CASSA DEPOSITI E PRESTITI
SOCIETÀ PER AZIONI

Consolidated Interim
Financial Report
at 30 June 2014

Consolidated Interim Financial Report at 30 June 2014

Cassa depositi e prestiti S.p.A.

Parent company of the CDP Group

REGISTERED OFFICE

ROME – Via Goito, 4

COMPANY REGISTER OF ROME

Entered in Company Register of Rome no. 80199230584

Registered with Chamber of Commerce of Rome at no. REA 1053767

SHARE CAPITAL

Share capital €3,500,000,000.00 full paid-up

Tax ID 80199230584 – VAT registration no. 07756511007

(Translation from the Italian original)

Board of Directors

Franco Bassanini	*Chairman*
Giovanni Gorno Tempini	*Chief Executive Officer*
Maria Cannata	*Director*
Olga Cuccurullo	*Director*
Marco Giovannini	*Director*
Mario Nuzzo	*Director*
Francesco Parlato	*Director*
Antimo Prosperi	*Director*
Alessandro Rivera	*Director*

Supplementary members for administration of Separate Account
(Article 5.8, Decree Law 269/2003, ratified with amendments by Law 326/03)

Director General of the Treasury	*Director*	*(1)*
State Accountant General	*Director*	*(2)*
Piero Fassino	*Director*	
Massimo Garavaglia	*Director*	

(1) Vincenzo La Via.

(2) Roberto Ferranti, delegate of the State Accountant General.

Board of Auditors

Angelo Provasoli	*Chairman*
Andrea Landi	*Auditor*
Ines Russo	*Auditor*
Giuseppe Vincenzo Suppa	*Auditor*
Luciano Barsotti	*Auditor*
Angela Salvini	*Alternate*
Giandomenico Genta	*Alternate*

Non-Controlling Shareholders Support Committee

Matteo Melley	*Chairman*
Antonello Arru	*Member*
Marcello Bertocchini	*Member*
Piero Gastaldo	*Member*
Renato Gordini	*Member*
Mariano Marroni	*Member*
Ivano Paci	*Member*
Pierfranco Giovanni Risoli	*Member*
Roberto Saro	*Member*

Parliamentary Supervisory Committee

Ferdinando Aiello	*Chamber of Deputies*
Dore Misuraca	*Chamber of Deputies*
Davide Zoggia	*Chamber of Deputies*
Bruno Astorre	*Senate*
Cinzia Bonfrisco	*Senate*
Luigi Marino	*Senate*

Paolo Naccarato	*Senate*
Stefano Fantini	*Council of State*
Guido Salemi	*Council of State*
Pancrazio Savasta	*Council of State*
Claudio Gorelli	*State Audit Court*

Judge of the State Audit Court

(Article 5.17, Decree Law 269/2003 – attends meetings of the Board of Directors and the Board of Auditors)

Mauro Orefice	
Marco Boncompagni	*(Alternate)*

General Manager

Giovanni Gorno Tempini *(interim)*

Independent auditors

PricewaterhouseCoopers S.p.A.

CONTENTS

INTERIM REPORT

ON

GROUP OPERATIONS

CONTENTS OF THE INTERIM REPORT ON GROUP OPERATIONS

HIGHLIGHTS - CDP SPA

(millions of euros)	2014	2013
RECLASSIFIED BALANCE SHEET DATA (balances at 30 June 2014 and 31 December 2013)		
Total assets	342,233	314,685
Cash and cash equivalents and other treasury investments	172,638	147,507
Loans to customers and banks	102,591	103,211
Equity investments and shares	32,788	32,693
Postal funding	244,770	242,417
Other direct funding	53,778	26,788
Equity	18,506	18,138
RECLASSIFIED INCOME STATEMENT DATA (accruing in 1st Half of 2014 and 2013)		
Net interest income	714	1,512
Gross income	1,362	2,110
Operating income	1,287	2,052
Net income (loss) for the period	1,203	1,731

NEW LENDING, INVESTMENT AND MANAGED RESOURCES - CDP SPA

(millions of euros)

Business lines	1st half 2014	1st half 2013
Public Entities and Local Development	880	3,381
Infrastructure	554	436
Enterprises	3,059	5,138
Total new lending and managed resources	**4,493**	**8,955**
Non-recurring transactions	-	908
Grand total	**4,493**	**9,863**

MAIN INDICATORS

(units; %)	2014	2013
PERFORMANCE RATIOS (annualised, where material, on the basis of accruals for 1st half)		
Spread on interest-bearing assets - liabilities	0.6%	1.3%
Cost/income ratio	4.1%	2.5%
ROE	13.3%	20.6%
CREDIT RISK RATIOS (balances at 30 June 2014 and 31 December 2013)		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.307%	0.292%
Net writedowns/Net loans to customers and banks	0.023%	0.039%
RATING (as of the date of approval of the financial statements)		
Fitch Ratings	BBB+	
Moody's	Baa2	
Standard & Poor's	BBB	
OPERATING STRUCTURE		
Average no. of employees	572	529

HIGHLIGHTS CDP GROUP

(millions of euros)

	2014	2013
RECLASSIFIED BALANCE SHEET DATA (balances at 30 June 2014 and 31 December 2013)		
Total assets	344,034	317,518
Cash and cash equivalents and other treasury investments	173,778	148,960
Loans to customers and banks	105,453	105,963
Equity investments and shares	26,716	26,269
Postal funding	244,768	242,417
Other direct funding	50,437	23,801
Equity	20,572	20,390
- of which pertaining to the shareholders of the parent company	*19,484*	*19,295*
RECLASSIFIED INCOME STATEMENT DATA (accruing in 1st Half of 2014 and 2013)		
Net interest income	842	1,625
Gross income	960	2,410
Profit (loss) on banking and insurance operations	1,382	2,522
Operating income	1,234	2,403
Net income (loss) for the period	981	1,414
- of which pertaining to the shareholders of the parent company	*964*	*1,405*

NEW LENDING, INVESTMENT AND MANAGED RESOURCES - CDP GROUP

(millions of euros)

Business lines	1st half 2014	1st half 2013
Public Entities and Local Development	1,806	4,094
Infrastructure	567	1,840
Enterprises	6,257	5,565
Total new lending, investment and managed resources	**8,631**	**11,500**
Non-recurring transactions	-	1,792
Total	**8,631**	**13,291**

1. PRESENTATION OF THE GROUP

1.1. ROLE AND MISSION OF THE CDP GROUP

The CDP Group (the "Group"), composed of Cassa Depositi e Prestiti S.p.A. ("CDP"), and the subsidiaries subject to its management and coordination, works to support growth in Italy. It employs its resources – mainly funded through its management of postal savings (postal savings bonds and postal passbook savings accounts) – in accordance with its institutional mission, in its capacity as a:

- leader financier of investments by the public administration;
- catalyst for infrastructure development;
- key player in supporting the Italian economy and business system.

The CDP Group promotes local development, financing investment by public entities, assisting local authorities in leveraging their real estate holdings, investing in social housing and supporting energy efficiency policies.

In its role as catalyst for infrastructure development, the Group – using corporate and project finance arrangements – supports public-interest projects and enterprises for investments for the delivery of public services. It also performs this role by taking direct equity stakes in infrastructure companies and subscribing units in domestic and international infrastructure equity funds.

The Group also uses debt and equity instruments to provide support to strategic domestic companies and small and medium-sized enterprises ("SMEs"), thereby fostering their growth, efficiency, international expansion and investment in research.

Since CDP exercises de facto control over Terna S.p.A., the Terna Group– a major operator of electricity transmission grids and the operator and main owner of the high-voltage National Transmission Grid (NTG) – is also fully consolidated in the financial statements.

1.2. COMPOSITION AND STRUCTURE OF THE CDP GROUP

In addition to the parent company Cassa Depositi e Prestiti S.p.A. ("CDP" or "parent company"), the scope of consolidation includes the subsidiaries: CDP GAS S.r.l. ("CDP GAS"), CDP Immobiliare S.r.l. ("CDP Immobiliare"), CDP Reti S.p.A. ("CDP Reti"), CDP Investimenti Società di Gestione del Risparmio S.p.A. ("CDPI SGR"), Fintecna S.p.A. ("Fintecna"), Fondo Strategico Italiano S.p.A. ("FSI"), Quadrante S.p.A. ("Quadrante"), SACE S.p.A. ("SACE"), Simest S.p.A. ("SIMEST"), Terna S.p.A. ("Terna") and their subsidiaries and associates, as well as the Plus and Extra segments of Fondo Investimenti per la Valorizzazione ("FIV").

CDP performs management and coordination activities intended to coordinate the actions of the subsidiaries and CDP in the interest of the Group with regard to the following companies: CDP GAS, CDP Immobiliare, CDP Reti, CDPI SGR, Fintecna, FSI, Quadrante, SACE and SIMEST.

For information on transactions with related parties, please see the appropriate section of the notes to the consolidated financial statements.

For a breakdown of the companies included in the scope of consolidation, please see the annex to the condensed consolidated interim financial statements.

Compared with 31 December 2013, the changes to the scope of consolidation relate to:

- the initial consolidation of Ansaldo Energia S.p.A. ("Ansaldo Energia");
- the formation in the month of May of FSIA Investimenti S.r.l. ("FSIA"), an investment vehicle owned 100% by FSI, through which the 42.255% interest in SIA S.p.A. ("SIA") was acquired;
- formation in the month of June of FSI Investimenti S.p.A. ("FSI Investimenti"), a co-investment joint stock company, of which a 77% interest is held by FSI and a 23% share by the Kuwait Investment Authority ("KIA").

The following section describes the CDP Group's main companies:

1.2.1. PARENT COMPANY – CASSA DEPOSITI E PRESTITI S.P.A.

Cassa Depositi e Prestiti S.p.A. ("CDP") is the result of the transformation of CDP from an agency that was part of general government into a joint-stock company pursuant to Article 5 of Decree Law 269 of 30 September 2003, ratified, with amendments, by Law 326 of 24 November 2003, as amended. Subsequent decrees issued by the Minister for the Economy and Finance implemented the decree law and established the assets and liabilities of CDP, as well as the guidelines for organisational and accounting separation and the procedures to be followed in setting the terms and conditions of lending and funding under the Separate Account.

The Decree Law outlines the new company's main lines of activity, which maintain continuity with CDP's mission prior to the transformation. Subsequent regulatory changes considerably expanded CDP's institutional mission and areas of responsibility.

Therefore, CDP is now a long-term investor, outside the scope of general government, providing funding for national infrastructure and the economy. CDP's corporate purpose comprises the following activities.

1) Any sort of financing of the state, regions, local authorities, public entities and public law bodies by using funds redeemable by way of postal savings passbooks and interest-bearing postal savings bonds, guaranteed by the state and distributed through Poste Italiane S.p.A. or its subsidiaries, and funds deriving from the issue of notes, the taking on of loans and other financial transactions, which can be guaranteed by the state.
2) Any sort of financing using funds guaranteed by the state, directed at public-interest initiatives "promoted" by the entities referred to in the previous point, to support the international expansion of enterprises (when such initiatives are secured by guarantees or insurance from SACE), or carried out in favour of small and medium-sized enterprises (SMEs) for the purpose of supporting the economy. The financial transactions can be conducted either directly (if for an amount equal to or greater than €25 million) or through the banking system, with the exception of operations in favour of SMEs, which may be conducted: (i) through the banking system, (ii) for the purposes of Article 2 of Decree Law No. 69 of 21 June 2013 ratified with amendments, by Law No. 98 of 9 August 2013, also through financial brokers authorised to conduct financial leasing transactions secured by the banking system, (iii) or through the subscription of investment funds managed by an asset management company, whose corporate purpose achieves one of the institutional missions

of CDP. Financial transactions carried out for operations "promoted" by the entities referred to in the point above or directed at supporting the international expansion of enterprises (when such initiatives are secured by guarantees or insurance from SACE), can be carried out in favour of public or private entities, with the exclusion of natural persons, having legal personality.

3) Acquiring equity investments in companies of major national interest, as defined in the decree of the Minister for the Economy and Finance of 8 May 2011, having a stable financial position and performance and adequate profit-generating prospects. These equity investments can be acquired through corporate vehicles or investment funds in which CDP, possibly with other private or state-owned companies or public entities, holds an interest.
4) Any sort of financing of projects, plants, networks and other infrastructure intended to supply public services and for the reclaiming of land, using funds derived from the issue of securities, the taking on of loans and other financial transactions, without State guarantee, without raising demand funds.
5) Allocation of funds made available under point 1 to Italian banks and branches of EU and non-EU banks operating in Italy and duly authorised to conduct banking transactions for the disbursement of mortgages mainly for the purchase of principal dwellings and for renovation and energy efficiency works in compliance with the parameters and priorities as may be set out by applicable legislation.
6) Purchase of covered bank bonds backed by mortgages on residential real estate and/or securities issued under Law No. 130 of 30 April 1999, as part of securitisation transactions involving debt deriving from mortgage on residential real estate.
7) Purchase of securities issued under Law No. 130 of 30 April 1999, as part of securitisation transactions involving receivables from SMEs for the purpose of increasing lending to SMEs.

All of the above activities must be conducted by CDP in a manner such that, within the context of the separate accounting and organisational system, they preserve the long-term financial stability of the organisation while ensuring a return on investment for shareholders.

In accordance with Article 5.6 of Decree Law 269/2003, the provisions of Title V of the Consolidated Banking Act concerning supervision of non-bank financial intermediaries, taking account of the characteristics of the entity subject to supervision and the special rules that govern the Separate Account, apply to CDP.

The company is also subject to the oversight of a Parliamentary Supervisory Committee and the State Audit Court.

ORGANISATIONAL AND ACCOUNTING SEPARATION

Article 5.8 of Decree Law 269/2003 established a system of organisational and accounting separation between the activities of general economic interest and the other activities performed by the company.

