank Ag*, associated with the structured loan facility arranged in 2003, which is scheduled to expire in July 2019;
- the loans granted by Cassa Depositi e Prestiti between 1978 and 1980 and maturing on 31 December 2035 as a result of a more recent renegotiation.

Advances totalled € 0.2 million (€ 0.5 million at 31.12.2017). This item comprises advances received from customers for 2019 subscriptions to the Official Gazette and for issues of coin collection products.

Trade payables totalled € 281 million. The movements are shown in the table below:



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<i>(values in €/000)</i>	Payables at 31.12.2017	Payables for the year	Related payments and prev. yr. invoices	Payments relating to invoices for the year	Collections following a court ruling	Payables at 31.12.2018
to suppliers	60,769	262,258	(20,811)	(188,932)	31,361	144,645
to subsidiaries	15,758	0	0	(8)	0	15,750
to associates	17	0	0	0	0	17
to parent companies	113,251	0	0	(998)	0	112,253
to related parties	484	21,127	(302)	(12,476)	0	8,834
Total	190,280	283,385	(21,113)	(202,414)	31,361	281,499

Payables to suppliers amounted to € 144.6 million (€ 60.8 million at 31.12.2017) and refer to the supply of goods and services. The increase can be associated with investments commenced during the year for which the invoices are not yet due at the end of the year. Payables relating to previous years are mainly due to ongoing litigation. Finally, following the collection of approximately Euro 34 million by the counterparty Unicredit Factoring, the supplier's credit positions were reopened, as part of the Omnia Logistic dispute.

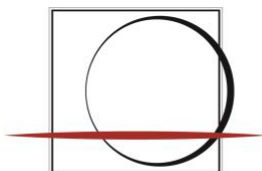
Payables to subsidiaries totalled € 15.7 million (€ 15.7 million at 31.12.2017) and refer to the capital subscribed but not paid to the subsidiary Innovazione e Progetti S.c.p.A. (in liquidation).

Payables to associates amounted to € 17 thousand and refer to Editalia S.p.A.

Payables to the parent companies totalled € 112.3 million (€ 113.3 million at 31.12.2017). For the sake of clarity, from the 2016 financial statements, advances received for supplies “by item” in excess of deliveries completed (€ 77.1 million) and the payable due to the parent company for the withdrawal from circulation of coins (€ 3.8 million), have been recognised under liabilities. Furthermore, this item also includes the funding provided by the Ministry of the Economy and Finance of € 31.4 million to allow for payment of the injunction orders promoted by Unicredit Factoring and to cover expense for transport provided by Omnia Logistic on behalf of the Ministry of the Economy and Finance.

Payables to companies under parent company control amounted to € 8.8 million (€ 0.4 million at 31.12.2017) and refer mainly to the amount due to the Poste Italiane Group for services provided.

Tax payables amounted to € 130.8 million (€ 463.6 million at 31.12.2017), a decrease of € 332.8 million, due to the effect of the payment of VAT due following the approval of both the 2002-



2005 (common prints) and 2007-2017 (banknotes, electronic documents and postage stamps) statements and invoices for the period, for over € 400 million. Furthermore, this item also includes the payable for employee withholdings (€ 2.9 million) and paid to the tax authorities in January 2019.

Social security payables totalled € 6.4 million (€ 6.6 million at 31.12.2017), of which € 5.2 million due within one year and € 1.2 million beyond one year. These refer to:

- o for the part due within one year: contributions accrued on remuneration for December paid to social security institutions in 2019, post-employment benefits accrued in December and paid in 2019 to the pension funds and INPS Treasury Fund, and the portion payable in 2019 of social security contributions payable by the company and employees, the payment of which - as part of the aforementioned measures adopted as a result of seismic events in 2002 - had been suspended;
- o for the total due beyond one year: the remainder of social security contributions payable by the company and employees, the payment of which - as mentioned previously - had been suspended.

Other payables amounted to € 14.9 million (€ 13.8 million at 31.12.2017). This item includes payables to personnel for confirmed accruals for the year.

E. Accrued expense and deferred income

The following are recognised under this item according to the accrual principle:

- o *accrued expense*, € 1.2 million (€ 1.9 million at 31.12.2017) referring to interest for the year on the Depfa loan of € 0.7 million and the € 0.5 million as substitute tax on income accruing on the collective policy at 31 December 2018;
- o *deferred income*, relating to subscriptions and developmental maintenance instalments invoiced in advance (€ 125 thousand).

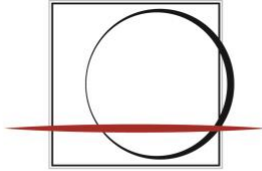
INCOME STATEMENT

A. Value of production

The value of production amounted to € 467 million (€ 395 million at 31.12.2017).

A.1 Revenues from sales and services

Revenues from sales and services totalled € 459.7 million (€ 372.6 million at 31.12.2017),



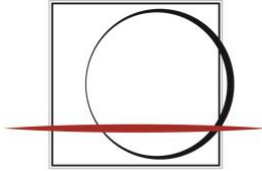
recording an increase of around € 87.1 million.

The business environment in which Poligrafico operates, including for the current year, registered a persisting decline in resources available for Public Administration and in the related containment policies mirrored in the traditional product lines, to the benefit of technologically more advanced products.

The economic results for the year were influenced by the increase in invoiced volumes for electronic documents, electoral material, wine markings, inserts and minting of legal tender; this increase was partly offset by the decrease in turnover relating to tobacco tags, alcohol beverage markings, prescription pads, medallions, revenue stamps and postage stamps.

The turnover by product type can be broken down as follows:

- *ID documents*: € 183.1 million (€ 107.5 million at 31.12.2017). 2018 saw the continuation of the rollout plan for the new *Electronic ID Cards* (EIC 3.0). By the end of the year, with the completion of the installation of all the workstations, approximately 6.8 million documents had been issued. The contribution in terms of turnover was € 75 million. *Electronic passports*, with turnover of € 74.6 million, recorded a positive performance with growth of over 23%. Issue of the new *residence permit* (PSE 380) continued in compliance with Regulation (EC) 380/2008 at all magistrates courts in Italy. In 2018, the number of residence permits provided (1.2 million) generated a total turnover of € 30 million.
- *Security prints*: € 112.3 million (€ 118.9 million at 31.12.2017). The performance of licences and DOC and DOCG wine markings was positive, the latter due to the adoption of protection markings by a number of the DOC designated origin holders. The production of *Lottery ticket receipts* and *pharmaceutical stamps* remained stable. The stamps delivered remained at particularly high levels, generating a turnover of € 59 million.
The turnover of *tobacco tags* equal to € 7.3 million, with a reduction of 10.8%, is affected by the introduction of the new tag scheduled from 2019 in accordance with the directive on the traceability of tobacco.
The negative trend of *prescription pads* continues as a result of the progressive use of electronic prescriptions, as well as for the *revenue stamps and postage stamps* segment: the market remains influenced by technological developments that have affected the postal industry and the choice of Poste Italiane customers to gradually replace traditional stamps with electronic franking.
- *Registration plates*: € 60.3 million (€ 64.8 million at 31.12.2017). 2018 saw a slight decrease in car registrations, which influenced the performance of deliveries (-8%). The sales performance of registration plates for motor vehicles and motorcycles was positive, achieving



