

# 2020

# Annual Report

ETC - EXPORT TRADING COOPERATION



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# Message from the Board

*Dear Stakeholders,*

*ETC "Export Trading Cooperation" is a multinational group active in the financial and interbank services to support international trade (import/export) and investment projects in Africa, with a particular focus on the Sub Saharan region.*

*2019 was a positive year for the group and extremely positive overall at a consolidated level. It was a crucial year in terms of our business model consolidation, a starting point for a new stage of investments and growth that will be already tangible in the 2020 financial year. Main driver for Group's future development is linked to a wide network in Africa and Business reliability achieved by ETC label in the Market.*

*Significant events in 2019 for the achievement of group consolidation process are :*

- the growth of group capital thanks to the African subsidiary ETC Surety (guarantee funds) that introduced a statutory change with new categories of Shares to facilitate share capital subscription by new investors with the aim to improve impact investing projects;*
- the improvement of the organizational structure, governance and human resources with the introduction of new high standing human capital resources and fintech technologies;*
- the Rating approval published on the European Securities and Markets Authority (ESMA);*
- Business partnerships and consequent strengthening of the group's relational network.*

*Casting a glance to the main economic indicators: EBITDA has grown up to 27% from 9% at the last financial year, and total assets portfolio equal to € 170.47 mln .*

*African countries continue their growth in population number, economical indicators and business opportunities and Sub Saharan Africa is a region characterized by a significant correlation between demand of financial services and lack of offer. For this reason, ETC is committed more and more to increase it's capitalization and total assets portfolio -on trades and investment projects- to meet African Markets Demand.*

## OUR GROUP

ETC is an Italian multinational group with mixed shareholding, member of Swift network, active in the financial and interbank services to support import/export and investment projects in Africa. ETC Public Rating (B1+ Investment Grade) is published on the European Securities and Markets Authority (ESMA).

ETC intervention revolves around three business areas: **Investment, Trade** and **Service**.

ETC organizational structure comprises companies in **Europe**, with headquarters in Treviso (Italy), and **Africa**, with operating subsidiaries in Benin, Cameroon and others agencies.

The Group is currently active in the African markets, mainly in the 17 countries in western and central Africa that have adhered to **OHADA**, an harmonized system of business law.

The project selection process of ETC is based on impact measurement.



*European excellence  
to contribute to the growth  
of emerging African markets*

# OUR STORY

Confindustria (association of manufacturing companies) - with the patronage of the Chamber of Commerce - promoted an embryonic project, starting to build bridge between Italy and Sub-Saharan African countries.

**2010**

**2012**

ETC Srl - The Confirming House was created, a specialized company in supplies and investment projects in Sub-Saharan Africa.

ETC Surety SA was established in Benin (BJ) as Group regional hub for Western and Central Africa.

**2015**

ETC Services was established in Malta, becoming an international Group.

**2016**

**2017**

Simest - the Italian Government investment company - becomes the first institutional shareholder of the Group buying 38.5% of ETC Surety's shares.

Swift Membership, Successful closing of the Onboarding with NOSU certification and Online channel activation, acquiring the possibility to have direct exchanges with worldwide Banks/Financial Institutions.

**2018**

**2018**

Finest - the investment company of North/Eastern Italian regions - becomes the second public shareholder of the Group buying 16.7% of ETC Group's shares.

B1+ Rating Investment grade ESMA - European Securities and Markets Authority (ESMA) Public Rating.

**2019**

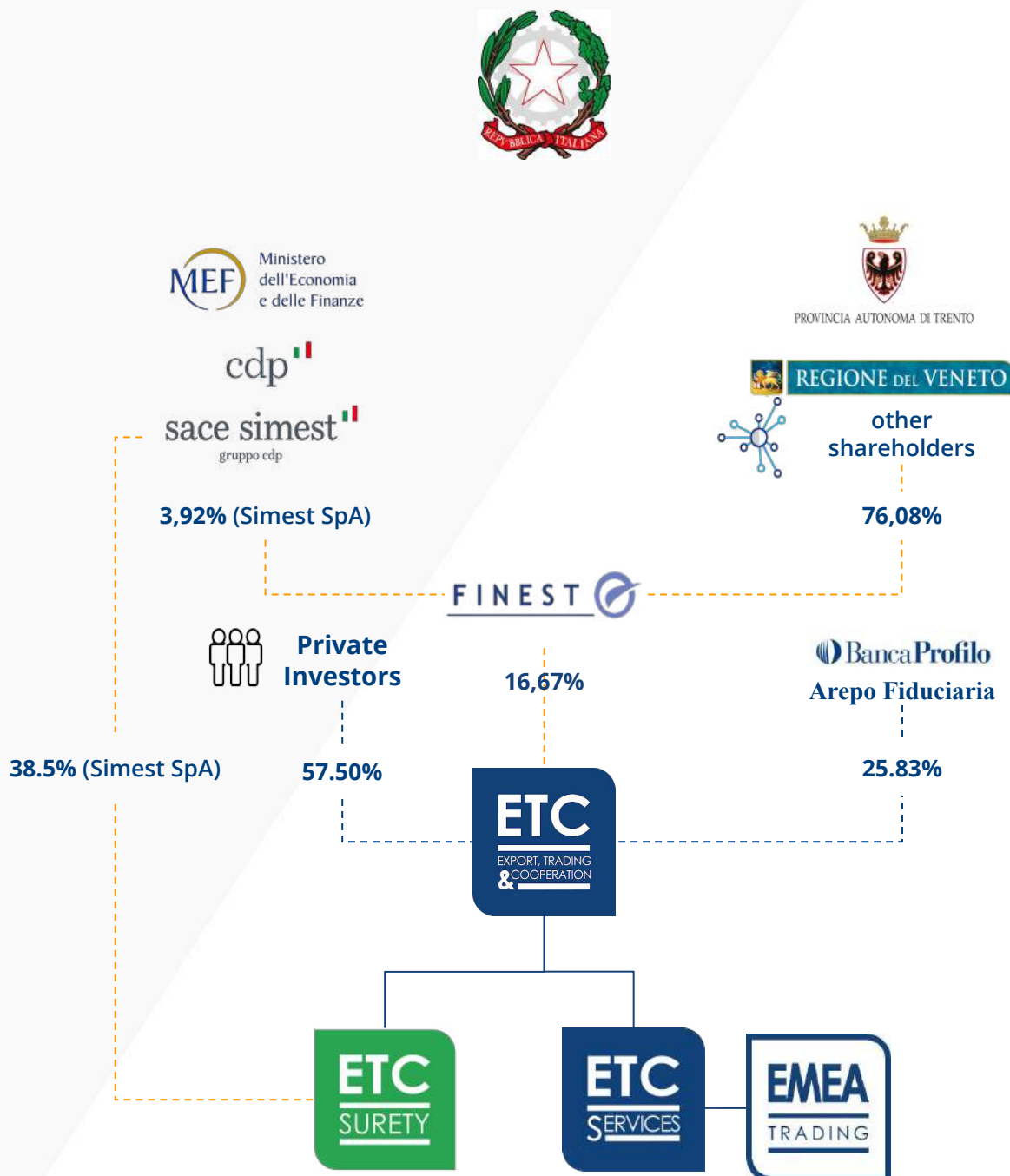
**2019**

Authorized Capital Increase 1,5 B EUR in ETC Surety (Benin).



# GROUP GOVERNANCE

## I. Group Structure



# GROUP GOVERNANCE

## II. Board of Directors



**Anco Marzio LENARDON**

President & Chief  
Executive Officer - CEO

*Anco Marzio Lenardon is Co-founder of ETC "Export Trading Cooperation" group, for which he holds the position of President of the Board of Directors and CEO - Chief Executive Officer. He is a member of several associations and committees. He focuses on International Trade between Europe and Africa and Impact investing in Africa.*



**Enrico MAZZON**

Managing Director & Chief  
Operating Officer - COO

*Enrico Mazzon is Co-Founder, Vice-President of the Group ETC and COO - Chief Operating Officer.*

*He is responsible for the overall management of the group and deals with the technical aspects of investment projects between Europe and Africa.*



**Mauro ZAN**

Managing Director & Chief  
Investment Officer - CIO

*Mauro Zan is an investments expert with more than 20 years' experience in Private Equity investments, banking and corporate finance. The expertise gained working with both Italian and foreign SMEs, having the responsibility of portfolio development and management, has been crucial to his actual job as CIO - Chief Investment Officer of ETC Group.*



**Francesca OSTAN**

Managing Director & Chief  
Banking Officer - CBO

*Francesca Ostan is Managing Director and CBO - Chief Banking Officer of the Group ETC.*

*Responsible for contributing to the strategic planning and direction of Correspondent Banking activities with European and African Banks ensuring compliance respect with operating policies, procedures and regulatory requirements*



**Mario DI GIULIO**

Independent Director

*Mario Di Giulio is a lawyer Partner of the law firm Pavia e Ansaldo, for whom he is in charge of the Africa Desk and the Compliance Department. He is a member of various committees of investors in investment funds. He is involved in sustainable finance and is co-founder of the non-profit organisation The Thinking Watermill Society.*

## External Audit

**REVIND**

REVIND SRL

## Statutory Auditors



**Paolo PAROLIN**

*Chairman of the Board of Auditors with proven experience as auditor in governance bodies of banks and corporate.*



**Michele LOSCHI**

*Member of the Board of Auditors and Lawyer with experience in Anti-Money Laundering supervision.*



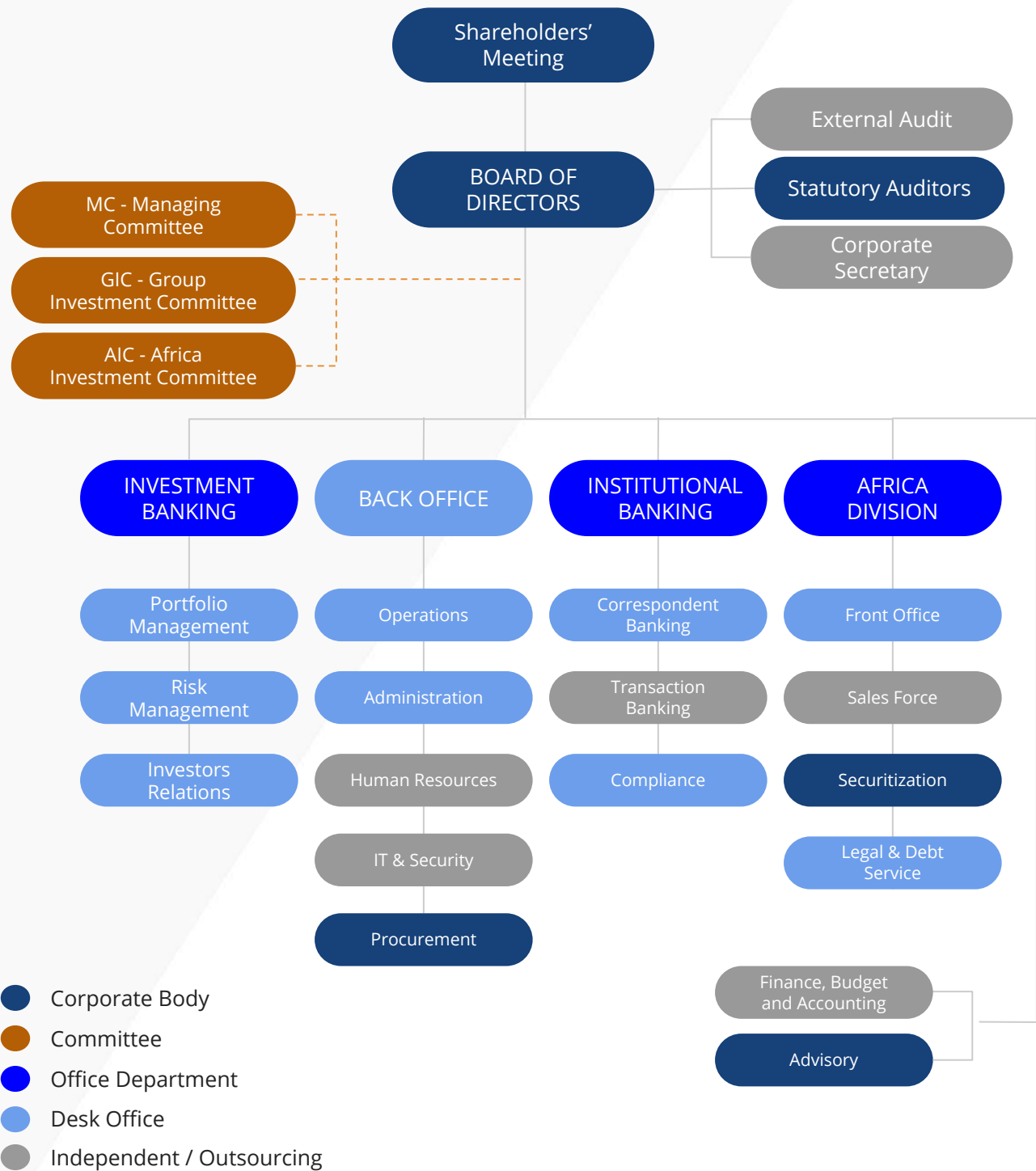
**Andrea DUODO**

*Member of the Board of Auditors with proven experience as auditor in governance bodies of several listed companies.*



# GROUP GOVERNANCE

## III. Organizational Chart



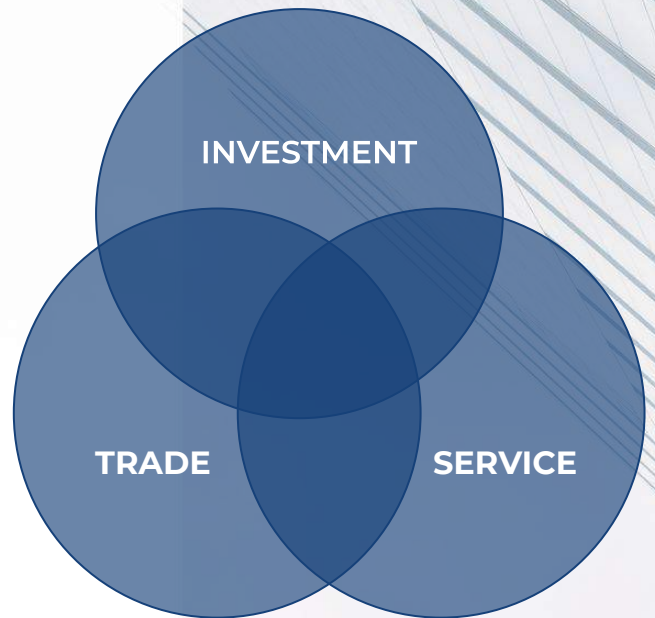
# OUR BUSINESS MODEL

- All project analysis activities and procedures start out with an adequate **Counterparty Verification** (KYC - Know Your Customer assessment and Compliance), a **cross-cutting service** and a very significant tool as, through the attentive collection & reliability check of documentation, it provides reliability and limits risks for counterparts.
- Over the years the group ETC has developed a **capillary network of direct and indirect Relations** in Africa which allows to:

Originate trading and investment opportunities facilitating the meeting between African demand and Italian / European supply;

Verify counterpart creditworthiness and single Projects Feasibility;

Facilitate the liaison between African and European Banks through own direct Correspondent Banking via SWIFT messages;



- ETC has developed three specific Business Areas:



# OUR BUSINESS MODEL

## Investment Area

AFRICAN ENTERPRISES AND  
FINANCIAL INSTITUTIONS

ITALIAN/ EUROPEAN  
ENTERPRISES

### KEY ACTIVITIES

ETC addresses the African/European customer needs providing payment instruments and guarantees, in favour of partner banks and financial institutions, issued to facilitate the financing of African industrial investment projects. ETC has developed a unique Business Model that combines:

#### Consulting Firm approach:

- Deep engineering project assessment and development;
- Economic & Financial feasibility and Legal competences for the development of each project in Africa;
- Supplier selection & supply chain management of capital goods;
- Project management services for turnkey investment projects;

#### Insurance service approach:

- Business risk analysis (definition of risk mitigants and risk coverage through brokers network).