By the end of the 2004 financial year, CDP had completed the procedures to implement organisational and accounting separation after having obtained the opinion of the Bank of Italy and submitting the definitive criteria to the Ministry for the Economy and Finance (MEF) pursuant to Article 8 of the MEF decree of 5 December 2003. As such, the organisational and accounting separation took full effect from 2005.

CDP’s implementation of this system of organisational and accounting separation was necessary to ensure compliance with EU regulations regarding state aid and domestic competition, in light of the fact that certain forms of CDP funding, such as postal bonds and passbook savings accounts, benefit from a state guarantee in the event of issuer default. The existence of this guarantee, which is justified, first and foremost, by the social and economic importance of postal savings (which was defined by the MEF decree of 6 October 2004 as a service of general economic interest on the same level as the activities of lending to public entities and public-law bodies under the Separate Account), makes it necessary to distinguish between activities that are not of general economic interest and are, therefore, potentially conducted in competition with other market players.

More specifically, the separation arrangements put in place by CDP envisage:

- for accounting purposes, the establishment of three operating units called, respectively, the Separate Account, the Ordinary Account, and Joint Services, within which CDP's existing organisational units have been re-grouped. The Separate Account includes, in general, the units responsible for financing regional and local government, public entities and public-law bodies or financing directed at public-interest initiatives "promoted" by such entities, funding to support the international expansion of enterprises (when such initiatives are secured by guarantees or insurance from SACE), and funding in favour of small and medium-sized enterprises for the purpose of supporting the economy. The Separate Account also includes the management of the assets and functions transferred to MEF with CDP's transformation into a joint-stock company, and the provision of advisory services to government bodies. The Ordinary Account includes the units responsible for funding activities regarding infrastructure for the delivery of public services and related advisory, study, and research activities. Joint Services include the units responsible for shared functions of governance, policy, control and support for the company in the light of the company's unique status;
- the existence of a double level of separation, with the first level envisaging the allocation of direct costs and revenues to the Accounts and Joint Services, and the second level the subsequent allocation to the Accounts of the costs and revenues of Joint Services on the basis of appropriate analytical accounting methods;
- the recognition and measurement of any internal transactions between the Separate Account and the Ordinary Account, or between the Accounts and Joint Services, using the respective market prices as a benchmark, with a view to preventing unauthorised transfers of resources;
- the preparation of distinct annual income statements on the basis of the levels of separation described above.

Under CDP's organisational structure at 30 June 2014, the Separate Account encompasses the following areas: Public Entities, Real Estate, Economic Support, Public Interest Lending, and Relationship Management, while the Financing business area falls under the Ordinary Account.
Joint Services include the Corporate Centre areas and the governance and control bodies.

From the very start of operations for the Ordinary Account, CDP chose to keep cash flows separated for the two Accounts, although such a strict division is not required by the system of accounting separation. In other words, the forms of funding, lending and liquidity management (deposits and current accounts) for the Separate Account are distinct and autonomous from the analogous instruments used for the Ordinary Account, with the sole exception of temporary and exceptional circumstances.

STRUCTURE

The new organisation of the parent company's functions as approved by the Board of Directors on 10 January 2014, in keeping with the 2013-15 Business Plan, saw the creation of the following roles that report to the Chief Executive Officer:

- Administration, Finance and Control Manager, tasked with providing for finance activities, postal funding, planning and control of operations, administrative and accounting activities and reporting and taxation obligations to which CDP is subject, as well as for financing and financial instruments back-office processes;
- Operating Manager, tasked with coordinating the Resources and Organisation, Operations and Purchases functions.

Within the General Management, the Board of Directors approved the creation of the Legal, Business and Real Estate areas.

At 30 June 2014 CDP had 578 employees: 47 senior managers, 242 junior managers and 273 office personnel, 11 other associates (contract workers and interns) and 5 employees seconded from other entities.

During the first half of the year, 27 employees joined the company and 15 left.

1.2.2. COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

1.2.2.1. CDP INVESTIMENTI SGR S.P.A.

CDPI SGR was established on 24 February 2009 by CDP together with Associazione delle Fondazioni Bancarie e Casse di Risparmio S.p.A. (ACRI) and the Italian Banking Association (ABI). The company is registered in Rome and has share capital of €2 million, fully paid up, of which CDP holds 70%.

CDPI SGR’s primary business is providing collective asset management services by promoting, establishing and managing real estate investment funds, as defined by the regulations governing the sector.

MISSION

CDPI SGR is the Group asset management company, operating in the real estate sector through the sponsorship, establishment and operation of closed-end investment funds for qualified investors in specific segments of the real estate market within the scope of the Group’s operations, namely private social housing (PSH) and developing the property assets of the central government and public entities.

CDPI SGR manages two real estate funds reserved to qualified investors: Fondo Investimenti per l’Abitare (“FIA”), which has total subscriptions amounting to €2.028 billion, of which at the end of the first half of 2014 a total of €252 million was called up, and Fondo Investimenti per la Valorizzazione, composed of two specific segments, Plus, which had total subscriptions of €100 million (of which a total of €20.4 million was called up) and Extra, which had total subscriptions of €725 million, of which €495 million paid in.

FIA's operations were started by the company on 16 July 2010 and its institutional purpose is to expand the availability of social housing throughout the country. The FIA primarily invests in real estate investment funds and local PSH initiatives, acquiring equity interests (including majority stakes) of up to a maximum of 80% of the capital/equity of the vehicle.

FIV is an umbrella real estate investment fund whose main objective is to promote and favour the privatisation of real estate owned by the State and public entities, by purchasing, including through auctions or other competitive procedures, real estate with unexpressed potential value that can be leveraged through a change in use, upgrading or rental. Unlike FIA, which is a fund of funds, FIV invests directly in real estate and its asset management operations are aimed at increasing the value of the purchased real estate through their active management and disposal also in the light of market trends.

The scope of CDPI SGR's operations involves investment in transactions and projects of economic and social relevance to the country.

STRUCTURE

At 30 June 2014 CDPI SGR had 36 employees, of whom 6 senior managers, 17 junior managers and 13 office personnel, including the head of Legal Affairs seconded from the parent company on a 50% time-share basis. During the financial year 5 employees were hired, while one left.

1.2.2.2. CDP IMMOBILIARE

CDP Immobiliare (former Fintecna Immobiliare) is a company incorporated in 2007 within the Fintecna Group to support the reorganisation of the construction, civil and systems engineering sectors belonging to the former IRI Group. In this context, it has dealt with the real estate operations by taking over its portfolio and managing the related leveraging and sales operations.

On 1 November 2013, following the demerger of the real estate operations of Fintecna Group, CDP took over the entire equity investment of Fintecna in CDP Immobiliare and in Quadrante, while the activities of CDP Immobiliare have been integrated into a broader range of services geared toward leveraging public-owned real estate holdings.

MISSION

CDP Immobiliare is a company specialised in real estate operations, whose management is based on the following guidelines:

- structured support of market-oriented initiatives, both directly and through subsidiaries, by conducting activities for the construction of new buildings based on a risk/return assessment that takes into account the allocated financial resources;
- integration of the expertise of the CDP Immobiliare Group in the provision of real estate services with other Group entities operating in the same sector.

STRUCTURE

At 30 June 2014, the employees of CDP Immobiliare numbered 133, of whom 20 were senior managers, 46 junior managers and 67 office personnel. Compared to 31 December 2013 the change was the result of the conversion of 5 internships into fixed-term contracts and of the resignation of an employee.

1.2.2.3. FSI

FSI is an equity holding company formed on 2 August 2011. To date, CDP holds 77.702%, Fintecna 2.298% and Bank of Italy 20% of the share capital, which totals about €4.4 billion.

FSI acquires equity holdings – usually non-controlling interests – in companies of “major national interest” that have a stable financial position and performance, adequate profit-generating prospects and significant scope for growth, capable of generating value for investors. At 3 July 2014, by Ministerial Decree, the MEF broadened the investment scope of FSI: (i) including the tourism, hotel, agrifood, distribution, cultural and artistic heritage management segments among the “strategic segments” under article 3.1(i) of the bylaws, and (ii) including companies which - though not formed in Italy - operate in some of the aforementioned segments and have subsidiaries (or permanent establishments) in Italy with total net revenues of less than €50 million and an average number of employees of no less than 250 in the last fiscal year among the companies of "major national interest".

MISSION

FSI’s goal is to invest in non-controlling interests (mainly through capital increases) with market returns (pegged to the various benchmark business sectors) and a medium/long-term time horizon. In this context, given this time horizon, FSI intends to establish a clear agreement with the other shareholders of the investee companies in order to: (i) ensure an adequate degree of representation and active governance in keeping with its role of non-controlling financial investor and with best market practices; (ii) ensure a constant flow of information; (iii) identify options for leveraging and/or liquidating the investment on market terms.

Therefore, FSI's goal is to ensure that once it divests itself of its stake, the target company will be left in a position to grow and become more competitive, capable of prospering in global markets and of generating wealth and sustainable employment.

FSI plans to make investments of a substantial individual size, establishing appropriate concentration limits for each sector based on available capital.

STRUCTURE

At 30 June 2014, the company had 27 employees (in addition to the Chief Executive Officer). Compared with 31 December 2013, the workforce grew by 5 employees due to 6 new hires and a termination.

1.2.2.4. FINTECNA GROUP

Fintecna was formed in 1993 with for the specific purpose of reorganising the recoverable businesses and/or performing transitional management activities connected with the liquidation of Iritecna, preparing the way for its privatisation. At the end of this complex task, which entailed the privatisation of more than 200 companies over five years, the then shareholder, IRI, tasked Fintecna with the coordination and management of the liquidation, reorganisation and disposal of numerous other companies, among them Finsider S.p.A., Italsanità S.p.A., Finmare and Sofinpar S.p.A. With effect from 1 December 2002, Fintecna and its residual assets were merged into IRI, which was in liquidation.

On 9 November 2012, CDP acquired the entire share capital of Fintecna from the MEF in exercise of a purchase option granted under Article 23-bis of Decree Law 95 of 6 July 2012, as ratified with Law 135 of 7 August 2012.

MISSION

The following are the main current activities of the Fintecna Group:

- the management of equity investments involving policy-setting, coordination and control both of companies destined for divestment (privatisation/liquidation) and of companies that will be held over a longer period in the Fintecna portfolio;
- the specialised management of complex liquidation processes with a view to shortening timeframes and optimising the resources resulting from the liquidation process;
- the comprehensive and flexible management of the significant associated litigation, arising mainly from acquired companies, the aim of which is to

reach arrangements that comply with legal requirements and cost effectiveness criteria while opening the way to the successful and rapid settlement of ongoing litigation;

- other activities, including providing support (under specific legislation) to the people affected by the earthquakes in Abruzzo in 2009 and Emilia in 2012, as well as the provision of professional assistance to the special commissioner in charge of overseeing the debt reduction plan of Roma Capitale, which Fintecna has assigned to its wholly-owned subsidiary, XXI Aprile S.r.l.

STRUCTURE

At 30 June 2014 the Fintecna Group had 21,253 employees, of whom 350 senior managers, 6,953 office personnel and junior managers and 13,950 production workers.
At the parent company Fintecna S.p.A., the workforce grew from 170 employees at the end of 2013 to 173 at 30 June 2014.

At the reporting date, the employees of the Fincantieri Group numbered 21,080 compared with 20,559 at 31 December 2013.

1.2.2.5. SACE GROUP

SACE was established in 1977 as a public entity under the supervision of the MEF. In 2004, it was transformed into a joint-stock company (*società per azioni*), wholly owned by the MEF.

On 9 November 2012, CDP acquired the entire share capital of SACE from the MEF by exercising the purchase option granted to it under Article 23-bis of Decree Law 95 of 6 July 2012, as ratified with Law 135 of 7 August, 2012.

MISSION

SACE is an insurance and finance group operating in the areas of export credit, credit insurance, investment protection, financial guarantees, sureties and factoring. Specifically, the corporate purpose of the parent company, SACE, is insurance, reinsurance, co-insurance and the provision of guarantees against risks relating to political events and natural catastrophes, economic, trade and exchange-rate risk, as well as any other risks to which Italian companies and companies associated with them or controlled by them, including foreign companies, are directly or indirectly exposed in the performance of their activities outside Italy and or in the internationalisation of the Italian economy. SACE's corporate purpose also includes issuing, on market terms and conditions and in compliance with EU regulations, guarantees and insurance for foreign companies in Italy for transactions of strategic importance for the internationalisation of the Italian economy and for the economic security of Italy.

STRUCTURE

At 30 June 2014 the workforce of the SACE Group numbered 720, of whom 44 senior managers, 276 junior managers, 399 office personnel and 1 producer. Of these, 474 worked for the parent company. The workforce grew by 3 compared with 31 December 2013.

1.2.2.6. SIMEST

SIMEST is a joint-stock company formed in 1991 to promote foreign investment by Italian companies and to provide technical and financial support for investment projects.

On 9 November 2012, CDP acquired 76% of the share capital of SIMEST from the Ministry for Economic Development, exercising the purchase option granted to it under Article 23-bis of Decree Law 95 of 6 July 2012, as ratified with Law 135 of 7 August 2012. The other shareholders consist of a group of private-sector investors, including UniCredit S.p.A. (12.8%), Intesa Sanpaolo S.p.A. (5.3%), Banca Popolare di Vicenza S.C.p.A. (1.6%) and ENI (1.3%).

MISSION

Its main activities include:

- investment in the equity of companies outside the EU by: (i) directly acquiring up to 49% of the share capital of foreign firms; (ii) through a venture capital fund established by the Ministry for Economic Development (MISE);
- by investing in the capital of companies in Italy and within the EU by directly acquiring stakes, under arm's length conditions and without any advantages, of up to 49% of the share capital of Italian companies and/or their EU subsidiaries that develop investments in production and in innovation and research (bailouts are not permitted);

- financing the activities of Italian companies abroad by: (i) supporting export credits for investment goods produced in Italy; (ii) financing feasibility studies and technical assistance programmes connected with investment projects; (iii) financing programmes for entering foreign markets;
- providing Italian companies seeking to internationalise their businesses with technical assistance and advisory services.