- turnover of around € 4.0 million.
- *Electoral graphics*: € 31.8 million (€ 10 million at 31.12.2017). Figures for the electoral contract are increasing: in 2018 general and local elections were held in a number of regions. The catchment area involved exceeded 65 million voters. The general election adopted the "anti-fraud stamp" in order to counter the phenomenon of the "ballerina card". Turnover from publications and forms increased by € 6.9 million following the publication of the Italian Constitution booklets on the occasion of its 70th anniversary.
 - *Legal and Administrative*: € 34.4 million (€ 31.8 million at 31.12.2017). Turnover increased by about 8%, due to the increase in the number of inserts (+12%). Activities to gather inserts via web interface continued, allowing individuals requiring inserts to interact directly with the company's portal.
The consideration from the Ministry of the Economy and Finance for the online Official Gazette was € 4 million, in line with previous years.
 - *Minting, coin collections and medallions*: € 33.7 million (€ 37.5 million at 31.12.2017). The contingent for 2018 as requested by the Ministry of the Economy and Finance was 354 million coins. As a result of Italian Legislative Decree No 50/2017, the issue of euro coins with a denomination of one cent and two cents was suspended.
Quantities delivered have been affected by the postponement of production in 2017 to 2018 and the postponement of part of the year's production to 2019. Although the quantities delivered were smaller than in 2017, they generated higher turnover due to a different mix composition for individual denominations.
Medallions were affected, in implementing the contract with RAI, by the lower number of "Game Show" activations.
Other: € 3.9 million attributable mainly to the management of portal access services.

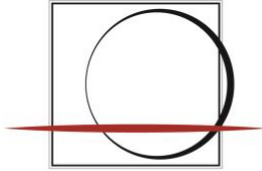
A.2 Change in inventories of work in progress, semi-finished and finished products

The change in inventories of work in progress, semi-finished and finished products was positive for € 1.7 million (€ 21.3 million at 31.12.2017). The overall reduction, compared to the previous year, is due to lower semi-finished electronic documents and paper produced to cope with elections, offset in part by a greater stock of legal tender and completed orders.

A.5 Other revenues and income

Other revenues and income amounted to € 5.2 million (€ 11.7 million at 31.12.2017).

This item records operating grants, property lease instalments, sundry reimbursements, capital gains on asset disposals, insurance indemnities and assessment differences.



B. Costs of production

Costs of production were up compared to the previous year and totalled € 363.4 million (€ 325.1 million at 31.12.2017). The change is due to the increase in production volumes, partly offset by cost control measures, and to the effects of the processes of internalisation and rationalisation of inventories. Raw material costs for the production of security documents are particularly high. Among the services, the main items on the increase were: the electoral contract, shipments relating to the Electronic ID Card order, industrial services and all those services linked to investments for the period and not capitalised. Labour costs increased as a result of the management initiatives to streamline and renew the workforces, with a higher average number of human resources in the company, partly offset by the turnover of personnel with young employees at a lower cost to the company.

B.6 Costs for raw materials, consumables and goods for resale

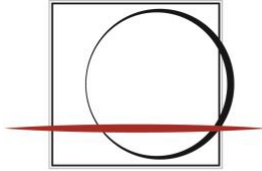
Costs for raw materials, consumables and goods for resale amounted to € 71.5 million (€ 60.8 million at 31.12.2017). The increase, amounting to € 10.6 million, is mainly attributable to the higher costs incurred to purchase raw materials for the production of security documents.

B.7 Service costs

Service costs amounted to € 106.6 million (€ 64.6 million at 31.12.2017), up by € 42 million compared to the previous year.

In particular:

- *external graphics processing and other services*, for € 24.5 million (€ 10.2 million at 31.12.2017). The sharp increase is due to the electoral contract for the general elections held in March and to the production of booklets celebrating the 70th anniversary of the Italian Constitution;
- *surveillance services and portage*, for € 7.6 million (€ 6.2 million at 31.12.2017). These refer to costs incurred for surveillance at the production sites and at premises used as valuables deposits;
- *electricity, gas, water and telephone utilities* for € 11.5 million (€ 9.8 million at 31.12.2017);
- *asset maintenance and repairs, support contracts and other* for € 30.0 million (€ 23.2 million at 31.12.2017). The increase is due to the ordinary maintenance to which all operating assets have been subjected and to the ancillary costs of property investments strongly expanding. With a view to space optimisation, some production was reallocated to different production sites, subjecting the assets themselves to a full review. This item



- includes maintenance of the equipment relating to security document projects;
- *cleaning*, for € 3.2 million (€ 2.9 million at 31.12.2017);
 - *transport*, for € 4.1 million (€ 2.8 million at 31.12.2017). The following are the main services carried out in the context of the electoral contract;
 - *professional services*, for € 1.4 million (€ 1.8 million at 31.12.2017). This item includes commercial, administrative and legal services and the cooperation agreements;
 - *business travel, professional refresher training, insurance, health check-ups and advertising*, for € 3.0 million (€ 2.7 million at 31.12.2017). For part of the costs incurred for personnel training, the company benefits from Fondimpresa contributions. In line with the recent spending review regulations, Poligrafico has complied with the caps set on company car management and for the purchase of taxi vouchers. The change is attributable to the higher costs incurred for employee business travel from/to Rome/Foggia;
 - *postal charges*, for € 21.2 million (€ 4.9 million at 31.12.2017). These are the expenses incurred for the shipment of Electronic ID Cards, a strong increase due to the progressive spread of electronic ID cards in relation to the growing number of active Municipal Authorities.

B.8 Costs for use of third party assets

Costs for use of third party assets totalled € 2.2 million (€ 1.8 million at 31.12.2017). These are mainly expenses relating to software licence fees, rental costs for the Verrès production site and commercial premises in Piazza Verdi. This item also includes rentals of office machines and other production equipment.