#### Interbanking instruments:

- Dialogue with worldwide Banking institutions through its own SWIFT message code (ETC BIC Code: ETCGIT2T);
- Structuring and management of payment instruments and guarantees in international transactions (Stand-by Letter of Credit, Bid Bonds, Advance Payment Bonds, Performance Bonds, Maintenance Bonds necessary for the participation to international tenders or transactions)
- Due diligence and Compliance services are provided to Corporate and Banking system related to stakeholders involved in business deals.



INVESTMENT

### INVESTMENT AREA PRODUCTS

- Loan Individual Guarantee
- Loan Portfolio Guarantee
- Debt Restructuring Guarantee
- Equity Guarantee
- Bank Fundraising Guarantee

# OUR BUSINESS MODEL

## Trade Area

AFRICAN ENTERPRISES

ITALIAN/ EUROPEAN  
ENTERPRISES

### KEY ACTIVITIES

ETC addresses African entrepreneurs' and European SMEs' (in particular Italian SMEs) needs by:

- Facilitating transactions between the two continents through the **issue of payment instruments and guarantees** in support of financial deferred payment plans;
- **Scouting and Business matchmaking**, especially in EMEA and OHADA countries, relying on its extensive worldwide network of Sellers and Buyers;
- Providing **Payment instruments & Guarantees** for both suppliers and buyers (Surety Bonds, LC, Stand-by LC, LC confirmation);
- **Reliability assessment** of worldwide Buyers/Sellers through a specific counterpart Rating attribution (Modefinance/Oplon Risk rating assessment);
- **SWIFT messaging exchange** between European/African issuing/confirming banks;
- **Supporting all the Import/Export activities** via SCM - Supply Chain Management support



TRADE

### TRADE AREA PRODUCTS

- Bonds (*Bid, Advance Payment Performance, Maintenance*)
- Letter of Credit "L/C"
- Stand-by Letter of Credit "SBLC"

# OUR BUSINESS MODEL

## Service Area



### KEY ACTIVITIES

#### Correspondent banking

ETC's core activities for banks and financial institutions include:

- Support banking and financial groups in Europe and Africa establishing and maintaining a SWIFT channel for exchange;
- Enable African banks to perform transactions in strong foreign currencies (as EUR or USD)
- Provide Business & Commercial Intelligence and KYC & Compliance Anti Money Laundering (AML), Anti Bribery & Corruption (ABC), Counter Terrorism Financing (CTF) services to European Banks about African Companies & Banks,
- Credit recovery activities in African Markets

#### Advisory on turnkey investment projects

ETC can advise companies on turnkey investment projects in Africa, intervening in the design (engineering) and management of the projects and scouting and selection of Contractors, Capital goods suppliers and Financial partners.

#### Investment and Trade opportunities in Africa

ETC supports European companies seeking investment opportunities in African Countries assisting in the Market analysis and identification of Investment opportunities; in the Business & Financial analysis of counterparties and risk mitigation; Business intelligence and Credit Recovery activities; liaison with African Banks and local Authorities



### SERVICE AREA PRODUCTS

- Payment services
- EForex
- KYC/AML Certificate
- Supply Chain Management SCM

# OUR NETWORK

## Active Agreements

ETC boasts an extensive network of international institutions and banks, with which it collaborates and works for the development of investment projects and business opportunities in Africa. Following a list of our main active agreements with worldwide partners: <sup>(1)</sup>



**06/2014** UNIAFRICA (Union for the Development of Italian-African Relations) – was established to support emerging African enterprises with the contribution of Italian entrepreneurship in the development of SMEs and business opportunities in Sub-Saharan Africa. ETC Invest is one of its founding associates.



**05/2017** OHADA – Is the harmonized system of african business law. In 5/2017 Uniafrica signed a partnership with its Permanent Secretariat becoming the Italian center for the OHADA disclosure and the official translator of its rulings for territories of italian tongue.



**07/2018** FAGACE – is an Intergovernmental Fund providing guarantees to facilitate access to finance for SME's of its member states. In 7/2018 renewal of cooperation agreement between FAGACE, Uniafrica and ETC for guarantees syndication and provision of professional services was signed. The most relevant services are project management, industrial restructuring and technical advise.



**05/2019** BDEAC – Development Bank of Central African countries. In 5/2019 a cooperation agreement for guarantees syndication and advisory on industrial development projects was signed.



**02/2016** EBID-BIDC - is a Development Bank of ECOWAS (The Economic Community of West African States) established by the 15 Member States of Ecowas. In 2/2016 a memorandum of understanding for joint business development was signed and a RMA Swift will be activated in the next future.



**09/2017** SIMEST (Equity Partner) – is a financial institution which supports Italian companies through their whole expansion cycle abroad, from the initial assessment of opening up to a new market, to expansion through direct investment. It operates through loans aimed at internationalization, export credit support and capital investment. Since 09/2017 SIMEST is one of ETC Surety shareholders, and ETC acts as its antenna in the African continent.



**12/2017** FINEST (Equity Partner) – is a financial institution whose mission is promoting the international projects of firms based in North-East Italy towards the neighbouring emerging markets through equity investment. In 12/2017 a cooperation agreement for the provision of professional services to its customers was signed. It is currently one of ETC shareholders.



**12/2016** SWIFT – is a global member-owned cooperative and provides secure financial messaging services. The first undertaking letter was signed in 12/2016;

(1) Find the full complete list of active agreements in the Attachments section.

# GROUP HIGHLIGHTS

## General Framework on Consolidated Basis

2019 ended with the completion of the construction of ETC Group's network and financial structure, having ETC Surety (subsidiary involved in the issue of guarantees) raised 174 million euros in equity.

The Group's vision in 2020 is to develop its Business Units, relying on the support of the subscriptions collected by ETC surety.

**Total Assets**

€ 170,5 mln

**Total Equity**

€ 169,4 mln

Group Equity € 17,9 mln

Third Parties Equity € 151,6 mln

The Group's consolidated balance sheet structure is strongly supported by the shareholder component of ETC Surety SA, with a **Total Equity 174 mln €** divided into:

- **Class A Shares:** Ordinary shareholders, namely ETC Invest S.p.A. and Simest S.p.A. (Cassa Depositi e Prestiti group) with full rights;
- **Class B Shares:** Industrial investors with limited rights;
- **Class C Shares:** Capital investors, with limited rights.

Outstanding guarantees (exposures) per 19,8 mln € in favour of industrial/trading projects of total amount 54 mln €

**EBITDA**

27,9%

€ 394.000

# Year 2019

2019 was a crucial year in terms of perfecting and consolidating ETC's Business Model, a starting point for the evolutions that await the group already in 2020. The year 2019 saw a further definition and upgrade of the important relational network of ETC, which plays a central role in many of the core activities of the group, starting from facilitating the analysis and verification of counterparties.

## 2019 Key Events:

- To be further attractive to the market and the international banking system, an essential step was to obtain a **B1+** investment grade rating published on the European Securities and Markets Authority (ESMA), which enables the national and international banking systems to weigh ETC risk objectively in compliance with the requirements and ratios imposed by banking supervisory and more generally by the Basel Committee principles.
- In the African subsidiary ETC Surety, there has been a radical statutory change which has introduced new categories of shareholders: this opens the doors to new investors - classified as category B shareholders - who wish to develop industrial projects with the support of ETC, as well as reinforce the company's capital structure, reaching an equity value of €174,594,644.



**Modefinance Rating Class**

\* Find in the Attachments the Solicited Corporate Rating 2020 of ETC Invest SpA published by Modefinance.

	Nationality	Class Shares	Number	Total Amount
ETC INVEST SPA	Italian	Class A	15,261	12,118,250,000
SIMEST	Italian	Class A	9,779	7,586,240,000
CATEGORY B Shareholders	Beninese	Class B	44	440,000
CATEGORY B Shareholders	Beninese	Class B	144	1,440,000
CATEGORY B Shareholders	Rwandan	Class B	1,064	10,640,000
CATEGORY B Shareholders	Cameroonian	Class B	367	3,670,000
CATEGORY B Shareholders	Cameroonian	Class B	2,801	28,010,000
CATEGORY B Shareholders	Cameroonian	Class B	6,679	66,790,000
CATEGORY B Shareholders	Maltese	Class B	328	3,280,000
			<b>TOTAL</b>	<b>36,827</b>
				<b>19,818,800</b>

**ETC Surety SA's Shareholders**

The shareholders of ETC Surety SA are divided into three categories:

- Category a) shareholders are ordinary shareholders, i.e. ETC Invest S.p.A. and Simest S.p.A. (Cassa Depositi e Prestiti group) with full rights;
- Category b) shareholders are industrial investors with limited rights;
- Category c) shareholders are capital investors with limited rights.



# Year 2019

## Operational Flowchart

Part 1 of 2

The dynamics that involve industrial investors (*Class B Shares*) can be better understood by examining the operational flow which includes the subscription of ETC SURETY shares (*Securitization Process*) and the Guarantee by ETC.

### KYC & Compliance

- Process through which, through the collection of documents related to KYC (Know Your Customer), checks are made on the truthfulness, authenticity, completeness and conformity of documents.
- Compliance procedures in accordance with international rules of AML - Anti Money Laundering, CTF - Counter Terrorism Financing, ABC - Anti-Bribery and Corruption, PEPs - Politically Exposed Persons and possibly initiates EDD - Enhanced Due Diligence.

### Project Validation

- Evaluation of the technical-engineering aspects of the project;
- Analysis of the risks related to the operation and identification of adequate collateral;
- Evaluation of the feasibility of the investment project (sources and employments) and the related business plan;
- Approval by the Italian and African decision-making bodies (committees and board resolutions);
- Output: issue of the TERM SHEET with the conditions of intervention (covenants).

### Securitization

The main Project Promoter (ETC Guarantee applicant) subscribes category B shares (shares without voting rights and limited dividend participation) in the capital of ETC SURETY, for a value equal to the amount of the required guarantee instrument, divided between nominal value (0.1%) and share premium (99.9%), the contributions are made in cash and in the form of financial instruments (*Billets de Fonds*). This phase represents the first step in the collection of mitigants, i.e. the first level of coverage upon issuance of the guarantee instruments by ETC SURETY.

# Year 2019

## Operational Flowchart

Part 2 of 2

### Guarantee Notification Letter

ETC INVEST sends on behalf of ETC SURETY the SWIFT MT799 message to the local Lending Bank - involved in the financing of the project - containing the detailed description of the terms and conditions.

This phase ends with the collection and formalisation of the collaterals coordinated by ETC and carried out by the Agent Bank appointed to support the Investment Project in Africa. This phase represents the second level of coverage following the issue of the guarantee by ETC SURETY.

### Guarantee Issuing

Formal issuing of the guarantee instrument by ETC SURETY transmitted on interbank channel via ETC INVEST BIC SWIFT (message MT760).

### Execution & Monitoring

Disbursement of the loan by the Lending Bank followed by monitoring by ETC of the proper management and implementation of the investment project through its Supply Chain Management (SCM) department.

The monitoring of each position is coordinated by ETC in collaboration with the Lending Bank.

# Prospect 2020-2023

In 2020-2023 the first signs of development of the ETC group can be seen: we witness an improvement and strengthening of the group's structure and internal organisation, as well as as well as further development of important partnerships with international institutional/banking entities in favour of programs and activities coordinated by ETC.

## Development of the IATF Program

In order to better develop the business of emerging countries in Africa, ETC, together with Uniafrica, will develop the brand new Italian African Trade Facilitation Program (IATFP), dedicated to the Italian-African related business with the aim to support trade with Italian/European counterparties and investment projects in Africa.

The strategy of ETC aims to create a cross-functional structure capable of providing value, combining know-how and expertise in Risk Management, Business growth and Network Management areas.



## Launching of ETC Agency

From the year 2020, it is planned the launch of a new project aimed to strengthen local presence and project evaluation with a franchising approach in order to spread ETC Business Model throughout all the Sub Saharan African region.

## Partnerships with DFIs

In 2020-2023, ETC is working on a reinforcement of the already existing partnerships with multilateral Pan-African DFIs (Development Financial Institutions), namely Fagace.



## Updating Investment Grade Rating

A periodic update of the investment grade rating is carried out and published on the European Securities and Markets Authority (ESMA).



# SUB SAHARAN AFRICAN TRENDS

In the first half of 2019, **economic activity expanded at a slower pace than expected throughout sub-Saharan Africa.** This slowdown reflects an increasingly difficult global foreign trade and that is partly explained by the economic climate in China and Europe, the uncertainties over a tough Brexit and the US trade tensions with China (source: *Africa's Pulse 2019*).

Although the structural challenges affecting the development of Sub-Saharan Africa persist, the region offers a multitude of opportunities. The African continent is home to the largest free trade area in the world, offers a market of 1.2 billion people with an average age of 19 years old and is creating a completely new development path, making use of the potential of its resources and people (source: *World Bank*).

The continent contains about 50% of non-cultivated land of the planet, which equals about 450 millions hectares of non forestal, protected or densely populated land. The industrial development, alongside with the middle class' growth, has the construction, energy and food sectors as main driving forces.

## Our Area of intervention

The **trade exchange (import/export) between Sub Saharan Africa and Italy in 2019 has increased by +3,3%** compared to the previous year (source: *Italian Ministry of Foreign Affairs and International Cooperation*). Moreover, the ever-growing interest of Italian enterprises towards African countries will have really positive outcomes for ETC group's operations, especially in providing of cross-border interbank technical services and in both Trade and Project Finance activities.

ETC holds a **strategic positioning in these markets, with direct presence in the 17 OHADA countries**, where there is an important growth in demand of technical-financial expertise in support of the economy and all of which show excellent development trends.