STRUCTURE

At 30 June 2014, the company had 155 employees, of whom 10 senior managers, 76 junior managers and 69 professionals. The decrease of 2 employees compared with 31 December 2013 is the net balance of 3 exits and the hiring of 1 employee in the first 6 months of the year.

1.2.2.7. OTHER COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

CDP GAS S.R.L.

CDP GAS is an investment vehicle formed in November 2011 and wholly owned by CDP, through which, on 22 December 2011, an 89% interest in Trans Austria Gasleitung GmbH ("TAG"), the exclusive operator for the transport of gas in the Austrian segment of the gas pipeline linking Russia to Italy, was acquired from Eni International B.V. CDP GAS classifies TAG as a jointly-controlled company under existing governance rules based on shareholders' agreements with the other shareholder, Gas Connect Austria.

The mission of CDP GAS is the management of the equity investment in TAG, through a dedicated team with expertise in the gas transport sector.

At 30 June 2014, the company has 3 employees, one of whom was seconded to TAG to act as Managing Director.

CDP RETI S.P.A.

CDP Reti is an investment vehicle, formed in October 2012 and wholly-owned by CDP, through which CDP purchased a stake of Snam S.p.A. (SNAM) from ENI on 15 October 2012. At 30 June 2014, CDP Reti held 30.00000002% of the share capital issued by SNAM.

CDP Reti's mission is therefore to manage the holding in SNAM, monitoring the infrastructure it operates to ensure it is developed and maintained appropriately, and developing the necessary expertise in hydrocarbon transport, dispatching, distribution, regasification and storage in order to oversee its investments as effectively as possible.

QUADRANTE S.P.A.

Quadrante S.p.A. is a special-purpose real estate company whose mission is to leverage its property portfolio, which consists of two adjacent areas totalling 67 hectares, located in the Centocelle district of Rome:

- one of these is a 52-hectare plot of buildable land called Centralità di Torrespaccata;
- the other covers 15 hectares and is located in the Centocelle Park.

1.2.3. TERNA GROUP

Terna – Rete Elettrica Nazionale S.p.A. is a major operator of electricity transmission grids. It manages the transmission segment as Italy's TSO (Transmission System Operator) under a government license by which it operates in a monopoly. In addition, it almost entirely owns the high-voltage National Transmission Grid ("NTG").

Terna is responsible for the planning, construction and maintenance of the grid, bringing together skills, technologies and innovation in line with international best practice. It is also responsible for the transmission and dispatching of electricity on the high and very-high-voltage grid in Italy and, as such, it is charged with safely balancing electricity supply and demand. The company is also responsible for planning, developing and maintaining the NTG.

Since June 2004 the company has been listed on the Italian Stock Exchange.

Terna S.p.A. is the parent company of the Terna Group, whose composition is discussed in more detail below.

STRUCTURE

At 30 June 2014 the Terna Group included, in addition to Terna, the following fully consolidated companies: Terna Rete Italia S.p.A., Terna Rete Italia S.r.l. (formerly Telat S.r.l.), Terna Storage S.r.l., Terna CG d.o.o, and Terna Plus S.r.l. directly controlled by Terna with a stake of 100%.

The Terna Group’s scope of consolidation also includes the associated companies CESI S.p.A. (in which Terna has a 42.70% holding), CrnoGorski Elektroprenosni Sistem AD – CGES (22.09%), Coreso S.A. (22.49%) and the joint venture ELMED ETUDES S.à.r.l. (50%), all accounted for using the equity method.

Terna is responsible for the operational management of the subsidiaries under special service agreements for the provision of assistance, coordination and consulting services to the companies during the construction and operation of plants (relating to, for example, applications for permits or measures of any kind, procurement procedures, contract and tender management, accounting and financial services).

Terna Group's core business consists mainly in regulated activities, which means that Terna is remunerated according to a tariff system determined by the Authority for Electricity and Gas for the main regulated activities that Terna carries out in Italy, namely the transmission and dispatching of electricity, both pursuant to the authorisation of the Ministry for Economic Development. These Regulated Activities, relating to the transmission and dispatching of electricity on the Italian national grid, are carried out by the parent company Terna S.p.A. and the subsidiaries under its direct control.

Through its experience and technical expertise, the Terna Group also develops new activities and business opportunities on the free market (unregulated business activities) through Terna Plus S.r.l., a subsidiary directly controlled by Terna S.p.A.

Compared with 31 December 2013, the changes in the organisation of the Terna Group relate solely to unregulated business activities and specifically the closing on 20 May 2014 of the acquisition by Terna Plus S.r.l. of the entire share capital of Tamini Trasformatori S.r.l. and of its subsidiaries. The latter is a Group operating in the production and marketing of power transformers.

In addition to retaining ownership of the concession for the transmission and dispatching of electricity (issued with the Decree of the Minister for Productive Activities of 20 April 2005), Terna also continues to own the capital assets and is responsible for preparing the NTG Development Plan and the Defence Plan.

At 30 June 2014, the workforce of the Terna Group numbered 3,837 employees compared with 3,433 at year-end 2013 and comprises 374 employees of the Tamini Group acquired in the reporting period by the subsidiary Terna Plus S.r.l..

2. THE MARKET

2.1. THE MACROECONOMIC SITUATION

In the initial months of this year, the advanced economies continued along the path of growth, confirming the trend seen in the last months of 2013. In this regard, the IMF has estimated growth of 2.2% for the advanced economies in 2014, compared to 4.9% for the emerging economies[1]. Among the advanced economies, the United States will have the strongest growth (+2.8%), whereas the situation for the Eurozone is still uncertain, with stronger growth in the central areas and weaker growth in the countries with a high level of public debt, reaching overall growth for the continent of 1.2%. At global level, GDP growth is estimated at 3.6%.

In contrast, international trade, after having recorded growth of 6.5% during 2013, has experienced a slight downturn in the initial months of this year, due to the slowdown in US and Asian exports[2].

In Italy, the decline in domestic GDP continued in the first quarter of 2014, albeit at a reduced level (-0.1% on the previous period and -0.5% year-on-year). This containment was due to the positive performance of some of the components of aggregate demand, with growth for imports (+1.3%) and exports (+3.3%), against a decline for domestic consumption (-0.3%) and gross fixed capital formation (-1.3%)[3]. The weakness of domestic demand contributed to the slowdown in the consumer price index, which in March stood at 0.3%[4].

In April 2014, the seasonally adjusted index of industrial production was up 0.7% compared to the previous month, whereas a decrease of 0.1% was recorded compared to the same quarter of 2013. In addition, positive performances were recorded in the areas of energy (+3.0%), consumer goods (+2.2%) and intermediate goods (+0.5%), in contrast to the decline for capital goods (-1.3%).

1 See International Monetary Fund, World Economic Outlook, April 2014.

2 See Bank of Italy, Economic Bulletin, April 2014.

3 See Istat, Conti Economici Trimestrali, June 2014.

4 See Bank of Italy, Economic Bulletin, April 2014.

According to the most recent data, in the first quarter of 2014 the propensity to save of consumer households amounted to around 10%, down on the previous period (-0.2%), but up on the figure recorded for the same quarter of 2013 (+0.4%). This is attributable to the more than proportional increase in household disposable income at current prices, compared to consumption for the same period of 2013. Specifically, disposable income increased by 0.6% and consumption by 0.2%[5].

2.2. THE FINANCIAL MARKETS AND RATES

In June the ECB cut interest rates, bringing them to a new record low (0.15%). Previously, in November last year, the ECB had brought the rates down from 0.5% to 0.25%. These measures were dictated by the need to stimulate the economy, devalue the currency and avert the danger of deflation for the Eurozone. At the start of May, the 3-month Eonia and Euribor rates were 0.03% and 0.2% respectively[6].

The easing of strains on the sovereign debt securities of the Eurozone enabled a reduction in the spread on 10-year bonds. The spread on Italian 10-year bonds with respect to the equivalent German bonds narrowed from about 215 basis points at the start of 2014 to around 150 points at the beginning of June[7].

In the first six months of this year the international equity markets continued the upward trend seen in 2013: the Morgan Stanley index, which includes the main international markets, was up 5.0%[8]. In Europe, in the first half of this year, stock market indices rose in Germany (+2.9%) and France (+3%), while the UK has recorded a decline (-0.1%). Lastly, the index of Borsa Italiana rose sharply by around 12.2%[9].

During first six months of the year, the euro rose against the dollar in the foreign exchange markets by 0.3%, whereas it depreciated against the yen and the pound (respectively by 2.7% and 0.8%)[10].

5 See Reddito e risparmio delle famiglie e profitti delle società, July 2014.

6 CDP based on Datastream figures.

7 Ibid.

8 Ibid.

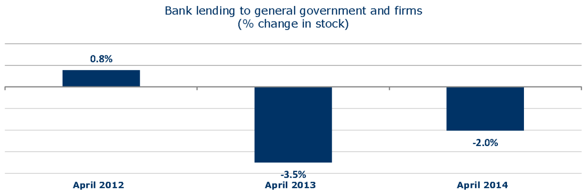
9 Ibid.

10 See Bank of Italy, Economic Bulletin, April 2014.

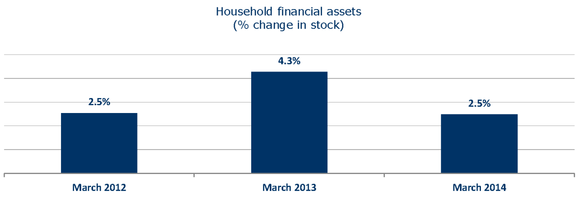
2.3. BANK LENDING AND HOUSEHOLD SAVINGS

In the early months of 2014, the reference market in which CDP operates was influenced by the general contraction in bank credit, although less than in the previous year. In April, the volume of lending by banks to general government entities, non-financial corporations and producer households had fallen 2.0% year-on-year, a slight improvement, however, on the drop of 3.5% posted in April 2013. The decline was mainly driven by developments in lending to firms (non-financial corporations and producer households), which, in April 2014, had fallen by 2.7% year-on-year. In contrast, lending to general government entities increased slightly, posting a rise of 0.4%[11].

In March 2014, household financial assets[12] increased 2.5% year-on-year. The increase was mainly due to the positive performance of the asset management segment, which, in turn, benefited from the strong recovery in share prices, both in Italy and at international level. The life insurance segment also posted a significant increase, of 9.2% year-on-year. These increases were partially offset by the negative performance of bank bonds and government securities. Bank and postal savings funding in form of deposits posted a 1.7% year-on-year, again favoured by the increasing propensity to save of households, generated by the increase in precautionary saving.



Source: CDP based on Bank of Italy figures



Source: CDP based on Bank of Italy, ABI, ANIA, and Assogestioni figures

11 CDP based on Bank of Italy figures.

12 Financial wealth of households in the form of bank and postal savings funding (current accounts, deposits and bonds), investment fund units (asset management), government securities and life insurance products.

2.4. PUBLIC FINANCES

In the first quarter of 2014 public finances showed an improvement. Between January and March, net general government borrowing amounted to 6.6% of GDP, a decrease of 0.7 percentage points on the corresponding quarter of 2013. Within the same period, the primary balance to GDP ratio improved by about 0.5 percentage points, from -2.7 (Q1 2013) to -2.2% (Q1 2014)[13]. The reduction in net borrowing was due to a 0.4% increase in total public-sector revenues compared to the first quarter of 2013, against a 1.0% fall in total public sector outgoings. As percentage of GDP, however, total general government revenues decreased by 0.2 percentage points, from 42.2% (Q1 2013) to 42.0% (Q1 2014), while total outgoings fell year-on-year by 0.9 percentage points, from 49.5% to 48.6%[14].

In the first quarter of 2014, overall public-sector debt as a proportion of GDP rose by 6 percentage points compared with the same quarter of the previous years, increasing from 130% to 136%, due to the continued overall general government deficit[15]. In terms of the debt of regional and local governments (municipalities, provinces, regions and other local authorities) and loans to central government departments, in April 2014 the stock of loans disbursed to regional and local governments amounted to €78 billion, an increase of about €1 billion compared with the end of 2013. At the same date, the volume of bonds issued by regional and local governments totalled €23 billion and was stable compared to December 2013, while securitisations and other forms of financial debt amounted to €8 billion, down €3 billion compared to the end of 2013.

Overall, in April 2014 the debt of regional and local governments came to €109 billion, a reduction of about €2 billion compared to December 2013. The largest share of the debt is held by local governments (municipalities and provinces), which at the same date had a stock of debt amounting to about €56 billion (52% of the total), while the debt held by the regions came to about €38 billion (35% of the total) and that of other local authorities was about €14 billion (13% of the total). Between December 2013 and April 2014, loans with costs borne by the central government diminished by over €1 billion, from €53 billion to around €52

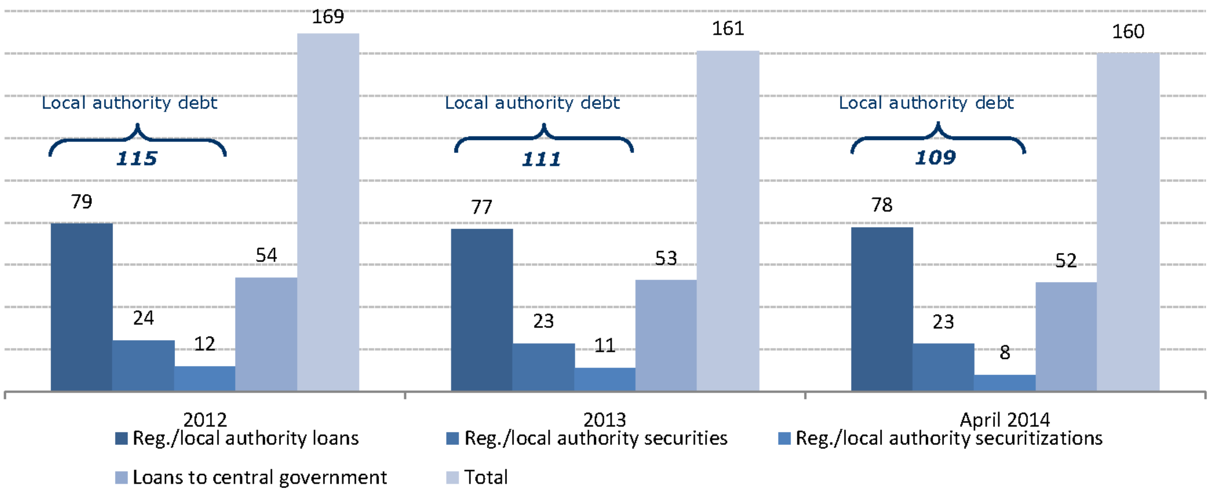
13 See ISTAT, Conto economico trimestrale delle Amministrazioni pubbliche, 4 July 2014. Due to the cyclical nature of public finances, the primary balance in the first quarter of the year is usually negative, despite posting positive values on an annual basis. For instance, in 2013 the primary balance showed a surplus of 2.2% of GDP. ISTAT, Rapporti caratteristici del conto economico consolidato delle amministrazioni pubbliche. Years 1990–2013. 21 May 2014.