B.9 Personnel costs

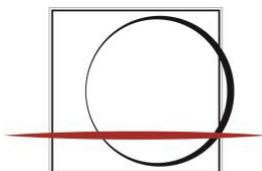
Personnel costs amounted to € 104.1 million (€ 98.7 million at 31.12.2017), up on the previous year. In line with the Business Plan, the recruitment policy continued during the year with the aim of renewing and enhancing company skills. The exit incentive plan continued to facilitate a generational turnover. Through this initiative 145 employees were hired, while a total of 112 employees left the company.

Further details on the average workforce can be found in the chapter “Other Information”.

B.10 Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs totalled € 27.2 million (€ 75.4 million at 31.12.2017). This item includes:

- amortisation of intangible assets for € 4.1 million (€ 2.5 million at 31.12.2017);



- depreciation of tangible assets for € 23.1 million (€ 20.8 million at 31.12.2017).

B.11 Change in inventories of raw materials, consumables and goods for resale

The change in inventories of raw materials, consumables and goods for resale was positive for € 5.2 million (€ 3.1 million at 31.12.2017). The effect is due to higher stocks of production material, partly offset by lower quantities of cellulose for paper production.

B.12 Provisions for risks

Provisions for risks amount to € 50 million. These allocations refer to the adjustment to risk provisions in relation to activities, pending finalisation, for environmental restorations and corporate restructuring.

B.14 Other operating costs

Other operating costs amounted to € 7.0 million (€ 4.8 million at 31.12.2017). These mainly refer to indirect taxes and sundry charges (€ 3.8 million), assessment differences, membership fees and sundry operating expenses for the remainder. This item includes adjustments to previous receivables due from the Ministry of the Economy and Finance, for an amount of approximately € 2 million, recorded on the occasion of the closure of the accounts relating to the years 2007-2017 for the supply of banknotes and security documents and the years 2002-2005 for the supply of common prints.

C. Financial income and charges

Net cash flow from financing activities generated a positive balance of € 400 thousand (€ 4.7 million at 31.12.2017), down by € 4.3 million, as a result of the lower tax rate on credit, now close to zero, recognised by the banks, indicating a net improvement in their capital strength.

At the end of 2017, the current account relationships with Veneto Banca and Banca Etruria were closed, with particularly advantageous interest rates (around 2%).

However, the opening of restricted current accounts helped mitigate this negative trend, generating a positive effect of about € 2.2 million on the Company's financial performance.

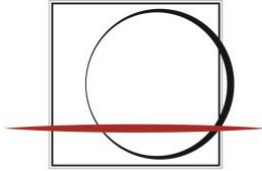
In detail, *other financial income* can be broken down as follows:

Financial income from receivables classed as fixed assets for € 0.3 million (€ 12 thousand at 31.12.2017).

Financial income from securities classed as fixed assets for € 0.2 million (€ 0.4 million in 2017).

This item includes interest accrued on BTP treasury bonds held in the corporate portfolio.

Financial income from securities classed as current assets that do not qualify as investments:



during the year the securities were not used in remunerative lending, but rather in quarterly repurchase transactions. The revenue from the sale was in turn used in term deposits.

Income other than the above for € 5.9 million (€ 4.6 million at 31.12.2017) referred to:

- interest income on bank deposits that totalled € 2.2 million (€ 4.5 million at 31.12.2017). The change is attributable to the decrease in interest rates applied by banks in line with market values;
- interest income on other receivables for € 3.5 million (€ 70 thousand at 31.12.2017). Following the positive outcome of the dispute with Unicredit, interest income of approximately € 3.5 million was collected;
- other financial income for € 105 thousand (€ 80 thousand at 31.12.2017), of which € 27 thousand for commissions on game shows and prize competitions;

Interest and other financial charges of € 5.9 million (€ 312 thousand euro at 31.12.2017), up € 5.6 million due to interest expense on the Depfa loan, for which in previous years the provision for transformation costs, released in 2017, had been used (€ 2.2 million), and to the recognition of interest in the context of the Omnia Logistic dispute (€ 3.5 million).

Exchange gains and losses were positive for € 485 (€ 1 thousand at 31.12.2017), with breakdown as follows:

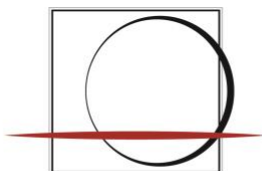
- *exchange gains* for € 1.6 thousand (€ 2 thousand at 31.12.2017) relating to gains achieved during the year;
- *exchange losses* for € 1.1 thousand (€ 3 thousand at 31.12.2017) relating to losses incurred during the year.

Income taxes for the year

The company has allocated taxes for the year on the basis of the application of current tax regulations.

Current taxes, amounting to € 46.3 million, refer to taxes for the year and concern corporate income tax (IRES) of € 38.4 million (24%), and regional tax on production activities (IRAP) of approximately € 7.9 million (IRAP 4.82% for Lazio and Puglia and 3.9% for Valle d'Aosta). No provision was made for deferred taxation and there were no changes that led to an adjustment of the amount already allocated.

Below is a summary of the main tax changes (upwards and downwards) made to the result for the year and to the value of production, respectively.

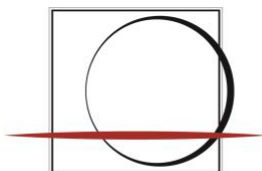


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IRES (values in €/000)		IRAP (values in €/000)	
Statutory income before tax	103,686	Value of production	257,374
Increases		Increases	3,985
- Inventory write-down	7,228	Decreases	4,279
- Accelerated amortisation/depreciation	3,431	Other deductions (tax wedge)	91,856
- Non-deductible taxes	2,236		
- Provisions for risks and charges and adjustment to the bad debt provision	79,463		
- Other	841		
Subtotal of increases	93,199		
Decreases			
- Use of inventory write-downs	12,792		
- Utilisation of provisions for risks	15,144		
- Recovery of tax amortisation	3,258		
- Super-amortisation	3,300		
- Hyper-amortisation	283		
- Imu (20%)	445		
- Deductible IRAP	917		
- Other	815		
Subtotal of decreases	36,954		
Taxable income	159,931	Taxable income	165,224
IRES payable	38,383	IRAP payable	7,945

The tax burden is particularly costly due to the adjustment of the bad debt provision deductible for tax purposes to the amount of receivables at 31 December. These amounts have decreased following the closure of the MEF accounts. This operation led to an increase in the amount deducted in previous years as a write-down. Furthermore, among the increases for IRES purposes, the accrual to the provisions for risks, an item not deductible for tax purposes, is significant.