Based on the macroeconomic information available, OHADA's most important target country groups are in order of importance:

**1<sup>st</sup> Group:** Senegal, Cameroon and Côte d'Ivoire. The latter has a fragile economy and its expected growth could be subject to slow downs;

**2<sup>nd</sup> Group:** Benin and Guinea;

**3<sup>rd</sup> Group:** Chad, Democratic Republic of Congo and Burkina Faso.

**4<sup>th</sup> Group:** Mali and Niger

NON FRAGILE COUNTRIES	
▪ Benin;	
▪ Cameroon;	
▪ Equatorial Guinea;	
▪ Gabon;	
▪ Niger.	
<b>LEGEND:</b>	
<span style="display:inline-block; width:15px; height:10px; background-color:#ADD8E6;"></span>	1 <sup>st</sup> Group;
<span style="display:inline-block; width:15px; height:10px; background-color:#90EE90;"></span>	2 <sup>nd</sup> Group;
<span style="display:inline-block; width:15px; height:10px; background-color:#FFD700;"></span>	3 <sup>rd</sup> Group;
<span style="display:inline-block; width:15px; height:10px; background-color:#D2691E;"></span>	4 <sup>th</sup> Group.

FRAGILE COUNTRIES	
▪ Burkina Faso;	
▪ Central African Republic;	
▪ Comoros;	
▪ Congo;	
▪ Côte d'Ivoire;	
▪ D.R. of Congo;	
▪ Guinea;	
▪ Guinea-Bissau;	
▪ Mali;	
▪ Togo.	

NON RESOURCE EXPORTERS	
▪ Comoros;	
▪ Côte d'Ivoire;	
▪ Guinea Bissau;	
▪ Senegal;	
▪ Togo.	

OTHER RESOURCE EXPORTERS	
▪ Burkina Faso;	
▪ Central African Republic;	
▪ D.R. of Congo;	
▪ Guinea;	
▪ Mali;	
▪ Niger.	

# Sub Saharan Africa: Country Highlights

## SENEGAL

Senegal is among Africa's most stable countries. The country enjoys a good geographical position as well as being a member of the ECOWAS (Economic Community of West African States), with whom ETC boasts a strong partnership.

Among the strongest and potential intervention sectors are fish farming (one of the main export sources for the country) and the agri-food sector, which are of specific focus for ETC. Increasing demand for construction equipment, as well as supplies and services in the plumbing and electrical sector (including from renewable sources), all of which are possible projects under the supervision of ETC.

## CÔTE D'IVOIRE

Côte d'Ivoire is one of the fastest growing countries in Sub-Saharan Africa and in the world. It is also the first economy in the West African Monetary Union (UEMOA), accounting for 40% of its GDP.

Strategically targeted by our group ETC, thanks to our presence in the region, we mention among the major and potential market sectors the real estate and construction sector and the agro-industrial sector. Essential would be the processing of natural resources, an activity almost absent in the country. Interventions are also needed in water supply, sewerage, waste treatment and restoration activities.

## CAMEROON

Cameroon is the largest economy in the Central African Economic and Monetary Community (CEMAC), endowed with natural resources, and its strategic location at the center of the region makes it a regional and international export hub, serving as a platform of access to the sea for many of the neighboring states.

ETC is particularly present in Cameroon, with active projects in the dairy/food sector - for the revamping of a dairy plant and the expansions of its production capacity - in the transport sector - both public and catering (refrigerated trucks) - and in the construction sector for the creation of shopping centres and residential areas as well as a soap factory for the domestic and beauty market.

## GUINEA

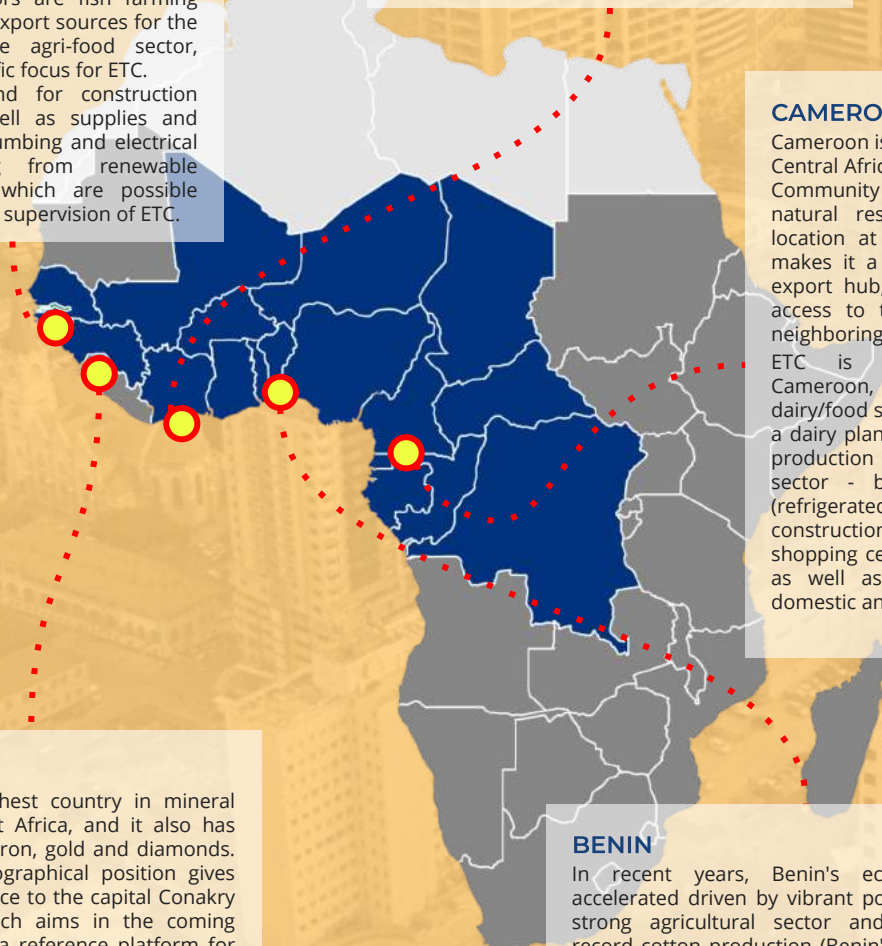
Guinea is the richest country in mineral resources in West Africa, and it also has huge reserves of iron, gold and diamonds. The country's geographical position gives strategic importance to the capital Conakry and its port, which aims in the coming years to become a reference platform for neighbouring countries with inadequate port infrastructure, such as Liberia, Sierra Leone, Guinea Bissau and Gambia

Guinea currently lacks plants and machinery for industrial processing, especially in the agri-food and fishery sectors. ETC is currently active in the realization of a wheat flour production plant to meet the increasing local demand.

## BENIN

In recent years, Benin's economic activity accelerated driven by vibrant port activity and a strong agricultural sector and supported by record cotton production (Benin's market leader, 14% of total exports) and diversification of emerging export sectors. Political and social stability makes the country less hostile to investment than other neighbouring countries. In addition, the presence of the trading Port of Cotonou makes up for the infrastructural deficiencies of the Port of Lagos in Nigeria.

ETC is currently active in a project in the medical sector, for the acquisition of high-tech equipment in order to expand ophthalmic care services, offering specialized medical and surgical eye care treatments and a second one to convert a building in Cotonou from commercial activity to rental of business and luxury class residential spaces.



# MAIN ONGOING PROJECTS

ETC intervenes with its expertise in projects in Sub-Saharan Africa in a wide range of sectors, to support the activities of African SMEs and also to the benefit of Italian/European companies operating in supply provisioning. ETC is particularly sensitive to measuring social and environmental impacts and is developing the tools to assess the overall sustainability of projects.

## Medical Clinic

### BENIN

The clinic, based in Cotonou, Benin, is specialized in the field of ophthalmic care.

The project will allow the purchase of 3 new equipment (Scanner oct, Laser diathermie, Laser Pascal) thus **enlarging the quantity-quality of the services supply**, and serve the needs of patients who, until now, have been forced to turn to local and international competition to find a solution to their problems.

The strategic position of the clinic allow to **meet the demand of neighbouring economic capitals, notably Lomé, Lagos and Niamey**.



## Cocoa Project

### CAMEROON

This Cocoa Project is an investment project carried out by an African investor specialized in the production and processing of cocoa and coffee beans.

It is structured in three main components: **the cocoa processing plant, the development of industrial cocoa plantations and the packaging plant**. The project will be able to increase the supply of cocoa beans processing at the national level, thus meeting the ever growing demand in the international market. Moreover, it will **provide employment** for an abundant and qualified workforce and **promote the deployment of highly advanced technologies**.



## Residential & Non Residential Building

### CAMEROON

This project involves the creation of a shopping center in Douala, Cameroon.

It is realized in **Public-Private Partnership (PPP)** and will provide around 3.000 stores to be rented for different types of business, **addressing the current issues related to the expansion of anarchic sales spaces, as well as the housing needs of vendors e retailers**. This project will offer good quality infrastructure and equipment for renters, along with better services to customers in terms of hygiene, safety and stable power grid.



# BEST PRACTICES

On voluntary basis ETC adopts (following):

## Respect of Basel Pillars

- ETC is not subject to prudential regulation and supervision, but has adopted on a voluntary basis **the Basel pillars, in order to identify the risks that need to be managed.**

The Group bases its approach on existing banking guidelines of first and second pillars of Basel Committee.

The primary purpose of these rules is to **ensure that ETC would be able to meet the risks it assumes with its own resources. These measures are binding for all the Group companies.** Moreover, in 2018, the Group has re-examined some key procedures to reduce counterparties risks.

## KYC & AML Procedures

- ETC is active in the financial industry and it is committed to put in place any risk management policy for the purpose of **Anti Money Laundering "AML", Counter Terrorism Financing "CTF", and Anti Bribery and Corruption "ABC"** in accordance with the European Directive 2015/849 adopted in Italy by the Legislative Decree n. 90 of 2017.

ETC applies these procedures in the management of the relations with counterparties, when an entity approached the Group for the first time, and updates the information every 1, 2 or 3 year at least, depending on the risk profile of the counterparty.

## Code of Ethics

- The code of ethics describes the **rights, the duties and the responsibilities of the personnel of the Group that must be followed in the daily working activities.** It constitutes a binding directive, with rules of conducts and behavioural aspects that must be observed by every single associate.

The code of ethics of the group ETC defines the following: The **Mission of the Group**; the **reference Values of the Group**, that regulate the relationships between the Group, and companies, entrepreneurs and, more generally, the market; the **reference Values that regulate the employees' management and the working environment**; the **behavioural principles** and the courses of conduct required to the employees and to the associates in general.

## COMMUNITY



ETC has always actively contributed to the education and professional development of the youth.

The group has a permanent cooperation with Italian and foreign Universities (**Ca' Foscari University of Venice, Università degli Studi di Padova, Ecole Management Strasbourg**) and welcomes many students to introduce them directly in the labour market, offering internship projects with the prospect of employment.

Moreover, it has also signed up the national Italian initiative "Alternanza Scuola-Lavoro", an opportunity for high-school students to approach a real job, giving the availability to host students.

## WORKSHOPS



Sviluppo Commerciale Estero

In 2019 ETC, in collaboration with Iccrea Banca Impresa and SELES, has launched the **Africa Workshops**. This initiative aims to offer a realistic vision of the business prospects offered by many African countries and the socio-economic peculiarities that characterize them, by providing to Italian entrepreneurs the right tools to develop new markets for their products.

**jeuneafrique**

ETC was also featured as a banking expert on the **Italy-Africa Dossier of Jeune Afrique Media Group**, the leading pan-African multimedia group. The Italy-Africa Dossier features selected companies operating in different industries, to give a complete picture of the wide-ranging and high level of Italian expertise and industrial offer in Africa.



Moreover, ETC collaborates with Jeune Afrique in the selection of Italian players to participate in the **Africa Ceo Forum**, one of the most important African economic events dedicated to the private market sector, which hosts yearly more than 1500 top decision makers from more than 70 countries.



## Other Active Agreements



ICE-ITA (Italian Trade Agency) - is the Governmental agency that supports the business development of Italian companies abroad and promotes the attraction of foreign investment in Italy. ETC is among the Italian companies represented by ICE to approaching International players.



CONFINDUSTRIA (Confederazione generale dell'industria italiana) - General Confederation of Italian Industry, is the main representative organization of Italian manufacturing and service companies that brings together on a voluntary basis companies, public companies and banks. The ETC group itself was born from an embryonic project promoted by Confindustria Treviso - with the patronage of the Chamber of Commerce - for the establishment of an Italy-Sub Saharan Africa route in 2010.



**11/2018** PAVIA E ANSALDO - is an independent Italian law firm active in Italy and around the world which assists its clients in all areas of Business Law. Alongside with Pavia e Ansaldo and UNIAFRICA, we have carried out the creation of CEOUI (Executive Committee OHADA - UNIAFRICA Italy) to translate and promote OHADA's uniform acts in Italian.



**04/2019** IC&PARTNERS - is a consulting company for internationalization that works alongside companies supporting their process of entry or development on foreign markets. The collaboration was born to offer further support to Italian companies that undertake business activities with emerging countries in the EMEA area.



**03/2020** MirWare srl is an independent software company whose core activities are Transaction Banking consulting, Business intelligence applied to the world of banking transactions (international and domestic) and the management of due diligence issues on banking counterparties. MirWare collaborates with ETC as part of the "IATFP project", for the development and management of ETC's network of correspondents and transaction banking services offered to African and Italian banks (Trade finance, Cash management and Due diligence).



**09/2019** MODEFINANCE - is a Credit Rating Agency specialized in the financial consulting and companies' creditworthiness evaluation. In 09/2019 Modefinance has published ETC Invest SpA's Rating awarding B1+ (first issuance) which is also available on the ESMA website. The analysis shows that the subject has sufficient capacity to meet the obligations assumed.



**02/2020** SELES - is Consultancy firm for the internationalization of Italian companies. In 2019 ETC and SELES, has launched the Africa Workshops, an initiative aims to offer a realistic vision of the business prospects offered by many African countries and the socio-economic peculiarities that characterize them, by providing to Italian entrepreneurs the right tools to develop new markets for their products. A project is underway to activate training programs organized by ETC for TEM-Temporary Export Managers of SELES to expand their knowledge on African markets.



CONFAPI - is the Italian confederation of small and medium private industry which was born to represent the needs and interests of small and medium Italian enterprises.



Gruppo Bancario ICCREA - is a central institution of Italian credit unions and rural saving banks. In 11/2019 it co-organized with ETC the first Africa Workshop, an event on African markets and opportunities for African SMEs. A partnership agreement is in progress.



**06/2017** MPS (Manca Monte dei Paschi di Siena) - is an Italian Banking Group, the oldest active bank founded in the form of charity pawnbroker. A memorandum of understanding for the mutual exchange of commercial transactions was signed in 06/2017 between ETC and MPS after 4 years of cooperation and currently a RMA Swift is active.



**05/2017** UBI Banca - (Unione di Banche Italiane) is an Italian banking group of cooperative origin created from the merger between Banche Popolari Unite and Banca Lombarda. A commercial reporting agreement with ETC was signed in 05/2017.



MAZARS - it is the sixth largest audit and accounting player in Africa with 2700 professionals and 150 partners operating from 45 offices in 27 countries. The negotiation of an NDA and a commercial partnership agreement for the provision of ETC Invest services to Mazars African customers in ongoing.