14 See ISTAT, Conto economico trimestrale delle Amministrazioni pubbliche, 4 July 2013.

15 CDP based on date from ISTAT, Conti economici trimestrali, 10 June 2014 and Bank of Italy, Base dati statistica (BDS).

billion. In the same period, the overall CDP market also contracted by around €1 billion, falling from €161 billion to €160 billion.

Stock of regional and local authority debt and loans to central government (€ billions)



2.5. The real estate market

The absence of clear signals and, more generally, the uncertainty still surrounding the national economic situation and the portfolio allocation of the banking system, exposes real estate industry to fluctuations within an environment that is, however, continuing to show improvement.

In terms of values, the enormous amount of properties for sale will generate pressure on prices in the opposite direction to what could be driven by the strengthening of the signs of economic recovery; in terms of transactions, however, the information available indicate that the gradual path to recovery is now underway. Indeed, the year-on-year increase (4.1%)[16] posted by property sales during the first quarter of the year should represent the start of a phase of moderate growth.

16 Nomisma four-monthly report on the Property Market 2014, published in March

This upward trend, in a situation that is still fragile, was accompanied by signs of slowdown in the reduction in disbursements of loans and the start of a slow process of recovery, with disbursements of loans in the first quarter of 2014 increasing by 9.35% compared to the same period of 2013.

2.6. FSI REFERENCE MARKET

An analysis of the FSI reference market at European level shows that there were 75 transactions in first half of 2014, worth USD 39 billion, compared to 94 transactions made in the full year 2013, worth USD 95 billion, and far below the peaks seen in the two-year period 2006 and 2007 (around USD 300 billion in each year). Its investments in the first half of 2014 have mainly been in the real estate sector (43%), insurance, financial intermediation and services (20%) and transport (14%). Geographically, its investments have been concentrated mostly in Germany (29%) and the United Kingdom (30%). Transactions completed in Italy accounted for only 6% of the total, despite generally more attractive prices.

In terms of FSI's market segment, six deals involving funds were concluded in Italy in the first half of 2014, compared with 1 in the first half of 2013 and a total of 7 concluded in the full year 2013 (3 by FSI).

Equity capital investments completed in 1st Half 2014 in Italy in FSI's "fund buyer" segment

Target	Buyer	2013 revenues	Equity (€m)[1]	Stake acquired	FSI scope of investment Min. Dec. 3/5/2011
Ansaldo Energia	Shanghai Electric	1,219	**400**	40.0%	Size
Versace [2]	Blackstone	479	**210**	20.0%	Size
Eataly	Tamburi Investment Partners	285	**120**	20.0%	Size with exception
Rina	VEI Capital & Intesa Sanpaolo	294	**25**	20.0%	Size with exception
Camfin/Pirelli	Rosneft	6,146	**553**	50.0%	Size
Nuova Castelli	Charterhouse Capital Partners	350	**410**	80.0%	Size
		Total invested by funds	**1,718**		

[1] Equity investment made
[2] FSI made an offer, not accepted by the owner. The private equity fund Blackstone subscribed a 20% capital increase of the company
Source: Factset, Private Equity Monitor, Mergermarket, press reports

In first half of 2014 a total of 5 deals were concluded with industrial firms.

Equity capital investments completed in 1st Half 2014 in Italy in FSI's "industrial buyer" segment

Target	Buyer	2013 revenues	Equity (€m)[1]	Stake acquired	FSI scope of investment Min. Dec. 3/5/2011
Indesit	Whirlpool	2,671	**758**	66.8%	Size
Poltrona Frau	Haworth	273	**415**	100.0%	Size with exception
Shell Italia [2]	Q8	N/A	**300**	100.0%	Size
Steelcord	Bekaert	300	**255**	100.0%	Size
Acciai Speciali Terni	ThyssenKrupp AG	2,300	**N/A**	100.0%	Size
		Total invested by industrial buyers	**1,728**		

[1] Equity investment made
[2] Includes the Italian operations of the Shell group, i.e., the companies active in the Shell network businesses (around 800 distributors), aviation, supply and distribution
Source: Factset, Private Equity Monitor, Mergermarket, press reports

2.7. THE ITALIAN ELECTRICITY MARKET

ELECTRICITY DEMAND IN ITALY

In the first six months of 2014, the demand for electricity, according to the provisional figures, amounted to 153,237 GWh, down 3.1% compared to the corresponding period of 2013.

ELECTRICITY GENERATION

In the first half of 2014, net domestic power generation decreased by 4.1% on the previous year.

Breaking down the figures for generation by main source, net of ancillary services, compared to the first half of 2013, there was a decrease in thermal power generation (-9.9%), accompanied by an increase in hydroelectric generation (+8.2%) and in generation from wind, photovoltaic and geothermal renewables (+3.1%).

DISPATCHING AND SALES

Terna ensures demand is met with adequate production margins by planning grid unavailability in view of production plant unavailability and bearing in mind the expected output of renewables plants.

Foreign trade showed net imports of 21.8 TWh in the first half of 2014, an increase on the same period of the previous year (+3.0% year-on-year).

The Single National Price on the Italian electricity exchange (“IPEX”) posted a significant drop compared to the first half of 2013. However it was still higher than the prices on the French (“PNX”) and German (“EEX”) trading platforms, which also fell, resulting in a decrease in the spread between the IPEX and the foreign trading platforms.

- IPEX: €49.5/MWh (-18% year-on-year);
- PNX: €34.6/MWh (-21% year-on-year);
- EEX: €32.3/MWh (-13% year-on-year).

3. OPERATING PERFORMANCE

3.1. THE PARENT COMPANY AND THE COMPANIES SUBJECT TO ITS MANAGEMENT AND COORDINATION

3.1.1. LENDING AND INVESTMENT OF THE CDP GROUP

During the first half of 2014, the Group's new lending, investment and managed resources totalled over €9 billion, recording a decrease compared with the same period of the previous year due to the change in the timing for the granting of advances on general government trade payables and to non-recurring transactions recorded in 2013. Excluding these effects with a particularly significant impact, the volume of new lending, investment and managed resources was broadly in line with last year. The greatest contribution to performance in first six months of 2014 came from the Enterprises segment (72% of the total) and the Public Entities and Local Development segment (21% of the total). The volumes of new lending in favour of infrastructure projects were equivalent to 7% of the total.

New lending, investment and managed resources - CDP Group

(millions of euros)

Business lines	1st half 2014	1st half 2013	% change
Public Entities and Local Development	**1,806**	**4,094**	**-56%**
of which CDP Spa	880	3,381	-74%
of which SACE Group	917	715	28%
of which CDPI SGR	23	1	n/s
of which intercompany transactions	(13)	(4)	260%
Infrastructure	**567**	**1,840**	**-69%**
of which CDP Spa	554	436	27%
of which SACE Group	13	1,404	n/s
Enterprises	**6,257**	**5,565**	**12%**
of which CDP Spa	3,059	5,138	-40%
of which SACE Group	2,131	3,015	-29%
of which SIMEST	1,547	2,977	-48%
of which FSI	360	-	n/s
of which intercompany transactions	(840)	(5,564)	-85%
Total new lending, investment and managed resources	**8,631**	**11,500**	**-25%**
Non-recurring transactions	**-**	**1,792**	**n/s**
of which CDP Spa	-	908	n/s
of which FSI	-	884	n/s
Total	**8,631**	**13,291**	**-35%**

Note: does not include new lending by SACE BT, which uses short-term instruments that are not directly comparable to the rest of the Group

3.1.2. LENDING AND INVESTMENT OF THE PARENT COMPANY

During the first half of 2014, CDP's new lending, investment and managed resources totalled about €4.5 billion, down compared with 2013 mainly as a result of the substantial capital increase (€2.5 billion) subscribed in Fondo Strategico Italiano last year, the change in the timing for the granting of advances on general government trade payables (€0.7 billion in the first half of 2014 compared with 3.2 billion in 2013) and the non-recurring transactions recorded in 2013. Excluding these effects with a particularly significant impact, the overall volume grew compared with the same period of last year by about €0.5 billion mainly as a result of progress made in relation to the financing of operations to support enterprises and the residential real estate market and of increased project finance lending only partially offset by smaller volumes allocated to the export bank system.

New lending, investment and managed resources - CDP

(millions of euros)

Business lines	1st half 2014	1st half 2013	% change
Public Entities and Local Development	**880**	**3,381**	**-74%**
of which Public Entities	799	3,376	-76%
of which Equity Investments and Funds	81	5	n/s
Infrastructure	**554**	**436**	**27%**
of which Public Interest Lending	375	58	552%
of which Financing	173	342	-49%
of which Equity Investments and Funds	6	37	-85%
Enterprises	**3,059**	**5,138**	**-40%**
of which Economic Support	3,058	2,603	17%
of which Equity Investments and Funds	2	2,534	n/s
Total new lending and managed resources	**4,493**	**8,955**	**-50%**
Non-recurring transactions	**-**	**908**	**n/s**
of which Equity investments and funds	-	908	n/s
Grand total	**4,493**	**9,863**	**-54%**

More specifically, new lending, investment and managed resources in the first half of 2014 were mainly in the form of i) lending to enterprises through operations to support the economy (€3.1 billion, or 68% of the total), ii) direct lending to public entities and advances, managed on behalf of the MEF, on general government trade payables (totalling € 0.8 billion, or 18% of the total) and iii) financing of infrastructure development (€0.5 billion, or 12% of the total); and iv) equity investments and investment funds in the amount of €0.1 billion (2% of the total).

3.1.2.1. PUBLIC ENTITIES

The parent company's support for public entities and public-law bodies is primarily channelled through the Public Entities area, which is responsible for lending to such entities using products offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination. In support of public entities, CDP, through CDPI SGR, also promoted the creation of the FIV fund dedicated to leveraging their property assets.

The following table reports the financial highlights related to the reclassified balance sheet and income statement, together with a number of key indicators.

Public Entities - Highlights

(millions of euros; %)

	2014	2013
BALANCE SHEET (balances at 30 June 2014 and 31 December 2013)		
Loans to customers and banks	83,708	84,617
Amounts to disburse on loans in repayment	6,531	6,610
Commitments to disburse funds	4,220	5,664
RECLASSIFIED INCOME STATEMENT DATA (accruing in 1st Half of 2014 and 2013)		
Net interest income	162	171
Gross income	163	172
Operating income	160	169
INDICATORS		
Credit risk ratios (balances at 30 June 2014 and 31 December 2013)		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.097%	0.092%
Net writedowns/Net loans to customers and banks	0.001%	0.0004%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread on interest-bearing assets - liabilities	0.4%	0.4%
Cost/income ratio	1.6%	1.7%
MARKET SHARE	**47.8%**	**47.1%**

Initiatives undertaken during the first half of 2014 included a transaction involving residual loans of over six thousand local authorities, aimed at optimising available resources allowing those local authorities to request i) a different utilisation of available sums, or ii) the reduction of the loan to the amount actually needed. This initiative potentially involves residual loans totalling almost €2 billion for loans granted up to 31 December 2012 for which CDP has not received requests for disbursement or different utilisation following 1 January 2013.

In 2014 CDP has continued its efforts in favour of the payment of general government trade payables. More specifically, in addition to cash advances to local government entities drawn on national funds amounting to €3.2 billion (of which €3 billion in 2013 and the remaining €0.2 billion in February 2014) to local government entities drawn on national funds in accordance with Decree Law 35 of 8 April 2013, following the publishing of the Ministerial Decree dated 10 February 2014, which implements Decree Law 102 of 31 August 2013, CDP will grant further cash advances drawn on national funds of up to €1.3 billion, of which over €700 million already agreed at 30 June, while additional arrangements are expected by the end of July.

At 30 June 2014, the stock of loans to customers and banks totalled €83,708 million, including adjustments for IAS/IFRS purposes, slightly down compared with the end of 2013 (€84,617 million). In the period under consideration, the amount of repayments and early terminations exceeded the amount of disbursements of loans granted without a pre-repayment grace period and of loans granted that began their repayment plans.

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €86,599 million, a 3% decrease from year-end 2013 (€88,903 million). The change was attributable to lower volumes of new lending compared to the principal repayments due in the six-month period.