Among the decreases, it is worth noting the positive impact generated by the use of the provisions for risks (due to the materialisation of the expenses for which they were allocated), as well as by the introduction of the recent "Industria 4.0" concession, known as "hyper-amortisation", which Poligrafico has been able to access thanks to the certification, within the investments made in the 2017-2018 period, of certain assets, eligible as they comply with the requirements of the regulations. In fact, in 2018, once the interconnection of the assets was guaranteed, it was possible to obtain the certificate of conformity issued by a certification



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body. This applies in particular to the following assets:

- 3 EIC packaging plants, for a total investment of around € 1.2 million;
- 1 Automatic Register for the lottery, for the amount of € 44 thousand.

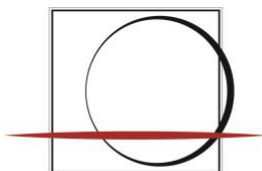
Hyper-amortisation allows for a 150% increase, for tax purposes only, of the purchase cost of certain operating assets considered highly technological, whilst deducting higher depreciation rates. As a result of this concession, the tax benefit (IRES) calculated for the period in question amounts to approximately € 68 thousand, calculated as follows:

Description	Historical cost	150% increase	Hyper-amortisation	Tax Savings
3 EIC packaging systems	1,250	1,875	270	65
1 Lottery Register system	44	66	13	3
Total tax savings (IRES 24%)				68

Reconciliation between the applicable and effective tax rates

IRES (values in euro)	Amounts	%
Statutory income before tax	103,685,772	24.00
<i>Increases:</i>		
Inventory write-down	7,228,186	1.67
Provisions for risks	56,803,767	13.15
Accelerated amortisation/depreciation	3,431,532	0.79
Adjustments to bad debt provision	22,659,302	5.24
Other	2,624,478	0.61
<i>Decreases:</i>		
Inventories	(12,792,242)	(2.96)
Utilisation of provisions for risks	(15,143,793)	(3.51)
Recovery of tax amortisation	(3,257,976)	(0.75)
Other	(5,759,849)	(1.24)
Total tax burden		37.00

IRAP (values in euro)	Amounts	%
Value of production	257,374,443	4.82
Increases	3,985,457	0.07
Decreases	4,279,092	(0.08)
Net value of production	257,080,808	4.81
Other deductions (Tax wedge)	91,856,317	(1.72)
Total tax burden		3.09



Other information

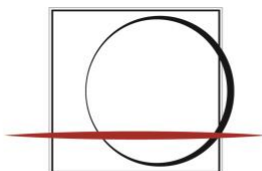
- *The details of the contributions received pursuant to Article 1, paragraphs 125-129 of Law 124/2017*

Granting authority	nature	cost	date of collection
Fondimpresa	training	101,904.25	23/07/2018
GSE	photovoltaic	12,807.27	28/02/2018
GSE	photovoltaic	6,050.69	29/03/2018
GSE	photovoltaic	6,050.69	30/04/2018
GSE	photovoltaic	6,050.69	31/05/2018
GSE	photovoltaic	6,054.91	29/06/2018
GSE	photovoltaic	6,054.91	31/07/2018
GSE	photovoltaic	6,054.91	31/08/2018
GSE	photovoltaic	5,814.53	01/10/2018
GSE	photovoltaic	5,814.53	31/10/2018
GSE	photovoltaic	5,814.53	30/11/2018
GSE	photovoltaic	5,814.53	31/12/2018
Total contributions received		174,286.44	

- *Total receivables and payables with a residual duration of more than five years and payables backed by guarantees (Article 2427, paragraph 6 of the Italian Civil Code)*

The debit and credit positions which, based on their respective contractual relations, have a residual duration of more than five years are as follows:

- *financial assets* - Other receivables for guarantee deposits paid amount to € 0.3 million;
- *payables to other lenders* for € 4.2 million.
- *Total financial charges recognised as assets (Article 2427, paragraph 8 of the Italian Civil Code)*
There are no financial charges recognised among assets in the Balance Sheet.
- *Commitments, guarantees and contingent liabilities not recorded in the Balance Sheet (Article 2427, paragraph 9 of the Italian Civil Code)*
Personal guarantees given:
 - *sureties, endorsements and non-collateral guarantees* amounted to € 1.9 million with respect to equity investments and/or tender awards (€ 1.6 million in 2017).
Other:



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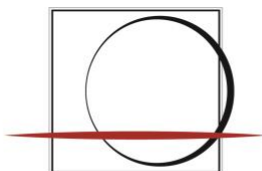
- *third-party security deposits/guarantees* totalled € 500 and refer to security deposits paid by suppliers as performance bonds;
- *third-party assets in progress* amounted to € 6.1 million (€ 4.6 million at 31.12.2017);
- *third-party assets held in deposit* amounted to € 3.4 million (€ 3.2 million at 31.12.2017).
- *Breakdown of receivables, payables and revenues from sales and services by asset category and geographic area (Article 2427, paragraph 10 of the Italian Civil Code)*
- *Receivables*

The receivables are indicated at their nominal value in the breakdown by geographic area

<i>(values in €/000)</i>	31.12.2018			31.12.2017			Changes
	Italy	Abroad	Total	Italy	Abroad	Total	
Receivables classified as fixed assets							
Other receivables	2,399	0	2,399	2,764	0	2,764	(365)
Subtotal	2,399	0	2,399	2,764	0	2,764	(365)
Receivables classified as current assets							
From customers	40,163	1,659	41,822	42,715	1,861	44,576	(2,754)
From subsidiaries	541	0	541	9	0	9	532
From associates	5,391	0	5,391	6,224	0	6,224	(833)
From the parent company	147,049	0	147,049	606,284	0	606,284	(459,235)
From companies under parent company control	1,697	0	1,697	5,194	0	5,194	(3,497)
Tax	3,794	0	3,794	7,244	0	7,244	(3,450)
Deferred tax assets	21,495	0	21,495	21,495	0	21,495	0
Other receivables	1,256	358	1,614	4,940	0	4,940	(3,326)
Subtotal	221,386	1,659	223,043	694,105	1,861	695,966	(472,563)
Total	223,785	2,017	225,802	696,869	1,861	698,730	(472,928)

- *Revenues from sales and services* totalled € 459.7 million. The breakdown by geographic area is illustrated in the following table:

<i>(values in €/000)</i>	31.12.2018			31.12.2017			Change
	Italy	Abroad	Total	Italy	Abroad	Total	
ID documents	183,067	76	183,143	107,351	104	107,455	75,688
Security prints	112,275	11	112,286	118,896	0	118,896	(6,610)
Registration plates	60,327	0	60,327	64,794	2	64,796	(4,469)
Electoral graphics	31,783	0	31,783	10,009	0	10,009	21,774
Legal and Administrative	34,398	69	34,467	31,760	76	31,836	2,631
Minting, coin collections and medallions	25,385	8,327	33,712	33,703	3,795	37,498	(3,786)
Other activities	3,976	0	3,976	2,053	31	2,084	1,892
Total	451,211	8,483	459,694	368,566	4,008	372,574	87,120