**07/2019** BGFIBank Europe - is a large financial services conglomerate in Central, West and East Africa, with subsidiaries in ten countries. A partnership agreement was signed in 07/2019 and currently a RMA Swift is active. ETC currently holds a correspondent bank accounts in Central African Francs currency (XAF) with BGFIBank Cameroon and in West African Francs currency (XOF) with BGFIBank Benin.



Banque Atlantique Cameroun - is a bank specialized in retail banking with the objective of fundamentally changing the Cameroonian banking landscape. It has an electronic banking and mobile banking offer offering cereal added value to customers (individuals and companies). A RMA Swift is currently active.



AFREXIMBank - is a pan-African multilateral trade finance institution created in 1993 under the auspices of the African Development Bank, whose mission is increasing African trade & investment cross-border and abroad. ETC has currently an active RMA Swift with AFREXIMBank.



**03/2017** Credit Agricole - is a French cooperative banking institution. In 3/2017 a full non disclosure agreement on reciprocal commercial transactions was signed and currently a RMA Swift is active.



**09/2016** Société Générale - is a French multinational investment bank and financial services company. A NOSU recommendation letter for Swift was signed in 09/2016 and a bank account in West African Francs currency (XOF) is active.



Attijariwafa Bank - is a Moroccan multinational commercial bank and financial services company, leader in the sectors of investment banking and market activities in Morocco. Currently a RMA Swift is active.



CCA Bank - is a commercial bank based in Yaoundé, Cameroon. A RMA Swift is currently active.

**INDEPENDENT AUDITOR'S REPORT**  
**PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE N. 39 OF JANUARY 27, 2010**  
**(Translation from the original Italian text)**

To the Shareholders of  
ETC Invest S.p.A.

**REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

***Opinion***

We have audited the consolidated financial statements of ETC Invest S.p.A. (the Group), which comprise the statement of financial position as at December 31, 2019, the income statement for the year then ended and notes to consolidated the financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with the Italian regulations.

***Basis of opinion***

We conducted the audit in accordance with the International Standards of Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of ETC Invest S.p.A. (the Company) in accordance with the regulations and standards on ethics and independence applicable to audits for financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of opinion.

***Emphasis of matter – First preparation of consolidated financial statements***

We draw attention to the beginning of the notes to the consolidated financial statements, which describes that the consolidated financial statements as at December 31, 2019 are drawn up for the first time and consequently do not include cash flow statement. Our opinion is not qualified in respect to this matter.

***Responsibilities of Directors and those charged with governance for the Financial Statements***

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Italian regulations and, within the terms provided by 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.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

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going concern basis of accounting unless they either intend to liquidate the Parent Company ETC Invest S.p.A. or cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Standard of 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 consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtain 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 Group'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 Director's 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 Group'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 modify 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 Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the group financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, letter e), of Legislative Decree n.39 dated 27 January 2010***

The Directors of ETC Invest S.p.A. are responsible for the preparation of the Report on Operations of the ETC Invest Group as at December 31, 2019, including its consistency with the related consolidated 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 consolidated financial statements of ETC Invest Group as at December 31, 2019 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 consolidated financial statements of ETC Invest Group as at December 31, 2019, and complies with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, letter e), of Legislative 8 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.

Vicenza, July 27, 2020

Revind S.r.l.

Signed by: Federico Zanconato, partner

*This report has been translated into the English language  
solely for the convenience of international readers*

# ETC INVEST SPA

## Consolidated Financial statements at 31/12/2019

Master data Registered	
Office in	TREVISO
Tax code	04821260264
REA Number	TREVISO400769
VAT	04821260264
Share Capital Euro	640,000.00 fully paid-up
Legal form	Joint Stock Company
Business sector (ATECO)	702209
Company in liquidation	No
Company with sole shareholder	No
Company subject to management and coordination by others	No
Belonging to a group	Yes

Amounts are expressed in Euro

## Consolidated financial statements at 31/12/2019

### BALANCE SHEET

(values in thousands of Euro)

ASSETS	31/12/2019
<b>A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE</b>	
<b>Total receivables from shareholders for payments still due (A)</b>	<b>0</b>
<b>B) FIXED ASSETS</b>	
I - Intangible fixed assets	
1) Start-up and installation costs extension	4
3) Industrial patent rights and intellectual property rights	3
4) Concessions, licenses, trademarks and similar rights	12
5) Goodwill	253
7) Others	1
<b>Total intangible fixed assets</b>	<b>273</b>
II - Tangible fixed assets	
4) Other assets	29
<b>Total tangible fixed assets</b>	<b>29</b>
III - Financial assets	
1) Equity investments	
d-bis) Other companies	6
<b>Total equity investments</b>	<b>6</b>
2) Receivables	
d-bis) From others	
Due within one year	6
<b>Total receivables from others</b>	<b>6</b>
<b>Total receivables</b>	<b>6</b>
3) Other securities	169,044



Total financial assets	169,057
<b>Total fixed assets (B)</b>	<b>169,359</b>
<b>C) CURRENT ASSETS</b>	
I - Inventories	
5) Advances	1
Total inventories	1
II - Receivables	
1) From customers	
Due within following year	477
Due beyond the following year	30
Total trade receivables	508
5-bis) Tax credits	
Due within the following year	46
Total tax credits	46
5-ter) Prepaid taxes	
5-quater) From others	
Due within the year next	10
Due after one year	0
Total other receivables	10
Total receivables	571
III - Financial assets not held as fixed assets	
5) Derivative financial instruments	0
Total financial assets not held as fixed assets	0
IV - Cash and cash equivalents	
1) Bank and postal	44
3) Cash and cash equivalents	1
Total cash and cash equivalents	45

<b>Total current assets (C)</b>	<b>617</b>
D) ACCRUALS AND DEFERRALS	494
<b>TOTAL ASSETS</b>	<b>170,470</b>

## BALANCE SHEET

(values in thousands of Euro)

<b>LIABILITIES &amp; EQUITY</b>	<b>12/31/2019</b>
<b>A) GROUP EQUITY</b>	
I - Share capital	640
II - Share premium reserve	0
III - Revaluation reserves	0
IV - Legal reserve	12
V - Statutory reserves	0
VI - Other reserves, indicated separately	
Extraordinary reserve	23
Consolidation reserve	0
Reserve for translation differences	0
Various other reserves	17,039
Total other reserves	17,061
VII - Reserve for hedging operations of expected cash flows	0
VIII - Retained profit/(losses)	11
IX - Profit (loss) for the year	139
Loss covered in the year	0
X - Negative reserve for treasury shares in portfolio	0
Total shareholders' equity of the group	17,863
Shareholders' equity of minority interests	
Third parties capital and reserves	151,554
Profit (loss) of minorities	1

Total equity minority interests	151,555
<b>Total consolidated shareholders' equity</b>	<b>169,418</b>
<b>B) PROVISIONS FOR RISKS AND CHARGES</b>	
1) For pensions and similar obligations	0
2) For taxes, including deferred	0
4) Other	28
<b>Total provisions for risks and charges (B)</b>	<b>28</b>
<b>C) EMPLOYEE SEVERANCE INDEMNITY</b>	
<b>7</b>	
<b>D) PAYABLES</b>	
4) Due to banks	
Due within next year	117
Due beyond next year	371
<b>Total due to banks</b>	<b>487</b>
5) Payables to other lenders	
Due after the next year	186
<b>Total payables to other lenders</b>	<b>186</b>
7) Payables to suppliers	
Due within the next year	127
<b>Total payables to suppliers</b>	<b>127</b>
12) Tax payables	
Due within the next year	132
<b>Total tax payables</b>	<b>132</b>
13) Payables due to welfare and social security institutions	
Due within the next financial year	14
<b>Total payables due to welfare and social security institutions</b>	<b>14</b>
14) Other payables	
Due within the following year	68

Total other payables	68
<b>Total payables</b>	<b>1,014</b>
<b>E) ACCRUALS AND DEFERRALS</b>	<b>3</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>170,470</b>

## INCOME STATEMENT

(values in thousands of Euro)

**31/12/2019**

### A) VALUE OF PRODUCTION

1) Revenues from sales and services	965
5) Other revenues and income	
Other	537
Total other revenues and income (5)	537
<b>Total value of production (A)</b>	<b>1.502</b>

### B) PRODUCTION COSTS:

6) For raw materials, ancillary materials, consumables and goods	76
7) For services	627
8) For use of third party assets	73
9) For personnel:	
a) Wages and salaries	131
b) Social security charges	21
c) Severance indemnity	5
d) Pensions and similar payments	4
e) Other costs	4
Total personnel costs (9)	164
10) Depreciation and write-downs:	
a) Amortization of intangible assets	37
b) Depreciation of fixed assets materials	9

d) Writedown of receivables included in current assets and cash and cash equivalents	4
<b>Total depreciation and write-downs (10)</b>	<b>49</b>
12) Provisions for risks	15
13) Other provisions	0
14) Other operating expenses	166
<b>Total production costs (B)</b>	<b>1,172</b>
<b>Difference between value and costs of production (AB)</b>	<b>329</b>
<b>C) FINANCIAL INCOME AND EXPENSES</b>	
17) Interest and other financial charges	
Other	66
Total interest and other financial charges (17)	66
<b>Total financial income and charges (C) (15 + 16-17 + -17-bis)</b>	<b>-66</b>
<b>D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES:</b>	
<b>Total value adjustments of financial assets and liabilities (D) (18-19)</b>	<b>0</b>
<b>PROFIT BEFORE TAXES (A-B + -C + -D )</b>	<b>264</b>
20) Current, deferred and prepaid income taxes for the year	
Current taxes	107
Taxes relating to previous years	16
Deferred and prepaid taxes	0
<b>Total current, deferred and prepaid income taxes for the year</b>	<b>124</b>
<b>21) Profit (loss) consolidated</b>	<b>140</b>
Profit (loss) of the exercise pertaining to third parties	1
<b>Profit (loss) attributable to the owners</b>	<b>139</b>

## Explanatory Notes to the Consolidated Financial Statements at 31/12/2019

### STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

The consolidated financial statements at 31/12/2019, consisting of the balance sheet, income statement and additional explanatory notes, have been prepared in compliance with the Italian Legislative Decree 127/1991, integrated, for those aspects not specifically provided for by the decree, by the national accounting standards published by the Italian Accounting Board (OIC - Organismo Italiano di Contabilità) and, where missing, by those of the International Accounting Standard Board (IASB) and the Financial Accounting Standards Board (FASB) and are accompanied by the Management Report.

They are also accompanied by the following documents:

- The list of companies included in the consolidated financial statements and equity investments;
- The statement of reconciliation between shareholders' equity and profit/(loss) for the year of the Parent Company and the consolidated shareholders' equity and consolidated profit/(loss) for the year.

The specific sections of the explanatory notes illustrate the criteria used to implement art. 28 paragraph 3-bis of Legislative Decree 127/91, in the event of non-compliance in terms of detection, evaluation, presentation and disclosure, when their observance has irrelevant effects on the truthful and correct representation.

The amounts are expressed in thousands of Euros.

The financial statements of the companies included in the consolidation were drawn up by the respective administrative bodies in accordance with the aforementioned accounting principles.

The 2019 consolidated financial statements is the first drawn up by the Group and for this reason there is no comparison with the previous financial year. Moreover, they are not accompanied by the cash flow statement and only part of the information required by article 38, no. 1, lett. c) of Italian Legislative Decree 127/1991 has been provided (which explains the most significant changes in the consistency of assets and liabilities).

### Consolidation Area - Consolidation and conversion principles

The consolidated financial statements include the financial statements of ETC INVEST SPA and of the foreign controlled companies (directly or indirectly).

The assets and liabilities of the consolidated companies are all taken on a line-by-line basis. The book value of the equity investments held by the parent company and by the other companies included in the consolidation area is eliminated against the related shareholders' equity.

The excess of the shareholders' equity over the acquisition cost has been accounted as consolidated shareholders' equity under the item "Consolidation reserve". The minority interest in shareholders' equity of the consolidated subsidiaries is accounted in the item "Minority interest in capital and reserves" of the shareholders' equity, while the minority interests of the net result is shown separately in the consolidated income statement under the item "Profit (loss) for the year attributable to minority interests".

The financial statements of the foreign companies are converted into Euro according to the following criteria:

- assets and liabilities at the exchange rate in force at the end of the period;
- income and expenses applying the average exchange rates for the period;
- the components of shareholders' equity at the rates in force in the relevant period.

The exchange rate differences arising from the conversion of the final shareholders' equity at the historical exchange rates compared to those in force at the date of the financial statements are charged directly to shareholders' equity, together with the differences between the economic result expressed at average exchange rates and the economic result expressed in Euro at the exchange rates in force at the end of the period under the item "Reserve for translation differences", included in "Other reserves".

The debit and credit balances and the cost and income items between the companies included in the consolidation area have been eliminated. In particular, profits and losses arising from transactions between Group companies not yet realized with third parties are eliminated, if significant.

The financial statements of the individual companies approved by the shareholders' meeting or prepared by the Board of Directors for approval have been expressed and adjusted, where necessary, according to the accounting principles adopted by the Group.

## **EVALUATION PRINCIPLES**

The evaluation principles adopted for the preparation of the consolidated financial statements are in line with those used by the Parent Company, integrated where necessary with the accounting principles

adopted for particular items of the consolidated financial statements.

The evaluation of the individual items is made on a prudent and long-term approach, taking into account the economic function of the assets and liabilities based on the principle of substance over form.

In particular, the evaluation principles adopted were the following.

### **Intangible fixed assets**

Intangible fixed assets are recorded, within the limit of the recoverable value, at purchase or production cost, including accessory charges, and systematically amortized in relation to the residual possibility of use, written down if the estimated recoverable value of the assets is permanently lower than their cost at year-end.

### **Tangible fixed assets**

Tangible assets are recognized on the date on which the risks and benefits associated with the assets acquired are transferred, and are recognized, within the limit of their recoverable amount, at purchase or production cost net of related depreciation provisions, including all directly attributable costs and accessory charges.

The cost is revalued in accordance with monetary revaluation laws and, in any case, does not exceed the market value.

The cost of fixed assets whose use is limited in time, it is systematically amortized in each year on the basis of economic-technical rates determined in relation to the residual possibility of use.

In the event that, regardless of the depreciation already recorded, impairment losses are recognized, the fixed assets are written down in relation to the residual possibility of use. If in subsequent years the reasons for the write-down no longer apply, the original value is restored. Assets under construction and advances to suppliers are recognized as assets on the basis of the cost incurred and/or the advance paid including directly attributable expenses.

### **Equity investments**

The other equity investments are recorded at purchase and/or subscription cost, including accessory charges, and written down in the event of impairment losses in value .



## **Other Securities**

Other securities are recognized at the time of delivery of the security and are classified under fixed assets or current assets according to their destination.

### ***Other investment securities***

The Other investment securities are valued at their estimated realizable value.

## **Inventories**

Inventories, more precisely "Advances", are recorded at the lower value between purchase cost and estimated realizable value inferred from market trends.

## **Receivables**

Receivables are classified under fixed assets or current assets on the basis of their allocation/origin with respect to ordinary business, and are recorded at their estimated realizable value.