Public Entities - Stock of loans to customers and banks by beneficiary entity

(millions of euros)

Entities	30/06/2014	31/12/2013	% change
Local authorities	42,811	43,452	-1.5%
Regions and autonomous provinces	26,669	26,712	-0.2%
Other public entities and public-law bodies.	12,899	13,075	-1.3%
Total amounts disbursed or in repayment	**82,379**	**83,239**	**-1.0%**
IAS/IFRS adjustments	1,329	1,378	-3.6%
Total loans to customers and banks	**83,708**	**84,617**	**-1.1%**
Total amounts disbursed or in repayment	**82,379**	**83,239**	**-1.0%**
Commitments to disburse funds	4,220	5,664	-25.5%
Total loans (including commitments)	**86,599**	**88,903**	**-2.6%**

CDP's market share reached 47.8% at 31 March 2014, compared with around 47.1% at the end of 2013. The core segment remains the overall stock of debt of local and regional governments and loans with repayment charged to central government.[17] Market share is measured based on actual amounts disbursed, which, for CDP, is equal to the difference between loans to customers and banks and amounts to be disbursed on loans being repaid.

Loan amounts to be disbursed, including commitments, decreased by 12% (from €12,274 million at 31 December 2013 to €10,751 million at 30 June 2014), attributable to the large volume of disbursements made during the period, which exceeded new amounts granted (excluding advances, out of State funds, on general government trade payables).

Public Entities - Stock of amounts to disburse

(millions of euros)

	30/06/2014	31/12/2013	% change
Amounts to disburse on loans in repayment	6,531	6,610	-1.2%
Commitments to disburse funds	4,220	5,664	-25.5%
Total amounts to disburse (including commitments)	**10,751**	**12,274**	**-12.4%**

During the first half of 2014, a total of €51 million in new loans was granted, a decrease compared with 2013 (€143 million), and €747 million in cash advances on general government trade payables were recorded, for a total of €799 million in new lending. Loans with repayment charged to central government declined in

17 Bank of Italy, Supplement to the Statistical Bulletin (Monetary and Financial Indicators): the public finances, borrowing requirement and debt, Tables TCCE0225 and TCCE0250.

the early months of 2014 due to the effect of a large loan in the first half of 2013 (€105 million) for port infrastructure projects.

Public Entities - Flow of new loans by type of beneficiary

(millions of euros)

Type of Entity	1st half 2014	1st half 2013	% change
Major local authorities	10	0	n/s
Other local authorities	8	10	-23.9%
Total local authorities	**18**	**10**	**76.2%**
Regions	-	-	n/s
Non-territorial public entities	0.4	6	-92.5%
Total	**18**	**16**	**14.6%**
Loans with repayment charged to state	33	127	-74.0%
Advances on general government payables	747	3,233	-76.9%
Total Public Entities	**799**	**3,376**	**-76.3%**

Loans amounted to €1,033 million, down compared with the first half of 2013 (€1,229 million) due to the decrease in loans to local authorities recorded in recent years, offset only in part by an increase in loans with costs borne by central government. In the first half of 2014, cash advances on general government trade payables amounted to €201 million, entirely relating to amounts allocated in 2013 in accordance with Decree Law 35 of 8 April 2013 and not yet paid out at 31 December 2013. During the reporting period, disbursements to the City of Rome special commissioner totalled €500 million, completing the disbursements on the loan granted in 2011.

Public Entities - Flow of disbursements by type of beneficiary

(millions of euros)

Type of Entity	1st half 2014	1st half 2013	% change
Major local authorities	231	349	-33.6%
Other local authorities	276	407	-32.3%
Total local authorities	**507**	**756**	**-32.9%**
Regions	5	3	56.3%
Non-territorial public entities	15	82	-82.4%
Total	**526**	**841**	**-37.4%**
Loans with repayment charged to state	507	387	30.9%
Advances on general government payables	201	1,562	-87.1%
Grand total	**1,234**	**2,791**	**-55.8%**
City of Rome debt management authority	500	480	4.2%
Total Public Entities	**1,734**	**3,271**	**-47.0%**

Compared with the same period of 2013, the contribution of the Public Entities area to CDP's performance in the first half 2014 saw net interest income slightly down, going from €171 million to €162 million due to the slight decline in the stock of loans. This performance is also seen in gross income (€163 million, down 5% from June 2013) as commissions accrued in the two periods were comparable. Taking overhead costs into account, operating income for the area came to €160 million, contributing over 12% to CDP's overall operating income.

The spread between interest-bearing assets and liabilities for the first half of 2014 came to about 40 basis points, basically in line with the same period of 2013.

The cost/income ratio benefited from a drop in administrative expenses and was down slightly to 1.6%.

The credit quality of the Public Entities area's loan portfolio showed virtually no problem positions and was essentially unchanged compared with 2013.

In the first half of 2014, the Real Estate area, through the Real Estate Business Development Unit, has continued its development activities geared toward disseminating the "*Valorizzazione online*" (VOL) platform launched in March 2013. More specifically, the first annual session of the Road Show was completed in cooperation with the Public Entities area for the promotion of the VOL across the country during 7 stages in the March-May 2014 period. To date 134 entities have registered with the VOL, of which 12 Provinces, 105 Municipalities, 5 other government agencies, CDPI SGR and another 11 agencies have registered through Fondazione Patrimonio Comune of the National Association of Italian

Municipalities – ANCI. The VOL platform received the “Best Practice Patrimoni Pubblici 2014” award from Patrimoni PA net - Forum PA and Terotec at the FORUM PA event held in May 2014.

The Real Estate Development Unit, in collaboration with Fondazione Patrimonio Comune of the National Association of Italian Municipalities – ANCI, has launched the project for the portal “patrimoniopubblicoitalia”: a website in two languages that serves as a virtual catalogue of public-owned real estate holdings that have been appraised and are available for sale, exchange or further development.

Based on these investment proposals submitted in financial year 2013, CDPI SGR agreed to begin the process envisaged by FIV – Plus Sub-Fund for the purchase of 9 of these properties worth a total of €65 million (including development investments), while 3 other properties, valued at about €23 million (including development investments) are still being analysed with the help of the Real Estate area.

3.1.2.2. Infrastructure

The parent company’s programmes to develop the country’s infrastructure are carried out mainly through the Public Interest Lending and Financing areas.

The operations of the Public Interest Lending area concern CDP’s direct involvement, alongside the banking system, in financing projects of general public interest sponsored by public entities, for which the financial sustainability of the related projects has been verified.

The main aggregates of the balance sheet and income statement reclassified on an operational basis are summarised in the following table, together with a number of key indicators.

Public Interest Lending - Highlights

(millions of euros; %)

	2014	2013
BALANCE SHEET (balances at 30 June 2014 and 31 December 2013)		
Loans to customers and banks	1,734	1,023
Commitments to disburse funds and guarantees	3,188	3,540
RECLASSIFIED INCOME STATEMENT DATA (accruing in 1st Half of 2014 and 2013)		
Net interest income	10	2
Gross income	20	6
Operating income	16	4
INDICATORS		
Credit risk ratios (balances at 30 June 2014 and 31 December 2013)		
Gross bad debts and substandard loans/Gross loans to customers and banks	-	-
Net writedowns/Net loans to customers and banks	0.066%	0.061%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread on interest-bearing assets - liabilities	1.4%	0.8%
Cost/income ratio	4.3%	12.9%

The stock of loans at 30 June 2014 totalled €1,734 million, up from the end of 2013 thanks to disbursements made during the year. At the same date, loans, including disbursement commitments and guarantees, totalled €4,941 million, up by more than 8% from 2013.

Public Interest Lending - Stock of loans to customers and banks

(millions of euros)

Type of transactions	30/06/2014	31/12/2013	% change
Project finance	101	928	-89.1%
Loans with repayment charged to state	1,652	101	n/s
Total amounts disbursed or in repayment	**1,753**	**1,029**	**70.4%**
IAS/IFRS adjustments	(19)	(6)	219.0%
Total loans to customers and banks	**1,734**	**1,023**	**69.5%**
Total amounts disbursed or in repayment	**1,753**	**1,029**	**70.4%**
Commitments to disburse funds and guarantees	3,188	3,540	-10.0%
Total loans (including commitments)	**4,941**	**4,569**	**8.1%**

Despite the difficult market environment and bancability issues concerning project finance transactions, in the early months of 2014, public interest lending for project financing projects recorded new loan agreements totalling €375 million, up compared with volume recorded in 2013. This type of lending included in particular the closing of two transactions for the financing of strategic projects in the Italian motorway sector. During the reporting period CDP continued to be actively engaged in feasibility assessments and structuring of financing of major strategic infrastructure projects in Italy, with a view to ensuring the start-up, or in some cases the continuation, of construction sites.

Public Interest Lending - Flow of new loan agreements

(millions of euros)

Type of transactions	**1st half 2014**	**1st half 2013**	**% change**
Project finance	375	58	552.2%
Loans with repayment charged to state	-	-	n/s
Total	**375**	**58**	**552.2%**

Disbursements in the first half of 2014 in respect of new loans and those from previous years totalled €724 million, an increase over 2013, primarily attributable to three project financing projects for significant amounts in the motorway sector.

Public Interest Lending - Flow of new disbursements

(millions of euros)

Type of transactions	**1st half 2014**	**1st half 2013**	**% change**
Project finance	724	540	34.0%
Loans with repayment charged to state	-	-	n/s
Total	**724**	**540**	**34.0%**

The area’s contribution to overall CDP performance came to about €10 million at the level of net interest income, a sharp increase compared with the first half of 2013 mainly as a result of the dual effect of increased stock of loans and of the improved spread between assets and liabilities (going from 80 to 140 basis points). The greater contribution of commission income from operations in the portfolio, partly offset by the impact of collective assessment of performing exposures, generated operating income of about €16 million (over €4 million in the first half of 2013).

Finally, the cost-to-income ratio for the area came to about 4%, a substantial improvement mainly resulting from the performance of revenues.

The operations of the Financing area regard the financing, with funding not guaranteed by the central government or through EIB funding, on a corporate or project-finance basis, of investments in works, plant, infrastructure and networks to be used to provide public services (energy, multi-utilities, local public transportation, healthcare and telecommunications) and in reclamation projects.

The main aggregates of the balance sheet and income statement reclassified on an operational basis, are summarised in the following table together with a number of key indicators.

Financing - Highlights

(millions of euros; %)

	2014	2013
BALANCE SHEET (balances at 30 June 2014 and 31 December 2013)		
Loans to customers and banks	4,818	5,909
Commitments to disburse funds and guarantees	1,079	1,202
RECLASSIFIED INCOME STATEMENT DATA (accruing in 1st Half of 2014 and 2013)		
Net interest income	32	27
Gross income	36	31
Operating income	15	29
INDICATORS		
Credit risk ratios (balances at 30 June 2014 and 31 December 2013)		
Gross bad debts and substandard loans/Gross loans to customers and banks	2.561%	2.122%
Net writedowns/Net loans to customers and banks	0.299%	0.409%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread on interest-bearing assets - liabilities	1.2%	1.0%
Cost/income ratio	3.0%	3.0%

The total stock of loans disbursed at 30 June 2014 came to €4,818 million, including IAS/IFRS adjustments, down from the balance at the end of 2013 (€5,909 million). This change is mainly attributable to early terminations of previously disbursed loans and the sale of a part of the securities held in the portfolio, as well as to principal repayments.

Including disbursement commitments and excluding IAS/IFRS adjustments, total stock amounted to €5,935 million, down by about 17% over 2013 (€7,131 million) mainly as a result of the aforementioned trend in loans disbursed.

Financing - Stock of loans to customers and banks

(millions of euros)

Type of transactions	30/06/2014	31/12/2013	% change
Project finance	386	393	-1.8%
Corporate finance	4,290	5,106	-16.0%
Securities	180	430	-58.1%
Total amounts disbursed or in repayment	**4,856**	**5,929**	**-18.1%**
IAS/IFRS adjustments	(37)	(20)	81.6%
Total loans to customers and banks	**4,818**	**5,909**	**-18.5%**
Total amounts disbursed or in repayment	**4,856**	**5,929**	**-18.1%**
Commitments to disburse funds and guarantees	1,079	1,202	-10.2%
Total loans (including commitments)	**5,935**	**7,131**	**-16.8%**

During the first half of 2014, new financing totalling €173 million was granted, a decrease compared with the level reached during the same period of 2013 (€342 million). The new lending in 2014 mainly concerned guarantees granted to energy sector and telecommunications operators. In the first half of 2014 intense processing activities continued for new transactions in the energy, railway and multi-utilities sectors, which may result in new lending instrumental to the development of key infrastructure for Italy in the second half of the year.

Financing - Flow of new loan agreements

(millions of euros)

Type of transactions	1st half 2014	1st half 2013	% change
Project finance	-	8	n/s
Corporate finance	173	334	-48.1%
Total	**173**	**342**	**-49.4%**

Lending in the early months of 2014 was not particularly significant, while principal repayments relating to revolving credit lines granted in the past totalled €26 million.

Financing - Flow of new disbursements

(millions of euros)

Type of transactions	1st half 2014	1st half 2013	% change
Project finance	4	46	-91.9%
Corporate finance	(26)	135	n/s
Total	**(22)**	**181**	**n/s**

Note: figures net of repayments of the revolving capital amount

In terms of contribution to CDP's performance for the first half of 2014, net interest income rose from €27 million in June 2013 to €32 million, due mainly to the increase in the spread between lending and funding rates. Adjustments for impaired loans generated a decrease in operating income, which came to €15 million.

Finally, the cost-to-income ratio was about 3%, in line with the first half of 2013.

The credit quality of the Financing area's portfolio shows an increase in problem loans, mainly due to the situation of a single group of counterparties operating in the energy sector.

At 31 March 2014, CDP's market share in the infrastructure investment area, which reflects CDP's relatively recent entry into this sector, came to 4.6%, basically in line with the end of 2013. The core segment remains the overall stock of debt relating to infrastructure in the following industries: motorways, ports and railway works; energy-related plant and networks; and infrastructure used in the operations of local public service organisations.[18] The growth in market share confirms CDP's key role in this sector in recent years, with an increase of 9.5% between December 2012 and March 2014, compared to a 3.3% contraction in the general economy.

3.1.2.3. ENTERPRISES

CDP's programmes in support of the country's economy are carried out primarily through the Economic Support Area, which is responsible for managing subsidised credit instruments established by specific legislation and the economic and export support instruments developed by CDP.