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○ *Payables*

Payables by geographic area <i>(values in €/000)</i>	31.12.2018				31.12.2017				Change
	Italy	EU	Rest of the world	Total	Italy	EU	Rest of the world	Total	
To banks	178	0	0	178	292	0	0	292	(114)
To other lenders	36,692	0	0	36,692	66,912	0	0	66,912	(30,220)
Advances	214	0	0	214	496	0	0	496	(282)
To suppliers	141,461	2,667	517	144,645	59,242	1,141	386	60,769	83,876
From subsidiaries	15,750	0	0	15,750	15,758	0	0	15,758	(8)
From associates	17	0	0	17	17	0	0	17	0
From the parent company	112,253	0	0	112,253	113,251	0	0	113,251	(998)
From companies under parent company control	8,834	0	0	8,834	484	0	0	484	8,350
Tax payables	130,788	0	0	130,788	463,608	0	0	463,608	(332,820)
Social security payables	6,419	0	0	6,419	6,554	0	0	6,554	(135)
Other payables	14,941	6	0	14,947	13,786	0	0	13,786	1,161
Total	467,547	2,673	517	470,737	740,310	1,141	386	741,927	(271,190)

- *Revenue or cost elements of exceptional extent or impact (Article 2427, paragraph 13 of the Italian Civil Code)*

No revenue or cost elements of exceptional extent or impact were recorded.

- *Employment figures (Article 2427, paragraph 15 of the Italian Civil Code)*

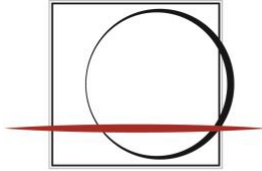
The number of employees at 31 December 2018, with breakdown by category, is shown in the following table, which indicates the average workforces and similar data for 2017.

	31.12.2018	31.12.2017	Change	2018 average	2017 average
Executives	28	27	1	27	27
Office staff	1031	1020	11	1032	1015
Manual workers	711	689	22	696	699
Total	1,770	1,736	34	1,755	1,741
Personnel on fixed-term contracts	90	0	90	55	14
Overall total	1,860	1,736	124	1,810	1,755

In particular, during the year a total of 112 employees left the company and 145 were recruited plus one reinstatement. At the end of the year, there were 90 supply contracts.

- *Remuneration of Directors, Statutory Auditors and Independent Auditors (Article 2427, paragraphs 16 and 16-bis of the Italian Civil Code)*

The remuneration due to Directors, Statutory Auditors and the Independent Auditors totalled



€ 109 thousand, € 67 thousand and € 40 thousand, respectively. The latter refer entirely to external audit activities. A part of the remuneration due to Directors and Statutory Auditors was paid into the Administration Fund of the relevant Ministry. Also note that the company has not granted advances or credit to directors and statutory auditors.

- *Number and nominal value of each category of company shares and the number and nominal value of new company shares subscribed during the year (Article 2427, paragraph 17 of the Italian Civil Code)*

The share capital comprises 340,000,000 ordinary shares with a nominal value of € 1.00 each. No new shares were subscribed during the year.

No other types of shares, ordinary or convertible bonds or other securities and financial instruments have been issued by the company.

- *Financial instruments (Article 2427, paragraph 19 of the Italian Civil Code)*

The Company has not issued financial instruments.

- *Assets and financing for specific business purposes (Article 2427, paragraphs 20 and 21 of the Italian Civil Code)*

The Company has no assets for specific business purposes and has not obtained financing for any specific business purpose. Consequently, there is nothing to report in this respect.

- *Finance lease transactions (Article 2427, paragraph 22 of the Italian Civil code)*

The Company has no finance lease transactions in place and therefore there is nothing to report pursuant to Article 2427, paragraph 22 of the Italian Civil Code.

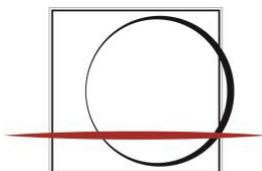
- *Related party transactions (Article 2427, paragraph 22-bis of the Italian Civil Code)*

The related party transactions were of trade-related or financial (loans) nature, settled at arm's length, and are indicated in the following itemised tables.

Economic relations

In 2018, Poligrafico's economic relations with the subsidiaries, associates, parent companies, other investees and companies under parent company control can be summarised in the following tables.

a) Subsidiaries



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<i>(values in €/000)</i>	31.12.2018		31.12.2017	
	Value of production	Costs of production	Value of production	Costs of production
Innovazione e Progetti ScpA (in liquidation)	12	0	12	0
Verrès SpA (in liquidation)	0	0	0	0
Total	12	0	12	0

b) Associates

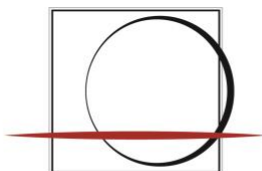
<i>(values in €/000)</i>	31.12.2018		31.12.2017	
	Value of production	Costs of production	Value of production	Costs of production
Editalia	2,318	0	3,390	0
Total	2,318	0	3,390	0

c) Parent companies

<i>(values in €/000)</i>	31.12.2018		31.12.2017	
	Value of production	Costs of production	Value of production	Costs of production
Ministry of the Economy and Finance	304,212	1,125	218,584	1,203
Total	304,212	1,125	218,584	1,203

d) Other investees

<i>(values in €/000)</i>	31.12.2018		31.12.2017	
	Value of production	Costs of production	Value of production	Costs of production
Meccano S.p.A.	0	61	0	65
Total	0	61	0	65

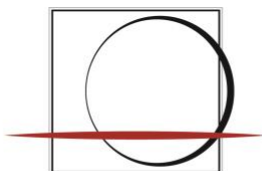


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e) *Other related parties*

(values in €/000)	31.12.2018		31.12.2017	
	Value of production	Costs of production	Value of production	Costs of production
Conai	0	19	0	19
Consap S.p.A.	4	0	5	0
Consip S.p.A.	357	10	219	0
Cassa Depositi e Prestiti Group	140	0	148	0
ENAV Group	43	0	42	0
ENEL Group	10	5,635	10	2,923
ENI Group	278	59	299	26
Equitalia Giustizia	0	2	14	0
Ferrovie Group	1,189	114	1,853	162
GSE Group	7	0	6	0
Invitalia Group	19	0	44	0
Leonardo Group	0	195	0	0
Poste Group	492	20,931	21	4,805
RAI Group	3,376	1	12,012	3
Sogesid Group	13	0	6	0
Sogin Group	32	0	29	0
Invimit	10	0	0	0
Mefop	1	0	0	0
Stmicroelectronics Srl	0	0	3	0
Sose S.p.A.	1	0	0	0
a) Subtotal	5,972	26,966	14,711	7,938
Byblos Fondo Nazionale pensioni	0	1599	0	3526
Fopadiva	0	852		716
Previndai	0	263		270
Unipolsai Assicurazioni SpA	0	29		1
b) Subtotal	0	2,743	0	4,513
Total a) +b)	5,972	29,709	14,711	12,451

Commercial relations with related parties are mainly due to the contract for the distribution of Electronic ID Cards throughout the country by Poste Italiane S.p.A. The value of production is affected by the lower volume of turnover generated by the contract with RAI for the minting and distribution service for gold tokens relating to game shows.