Receivables are recognized at amortized cost, except for receivables for which the effects of the application of amortized cost are immaterial, and which consists of short-term receivables (maturity less than 12 months) or for which the difference between initial value and maturity value is immaterial.

Receivables for which the amortized cost criteria was not applied are recognized at their estimated realizable value.

Regardless of whether or not amortized cost is applied, receivables are recorded at estimated realizable value through allocations to the allowance for doubtful accounts, recorded as a direct deduction from assets and determined in relation to the risk of loss resulting from the specific analysis of the individual positions and in relation to the historical trend of losses on receivables, as well as country risk.

## **Cash in hand**

At the end of the year, cash in hand is valued at nominal value.

## **Accruals and deferrals**

Accruals and deferrals are recorded on the basis of economic-temporal competence.

### **Provisions for risks and charges**

Provisions for risks and charges are set aside to cover certain or probable losses or debts, the amount or date of occurrence of which cannot be determined at fiscal year-end. The provisions reflect the best possible estimate based on the elements available.

The tax provision includes deferred tax charges connected with consolidation adjustments, when it is probable that they will actually occur in one of the subsidiaries.

### **Employee severance indemnity**

It reflects the debt, subject to revaluation by means of specific ratios and net of advances paid, accrued to all Group employees at the end of the year, in compliance with the law and current employment contracts.

### **Payables**

Payables are recognized at amortized cost, except for payables for which the effects of the application of amortized cost are immaterial, and which consist of short-term payables (maturity less than 12 months) or for which the difference between initial value and maturity value is immaterial.

Payables for which the amortized cost method has not been applied were recognized at nominal value.

### **Foreign currency conversion principles**

Monetary assets and liabilities outstanding at the end of the financial year, originally expressed in currencies of non-Euro countries, are expressed in the financial statements at the exchange rate in force at the end of the period. Gains and losses, arising from the conversion of the above mentioned payables and receivables at the exchange rate in force at the balance sheet date, are accounted in the income statement. Assets and liabilities denominated in non-monetary currencies are recorded at the exchange rate in force at the time of their acquisition.

### **Costs and revenues**

Costs and revenues are recorded according to the principle of prudence and economic competence.

### **Income taxes for the year**

For each company, current income taxes are recorded on the basis of estimated taxable income in accordance with the rates and provisions in force at the end of the period in each country, taking into account applicable exemptions and any tax credits due.

Deferred tax assets and liabilities are calculated on the temporary differences between the value attributed to assets and liabilities in the financial statements and the corresponding values recognized for tax purposes, based on the rates in force at the time the temporary differences will reverse. Deferred tax assets are recognized only if there is reasonable certainty of their future recovery.

## INFORMATION ON THE BALANCE SHEET

### Intangible fixed assets

Intangible fixed assets amount to Euro 273 thousand.

The breakdown of the individual items is shown as follows:

	Start-up and expansion costs	Industrial patent rights and intellectual property rights	Concessions, licenses, trademarks and similar rights	Goodwill	Other intangible assets	Total intangible assets
<b>Cost</b>	10	8	12	317	1	347
<b>Depreciation (Depreciation fund)</b>	6	5	0	63	0	74
<b>Value</b>	4	3	12	253	1	273

### Goodwill

Goodwill consists of the merger difference resulting from the merger operation by ETC Invest SpA (formerly ETC Group Srl) of ETC SpA which took place in 2018.

In relation to the provisions of art. 38 c. 1 letter d) of Italian Legislative Decree 127/1991, the composition of start-up and expansion costs is shown in the following table.

### Composition of start up and expansion costs:

	Description	Book value
	Constitution costs for ETC Invest SpA	1
	Merger and acquisition costs of ETC Invest SpA	3
<b>Total</b>		4

The booked costs are reasonably correlated to a long term utility, and they are amortized systematically in

relation to their useful life.

### Tangible fixed assets

Tangible fixed assets amount to Euro 29 thousand.

The composition of the individual items is represented as follows:

	Other tangible fixed assets	Total Tangible fixed assets
<b>Cost</b>	50	50
<b>Depreciation (accumulated depreciation)</b>	21	21
<b>value</b>	29	29

### Financial fixed assets - Equity investments, other securities and financial derivative instruments

Equity investments not included in the consolidation area amount to Euro 6 thousand.

The other securities included in financial fixed assets amount to Euro 169,04 thousand.

The composition of the individual items is represented as follows:

	Equity In other companies	Total Equity	Other securities
<b>Cost</b>	6	6	169.044
<b>value</b>	6	6	169.044

The other securities are financial instruments called "*billets de fonds*", that are financial instruments of the legal systems of French area (France, Morocco, Belgium, Luxembourg, Quebec) including the member countries of OHADA where the subsidiary ETC Surety has its headquarters. OHADA (*Organization pour l'Harmonisation en Afrique des Droits des Affaires*) is the multilateral organization for the harmonization of African Business Law for the member states, that are delegated only for tax policies. Each new Category B shareholder has subscribed and paid 0.1% of the value of the shares (capital share and share premium)

with cash payments and the remaining 99.9% of the value with "*billets de fonds*".

### Financial assets - Receivables

Receivables included in financial fixed assets amount to Euro 6 thousand.

The composition of the individual items is represented as follows:

	Final nominal amount	Final write-down provision	Final net value
Others due within the next financial year	6	0	6
<b>Total</b>	6	0	6

### Current assets - Receivables

Receivables included in current assets amount to Euro 571 thousand.

The composition of the individual items it is represented as follows:

	Due within one year	Due beyond one year	Total nominal value	(Provisions for risks / write-downs)	Net value From
Customers	481	30	511	4	508
Tax credits	46	0	46		46
Prepaid taxes			7		7
Others	10	0	10	0	10
<b>Total</b>	536	31	574	4	571

### Receivables - Breakdown by maturity

Below are detailed the data relating to the subdivision of receivables by maturity, in accordance with Article 38, paragraph 1, letter e) of Legislative Decree 127/1991:

	Book value	Portion due within the year	Portion due beyond the year	Of which with a residual duration of more than 5 years
Loans to customers recorded in current assets	508	477	30	0
Tax receivables recorded in current assets	46	46	0	0
Tax assets deferred assets recognized under current assets	7			
Receivables from others recorded under current assets	10	10	0	0
<b>Total receivables recorded under current assets</b>	<b>571</b>	<b>533</b>	<b>31</b>	<b>0</b>

### Current assets - Cash in hand equivalents

Cash in hand equivalents included in current assets amount to Euro 45 thousand.

	Year-end value
Bank and post office deposits	44
Cash and other cash on hand	1
<b>Total cash</b>	<b>45</b>

### Accrued income and prepayments

Accrued income and prepayments amount to Euro 494 thousand.

The breakdown of the individual items is as follows:

	Year-end value
<b>Accrued income</b>	481
<b>Deferred income</b>	12
<b>Total accrued income and deferred income</b>	494

The item is mainly made up for Euro 441 thousand of accrued income deriving from revenues pertaining to 2019 but payable in subsequent years (ref. EMEA Financial Statements).

### Financial charges charged to Balance Sheet items

No financial charges have been recorded as assets in the Balance Sheet, in accordance with Article 38, paragraph 1, letter g) of Legislative Decree 127/1991.

### Equity

Equity at the end of the fiscal year amount to Euro 169,42 thousand.

The following tables show the movements during the year for each item of Equity and the details of the item 'Other Reserves'.

	Year-end value
<b>Share Capital</b>	640
<b>Legal reserve</b>	12
<b>Other reserves</b>	
<b>Extraordinary reserve</b>	23
<b>Various other reserves</b>	17,039
<b>Total other reserves</b>	17,061
<b>Reserve for hedging operations of expected cash flows</b>	0
<b>Profit (loss) carried forward</b>	11



<b>Profit (loss) for the year</b>	139
<b>Total shareholders' equity of the Group</b>	17,863
<b>Minority interests</b>	
<b>Third parties capital and reserves</b>	151,554
<b>Profit (loss) of minorities</b>	1
<b>Total equity minority interests</b>	151,555
<b>Total consolidated shareholders' equity</b>	169,418

The share capital relates to share capital of the Parent Company.

The "Consolidation reserve" represents the negative difference arising from the replacement of the book value of the Parent Company's shareholdings in consolidated companies with the corresponding net capital at the time of first-time consolidation.

The shareholders' equity of the Group ETC at 31.12.2019 is therefore equal to Euro 17.8 million

The shareholders' equity of minority interests at 31.12.2019 is therefore equal to Euro 151.5 million

### Provisions for risks and charges

Provisions for risks and charges are recorded for a total of € 28 thousand.

The composition and movements of the individual items are represented as follows:

	<b>Provision for pensions and similar obligations</b>	<b>Provision for taxes including deferred</b>	<b>Derivative financial instruments liabilities</b>	<b>Other provisions</b>	<b>Total provisions for risks and charges</b>
<b>Changes during the year</b>					
<b>Other changes</b>	0	0	0	28	28
<b>Total changes</b>	0	0	0	28	28
<b>Year-end value</b>	0	0	0	28	28

"Other Funds" regards as follows:

- Euro 15 thousand are due to the provision made by the Parent Company for legal expenses estimated for the management of a dispute with a supplier
- Euro 12.6 thousand are due to the provision which was recorded in the year 2017 for a trade union dispute (ref. ETC Surety financial statements)
- Euro 0,2 thousand are due to retirements commitments (ref. ETC Surety financial statements)

## EMPLOYEE SEVERANCE INDEMNITY

The employee severance subordinated indemnity is recorded for a total of Euro 7 thousand.

	<b>Severance indemnity for subordinate employment.</b>
<b>Year-end value</b>	7

## Payables

Payables are recognized in liabilities for a total of Euro 1,014 thousand.

The composition of the individual items is represented as follows:

	<b>Book value</b>
<b>Due to banks</b>	487
<b>Payables to other lenders</b>	186
<b>Payables to suppliers</b>	127
<b>Tax payables</b>	132
<b>Payables to social security and social security institutions</b>	14
<b>Other payables</b>	68
<b>Total</b>	1,014

### Payables - Breakdown by maturity

The data relating to the breakdown of payables due to maturity, pursuant to Article 38 paragraph 1 letter e) of Legislative Decree 127/1991:

	Book value	Portion due within the year	Portion due beyond the year	Of which with a duration of more than 5 years
<b>Due to banks</b>	487	117	371	0
<b>Payables to other lenders</b>	186	0	186	0
<b>Due to suppliers</b>	127	127	0	0
<b>Tax payables</b>	132	132	0	0
<b>Payables to welfare and social security institutions</b>	14	14	0	0
<b>Other payables</b>	68	68	0	0
<b>Total payables</b>	1,014	458	557	0

## INFORMATION ON THE INCOME STATEMENT

### Revenues from sales and services

In relation to the provisions of Article 38, paragraph 1, letter i) of Italian Legislative Decree 127/1991, the breakdown of revenues by business category and geographical area is shown in the following tables:

#### **Breakdown of sales and services by business category (values in thousand Euros):**

	<b>Business category</b>	<b>Year value current</b>
64.3%	Consulting services	6203
19.7%	Swift messaging services	192
9.7%	Trade finance	94
6.3%	Credit collection / Debt service	61
<b>Total</b>		<b>Euro 965</b>

#### **Breakdown of sales and services by geographical area (values in thousand Euros):**

	<b>Geographical area</b>	<b>Current year value</b>
58.3%	Cameroon	563
18.0%	Central African Republic	174
9.2%	Lebanon	88
6.9%	Italy	66
3.5%	Benin	33
1.9%	Equatorial Guinea	18
0,8%	Gabon	8
0.8%	United Arab Emirates	7
0.7%	Burkina Faso	6
<b>Total</b>		<b>Euro 965</b>

## Other revenues and income

Other revenues and income are recorded in the value of production of the income statement for a total of Euro 537 thousand. The composition of the individual items is as follows:

	Change	Current year value
<b>Other</b>		
<b>Other revenues and income</b>	537	537
<b>Total other</b>	537	537
<b>Total other revenues and income</b>	537	537

These are mainly (Euro 440 thousand) due to revenues relating to the company EMEA Trading Ltd.

## Service expenses

Service expenses are recorded in the costs of production of the income statement for a total of Euro 627 thousand.

The item "Service costs" includes in particular the costs relating to the independent freelancers of the Group, as detailed in the following table:

Independent collaborators
External consultants: <i>n. 1 Independent Director</i> <i>n. 1 Engineering Firm</i> <i>n.2 Business Partners</i> <i>n. 3 Studio di lawyers</i> <i>n.1 IT consultant</i> <i>n.3 Accountant</i> <i>n.3 External auditor</i> <i>n. 5 Auditors</i> <i>n.1 Labor consultant</i>

<i>n.1 Medical consultant</i> <i>n.1 External RSPP consultant</i> <i>n.2 Translators</i> <i>n.2 Transaction banking consultant</i> <i>n.1 GDPR consultant</i> <i>n.1 Bailiff</i>
Total independent collaborators: n. 28

### Expenses for the use of third party assets

The expenses for the use of third party assets are recorded in the production costs of the income statement for a total of Euro 73 thousand.

These are mainly expenses relating to the rental of the headquarters of the company ETC Surety SA, for a total amount of Euro 50.3 thousand.

### Other operating expenses

Other operating expenses are recorded in the production costs of the income statement for a total of Euro 166 thousand.

These are mainly out-of-period expenses for Euro 53 thousand, losses on receivables for Euro 24 thousand, other operating costs of ETC Services Ltd and EMEA Trading Ltd which cannot be entered in the other items.

### Interest and other financial charges

In relation to the provisions of Article 38, paragraph 1, letter l) of Legislative Decree 127/1991, the following table shows the breakdown of the item "Interest and other financial charges":

	Interest and other financial charges
<b>Bond loans</b>	0
<b>Due to banks</b>	44
<b>Other</b>	22
<b>Total</b>	66

## Income taxes

The composition is represented as follows:

	Current	taxes Taxes relating to previous years	Deferred	taxes Prepaid taxes	Income (charges) from joining the consolidated tax regime /tax transparency
<b>IRES</b>	94	16	0	0	
<b>IRAP</b>	13	0	0	0	
<b>Total</b>	107	16	0	0	0

## OTHER INFORMATION

### Reconciliation statement between shareholders' equity and net result of the Parent Company's fiscal year and shareholders' equity and consolidated result for the year

	Net equity	Of which: result for the year
<b>Book value as per the parent company's financial statements</b>	862	135
<b>Changes to harmonize the parent company's statutory financial statements with the group's accounting principles</b>	0	0
<b>Book value as per the parent company's financial statements adjusted</b>	862	135
<b>Effect of the valuation of equity investments with the integral method</b>		
<b>- Elimination of the book values of subsidiaries companies</b>	-18,686	
<b>- Net equity of subsidiaries companies</b>	174,171	
<b>- Result for the year of the subsidiaries companies</b>	6	4
<b>- Amortization of consolidation differences</b>	0	0
	155,491	4
<b>Effect of valuation of</b>	0	0



<b>equity investments using the equity method</b>		
<b>Other adjustments</b>	-138,490	0
<b>Total adjustments</b>	17,001	4
<b>Group equity and result for the year</b>	17,863	139
<b>Third parties equity and result for the year</b>	151,555y	1
<b>Consolidated equity and result of the year</b>	169,418	140

### List of companies included in the consolidation

In relation to the provisions of Article 38, paragraph 2, letter from a) to d) of Italian Legislative Decree 127/1991, the following lists are presented below:

#### *List of equity investments included in the consolidation with the line-by-line method*

Name	Company Registered Office	Currency	Share capital	Direct share of the group	Indirect share of the group
ETC INVEST S.P.A.	Treviso - Italia	EUR	640	100%	-
ETC SERVICES Ltd	Ta' Xbiex - Malta	EUR	200	99,999%	-
ETC SURETY Sa	Cotonou - Bénin	XOF	30.213	61,15%*	2,15%**
EMEA TRADING Ltd	Ta' Xbiex - Malta	EUR	10	-	74,999%

\* ETC Invest's direct holding in ETC Surety is equal to 61.50% of the share capital of category A and 61.15% of the total share capital of the subsidiary (data from category A and B shares).