More specifically, subsidised loans primarily draw on CDP resources with state interest subsidies (the Revolving Fund to support enterprises and research investment), while also taking advantage, to a residual extent, of central government funding in the form of capital grants and subsidised loans (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund) or other subsidised financing (Kyoto Fund).

Economic support measures include the funds available to banks for i) loans to SMEs (SME and Capital Goods funds), ii) to assist in the reconstruction and economic recovery of the regions hit by natural disasters (earthquakes in Abruzzo in 2009 and parts of Emilia-Romagna, Veneto and Lombardy in 2012, and flood in Sardinia in 2013) and, since the end of 2013, iii) to support the residential real estate market.

18 Bank of Italy, Money and Banking, Table 2.5 (TSC20400) and Table 2.9 (TSC20810)

Another initiative regards financing the international expansion and exports of Italian businesses through the "Export Bank" system, which helps foster such initiatives with financial support from CDP, SACE guarantees and the full involvement of SIMEST and banks in arranging loans for Italian exporters, based on a special convention that defines the roles of the players involved.

The main aggregates of the balance sheet and income statement reclassified on an operational basis are summarised in the following table, together with a number of key indicators.

Economic Support - Highlights

(millions of euros; %)

	2014	2013
BALANCE SHEET (balances at 30 June 2014 and 31 December 2013)		
Loans to customers and banks	12,057	11,422
Amounts to disburse	31	32
Commitments to disburse funds	3,605	3,651
RECLASSIFIED INCOME STATEMENT DATA (accruing in 1st Half of 2014 and 2013)		
Net interest income	36	36
Gross income	40	47
Operating income	37	35
INDICATORS		
Credit risk ratios (balances at 30 June 2014 and 31 December 2013)		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.689%	0.674%
Net writedowns/Net loans to customers and banks	0.009%	0.064%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread on interest-bearing assets - liabilities	0.6%	0.7%
Cost/income ratio	4.1%	4.3%

With regard to new initiatives in 2014, in January CDP provided special purpose funding to support the municipalities of the Sardinia region, affected by exceptional weather events of November 2013, in the amount of €90 million; the funds were provided to the banks for further disbursement of loans to be used for tax payments, falling due in the period between 18 November 2013 and 20 December 2013 (Sardinia Moratorium Fund). The provision of this funding is governed by a special agreement with the Italian Banking Association subscribed on 24 January 2014.

In addition, in January the Board of Directors of CDP approved a set of new measures geared toward facilitating access to credit by Italian enterprises ("Enterprises Platform"). Specifically, as a part of these measures, a new fund totalling €2.5 billion was set up to finance the purchase of new machinery, systems and equipment by SMEs (Capital Goods Fund). These resources are made available to SMEs that apply for these through the banks that have joined the initiative set up with the agreement signed in February by CDP, the Italian Banking Association and the Ministry for Economic Development. This initiative also includes a direct contribution to the SMEs by the Ministry to cover a part of the interest on the bank loans for capital expenditure made.

The "Enterprises Platform" also provides for a further consolidation of initiatives to support enterprises through: i) establishment of the MID fund (enterprises with 250 to 2,999 employees), made up of €2 billion to finance capital expenditure and working capital needs of this category of enterprises; ii) establishment of the SME Networks Fund made up of €500 million to support the growth of SMEs participating in a network agreement; iii) transfer of resources originally allocated for the settlement of general government trade payables (amounting to €2 billion) to the funding of investments by SMEs. With regard to general government trade payables, the Government adopted a set of new extraordinary measures also involving CDP that have enabled the allocation of those resources primarily to supporting investments by SMEs. Excluding the Capital Goods Fund launched already in the month of March, the measures provided for by "Enterprises Platform" are currently being structured and are expected to take effect in the second half of 2014.

Finally, with regard to the 2012 Earthquake Moratorium Fund, in accordance with the provisions of Decree Law 4 of 28 January 2014, as ratified with Law 50 of 28 March 2014, CDP and ABI signed an addendum to the original agreement on 26 May 2014 to extend the deadline for the repayment of the subsidised loans by two years. As a result of this measure, a substantial part of the principal of the loans due and not paid at 31 December 2013 was restructured through a change to the loan repayment plan.

As regards the loan portfolio of the area, the stock of loans to customers and banks at 30 June 2014 came to €12,057 million, up by about 6% from the end of 2013, mainly due to the first disbursements of the Capital Goods Fund, distributions made from the "2012 Earthquake Moratorium" fund and the SME fund, which, together, more than offset debt repayments and extinguishments made on the basis of the interim reports (which mainly regarded the SME fund).

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €15,695 million, about 4% higher than at year-end 2013, as the volume of new lending agreed more than offset principal repayments during the year.

Economic Support - Stock of loans to customers and banks by product

(millions of euros)

Product	**30/06/2014**	**31/12/2013**	**% change**
SME products	8,033	7,650	5.0%
- of which SME support funds	*7,711*	*7,650*	*0.8%*
- of which Capital Goods funds	*322*		*n/s*
Residential real estate sector	34		n/s
Export Bank	368	321	14.8%
Post-disaster reconstruction	2,682	2,529	6.0%
- of which post-earthquake reconstruction - Abruzzo	*1,826*	*1,859*	*-1.8%*
- of which post-earthquake reconstruction - Emilia	*261*	*96*	*171.6%*
- of which tax moratorium	*596*	*575*	*3.7%*
Other products	973	948	2.6%
- of which FRI loans	*920*	*893*	*3.1%*
- of which intermodal systems loans (Article 38.6, Law 166/02)	*53*	*56*	*-5.7%*
Total amounts disbursed or in repayment	**12,090**	**11,449**	**5.6%**
IAS/IFRS adjustments	(33)	(27)	22.5%
Total loans to customers and banks	**12,057**	**11,422**	**5.6%**
Total amounts disbursed or in repayment	**12,090**	**11,449**	**5.6%**
Commitments to disburse funds	3,605	3,651	-1.3%
Total loans (including commitments)	**15,695**	**15,099**	**3.9%**

The amounts to be disbursed, including commitments, were substantially stable compared with the end of 2013 as a result of new loans agreed during the period, which were offset by the amount of new disbursements and the reduction in undisbursed portions of existing loans. Accordingly, this aggregate went from €3,683 million at the end of 2013 to €3,636 million at 30 June 2014, mostly due to the Export Bank product (about 80%).

Economic Support - Stock of amounts to disburse

(millions of euros)

	30/06/2014	**31/12/2013**	**% change**
Amounts to disburse *	31	32	-3.7%
Commitments to disburse funds	3,605	3,651	-1.3%
Total amounts to disburse (including commitments)	**3,636**	**3,683**	**-1.3%**

* State funds managed by CDP

The total volume of new lending, investment and managed resources during the first half of 2014 through economic support instruments came to €3,058 million, a marked increase compared with 2013 (+17%), mainly as a result of the SME support funds and the start-up of operations relating to the new products (Capital Goods fund and products to support the real estate market), which offset the smaller volumes recorded by the export bank system. More specifically, these volumes were mainly attributable to funding out of the SME Fund (€1,487 million), equivalent to about 50% of the total volume and up from 2013 due to the recovery in demand for loan applications from the market. Loans related to the new Capital Goods fund reached the significant amount of €322 million from the start of operations for this product in the month of March. Products relating to the residential real estate market and specifically the subscription of covered bank bonds and residential mortgage backed securities (RMBS) also made a substantial contribution to the total volume (about 26%). With specific reference to export bank operations, the overall volume of loans agreed in the first half of 2014 amounted to €65 million, a significant drop due to two major transactions in the shipbuilding sector in the first half of 2013; new lending in 2014 concerned 3 transactions of minor value mainly in the construction sector. The loans in favour of areas affected by natural disasters totalled €168 million, up from the same period of 2013 (€45 million), mainly due to the fund for the reconstruction of areas affected by the earthquake of May 2012. In addition, €198 million in loans were channelled through the Revolving Fund and €29 million for the management of central government funds.

Economic Support - Flow of new loans by product

(millions of euros)

Product	1st half 2014	1st half 2013	% change
SME products	1,809	700	158.5%
- of which SME support funds	*1,487*	*700*	*112.6%*
- of which Capital Goods funds	*322*		*n/s*
Residential real estate sector	789		n/s
Export Bank	65	1,753	-96.3%
Post-disaster reconstruction	168	45	273.2%
- of which post-earthquake reconstruction	*166*	*11*	*n/s*
- of which tax moratorium	*1*	*34*	*-96.6%*
Other products	227	106	114.5%
- of which FRI loans	*198*	*71*	*180.0%*
- of which Kyoto Fund	*3*	*-*	*n/s*
- of which Disbursements third-party funds	*26*	*35*	*-25.2%*
Total	**3,058**	**2,603**	**17.5%**

In 2014, €3,053 million of these loans were disbursed, largely related to loans to SMEs (over 61% of the total considering both the SME support funds and the Capital Goods fund), and to the real estate sector (about 26% of the total). The volume of disbursements in the first half of 2014 was up significantly from the previous year (+64%), mainly due to the new products whose operations started between the end of 2013 and the early months of 2014 (Capital Goods fund and products for the residential real estate market).

Economic Support - Flow of new disbursements by product

(millions of euros)

Product	1st half 2014	1st half 2013	% change
SME products	1,870	1,366	36.9%
- of which SME support funds	*1,549*	*1,366*	*13.4%*
- of which Capital Goods funds	*322*		*n/s*
Residential real estate sector	789		n/s
Export Bank	109	141	-22.7%
Post-disaster reconstruction	168	246	-31.7%
- of which post-earthquake reconstruction	*166*	*11*	*n/s*
- of which tax moratorium	*1*	*235*	*n/s*
Other products	116	105	10.6%
- of which FRI loans	*89*	*70*	26.9%
- of which Kyoto Fund	*1*	*0.1*	n/s
- of which Disbursements third-party funds	*26*	*35*	-25.2%
Total	**3,053**	**1,858**	**64.3%**

With specific reference to the products in support of the SMEs, a total of €18 billion from the SME support funds were allocated and over €14 billion were disbursed, equivalent to a percentage use of 79%, while 13% of the €2.5 billion related to the Capital Goods fund was used, corresponding to an amount of more than €0.3 billion.

Economic Support SME products support funds

(millions of euros)

Bank counterparties	Total resources	Loans agreed *	Loans disbursed **	% resources used
SME support funds	18,000	14,279	14,271	79%
Capital Goods Funds	2,500	322	322	13%

* Net of reduction at end of contracting period of "installment A" of the SME Fund-Investments

** Gross of extinguishments made on basis of half-year accounts

In terms of the contribution of the Economic Support Area to CDP’s performance in the first half of 2014, net interest income amounted to €36 million, in line with the same period of 2013. The performance was due to the increase in volumes handled, while the spread between assets and liabilities recorded a slight decrease (-10 basis points). The decrease in commission income was more than offset by adjustments for impaired loans, resulting in an increase equivalent to €37 million.

The cost-to-income ratio for the area was equivalent to 4%, broadly unchanged compared with the first half of 2013.

Finally, as regards the credit quality of the loan portfolio for the Economic Support area, problem loans rose slightly, with all such positions being attributable to the Revolving Fund, and all are, in any event, secured by the central government as the guarantor of last resort.

3.1.3. THE ACTIVITIES OF OTHER COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

3.1.3.1. THE ACTIVITIES OF CDPI SGR

In the first half of 2014 CDPI SGR continued operation of the FIA and the FIV.

With reference to FIA investing activities, in the first half of 2014, the Board of Directors approved four definitive resolutions for the subscription of units totalling about €194 million.

On 23 April 2014 the Board of Directors of the fund management company approved the 2014 Fund Planning Document ("DPF"). The FIA management rules set out that investments in the target funds are to be achieved by 2017, namely the end of the period to call up the FIA subscription commitments. The strategic guidelines set out in the DPF require that the operations be focused on the completion of the approval activities and specifically on the support to local asset management companies, while ensuring respect for their independence in operations, to expedite and make their investments more effective.

In the first half of 2014, activities were started to leverage real estate in Milan (Viale Montello and Via Canonica) owned by the Plus sub-fund, supporting the initial design and project management expenses.

3.1.3.2. *THE ACTIVITIES OF CDP IMMOBILIARE GROUP*

During 2014, the marketing and realisation of the real estate portfolio continued. Specifically, significant progress was also made on some large property complexes:

- former ICMI complex: environmental authorities validated additional portions of properties subject to reclamation, allowing for the start of construction as part of the sub-fund allocated to Genesis consortium. The contractor was selected for this portion of the properties and the works are scheduled to start in July 2014. Upon completion of the additional reclamation works, planned in 2015, the production lots not covered by the Genesis project will be put on the market;
- former complex of the Tobacco Factory of Naples: the final public works development designs were completed and submitted to the Municipality of Naples;
- former Customs property complex in Segrate (purchased in 2013 as part of the transaction with IBP, a company of the Percassi Group): the designs were completed and notice of the issue of the permits was obtained for the construction of the first lot of 7 residential buildings and the related urban development works, as provided for in the agreement signed in February 2013.

In addition to the CDP Immobiliare Group operations, other initiatives were managed through partnerships, involving major urban redevelopments that are expected to generate significant investments in the area with a favourable impact on employment.

During the first half of 2014, the subsidiaries Cinque Cerchi S.p.A., Manifatture Milano S.p.A., Valcomp Tre S.p.A., Quadrifoglio Modena S.p.A. and Quadrifoglio Genova S.p.A. completed the first renovation stage of the owned building complexes and started their marketing in order to raise the funds needed to continue the projects and to repay the debt owed to the lending banks.

With regard to the three most important projects (which fall under the responsibility of the subsidiaries Residenziale Immobiliare 2004 S.p.A., Alfiere S.p.A. and M.T. Manifattura Tabacchi S.p.A.), the activities continued aimed at overcoming the stall in operations by assessing profitability and taking into account the financial support needed from the parent company. Specifically, in the first half of 2014, an additional 20.95% interest in Residenziale Immobiliare

2004 S.p.A. was purchased through a capital increase, reaching 70.95% of the share capital at 30 June 2014, versus the 29.05% interest held by the other partner Finprema S.p.A.