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○ *Financial relations*

In 2018, Poligrafico's financial relations with subsidiaries, associates, parent companies, other investees and companies under parent company control can be summarised in the following tables, without taking into account the effects of the bad debt provision.

a) *Subsidiaries*

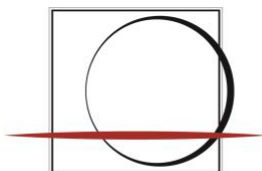
(values in €/000)	31.12.2018				31.12.2017			
	Trade		Financial		Trade		Financial	
	Receivables	Payables	Receivables	Payables	Receivables	Payables	Receivables	Payables
Innovazione e Progetti ScpA (in liquidation)	6	0	0	15,750	0	0	0	15,750
Verrès S.p.A. (in liquidation)	594	0	0	0	3	8	0	0
				15,75				15,75
Total	600	0	0	0	3	8	0	0

b) *Associates*

(values in €/000)	31.12.2018				31.12.2017			
	Trade		Financial		Trade		Financial	
	Receivables	Payables	Receivables	Payables	Receivables	Payables	Receivables	Payables
Editalia	5,985	6	0	11	6,491	6	0	11
Total	5,985	6	0	11	6,491	6	0	11

c) *Parent companies*

(values in €/000)	31.12.2018				31.12.2017			
	Trade		Financial		Trade		Financial	
	Receivables	Payables	Receivables	Payables	Receivables	Payables	Receivables	Payables
Ministry of the Economy and Finance	263,227	112,253	32,817	0	726,748	113,251	65,634	0
Total	263,227	112,253	32,817	0	726,748	113,251	65,634	0

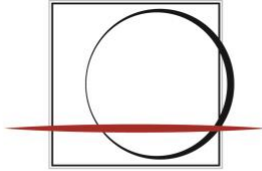


POLIGRAFICO E ZECCA DELLO STATO ITALIANO

e) *Other related parties*

(values in €/000)	31.12.2018				31.12.2017			
	Trade		Financial		Trade		Financial	
	Receivables	Payables	Receivables	Payables	Receivables	Payables	Receivables	Payables
Consip S.p.A.	477	0	0	0	52	0	0	0
Cassa Depositi e Prestiti Group	100	0	0	5,297	4	0	0	5,483
ENAV Group	57	0	0	0	5	0	0	0
ENEL Group	0	551	0	0	13	253	0	0
ENI Group	332	7	0	0	40	2	0	0
Ferrovie Group	2,206	0	0	0	1001	46	0	0
GSE Group	5	0	0	0	0	0	0	0
Invitalia Group	24	0	0	0	9	0	0	0
Leonardo Group	0	182	0	0	0	182	0	0
Poste Group	460	8,094	0	0	0	0	0	0
RAI Group	8,579	0	0	0	4271	0	0	0
SOGEI Group	1	0	0	0	0	0	0	0
Sogin Group	37	0	0	0	5	0	0	0
Stmicroelectronics Srl	0.00	0	0	0	4	0	0	0
a) Subtotal	12,278	8,834	0	5,297	5,404	483	0	5,483
Generali Group	0	237	0	0	0	0	0	1
Byblos Fondo Nazionale pensioni	0	1,599	0	0	0	0	0	574
Fata Assicurazioni	0	0	0	0	0	0	0	1
Fideuram Vita	0	0	0	0	0	0	0	1
Fopadiva	0	852	0	0	0	0	0	14
Alleanza Assicurazioni	0	0	0	0	0	0	0	5
Mediolanum Vita	0	0	0	0	0	0	0	1
Pioneer Investment Management	0	0	0	0	0	0	0	1
Previndai	0	263	0	0	0	0	0	94
Unipolsai Assicurazioni SpA	0	29	0	0	0	0	0	1
b) Subtotal	0	2,980	0	0	0	0	0	693
Total a) +b)	12,278	11,814	0	5,297	5,404	483	0	6,176

- *Off-balance sheet arrangements (Article 2427, paragraph 22-ter of the Italian Civil Code)*
There are no off-balance sheet arrangements that could have a significant effect on the Company's financial position.
- *Name and registered office of the company preparing the consolidated financial statements (Article 2427, paragraphs 22-quinquies and 22-sexies of the Italian Civil Code)*



The Company is not a member of a group required to prepare consolidated financial statements.

○ *Derivatives*

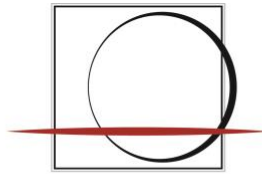
Pursuant to Article 2427-*bis*, paragraph 1.1 of the Italian Civil Code, note that the Company has not signed any derivative contracts.

○ *Application of amortised cost*

Italian Legislative Decree 139/15 introduces the amortised cost criterion used to measure receivables, payables and fixed assets represented by securities. The regulation envisages an optional exception allowing non-application of the amortised cost criterion to receivables, payables and fixed assets represented by securities recorded in the 2015 financial statements.

*Significant events after year end and business outlook (Article 2427, paragraph 22-*quater* of the Italian Civil Code)*

Information on the economic, equity and financial effects of subsequent events, events occurring after year end, the business outlook and the allocation of profit for the year can be found in the Report on Operations.