\*\* The indirect shareholding of ETC Invest in ETC Surety is 2.15% and relates exclusively to category B shares pertaining to EMEA Trading Ltd.

## Going concern

The financial statements have been valued on the assumption that the company's activities will continue in accordance with the provisions of Article 2423-bis of the Italian Civil Code and Accounting Principle no. 11, paragraph 22, of the Italian Accounting Board (Organismo Italiano di Contabilità - OIC), considered all the elements available and useful in this regard.

In particular, the Board of Directors meeting held on 19 June 2020 approved the Business Plan for the period 2020-2025 of the ETC group, where constant growth is expected in the coming years. In particular, the growth of the ETC group is closely related to the performance of the target African markets which, in their continuous expansion, find in the services offered by ETC a strategic asset to support their development.

In 2020 we will see the first signs of development of the ETC group, the entire year 2019 has been dedicated to the improvement and internal development of the structure, governance and human resources, a process still work in progress.

The African continent keeps on growing and evolving. In figures, the current population of 1.2 billion people will reach 1.7 billion in 2030 and 2.5 billion in 2050; the average age is 19 years, with a middle class that will soon reach 400 million people (individual-consumers), the equivalent of the entire European continent. Moreover, Africa holds almost 50% of the world's non-cultivated land, corresponding to about 450 million hectares of protected or densely populated non-forest land. As a result, industrial development, in line with the growth of the middle class, is mainly driven by the construction, energy and agri-food sectors.

In particular, the increase in international trade flows (import/export) between Sub-Saharan Africa and Italy in 2019 was +3.3% compared to the previous year (source: Ministry of Foreign Affairs and International Cooperation). Moreover, the increasing interest and involvement of Italian companies in the African continent will have positive effects on the work of the ETC group as an organisation specialising in the cross-border interbank technical services in Trade Finance and Project Finance.

## Staff composition

Below is the information regarding personnel, pursuant to art. 38 c. 1 letter n) of Italian Legislative Decree 127/1991:

	Average number current year
Senior Managers	6
Middle Managers	5
Employees	6
Workers	1
<b>Total</b>	<b>18</b>
Independent collaborators	27
<b>Total collaborators</b>	<b>45</b>

### Remuneration to directors and statutory auditors of the parent company

Below is information regarding the remuneration of the directors and statutory auditors of the parent company, according to Article 38, paragraph 1, letter o) of Italian Legislative Decree 127/1991:

	Directors	Auditors
<b>Remuneration</b>	103	18

### Fees to the Statutory Auditor or to the Audit Firm

Below is the information regarding the remuneration of the independent auditors according to Article 38, paragraph 1, letter o-septies of Italian Legislative Decree 127/1991.

It should be noted that an annual fee of Euro 3,000.00 has been defined for the voluntary auditing of the consolidated financial statements. It should also be noted that the shareholders' meeting awarded an annual fee of Euro 2,000 for the periodic auditing of the accounts and Euro 5,000 for the auditing of the financial statements.

### Financial derivative instruments

According to Article 38, paragraph 1, letter o-ter) of Italian Legislative Decree 127/1991, for the following categories of derivative financial instruments information is provided regarding their fair value, their

amount and nature, changes in value recorded directly in the profit and loss account, as well as those charged to equity reserves:

Cash flow hedge financial instrument

Fair value: € 0.072 (corresponding to the price quoted by the bank, known as Market Value)

Entity and nature: this is an optional contract on interest rates ('Cap Acquired') related to the principal portion of the loan with a nominal value of € 426, from 30.11.2018 with maturity date 31.05.2022; the underlying asset (floating rate) is represented by the Euribor 6M

Change in value: € 0.649 recorded as a change in current assets and a contra-entry - net of the deferred tax provision (24%) - to the shareholders' equity reserve.

### Commitments, guarantees and contingent liabilities not shown on the balance sheet

In relation to the provisions of Article 38, paragraph 1, letter h) of Italian Legislative Decree 127/1991, the following table shows commitments, guarantees and potential liabilities not shown in the balance sheet:

	Amount
<b>Commitments</b>	19.783
<b>of which with regard to pensions and similar</b>	0
<b>Guarantees</b>	0
<b>of which collaterals</b>	0
<b>Contingent liabilities</b>	0

### Commitments

The following table details the commitments not resulting from the balance sheet formally subscribed by the Company as at 31.12.2019, from which certain mandatory effects derive but not yet executed by either party:

Sending date	Financial instruments	Principal	Collateral taker	Amount (in €)	Related risk
08/11/2018	SBLC ( <i>Stand-by</i> )	(Camerun)	(Congo)	Euro	remote risk or null and

	<i>Letter of Credit</i> )		Brazzaville)	15.054.340,45	void because the warranty is formally open but the terms of intervention have lapsed
29/08/2019	SBLC ( <i>Stand-by Letter of Credit</i> )	(Malta)	(Italia)	Euro 4.692.000,00	remote risk or null and void because the warranty is formally open but the terms of intervention have lapsed
19/12/2019	SBLC ( <i>Stand-by Letter of Credit</i> )	(Malta)	(Italia)	Euro 36.574,27	remote risk because counter-guaranteed by goods storage. The latter released against advance payment

### Potential liabilities

It should be noted that on May 21, 2020 via PEC (Certified Email) a writ of summons was served in the interest of Omas Srl against the Company and the subsidiary Emea Trading Ltd, controlled through ETC Services Ltd. In this regard, in accordance with the terms of OIC 31, and following the receipt of the legal advice from Fabio Pellegatti of TP Legal, considering the reduced probability of the occurrence of the event, this liability, on a prudential basis, has been classified as "Possible".

The directors deemed it prudent to allocate the estimated legal expenses for the management of the dispute case to the "Provision for Risks and Charges".

### Transactions with related parties

Below is the information regarding the transactions carried out with related parties, pursuant to art. 38 c. 1 letter o-quinquies) of Legislative Decree 127/1991 (values in Euro units):

Services from	Services to	Description	Total amount
ETC Invest SpA	ETC Surety SA	Administrative services	Euro 55.087,34
ETC Invest SpA	ETC Surety SA	Treasury services	Euro 370.075,24

ETC Invest SpA	ETC Services Ltd	Administrative services	Euro 21.785,83
ETC Invest SpA	Emea Trading Ltd	Other services	Euro 392.076,84
ETC Surety SA	ETC Invest SpA	Other services	Euro 165.479,81
ETC Services Ltd	ETC Invest SpA	Other services	Euro 4.279,97
ETC Services Ltd	EMEA Trading Ltd	Administrative services	Euro 35.000,00
ETC Services Ltd	EMEA Trading Ltd	Other services	Euro 5.333,00
Emea Trading Ltd	ETC Invest SpA	Treasury services	Euro 6.747,07

These transactions are concluded at market conditions.

### **Agreements not shown in the balance sheet**

The company has not entered into any agreements not resulting from the balance sheet, according to Article 2427, paragraph 1 number 22-ter of the Italian Civil Code.

### **Significant events occurring after the end of the financial year**

Below is the information regarding the nature and the equity, financial and economic effect of the significant events occurring after the end of the fiscal year, according to Article 38, paragraph 1, letter o-septies of Legislative Decree 127/1991.

Significant events occurring after the end of the fiscal year certainly include the health emergency - still in progress - resulting from the Covid19 pandemic. The pandemic, officially declared as such on 11 March 2020 by the World Health Organization, represents an important event for the year.

The development with partners of projects involving Correspondent Banking activities with domestic and foreign Banks and Companies, as well as international trips and meetings for the development of the ETC Group's business have been slowed down and in some cases blocked.

The parent company has implemented a series of measures to deal with this emergency as reported in the Executive Committee of 31 March 2020, in particular the company has suspended activities in the workplace from 09/03/2020 and simultaneously started smart working for all employees.

In addition, the "Covid19 Committee", composed of the Employer, the RSPP and the competent Occupational Doctor, was set up to implement and monitor the application of the various protocols on the subject.

Protection measures were also adopted in terms of IT security in relation to smart working activities.

As of today, the Covid-19 pandemic has not produced significant economic, equity and financial effects. The directors note that it is not possible to predict the evolution of this phenomenon and the consequences that may occur in the next financial year 2020. They also confirm that they will maintain continuous monitoring of the contingent situation and financial dynamics, which to date do not highlight any critical issues, and will assess, should there be a sudden slowdown in activity in the coming months, the opportunity to access forms of economic-financial support for the Group, introduced by the authorities of the individual countries of reference, in order to guarantee the integrity of consolidated equity.

Treviso, 13th July 2020

### **The Board of Directors**

The Chairman of the Board of Directors

Anco Marzio Lenardon

# ETC INVEST SPA

## Management Report Consolidated Financial Statements at 31/12/2019

<b>Personal Data Registered</b>	
<b>Office in</b>	TREVISO
<b>Tax Code</b>	04821260264
<b>REA Number</b>	TREVISO400769
<b>VAT</b>	04821260264
<b>Share Capital Euro</b>	640,000.00 fully paid-up
<b>Legal form</b>	Joint Stock Company
<b>Business sector (ATECO)</b>	70.22.09
<b>Company in liquidation</b>	No
<b>Company with sole shareholder</b>	No
<b>Company subject to management and coordination by others</b>	No
<b>Belonging to a group</b>	Yes

Amounts below are expressed in Euro



## Group structure and activities

The Group, headed by the parent company ETC Invest SpA, is active in the financial and interbank services sector to support international trade (import / export) and investment projects in Africa, with a particular focus on sub-Saharan African countries.

The activity of the parent company ETC Invest SpA - as represented by its Ateco code 70.22.09 - consists in the "technical-financial management of international exchanges and investments", which well describes the core business of the ETC Group.

The Group operates in the following three macro categories:

- "Investment";
- "Trade";
- "Service".

Preliminary to the start of any activity is the "KYC -Know Your Customer" and "Compliance" survey carried out by the parent company ETC Invest SpA which, through an important relational network and the use of international databases, is able to carry out a "Due diligence" of each counterparty.

### Description of activities :

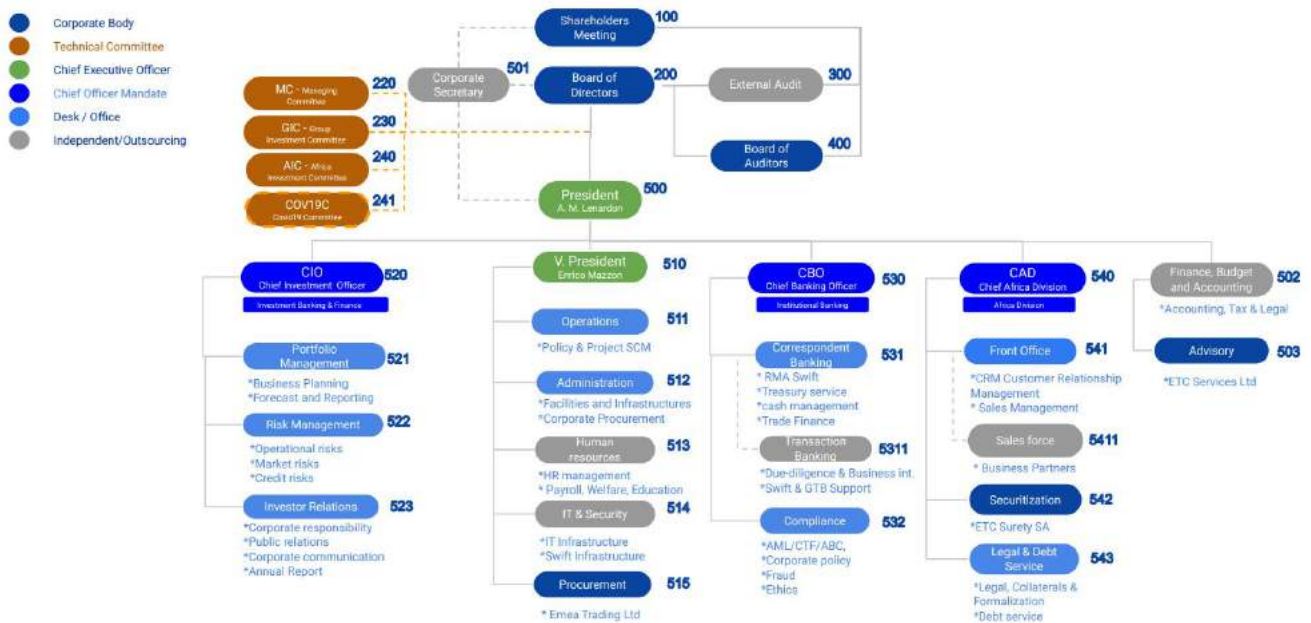
- INVESTMENT: through the issue of Payment Instruments in favor of Financial Institutions, the Group supports the development of Investment Projects in Africa - mainly industrial ones. The unique Business Model adopted contemplates for each Project:
  - Pre-feasibility and engineering validation, implemented through Partner Studios, which also includes the identification and selection of international suppliers providing the necessary plant and machinery together with an economic and financial evaluation of Investment Projects;
  - *Project Risk Assessment*: analysis of project risks and related *mitigants* carried out through international brokers operating in the insurance field;
  - Structuring and management of Payment Instruments and issuance of Guarantees (*Bid Bonds, Advanced Payment Bonds, Performance Bonds, Maintenance Bonds, Stand by letter of Credit*) through its own SWIFT channel (ETC BIC Code: ETCGIT2T) which facilitates the interbank dialogue between the Italian / European and African banking systems.
- TRADE: The Group is able to intercept the demand and supply of goods *from* and *to* Africa and facilitates the completion of transactions through the issue of Payment Instruments (*LC, stand by LC and LC confirmation*) in favour of Corporate and/or Banking counterparties from both Europe and Africa.
- SERVICE: the Group is able to facilitate and complete the dialogue between European and

African financial institutions through:

- Correspondent Banking activities, by providing its own interbank connection with the main Financial Institutions for the transmission of certified/authentic messages;
- Currency exchange service (ET FOREX) from local currency (XOF - XAF) to hard currencies (USD - EUR) implemented through agreements with the main financial institutions and / or *currency exchange service providers*;
- Counterparty verification activities (banking or corporate): *KYC & Compliance Anti Money Laundering (AML), Anti Bribery & Corruption (ABC), Counter Terrorism Financing (CTF), beneficial owner verification and Sanction Lists.*

SERVICE activities also include Credit Recovery Services in the African continent and *Business Intelligence Analysis*, with creditworthiness attribution, as well as advisory activities on turnkey projects in Africa.