As regards other partnerships (Quadrifoglio Verona S.p.A., Quadrifoglio Brescia S.p.A., Quadrifoglio Piacenza S.p.A., Pentagramma Piemonte S.p.A., Pentagramma Romagna S.p.A., Pentagramma Perugia S.p.A., and Bonafous S.p.A.) urban development work already initiated in previous years is still underway and, in some cases, credit lines have been renewed by lending banks.

3.1.3.3. THE ACTIVITIES OF FSI

During the first half of 2014, FSI continued its market analysis and monitoring for potential investment opportunities, while consolidating its positioning on the Italian equity investment market as one of the leading players in terms of capital, pipeline and execution capacity.

The other significant events of the first half of 2014 included:

- on 15 January 2014 the investment in Valvitalia by FSI was completed, totalling €151.2 million, of which €1 million for a capital increase and €150.2 million through subscription of a convertible bond;
- execution on 28 May 2014 of the investment of FSI in SIA, undertaken through the creation of FSIA, a company owned 100% by FSI and with a share capital of €204.9 million. FSIA purchased a 42.255% interest in SIA worth €281 million, using its own funds and a loan amounting to about €77 million;
- disposal of the FSI interest in Hera. With the aid of a financial broker, FSI monetised its investment selling all of the shares held on the market in the months of April and May 2014, collecting about €11.2 million;
- purchase by FSI of shares representing 0.2875% of the share capital of Ansaldo Energia on 30 June 2014 (total interest of 0.45%) from some managers of the company, totalling about €2.2 million.

Other significant events in the first half of 2014 included:

- signing of a long-term strategic agreement between FSI and Shanghai Electric Company ("SEC"), world leader in the production of power generation and mechanical equipment on 8 May 2014, which provides for SEC to purchase a 40% share of Ansaldo Energia worth €400 million. The interest in Ansaldo Energia was therefore recorded under non-current assets and disposal groups in accordance with IFRS 5;
- the creation on 20 June 2014, following the agreement between FSI and KIA, of FSI Investimenti, a co-investment company incorporated as a joint stock company open to other co-investors for the execution of joint investments, while maintaining FSI's legal control over FSI Investimenti. On 30 June 2014 (effective 2 July 2014), KIA entered into FSI Investimenti with a share equivalent to about 23% as part of a transaction for the transfer of some equity investments held by FSI and for the concomitant payment in cash made by KIA;
- as part of the agreement between FSI and Bank of Italy under which FSI has undertaken to proceed with an orderly sale to third parties of the equity investment held in Generali at market conditions by 31 December 2015, a price risk hedging transaction associated with a related securities lending transaction for 40 million shares held (equivalent to 2.569% of the share capital) was carried out through a series of 12-month forward contracts under which at maturity (in the first half of 2015) FSI can choose between physical settlement or cash settlement. The remaining 29,777,535 Generali shares held, equivalent to 1.913% of the company's share capital, were sold through an accelerated book building procedure, reserved to Italian and foreign investors, that was completed on 8 July 2014.

3.1.3.4. THE ACTIVITIES OF THE FINTECNA GROUP

SHIPBUILDING

As regards shipbuilding, the main market segments in which the Fincantieri Group operates include:

- cruise ships and military vessels whose construction is carried out at Italian shipyards and, for vessels for the US market, at the Group's shipyards in the United States. In the first half of 2014, orders worth €2,396 million were acquired and 4 vessels of over 40 metres in length (a

cruise ship and 3 military vessels) were delivered in addition to 17 military vessels below 40 metres;
- the offshore segment through the VARD Group. In the first half of 2014, orders worth €993 million for 11 naval units were acquired;
- the Systems, Components and Services segment, which includes the design and production of high-tech systems and components (stability, propulsion, positioning and power generation systems, naval automation systems and steam turbines and cabins, and logistics support services) and after-sales services for naval productions. Orders in the first half of 2014 amounted to €93 million.

In the first half of 2014, the initiatives related to the global offering for admission to trading on the Mercato telematico azionario (electronic stock market) of Fincantieri shares (as specified in the section Equity investments of the parent company).

LIQUIDATION ACTIVITIES

Liquidation activities continued in the first half of 2014 in accordance with the guidelines set and remained within the financial limits of the specific provisions reported in the financial statements at 31 December 2013. The targets set imply a commitment to resolving the complex issues that have arisen within the established limits and making use of the assigned risk provisions.

Specifically, the overall activity carried out by Ligestra (former Efim and former Italtrade assets) was concentrated mainly on the reclamation of sites owned by the former Efim Group.

The activities carried out by Ligestra Due continued mainly with the goal of liquidating the former IGED real estate holdings, which consisted mainly of buildings. A total of 9 units were sold in the six-month period.

As regards Ligestra Tre, in the first half of 2014, the proceedings were completed for the drafting of the appraisal, which estimated the amount of €228 million due to the MEF for the purchased assets of the former Sir Committee. For this purpose, with value date of 7 April, Fintecna disbursed an interest-bearing loan of €228 million to Ligestra Tre; this amount was then paid by the latter to the MEF.

3.1.3.5. The activities of the SACE Group

New lending, investment and managed resources

In the first half of 2014, the contribution of the SACE group to the new lending, investment and managed resources of the CDP Group (excluding SACE BT) amounted to over €3 billion, down from 2013 mainly due to the expected reduction in operations in the infrastructure segment and to the major transactions in the export financing segment during 2013.
The greatest contribution to the totals for the early months of 2014 came from the Enterprises segment, primarily in the form of transactions to support international expansion and exports by Italian businesses. New lending also recorded a significant increase in the Public Entities and Local Development segment as a result of increased disposal of general government receivables.
Taking into account SACE BT, total new lending volumes came to about €18 billion.

Through its network of offices in Italy and abroad, SACE S.p.A. was able to insure transactions totalling over €2 billion, thereby continuing to contribute to maintaining employment levels and to furthering Italy's internationalisation. As regards the contribution by SACE Fct, turnover in the first half of 2014 came to approximately €1.3 billion, a significant increase compared to 2013.

NEW LENDING, INVESTMENT AND MANAGED RESOURCES - SACE GROUP

(millions of euros)

Business lines	1st half 2014	1st half 2013	% change
Public Entities and Local Development	**917**	**715**	**28%**
of which SACE FCT	917	715	28%
Infrastructure	**13**	**1,404**	**n/s**
of which SACE SpA	13	1,404	n/s
Enterprises	**2,131**	**3,015**	**-29%**
of which SACE SpA	1,726	2,638	-35%
of which SACE FCT	405	376	8%
Total new lending, investment and managed resources (excluding SACE BT)	**3,061**	**5,134**	**-40%**
SACE BT	14,805	16,916	-12%
Total new lending, investment and managed resources (SACE Group)	**17,866**	**22,050**	**-19%**

Note: the contribution to Group volumes does not include new lending by SACE BT, which uses short-term instruments that are not directly comparable to the rest of the Group.

PORTFOLIO OF LOANS AND GUARANTEES

The total exposure of SACE, calculated as the sum of credit and guarantees issued (principal and interest) amounted to €35.1 billion, essentially unchanged compared with year-end 2013 (-0.6%). Specifically, the guarantee portfolio decreased by 1.2%, while the loan portfolio increased by a total of 26.2%. The total exposure in the portfolio of SACE BT decreased by 3.1% to about €36.6 billion. Total receivables of SACE Fct at 30 June 2014 amounted to €1.4 billion, down 4.2% compared with 31 December 2013.

(millions of euros)

Portfolio of loans and guarantees	30/06/2014	31/12/2013	% change
SACE	**35,086**	**35,292**	**-0.6%**
Outstanding guarantees	34,056	34,476	-1.2%
- principal	*29,088*	*29,336*	*-0.8%*
- interest	*4,968*	*5,139*	*-3.3%*
Loans	1,030	816	26.2%
SACE BT	**36,649**	**37,825**	**-3.1%**
Short-term credit	7,753	10,039	-22.8%
Surety Italy	6,774	6,990	-3.1%
Other property damage	22,122	20,796	6.4%
SACE FCT	**1,441**	**1,504**	**-4.2%**
Outstanding receivables	1,441	1,504	-4.2%

3.1.3.6. THE ACTIVITIES OF SIMEST

In the first half of 2014, the contribution of SIMEST to the new lending, investment and managed resources of the CDP Group amounted to over €1.5 billion, down by 48% from the first half of 2013. While the contribution of direct and indirect investments through the Venture Capital Fund was substantially stable, the first half of 2014 recorded a significant decrease in lending as part of management of funds on behalf of central government.

NEW LENDING, INVESTMENT AND MANAGED RESOURCES - SIMEST

(millions of euros)

Business lines	1st half 2014	1st half 2013	% change
Enterprises	**1,547**	**2,977**	**-48%**
Direct equity investments	26	21	28%
Venture Capital Fund	2	5	-60%
Total equity	***28***	***26***	***10%***
Law 394/81 Fund (loans approved)	63	80	-22%
Law 295/73 Fund (deferred principal amount approved)	1,456	2,871	-49%
Total resources managed for the state	***1,519***	***2,951***	***-49%***
Total new lending, investment and managed resources	**1,547**	**2,977**	**-48%**

EQUITY INVESTMENTS

In the first six months of 2014, a total of 28 projects were approved, including:

- 23 new investment projects;
- 2 capital increases by companies in which SIMEST already had an equity interest;
- 3 revisions of previously approved projects.

The companies in which SIMEST approved investment in the first half of 2014 envisage:

- a total investment by SIMEST of €47.5 million;
- total share capital of €138.2 million;
- total investment of about €175 million.

In the first half of 2014, SIMEST acquired 12 new equity investments for a total of €26.3 million. More specifically:

- 7 new investments in foreign companies pursuant to Law 100/1990 ("non-EU") for a total of around €12.5 million;
- 3 new equity investments in Italian and EU companies for €9.7 million.
- In addition, SIMEST subscribed 2 capital increases and 5 revisions of previously approved projects by companies in which SIMEST already had an equity interest at 31 December 2013, totalling €4.1 million (of which €0.2 million "non-EU" and €3.9 million "EU").

In the period, 12 investments ("non-EU") were divested, under the agreements in place with our partners, for a total of €10.5 million.

INVESTMENTS OF THE VENTURE CAPITAL FUND

Following the renewal of the agreement between SIMEST and the Ministry for Economic Development for the operation of the Unified Venture Capital Fund, as well as the appointment of the members of the fund's governing body (the Guidance and Oversight Committee), two events that had a significant impact on operations in the first half of 2013, equity investments through the Unified Venture Capital Fund were duly carried in the first half of 2014.

In the first half of 2014 the Guidance and Oversight Committee approved a total of 34 projects that involve:

- a total commitment under the Unified Venture Capital Fund of €12.7 million;
- cumulative investments by the foreign companies of €78.3 million, funded by share capital of €83.2 million.

In 2014, acquisitions of equity investments through the Unified Venture Capital Fund totalled €2.2 million and involved 6 new equity investments in companies abroad. SIMEST also subscribed a plan revision in a company in which it already held an interest at 31 December 2013.

INTERNATIONAL EXPANSION FINANCIAL SUPPORT FUNDS

As part of the financial assistance it provides to Italian companies for expanding operations abroad, SIMEST manages two funds: the Fund established by Article 3 of Law 295/1973 and the Revolving Fund established by Article 2 of Law 394/1981. Incentive operations are governed by two new agreements, both signed by SIMEST and the Ministry for Economic Development on 28 March 2014. One innovative aspect of these agreements is that SIMEST, as the manager of the aforementioned funds, will be remunerated based on the recognition of the direct and indirect costs incurred for the operation of the two funds plus additional compensation based on the targets agreed with the Ministry on an annual basis.

Law 295/1973 Fund

The activity of the Fund established by Law 295/1973 consists of:

- export credits, which are aimed at supporting sectors involved in the production of capital goods. In the first half of 2014, operations with a total deferred principal amount of €1,419 million were approved, a decrease of 48.1% on the amount approved (€2,735 million) in the same period of 2013. The decrease in operations was mainly due to the drop in the amounts approved in the supplier credit segment (-€799.8 million);
- investment in foreign companies through interest rate support to Italian firms for loans taken out to finance part of their equity investments in foreign companies in non-EU countries in which SIMEST has acquired an interest. In the first half of 2014, operations were approved with a value of €36.9 million in terms of subsidised loans, equivalent to 27.2% of the amount approved in the same period of 2013 (€135 million). As regards

the decrease in operations, in 2013 the Financing Committee cut the maximum amount for loans eligible for incentives from €40 million to €10 million, resulting in a net decrease in support.

Law 394/81 Revolving Fund

In view of the fact that financing for strengthening capitalisation has been suspended since December 2011 and that the revival of operations under the fund is affected by the state of resources available under the Law 394/81 Fund, the activity of the Revolving Fund in the first half of 2014 consisted of:

- loans at facilitated interest rates for foreign market penetration programmes. In the first half of 2014, a total of 80 loans were approved for a total of €62.1 million (€78.9 million in the first half of 2013), in line with the number of the same period of the year before (equivalent to 83);
- loans at facilitated interest rates for pre-feasibility and feasibility studies and technical assistance programmes. In the first half of 2014 the Committee approved a total of 6 operations (5 feasibility studies and 1 technical assistance programme) for about €0.4 million, down from the same period of 2013 (10 totalling €1.3 million).

3.1.4. EQUITY INVESTMENTS OF THE PARENT COMPANY

At 30 June 2014, equity investments and investments in investment funds totalled €32,788 million, including the value of the portfolio of equity investments, equal to €31,846 million, and of investment funds and other investment vehicles, which totalled €943 million.