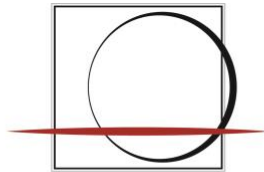


POLIGRAFICO E ZECCA DELLO STATO ITALIANO

Segment Report of the Italian Mint

(Pursuant to Italian Ministerial Decree dated 8 August 1979)

Unaudited



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

	2018	2017	Changes
A) Value of production			
1) revenues from sales and services	33,712,190	37,493,141	(3,780,951)
2) change in inventories of work in progress, semi-finished and finished products	6,997,823	(214,708)	7,212,531
5) other revenues and income			
b) sundry	263,878	155,193	108,685
<i>Other revenues and income</i>	<i>263,878</i>	<i>155,193</i>	<i>108,685</i>
Total value of production	40,973,891	37,433,626	3,540,265
B) Costs of production			
6) for raw materials, consumables and goods for resale	(23,011,163)	(19,779,807)	(3,231,356)
7) for services	(6,881,041)	(6,421,020)	(460,021)
8) for use of third party assets	0	(300,000)	300,000
9) for personnel:			
a) salaries and wages	(9,663,332)	(9,417,812)	(245,520)
b) social security charges	(2,845,275)	(2,759,926)	(85,349)
c) post-employment benefits	(748,017)	(733,733)	(14,824)
e) other costs	(775,244)	(122,664)	(652,580)
<i>Personnel costs</i>	<i>(14,031,868)</i>	<i>(13,034,135)</i>	<i>(997,773)</i>
10) amortisation, depreciation and write-downs			
a) amortisation of intangible assets	(204,638)	(111,351)	(93,287)
b) depreciation of tangible assets	(1,713,669)	(1,146,709)	(566,960)
<i>Amortisation, depreciation and write-downs</i>	<i>(1,918,307)</i>	<i>(1,258,060)</i>	<i>(660,247)</i>
11) change in inventories of raw materials, consumables and goods for resale	0	(449,091)	449,091
14) other operating costs	(884,542)	(826,191)	(58,351)
Total costs of production	(46,726,921)	(42,068,304)	(4,658,617)
Difference between value and costs of production	(5,753,030)	(4,634,678)	(1,118,352)
C) Financial income and charges	0	0	0
D) Value adjustments to financial assets	0	0	0
Profit before tax	(5,753,030)	(4,634,678)	(1,118,352)
22) income taxes			
current	0	0	0
23) Profit for the year	(5,753,030)	(4,634,678)	(1,118,352)

To the Sole Shareholder of the Istituto Poligrafico e Zecca dello Stato S.p.A.
registered office in Rome, via Salaria No 691

Subject: The Board of Statutory Auditors' Report on the financial statements for the year ended 31 December 2018, prepared in accordance with Article 2429, paragraph 2, of the Italian Civil Code.

This report was approved by the Board of Directors in due time for its filing at the Company's registered office, 15 days prior to the date of the first call of the Shareholders' Meeting convened to approve the financial statements under review.

The Board of Directors has made the following documents available, approved on 27 March 2019, relating to the year ended 31 December 2018:

- draft annual financial statements, including explanatory notes;
- cash flow statement;
- report on operations.

For the 2018 financial year, the company did not prepare consolidated financial statements, pursuant to Article 27 of Italian Legislative Decree 127/91, letters c) and d), as it considered that the subsidiaries, individually and jointly, are immaterial to representing a truthful and fair view of the group's equity, financial and economic position.

The layout of this report is inspired by the provisions of the law and by Rule No 7.1 of the "*Rules of conduct of the Board of Statutory Auditors - Principles of conduct of the Board of Statutory Auditors of unlisted companies*", issued by the CNDCEC, the professional body for certified accountants in Italy.

Knowledge of the company, risk assessment and report on the tasks assigned

Given the knowledge that the Board of Statutory Auditors declares to have as regards the company and in relation to:

- the type of activity carried out;
- its organisational and accounting structure;

also taking into account the size and problems of the company, it is reiterated that the "*planning*" phase of the supervisory activity - in which it is necessary to assess the intrinsic risks and critical issues with respect to the two parameters mentioned above - was implemented through positive feedback on existing knowledge on the basis of information acquired over time.

It was, therefore, possible to confirm that:

- the typical activities carried out by the company have not changed during the year under review and are consistent with the provisions of the company's objectives;
- the organisational structure underwent changes in line with the strategic lines defined in the Business Plan;
- there was an increase in the number of employees in line with the provisions of the Company's Business Plan, as well as an increase in labour costs following the increase in the average number of resources available to the company. Management initiatives, aimed, on the one hand at streamlining and renewing workforces and on the other hand at the turnover of personnel with young employees, partly offset this increase;
- it is also possible to see how the company operated in 2018 in terms comparable with the previous year and, consequently, the controls of the Board of Statutory Auditors were carried out on these assumptions, having verified the substantial comparability of the values and results with those of the previous year.

This report therefore summarises the activities relating to the information required by Article 2429, paragraph 2, of the Italian Civil Code and more specifically with regard to:

- the results of the financial year;
- the activities carried out in the fulfilment of the duties provided for by legislation;
- observations and proposals concerning the financial statements.

The activities carried out by the Board of Statutory Auditors covered the entire financial year in terms of time, and during the financial year the meetings referred to in Article 2404 of the Italian Civil Code were regularly held, to which invitations were sent to the Magistrate of the Court of Auditors with responsibility for auditing pursuant to

Article 12 of Law No 259/1958; minutes of these meetings were drafted and duly signed for unanimous approval.

Supervisory activities were also carried out through:

- participation in the Shareholders' Meetings;
- participation in meetings of the Board of Directors;
- meetings with the independent auditors Ernst & Young;
- meetings with the tax consultancy firm;
- meetings with the Chief Financial Officer and with those responsible for transparency and anti-corruption;
- meetings were held with the supervisory body pursuant to Italian Legislative Decree 231/2001, from which no critical issues and/or violations of the organisational model that should be highlighted in this report have emerged;
- analysis of corporate documentation;
- specific hearings with the managers of the main corporate Departments to obtain the information required to monitor the adequacy and functioning of the organisational structure, the administrative and accounting system and its reliability in representing operational transactions.

The information required by Article 2381, paragraph 5 of the Italian Civil Code, was provided by the Chief Executive Officer during the meetings of the Board of Directors, with a frequency greater than the minimum of 3 months set by the Articles of Association.

Activities carried out

During the periodic audits, the Board of Statutory Auditors took note of the development of the Company's activities, paying particular attention to contingent and/or extraordinary issues, in order to identify the economic and financial impact on the profit (loss) for the year and on the capital structure, as well as any risks, such as those arising from losses on receivables.

The Board of Statutory Auditors has therefore periodically monitored:

- the adequacy of the organisational and functional structure of the company and any changes in it with respect to the requirements connected with the company performance;

- the applied system of accounting separation, as provided for by Italian Legislative Decree No 333 of 11 November 2003. The company has prepared the reclassified income statement (reported on in the Report on Operations) broken down by activities in favour of the State and Public Administrations and activities carried out "for the market", in order to provide a summary of the values pertaining to these activities;
- the policy adopted by the company regarding the remuneration of directors with delegated powers, including in terms of achieving the objectives assigned to them with reference to the variable part, as provided for in Article 4 of Ministerial Decree 166/2013, with the issue of the expected opinions.