Group Organization Chart :



The Group Organisational Chart shown above highlights the organizational structure, which forms a 2 dimension structure, one typically functional (functional structure) and another specific to the business (divisional structure)

The organization chart presents the following corporate bodies at the top levels:

- Shareholders' Meeting - the decision-making committee of the company formed by the shareholders (or their representatives). This is the body in which the company's will is

formulated and expressed, and that is then executed by the Board of Directors.

- Board of Directors - collegial body entrusted with the management of the companies.
- Board of Statutory Auditors - supervisory body.
- External Audit Firm - entity responsible for the statutory audit of the accounts.
- Technical committees - decision-making bodies delegated by the Board of Directors called to deliberate on internal processes within the limits set by the Board of Directors.

These bodies of the Parent Company have an impact on the management and coordination of the subsidiary companies.

Below we find the divisions by "Areas", in particular:

- *Presidency*
- *Investment Banking & Finance*
- *General Affairs*
- *Institutional Banking*
- *Africa Division*

## **Approval of the consolidated financial statements**

The financial statements as at 31/12/2019 were approved by the Board of Directors on 13 July 2020 and are audited by an independent audit firm.

## **Management performance**

The operating performance was extremely positive at a consolidated level. The year 2019 was a crucial year in terms of perfecting and consolidating the business model, a starting point for the developments that await the Group ETC already in the year 2020.

Although not required, the Company has drawn up the consolidated financial statements to highlight the performance of the subsidiaries, essential to the work of the Parent Company.

### Relevant events in 2019:

In the African subsidiary ETC Surety SA, there has been a radical statutory change that has introduced new categories of shareholders. Being a joint-stock company with variable capital (very similar to the SICAV of the Italian legal system), the entry procedure of new shareholders have been regulated, taking into account the regulatory framework of reference, a factor that has allowed the entry of new investors in the capital of the said company, strengthening its capital structure.

### Capital structure:

As mentioned above, the consolidated capital structure is strongly supported by the component of the

subsidiary ETC Surety SA, which is summarized below. The shares of the companies are divided into three categories:

- A. These are the ordinary shareholders, namely ETC Invest S.p.A. and Simest S.p.A. (Cassa Depositi e Prestiti group) with full rights;
- B. These are the industrial investors, with limited rights;
- C. These are the capital investors, with limited rights.

EQUITY		DESCRIPTION	AMOUNT	DESCRIPTION	SHARES N.	AMOUNT	OWNER	N.	SHARES%
€ 174,594,644	€ 30,213,566	SHARE CAPITAL	€ 30,039,362	CLASS A SHARES	25,400	€ 18,474,207.84	ETC INVEST SpA	15,621	61.15%
						€ 11,565,154.50	SIMEST SpA	9,779	38,28 %
						€ 670.78	CATEGORY B Shareholders	44	0.00%
						€ 2,195.27	CATEGORY B Shareholders	144	0.01%
						€ 16,220.58	CATEGORY B Shareholders	1,064	0.05 %
						€ 5,594.88	CATEGORY B Shareholders	367	0.02%
						€ 42,700.97	CATEGORY B Shareholders	2,801	0.14%
						€ 101,820.70	CATEGORY B Shareholders	6,679	0.34%
						€ 5,000.33	CATEGORY B Shareholders	328	0.02%
						€ 1,524.49	CATEGORY B Shareholders		0.01%
€ 144,381,078	RESERVES	€ 3,931	LEGAL RESERVES						
		€ 144,377,147	SHARE PREMIUM RESERVES						

The table above represents the equity structure of the subsidiary company ETC Surety SA, which shows ETC Invest's capital of Euro 18.47 million (represented by share capital) while third party capital is Euro 156.12 million (represented by share capital and reserves). In the consolidation process, the Group's shareholders' equity amounts to Euro 17.86 million due to the intercompany eliminations, while the third party capital is equal to Euro 151.55 million, as better represented by the table below:

#### A) GROUP SHAREHOLDERS' EQUITY

I - Share capital	640
II - Share premium reserve	0
III - Revaluation reserves	0
IV - Legal reserve	12
V - Statutory reserves	0
VI - Other reserves, indicated separately	
Extraordinary reserve	23
Consolidation reserve	0
Reserve for translation differences	0
Various other reserves	17,039
Total other reserves	17,061
VII - Reserve for expected cash flow hedges	0
VIII - Retained profit/(losses)	11
IX - Profit (loss) for the year	139
Loss covered during the year	0
X - Negative reserve for treasury shares in portfolio	0
Total shareholders' equity of the group	17,863
Shareholders' equity of third parties	
Share capital and reserves of third parties	151,554
Profit (loss) of third parties	1
Total third parties equity	151,555
<b>Total consolidated shareholders' equity</b>	<b>169,418</b>

In addition to the above (the figures shown in the table are expressed in thousands of Euro), the shareholders' equity of the group is the result of the free share capital increase through the incorporation of share premium reserves conferred by the category B shareholders (special Class shares) in favour of category A shareholders (ordinary shares), in accordance with the provisions of Article 8 of the Articles of Association of the company ETC Surety and the OHADA regulations. This value corresponds to the premium that the Category B Shareholder recognizes to ETC Surety, in the form of contribution to the equity reserve, in order to obtain ETC Group's Guarantee (see "Securitization" process below).

It should be noted that the Equity increase process of ETC Surety has been appropriately audited by

leading audit firms (Mazars) and leading law firms (FCA - Fiduciaire Conseils Assistance based in Benin and legal division of Mazars - regional office of Cameroon).

### "Securitization" process:

In order to better explain the dynamics involving industrial investors (*Class B Shares*), the following table shows the operating flow that includes, on the one hand, the activity of "joining" through the subscription of shares in ETC SURETY ("*Securitization Process*") and, on the other hand, the issue of the Guarantee instrument by ETC SURETY.

### **Flow Chart**



- 1) KYC and COMPLIANCE
  - a) Collection of documents related to KYC (Know Your Customer);
  - b) Check of truthfulness, authenticity, completeness and conformity of the documents;
  - c) Analysis of international sanction lists through artificial intelligence tools;
  - d) Verification of compliance: Anti Money Laundering measures (AML), Counter Terrorism Financing (CTF), Anti-Bribery and Corruption (ABC), Politically Exposed Person (PEP) and possible implementation of Enhanced Due Diligence (EDD).
  
- 2) PROJECT VALIDATION and APPROVAL
  - a) Evaluation of the technical-engineering aspects of the project;
  - b) Analysis of the risks related to the operation and identification of adequate collateral guarantees;
  - c) Evaluation of the feasibility of the investment project (sources and employments) and the related business plan;
  - d) Approval by the Italian and African decision-making bodies (committees and board resolutions);
  - e) Output: issue of the TERM SHEET with the conditions of intervention (*covenants*).
  
- 3) SECURITIZATION
  - a) The main Project Promoter (ETC Guarantee applicant) subscribes category B shares (shares without voting rights and limited dividend participation) in the capital of ETC

SURETY for a value equal to the amount of the required guarantee instrument, divided between nominal value (0.1%) and share premium (99.9%), the contributions are made in cash and in the form of financial instruments (*Billets de Fonds*).

- b) This phase represents the first step in the collection of mitigants, i.e. the first level of coverage upon issuance of the guarantee instruments by ETC SURETY.
- 4) GUARANTEE NOTIFICATION LETTER
- a) ETC INVEST sends on behalf of ETC SURETY the SWIFT MT799 message to the local Lending Bank - involved in the financing of the project - containing the detailed description of the terms and conditions.
  - b) This phase ends with the collection and formalization of the collaterals coordinated by ETC and carried out by the Agent Bank appointed to support the Investment Project in Africa. This phase represents the second level of coverage following the issue of the guarantee by ETC SURETY.
- 5) GUARANTEE ISSUING
- a) Formal issuing of the guarantee instrument by ETC SURETY transmitted on interbank channel via ETC INVEST BIC SWIFT (message MT760) and payment by the Category B Shareholder in favor of ETC SURETY of a portion corresponding to the risk-weighted premium, in the form of contribution to the capital reserve.
  - b) From this moment the ETC Guarantee Instrument is active.
- 6) EXECUTION and MONITORING
- a) Disbursement of the loan by the Lending Bank;
  - b) Monitoring by ETC of the proper management and implementation of the Investment Project through its Supply Chain Management (SCM) department.
  - c) Monitoring of each position is coordinated by ETC in collaboration with the Lending Bank.

The effects of the implementation of the Group's Business Model became apparent around the end of year 2019 and have improved, in the first months of 2020: the following table (values are expressed in Euro units) shows the situation of the projects in the portfolio that potentially involve the issue of guarantee instruments for a total amount of Euro 91,371,235 with an overall weighted risk of 6.88% and an overall potential consideration for a total amount of Euro 6,456,212.

ID	COUNTRY	UNDERWRITING	RISK (rca)
2191	BENIN	€ 1,098,002.84	0%
2601	CAMEROON	€ 3,907,896.57	1,43%
2821	CAMEROON	€ 32,483,980.41	8.94%
2831	CAMEROON	€ 94,303.09	0%
2841	CAMEROON	€ 13,500,000.00	0%
2931	BENIN	€ 202,114.32	10.26%
2981	CAMEROON	€ 3,790,232.24	0%
3001	CAMEROON	€ 21,864,608.12	13.53%
3011	UNITED ARAB EMIRATES	€ 2,550,000, 00	0%
3031	EQUATORIAL GUINEA	€ 1,524,490.17	11.95%
3041	BENIN	€ 3,654,000.00	0%
3091	CAMEROON	€ 3,641,680.19	5.93%
3101	BENIN	€ 1,524,490.00	7.74%
3181	PORTUGAL	€ 1,535,437.50	0%

For more information, see the paragraph "Description of the main risks and uncertainties to which the Group is exposed".

In order to provide a better picture of the performance and result of operations, the tables below show a reclassification of the Income Statement, a reclassification of the Balance Sheet by functional areas and on a financial basis, as well as the most significant economic profitability ratios.

(thousands of Euro)	12/31/2019	
<b>Net revenues</b>	<b>1,414</b>	<b>100.00%</b>
Purchases	(76)	-5.40%
Labor costs	(164)	-11.62%
Operating costs	(701)	-49.57%
<b>First operating margin</b>	<b>(941)</b>	<b>-66.59%</b>



Others ( charges) income	(78)	-5.54%
<b>EBITDA</b>	<b>394</b>	<b>27.87%</b>
Amortization, depreciation and provisions	(64)	-4.56%
<b>EBIT</b>	<b>329</b>	<b>23.31%</b>
Net financial income (charges)	(66)	-4.65%
<b>First result of extraordinary items and taxes</b>	<b>264</b>	<b>18.66%</b>
Extraordinary income (charges)	-	-
<b>Pre-tax result</b>	<b>264</b>	<b>18.66%</b>
Taxes for the period	(124)	-8.75%
<b>Net profit</b>	<b>140</b>	<b>9.90%</b>

The 2019 financial year represents the first year of preparation of the Group's consolidated financial statements. The Value of Production was Euro 1,50 million compared to revenues of Euro 1,41 million. The recorded margins, at EBITDA level, were equal to 27.87% - in relation to Core Revenues. The positive performances are also confirmed at the Net Profit level - 9.9% incidence - as evidence of an accurate and efficient business management.

PROFITABILITY RATIOS		31/12/2019
Net ROE	<i>Net result / Average equity</i>	0.16%
Gross ROE	<i>Result before tax / Average equity</i>	0.31%
ROI	<i>EBIT / Average net invested capital</i>	0.39%
ROS	<i>EBIT / Revenues of sales</i>	23.31%

The profitability indicators reported above, with the exception of the "Revenue of Sales" index -ROS-, are not very representative of the real dynamics of the Group in 2019 which, as mentioned in the previous paragraphs, saw a significant increase in Shareholders' Equity in December 2019; in this regard, the net ROE, gross ROE and ROI indices are limited by the high value of the denominator (Shareholders' Equity) compared to the economic performance in 2019.

(Thousands of Euros)		31/12/2019
Current receivables	1,064	0.63%
Stock	1	0.00
Current payables	(344)	-0.20%
<b>Net working capital</b>	<b>721</b>	<b>0.42%</b>
Intangible fixed assets	273	0.16%
Tangible fixed assets	29	0.02%
Financial fixed assets	169,057	99.42%
<b>Fixed assets</b>	<b>169,359</b>	<b>99.60%</b>
<b>Gross invested capital</b>	<b>170,080</b>	<b>100.02%</b>
Other funds	(34)	-0.02%
<b>Net invested capital</b>	<b>170,046</b>	<b>100.00%</b>

Financial fixed assets are in fact the most significant item in the Balance Sheet Assets and are characterized by debt securities (*Billets de Fonds*) issued by the subscribers of the Capital of ETC Surety.

(Thousands of Euros)		31/12/2019
<b>Equity</b>		
Share capital	640	0.38%
Reserves	17,084	10.05%
Group profit for the year	139	0.08%
Profit (loss) for the year of third parties	1	0.00%
Third parties' equity	151,555	89.13%
Group's equity	17,663	10.50%
<b>Equity</b>	<b>169,418</b>	<b>99.63%</b>

Total financial payables beyond one year	557	0.33%
Total financial payables within the year	117	0.07%
Financial assets over 12 months	-	-
Total current financial assets	(45)	-0.03%
Net financial position	628	0.37%
<b>Net financial resources</b>	<b>170,046</b>	<b>100.00%</b>

The Group has a high capitalization index: the “Net Equity *on* Total Assets” is just over 99%, confirming the high solidity of the financial statements.

### Environment and personnel

Pursuant to Article 2428, paragraph 2 of the Italian Civil Code, the following information is provided on the environment and personnel. The type of activity carried out by the Group does not involve risks or the occurrence of situations that could reasonably cause damage to the environment.

With regard to the staff, the Group has since long since undertaken all the necessary initiatives to protect the workplace, in accordance with the provisions of the relevant legislation. In particular, the regulations included in the Consolidated Law on Safety in the Workplace issued by Legislative Decree no. 81 of 2008 are applied.

It should be noted that the Company pays particular attention to the training and growth of its staff in order to internally develop the skills needed to supervise each department and intends to adopt adequate remuneration, loyalty and incentive systems for top management and other subjects who will hold key positions.

The following significant indicators are also provided:

	Avg current-year number
Senior Managers	6
Middle Managers	5
Employees	6
Workers	1
<b>Total employees</b>	<b>18</b>

**Turnover:**

The turnover staff rate is physiological, however, it is particularly low as the company implemented a loyalty of its staff policy.

**Training:**

The company always pays attention to the professional growth of its personnel, for whom it organizes internal or specialized external training sessions involving selected players in the market. The consolidation process of the Group's Business Model will include a Cross Border Training Program functional to share the Italian and African modus operandi among colleagues and collaborators of the Group.

**Remuneration arrangements:**

An incentive pay system, MBO "Management By Objectives", is currently being analyzed and evaluated, meaning a method of staff evaluation that is based on the results achieved against set objectives, and not on the skills expressed.

**Health and safety:**

The focus on health and safety is essential for the company with regard to its employees, therefore all the devices and legal requirements in this regard have also been implemented in response to the recent Covid19 pandemic.

**Description of the main risks and uncertainties to which the Group is exposed**

The most important business risks are constantly monitored by the Management Committee and the Investment Committees (CIG - Group Investment Committee, CIA - Africa Investment Committee) and periodically reviewed by the Board of Directors, which takes them into account in the development of the strategy.

**Market risks:**

ETC operates in the technical and financial management of international trade and investments. This sector is characterized by a significant correlation between the demand for goods in the markets of reference (West and Central Africa) and the level of wealth, economic growth and stability of the countries where demand is generated. The Group's ability to develop its business therefore also depends on the economic situation in the various countries in which it operates.

ETC is present with its activities in a significant number of African countries, thereby reducing the risk of high concentration against a possible deterioration of economic conditions in one or more markets in which it operates, thus avoiding negative consequences on economic and financial results.

The African continent keeps on growing and evolving. In figures, the current population of 1.2 billion people will reach 1.7 billion in 2030 and 2.5 billion in 2050; the average age is 19 years, with a middle class that will soon reach 400 million people (individual-consumers), the equivalent of the entire European continent. Moreover, Africa holds almost 50% of the world's non-cultivated land, corresponding to about 450 million hectares of protected or densely populated non-forest land. As a result, industrial development, in line with the growth of the middle class, is mainly driven by the construction, energy and agri-food sectors.

In particular, the increase in international trade flows (import/export) between Sub-Saharan Africa and Italy in 2019 was +3.3% compared to the previous year (source: Ministry of Foreign Affairs and International Cooperation). Moreover, the increasing interest and involvement of Italian companies in the African continent will have positive effects on the work of the ETC group as an organization specializing in the cross-border interbank technical services in Trade Finance and Project Finance.

In view of the above, Management considers the risk of market contraction to be remote, let alone the risk of competition, since the estimates of the respective central banks of the economic and monetary unions of the group's localization areas (UEMOA and CEMAC) confirm the trend of growing demand compared with the limited supply of financial services supporting the growth of the real economy.

***Risks associated with management and the management of human resources:***

The Group's success largely depends on the ability of its Managing Directors and other executive members to effectively manage the Group and its individual business areas and on the professionalism of its human resources, which it has been able to recruit and further develop. The main risks relating to the human resources area are linked to the Group's ability to recruit, develop, motivate, retain and empower staff with the necessary aptitudes, values, specialist and/or managerial professional skills, in relation to the evolution of the Group's needs. The loss of the performance of such individuals or other key resources without adequate replacement, as well as the inability to attract and retain new and qualified resources, could therefore have negative effects on the Group's business prospects, as well as on its economic results and/or financial situation. As regards the ability to attract valuable resources, it should be noted that the main Group companies plan initiatives aimed at improving both the quality of professional life of their employees and collaborators and the Group's external image (communication, relations with schools and universities, testimonials, company internships, etc.), in some cases with the help of specialized service companies with proven experience and professionalism.

With regard to the development and motivation of human resources, some of the actions undertaken

include the strengthening of managerial skills as well as more specialist, business and regulatory skills, with initiatives involving managers and staff members from the various company departments. In addition, staff reward systems are also implemented at various organizational levels aimed at achieving short-term and/or medium/long-term results through an M.B.O. process. (Management By Objectives).

***Pending lawsuits and settlement agreements:***

Due to the nature of its business, the Group is subject to the risk of legal action in the performance of its activities. In case of current obligations, resulting from past events, of legal or contractual nature or arising from statements or conduct of the Group such as to cause third parties to assume any responsibility or liability of the company to fulfil obligation, appropriate provisions have been made over the years in special risks funds present among the liabilities in the balance sheet. For further details on the main legal disputes currently underway, please refer to the relevant section of the Notes to the financial statements.

***Going concern and economic situation:***

The financial statements have been valued on the assumption that the company's activities will continue in accordance with the provisions of Article 2423-bis of the Italian Civil Code and Accounting Principle no. 11, paragraph 22, of the Italian Accounting Board (Organismo Italiano di Contabilità - OIC), considered all the elements available and useful in this regard, without making use of the possibility provided by Article 7 of Legislative Decree no. 23 of 8/04/2020.

In 2020 we will already see the first signs of development of the ETC group, the entire year 2019 has been dedicated to the improvement and internal development of the structure, governance and human resources, a process still in progress.

The Group closed 2019 with a consolidated profit for the year of 139,96 Euros (of which 1,26 Euros attributable to third parties) and consolidated shareholders' equity at 31 December 2019 of 169,41 Euros (of which 150,48Euros attributable to third parties).

ETC's management made a prospective assessment of the Company's ability to continue to build a functioning economic structure for a future period of at least twelve months from the balance sheet date. As a result of this assessment, not significant risk factors and uncertainties were identified and the following future actions and plans were prepared:

- 1) Business Plan: the Board of Directors meeting held on 19 June 2020 approved the Business Plan for the period 2020-2025 of the ETC group, within which constant growth is expected in the coming years. In particular, the growth of the ETC group is closely related to the performance of the target African markets which, in their continuous expansion, find in the services offered by

ETC a strategic asset to support their development. In this regard, the conservative estimates prepared in the business plan may be revised upwards on the basis of the commercial and marketing policies that will be adopted in the near future.

- 2) Protective measures to contain the impact of the COVID-19 pandemic: in accordance with the provisions of the "Liquidity Decree", the Consolidating Company has explored ways of accessing special forms of subsidized financing which, with the support of Credit Institutions, could contain the impact of the COVID-19 emergency on financial management. The management has also activated a moratorium on the suspension of instalments on loans in progress until 30 September 2020.

The Directors, after having carefully analyzed the existing uncertainties and circumstances, although they do not believe that the COVID-19 emergency could constitute a specific danger to the Group's ability to pursue its operations, have a reasonable expectation that, due to the actions taken and the expected results, the Group will be able to operate in the foreseeable future. As a result, the Directors have decided to draw up the financial statements as at 31 December 2019 on a going concern basis, and confirm that the organizational, administrative and accounting structure is in line with the nature and size of the consolidating company, in accordance with the requirements of Article 2086, paragraph 2, of the Civil Code, and of the Group as a whole.

## Management and types of financial risks

The group's business is exposed to various types of financial risks, including among these changes in interest rates, exchange rates, prices and cash flow risks. In order to minimize these risks, the Group uses derivative instruments as part of its "Risk Management" activity, while derivative or similar instruments are generally not used and held for purely trading purposes.

## Commitments

The following table highlights the commitments not resulting from the balance sheet formally signed by the Company as at 31.12.2019, from which certain mandatory effects derive, but not yet implemented by either party:

Sending date	Financial instrument	Principal	Beneficiary	Amount (in €)	Related risk
08/11/2018	SBLC ( <i>Stand-by Letter of Credit</i> )	(Cameroon)	(Congo Brazzaville)	€ 15.054.340,45	remote or zero risk because the guarantee is formally open but the intervention terms

					have expired
29/08/2019	SBLC ( <i>Stand-by Letter of Credit</i> )	(Malta)	(Italy)	€ 4,692,000.00	remote or zero risk because the guarantee is formally open but the intervention terms have expired
19/12/2019	SBLC ( <i>Stand-by Letter of Credit</i> )	(Malta )	(Italy)	€ 36,574.27	remote risk because it is counter-guaranteed by goods storage. The latter are released against advance payment

### Management and coordination activities

The Group is not subject to management and coordination activities by any companies or entities and its operational strategic guidelines are defined in a fully autonomous way.

Treviso, 13 July 2020

### The Board of Directors

The Chairman of the Board of Directors

Anco Marzio Lenardon



Thursday, 24<sup>th</sup> September 2020**modefinance Corporate Credit Rating (Solicited) for  
ETC INVEST S.P.A.: B1+ (Affirm)**

modefinance published the Solicited Corporate Credit Rating of ETC INVEST S.P.A. on the website (<http://cra.modefinance.com/en>) and the rating assigned to the entity is B1+ (affirm). The analysis revealed it is an adequate company with average capability of repaying financial obligations and little affected by adverse economic scenarios.

ETC Invest S.p.A. is an Italian company that provides consulting services in project finance and trade finance, with an exclusive operational focus on the African markets, directly and through the Group's subsidiaries. ETC Invest S.p.A. operates as confirming house, i.e. a specialized entity that purchase goods and services, favors their export by managing the specific contractual, logistical and financial aspects of the foreign country, and ensures the credit risk by guaranteeing the supplier spot payment and by granting the external customer the necessary financing.

The Company was established in 2016 but can be dated back to 2012, with the establishment of ETC S.r.l.. Afterward, the Company has pursued an internationalization process, with the establishment between 2015 and 2017 of 2 companies based respectively in Benin and Malta and of an agency in Cameroon.

Thanks to the direct and indirect presence in Africa and to the integrated expertise of finance and supply chain management, the ETC Group has become the leader and main reference of banks and industrial/commercial groups in the management of supply and investment projects in Africa, in sectors that range from agribusiness to industrial, but also transport and green energy.

## Key Rating Assumption

The company was established in 2016, but its operational activity began in 2012. From then on, the Company undertook a process of internationalization and Group reorganization, changing its legal form into a joint stock company and improving its structure and transparency. The partners and directors of the Company have previous experiences in the field of major international trade and can rely on a precious network of experts, collaborators, and professionals in the countries where it operates. ETC Invest S.p.A. is directly controlled by two founding members, who also hold positions in the board of directors, and has a public participation too. It presents both internal and external control bodies. In 2019 the board approved

the increase of the company share capital to 640 thousand euro, proposing a further increase to 15 million euro before the end of 2021 through the issue new shares to be offered as an option to its shareholders. The Group includes three foreign companies, whose economic-financial condition is sufficient.

In 2019 the Company filed its first consolidated financial statements, which show an adequate economic-financial condition. The Company presents good liquidity values and an extremely strong solvency, thanks to the consolidation of the shareholders' funds of one of its subsidiaries, which in 2019 consistently strengthened its equity structure. The Group's profitability indicators, also due to the impact of the higher shareholders' funds, are quite low and they should be improved through an increase in business

volumes. Regarding the central credit register, the Company does not present any criticality and shows a good management of the risks at maturity and of the overdraft facility risks. In recent months, the Self-liquidating credit lines have been fully utilized should be increased. The only overruns recorded were of negligible amount and are likely to be attributed to account errors. No black records have been found. Despite the discrepancy between the NACE code and the actual activity carried out by the Company, the performance of both ETC Invest S.p.A. and of the peer group can be considered sufficient.

The consulting industry is globally expected to decrease by 19% in 2020. The reason is mainly due to the decision of clients to delay projects, decrease their scope or cancel them because of the Covid-19 pandemic. Consultants working in the financial sector will be less impacted, since financial assistance is expected to be very much in demand to support the economy recovering. The Company operates mainly with the African countries belonging to the OHADA, and, in 2019, mostly with Cameroon and Central African Republic. Because of Covid-19 pandemic and the prevention policies adopted, the GDP growth is expected to drop down for both countries in 2020, in particular for Cameroon, whose economy is particularly dependent on investment activities. Both countries suffer a high poverty rate and Central African Republic remains in a fragile situation, with an unstable security environment and poor governance. An increase in political risk on the Company was noted. Decisions taken by governments to prevent and contain the spread of Covid-19 have a negative effect on demand, labor market, banking and financial system. Governments have implemented several policies and measures to contain the impact of the Covid-19 emergency, yet the health emergency prevention policies can affect businesses in the short term.

## Sensitivity Analysis

Action	Description of the addressing factors, actions or events
<b>Upgrade</b>	<ul style="list-style-type: none"> <li>Group's profitability improves;</li> <li>Global economic situation recovers;</li> <li>No other lockdown occurs and a vaccine or cure for coronavirus is rapidly developed.</li> </ul> <p>In the case these conditions were met, the rating could upgrade to A3.</p>
<b>Downgrade</b>	<ul style="list-style-type: none"> <li>Group's profitability deteriorates;</li> <li>Low pace of the global economic recovery;</li> <li>Continuing lockdown and pandemic prevention measures.</li> </ul> <p>If these conditions were to occur, we can expect a downgrade to B2+.</p>

### IMPORTANT

The present Corporate Credit rating is issued by modefinance under EU Regulation 1060/2009 and following amendments.

The present rating is solicited and is based on both private and public information. The rated entity and/or related third parties have provided all private information used. modefinance had access to some accounts and other relevant internal documents of the rated entity and/or related third parties. Solicited and unsolicited ratings issued by modefinance are of comparable quality, as the solicitation status has no effect on methodologies used. More

comprehensive information on modefinance Corporate Credit Ratings are available at: <http://cra.modefinance.com/en>

The present Corporate Credit Rating is issued on MORE Methodology 2.0 and Rating Methodology 1.0. A comprehensive description of both methodologies, as well as information on modefinance Rating Scale and Mappings, is available at <http://cra.modefinance.com/en/methodologies>.

For information on historical default rates of modefinance Corporate Credit Ratings please refer to ESMA Central Repository: <https://cerep.esma.europa.eu/cerep-web/> and ESMA European Rating Platform [https://registers.esma.europa.eu/publication/searchRegister?core=esma\\_registers\\_radar](https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_radar).

modefinance refers to default as a company under bankruptcy, or under liquidation status, or under administration or for which missed payments on a financial obligation are officially recorded.

The quality of the information available on the rated entity and used to determine the present rating was judged by modefinance as satisfactory. Please note that modefinance does not perform any audit activity and is not in a position to guarantee the accuracy of any information used and/or reported in the present document. As such, modefinance can accept no liability whatsoever for actions taken based on any information that may subsequently prove to be incorrect.

The present credit rating was notified to the rated entity in order to identify potential factual errors, as prescribed by the CRA Regulation.

No amendments were applied after the notification process.

The rated entity is a buyer of ancillary services provided by modefinance (credit risk software). modefinance ensures that such situation does not imply a conflict of interest in the issuance of the present credit rating.

The rating action issued by modefinance was performed independently. The analysts, members of the rating team involved in the process, modefinance Srl and its members and shareholders do not have any conflicts of interest in relation to the Rated Entity and/or Related Third Parties. If in the future a potential conflict of interest is identified in relation to the persons reported above, modefinance Ratings will provide the appropriate information and if necessary the rating will be withdrawn.

The present Credit Rating is an opinion of the general creditworthiness that modefinance issues on the rated entity, and should be relied upon to a limited degree. The issued rating is subject to an ongoing monitoring until withdrawal.

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