In conclusion, as far as it has been possible to verify during the activities carried out throughout the year, the Board of Statutory Auditors can state that:

- the decisions taken by the shareholder and the board of directors were in compliance with the law and the articles of association and were not manifestly imprudent or such as to compromise the integrity of the corporate assets;
- information has been acquired on the general company performance and its outlook, as well as on the most significant transactions, in terms of size and characteristics, carried out by the company;
- the transactions carried out were also in compliance with the law and the Articles of Association and not in potential conflict with the resolutions passed by the shareholders' meeting or such as to compromise the integrity of the corporate assets;
- no specific comments are made on the adequacy of the company's organisational structure, on the adequacy of the administrative and accounting system, or on the reliability of the latter in correctly representing operational transactions;
- during the course of the supervisory activities, as described above, no significant facts emerged that would require disclosure in this report;
- it is not necessary to intervene due to omissions on the part of the Board of Directors, pursuant to Article 2406 of the Italian Civil Code;
- no complaints were received pursuant to Article 2408 of the Italian Civil Code;
- no complaints have been made pursuant to Article 2409, paragraph 7 of the Italian Civil Code;
- during the year, it was called upon to issue the opinions required by law in relation to Article 2389, paragraph 3 of the Italian Civil Code.

Comments on the financial statements and proposals for their approval

The draft financial statements for the year ended 31 December 2018 have been approved by the Board of Directors and consist of the balance sheet, income statement, cash flow statement and explanatory notes, for which the following information has been provided:

- the financial statements have been prepared in accordance with the regulatory provisions contained in the Italian Civil Code on financial statements, as amended by Italian Legislative Decree No 139/05, in implementation of EU Directive 2013/34/EU, and with the accounting standards issued by the OIC (Italian Accounting Board);
- the valuation criteria for assets and liabilities were not substantially different from those adopted in previous years, in compliance with the provisions of Article 2426 of the Italian Civil Code;
- attention has been paid to the approach taken to the draft financial statements, to their general compliance with the law as regards formation and structure, and in this respect there are no observations that should be highlighted in this report;
- compliance with the provisions of the law relating to the preparation of the report on operations has been verified and in this regard no observations have been made that should be highlighted in this report;
- in preparing the financial statements, the Board of Directors did not derogate from the provisions of the law pursuant to Article 2423, paragraph 4 of the Italian Civil Code;
- the financial statements were checked to ensure that they corresponded to the facts and information that became known following the performance of the duties typical of the Board of Statutory Auditors and no further observations were made in this regard;
- the system of "contingent liabilities and guarantees issued" is described in detail in the explanatory notes.

The Board of Statutory Auditors has obtained, from the company, a statement relating to the calculation of compliance with the operating objectives, entrusted to Poligrafico by the sole shareholder, pursuant to Article 19, paragraph 5, of Italian Legislative Decree 175/2016. The Board of Statutory Auditors examined the documentation produced and

verified compliance with the objective set out in the MEF note - DT No 55108 of 11 July 2017.

The table below provides a breakdown of the main components of the financial statements, which are rounded to the nearest million euros:

Balance sheet (<i>millions of euros</i>)	31.12.2018	31.12.2017	Changes
Assets			
Subscribed capital unpaid	33	66	(33)
Fixed assets	242	186	56
Current assets	874	1,226	(352)
Accruals and deferrals	6	8	(2)
Total Assets	1,155	1,486	(331)
Liabilities and Shareholders' Equity			
Shareholders' equity	470	563	(93)
Provisions for risks and charges	194	158	36
Post-employment benefits	19	21	(2)
Payables	471	742	(271)
Accruals and deferrals	1	2	(1)
Total liabilities and shareholders' equity	1,155	1,486	(331)

The income statement summarises the following results:

Income Statement (<i>millions of euros</i>)	2018	2017	Changes
Value of production	467	395	72
Costs of production	(363)	(325)	(38)
Difference	104	70	34
Financial income and charges	0	5	(5)
Profit before tax	104	75	29
Income taxes for the year	(46)	(25)	(21)
Profit for the year	58	50	8

Furthermore:

- the Board of Directors has also prepared the report on operations pursuant to Article 2428 of the Italian Civil Code;
- with reference to the 2018 Financial Statements, the Chief Executive Officer and Chief Financial Officer have certified:
 - the adequacy and effective application of the administrative and accounting procedures for the preparation of the Financial Statements during 2018;
 - the conformity of the Financial Statements with the results of the books and accounting records and their suitability to provide a true and fair view of the equity, economic and financial position of the company;

- that the Report on Operations includes a reliable analysis of the Company's performance and situation, including the main risks to which it is exposed.

Ernst & Young S.p.A., which prepared the report for the financial statements, has been entrusted with the legal audit. This report expresses a positive opinion, as it does not highlight any significant deviations, or negative opinions or inability to express an audit opinion.

The Board of Statutory Auditors also specifies that, from the company appointed to carry out the statutory audit, no observations were received pursuant to the audit standard ISA Italia No 260, nor communications regarding internal control shortcomings pursuant to the audit standard ISA Italia No 265.

The Board of Statutory Auditors acknowledges that the Company is required to file the financial statements for the year, including the Explanatory Notes, with the Companies Register, in accordance with the XBRL technical specifications.

The result of the financial year

The net result ascertained by the Board of Directors for the year ended 31 December 2018 was a profit of € 57,357,799.07.

Conclusions

On the basis of the above and as far as the Board of Statutory Auditors is aware, and as verified by the periodic checks carried out, it is unanimously decided that there are no reasons preventing your approval of the draft financial statements for the year ended 31 December 2018, which have been proposed to you by the Board of Directors.

The Board of Statutory Auditors has nothing to observe with regard to the proposal for the allocation of net income for the year, as formulated by the Board of Directors in the Report on Operations.

Rome, 15 April 2019

Board of Statutory Auditors



Istituto Poligrafico e Zecca dello Stato S.p.A.

Financial statements as at December 31, 2018

**Independent auditor's report in pursuant to article 14 of
Legislative Decree n. 39, dated 27 January 2010**

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
Istituto Poligrafico e Zecca dello Stato S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Istituto Poligrafico e Zecca dello Stato S.p.A. (the Company), which comprise the balance sheet as at December 31, 2018, the income statement and statement of cash flows for the year then ended, and explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Istituto Poligrafico e Zecca dello Stato S.p.A. are responsible for the preparation of the Report on Operations of Istituto Poligrafico e Zecca dello Stato S.p.A. as at December 31, 2018, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Istituto Poligrafico e Zecca dello Stato S.p.A. as at December 31, 2018 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Istituto Poligrafico e Zecca dello Stato S.p.A. as at December 31, 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, April 15, 2019

EY S.p.A.

Signed by: Mauro Ottaviani

This report has been translated into the English language solely for the convenience of international readers.