EQUITY INVESTMENTS, INVESTMENT FUNDS AND OTHER INVESTMENT VEHICLES

(thousands of euros)

	31/12/2013	Change		30/06/2014
	Carrying amount	from inv./disinv.	from measurement	Carrying amount
Equity investments	31,778,451	67,378	(238)	31,845,590
Investment funds and other investment vehicles	914,331	28,426	106	942,863
Total	**32,692,782**	**95,804**	**(132)**	**32,788,453**

3.1.4.1. *SUBSIDIARIES AND OTHER SHAREHOLDINGS*

At 30 June 2014, the carrying amount of the portfolio of equity investments showed growth of €31,846 million, up by 0.2% over 31 December 2013.

Equity investments

(thousands of euros)

	31/12/2013		Change		30/06/2014	
	% holding	Carrying amount	from inv./disinv.	from measurement	% holding	Carrying amount
A. Listed companies						
1. Eni S.p.A.	25.76%	15,281,632	-	-	25.76%	15,281,632
2. Terna S.p.A.	29.85%	1,315,200	-	-	29.85%	1,315,200
B. Unlisted companies						
3. SACE S.p.A.	100.00%	5,150,500	-	-	100.00%	5,150,500
4. CDP Reti S.p.A.	100.00%	3,517,360	20	-	100.00%	3,517,380
5. Fondo Strategico Italiano S.p.A.	77.70%	3,419,512	-	-	77.70%	3,419,512
6. Fintecna S.p.A.	100.00%	2,009,436	-	-	100.00%	2,009,436
7. CDP GAS S.r.l.	100.00%	467,366	-	-	100.00%	467,366
8. CDP Immobiliare S.r.l.	100.00%	310,159	59,353	-	100.00%	369,512
9. Simest S.p.A.	76.00%	232,500	-	-	76.00%	232,500
10. Quadrante S.p.A.	100.00%	61,625	8,005	-	100.00%	69,630
11. Sinloc S.p.A.	11.29%	5,986	-	-	11.29%	5,986
12. F2i SGR S.p.A.	16.52%	2,844	-	(258)	16.52%	2,586
13. Istituto per il Credito Sportivo	21.62%	2,066	-	-	2.21%	2,066
14. CDP Investimenti SGR S.p.A.	70.00%	1,400	-	-	70.00%	1,400
15. Fondo Italiano d'Investimento SGR S.p.A.	12.50%	866	-	19	12.50%	885
16. Europrogetti & Finanza S.p.A. in liquidazione	31.80%	-	-	-	31.80%	-
Total		**31,778,451**	**67,378**	**(238)**		**31,845,590**

This increase in the first half of 2014 is mainly due to the subsidiaries in the real estate segment. In the first half of 2014, CDP made additional capital increases in CDP Immobiliare amounting to about €59 million, and in Quadrante amounting to €0.5 million, with the goal of developing the portfolio of CDP Immobiliare and its subsidiaries, as well as providing continued support to the operations of the two companies. In the first quarter of 2014, CDP also notified Quadrante of the waiver of the shareholders' loan of €7.5 million, with the establishment of a specific equity reserve. This waiver took effect on 1 January 2014.

In addition, as part of the process to open the share capital of CDP Reti to third parties, the shareholder resolution of 22 May 2014 formalised the transformation of the special purpose vehicle into a joint stock company and the concurrent capital increase of up to €120 thousand, which was the minimum provided for by Article 2327 of the Italian Civil Code for joint stock companies as per the wording prior to the amendments introduced by Decree Law 91/2014 (so-called "Competitiveness Decree").

With reference to the investment held in Istituto per il Credito Sportivo ("ICS"), in 2013 the Presidency of the Council of Ministers, pursuant to the Directive concerning the ICS under the law of 24 December 2003 and considering the interministerial decree that repealed the bylaws of 2005, issued a directive that set out the principles and instructions to reformulate the bylaws of the ICS, including the criteria to redetermine the equity investments held in the "Endowment Capital" or "Share Capital". The ICS has adopted new bylaws under which the share capital of the ICS has encompassed the Endowment Capital under Law 1295/57, the Guarantee Fund under Law 1295/57 granted by CONI and the Capital Fund under Law 50/83 granted by the central government, as well as the reserves at 31 December 2011, totalling about €835 million. A share of 2.214% was attributed to CDP, down compared with 21.62%, which related though to a share capital of about €9.6 million.

As concerns the separation of organisation and accounting, equity investments in the CDP portfolio in the first half of 2014, regardless of their classification for financial reporting purposes, fall within the scope of the Separate Account, with the exception of the interests held in CDP GAS, CDPI SGR, F2i SGR S.p.A. and Fondo Italiano d'Investimento SGR S.p.A., which fall under the Ordinary Account, as well as FSI, for which the initial investment was classified under Joint Services, with subsequent contributions falling within the scope of the Separate Account.

As regards Fintecna, in July 2014 listing on the Mercato Telematico Azionario (MTA) - the electronic stock market - organised and managed by Borsa Italiana S.p.A., of the subsidiary Fincantieri was completed. Trading started on 3 July 2014. Based on the requests received as part of the Global Offering of sale and subscription, 500,000,000 shares, of which 450,000,000 for capital increase and 50,000,000 for the exercise of the over-allotment option granted by Fintecna as part of placement with institutions, were allotted. The offering price was set at €0.78 per share, amounting to a capitalisation of Fincantieri equivalent to about €1,320 million. The capital increase amounted therefore to €351 million. As a result of the capital increase, the investment held by Fintecna in Fincantieri decreased from 99.4% to 72.9%. This share could be further reduced by up to 3.0% as a result of the greenshoe option and by 1.2% due to the allotment of free shares to the allottees of the shares as part of the public offering (according to the Prospectus).

Dividends accruing in the first half of 2014 came to about €1.3 billion, mainly attributable to the equity investments in ENI (€515 million), CDP Reti (€284 million), SACE (€249 million), Fintecna (€100 million), Terna (€78 million), CDP GAS (€60 million) and FSI (€27 million). The figure represents a decrease of about €180 million (-12%) compared with the same period of 2013, which included however about €400 million received from Fintecna in the form of a special dividend.

3.1.4.2. INVESTMENT FUNDS AND INVESTMENT VEHICLES

At 30 June 2014, the portfolio of investment funds and corporate investment vehicles totalled €943 million, up about €29 million (+3.1%) compared with 31 December 2013.

Investment funds and other investment vehicles

(thousands of euros)

	Sector	31/12/2013 % holding	31/12/2013 Carrying amount	Change from inv./disinv.	Change from measurement	30/06/2014 % holding	30/06/2014 Carrying amount	30/06/2014 Residual commitment
A. Investment vehicles								
1. Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)	Infrastructure	38.93%	72,072	(3,000)	576	38.92%	69,648	77,997
2. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa (Marguerite Fund)	Infrastructure	14.08%	27,899	3,500	3,224	14.08%	34,623	60,850
3. European Energy Efficiency Fund SA, SICAV-SIF (EEEF Fund)	Energy							
- A units		12.86%	5,664	6,622	-	12.90%	12,286	39,627
- B units		2.09%	919	1,019	-	2.04%	1,938	6,049
4. Galaxy S.àr.l. SICAR	Infrastructure	40.00%	2,348	-	-	40.00%	2,348	-
B. Investment funds								
1. FIV Extra	Public housing	100.00%	476,600	-	(1,300)	100.00%	475,300	230,000
2. F2i - Fondi Italiani per le Infrastrutture	Infrastructure							
- A units		8.10%	124,749	372	2,529	8.10%	127,650	16,458
- C units		0.04%	685	2	14	0.04%	701	91
3. Fondo Investimenti per l'Abitare	Social housing	49.31%	82,241	13,367	(4,358)	49.31%	91,250	875,638
4. Fondo Italiano d'Investimento	SMEs and export finance	20.83%	67,747	1,791	(1,515)	20.83%	68,023	147,048
5. F2i - Secondo Fondo Italiano per le Infrastrutture	Infrastructure	13.51%	20,229	4,410	1,100	13.25%	25,739	72,397
6. FIV Plus	Public housing	100.00%	16,494	-	(128)	100.00%	16,366	79,600
7. PPP Italia	Infrastructure and PPP projects	14.58%	8,628	343	(37)	14.58%	8,934	3,798
8. Fondo Immobiliare di Lombardia - Comparto Uno (formerly Abitare Sociale 1)	Social housing	6.11%	8,056	-	2	6.11%	8,058	11,000
Total			**914,331**	**28,426**	**106**		**942,863**	**1,620,554**

The main changes in the portfolio were due to draw-downs called by the funds totalling about €31 million, net of distributions made by Inframed (€3 million). The changes can be attributed to: (i) Fondo Investimenti per l'Abitare (€13 million), (ii) European Energy Efficiency Fund SA (€8 million), (iii) F2i – Primo Fondo Italiano per le infrastrutture and Secondo Fondo Italiano per le infrastrutture (€5 million), and (iv) Marguerite (€3.5 million).

In addition, on 28 May 2014 the Board of Directors of CDP committed to invest up to €350 million in two funds sponsored and operated by Fondo Italiano d'Investimento SGR S.p.A.: up to €250 million will be committed in the launch of a fund of private debt funds aimed at favouring the launch of the so-called mini-bond funds through a selection process; up to €100 million will be committed in the launch of a fund of venture capital funds aimed at actively contributing to the birth and development of innovative start-ups in Italy.

Finally, on 25 June 2014, the Board of Directors of CDP committed to invest an amount of up to €70 million in the share capital of Fondo Europeo per gli Investimenti.

For the purposes of the separation of organisation and accounting, the stake held in Galaxy S.à r.l. and investments in investment funds and private equity funds, except for holdings in Fondo Investimenti per l'Abitare, Fondo Italiano d'Investimento and Fondo Investimenti per la Valorizzazione, come under the Ordinary Account and are therefore wholly financed by funding raised under that account. The investments held in the other corporate investment vehicles and the aforementioned funds come under the Separate Account.

3.1.5. TREASURY AND FUNDING ACTIVITIES OF THE PARENT COMPANY

3.1.5.1. TREASURY MANAGEMENT AND SHORT-TERM FUNDING

With regard to the investment of financial resources, the following table reports the aggregates for cash and cash equivalents, along with an indication of the alternative forms of investing financial resources in debt and securities.

Stock of investments of financial resources

(millions of euros)

	30/06/2014	31/12/2013	% change
Cash and cash equivalents and other treasury investments	172,638	147,507	17.0%
- Treasury current account	*140,923*	*132,919*	*6.0%*
- Reserve requirement	*1,710*	*1,213*	*41.0%*
- Other liquidity and deposits - Separate Account	*2,471*	*2,397*	*3.1%*
- Repurchase agreements	*24,398*	*8,264*	*195.2%*
- Deposits (assets) - Ordinary Account	*1,453*	*1,313*	*10.7%*
- Deposits (assets) on Credit Support Annex transactions	*1,682*	*1,401*	*20.0%*
Debt securities	26,498	23,054	14.9%
- Separate Account	*25,503*	*22,083*	*15.5%*
- Ordinary Account	*995*	*971*	*2.5%*
Total	**199,136**	**170,561**	**16.8%**

Stock of short-term funding

(millions of euros)

	30/06/2014	31/12/2013	% change
Short-term funding from banks	17,057	19,367	-11.9%
- Deposits and repurchase agreements Separate Account	*15,030*	*17,380*	*-13.5%*
- Deposits and repurchase agreements Ordinary Account	*1,472*	*1,463*	*0.6%*
- Deposits (liabilities) on Credit Support Annex transactions	*555*	*524*	*5.9%*
Short-term funding from customers	38,765	13,364	190.1%
- Investee companies deposits	*5,765*	*3,364*	*71.4%*
- OPTES Funding	*33,000*	*10,000*	*230.0%*
Total	**55,822**	**32,731**	**70.5%**
Net interbank position - Ordinary Account	-18	-150	-87.9%
Net deposits on Credit Support Annex transactions	1,127	877	28.5%

At 30 June 2014, the balance on the current account with the Central State Treasury, where CDP funding through the Separate Account is deposited, stood at about €140.9 billion, up from year-end 2013 (€132.9 billion) despite the continuation of the early repayment of the LTRO programme. This increase is due mainly to the (i) progressive concentration of the treasury of the subsidiaries, (ii) the EMTN issues and (iii) the sale of a number of capital gain government securities.

As regards OPTES operations, in the first half of 2014 CDP, as recognised counterparty in the liquidity management operations of the MEF, carried out funding transactions for a total daily average of about €17.2 billion (with a balance of €33 billion at 30 June 2014). While maintaining financial equilibrium, the liquidity was used as follows: i) to meet reserve requirements; ii) to carry out repurchase transactions to invest short-term liquidity with Italian government securities as collateral and (iii) to invest in Italian government securities. Following the monetary policy operations carried out by the European Central Bank in early June and the need of the MEF to invest its liquidity on the money market, the volume of OPTES operations rose significantly compared to the past.

The liquidity deposited for the reserve requirement came to €1,710 million at 30 June 2014, against a reserve requirement, which has already been met and stood at around €2,500 million for the final maintenance period of the first half of 2014. The liabilities of CDP that are subject to the reserve requirement are those that have a maturity of or are payable with notice of up to two years, with the exception of liabilities with credit institutions that are subject to the ECB's reserve requirements. The management of the reserve requirement is designed to ensure the accounting separation of the Separate Account and the Ordinary Account.

As regards the deposits for credit support annex (CSA) transactions, which were established under guarantee agreements to limit the counterparty risk associated with transactions in derivative instruments, as at 30 June 2014 there was a net creditor balance of €1,127 million, up compared with the balance posted at the end of 2013 (€877 million). This change is attributable to the change in fair value of the derivative instruments associated with these deposits. CSA deposits are also managed in a manner that ensures accounting separation between the two Accounts.

With reference to deposits and reverse repurchase agreements, in the first half of 2014, the early repayment plan of the three-year ECB refinancing operations (LTROs) continued. Specifically, in the reporting period, repayment in the Separate Account totalled approximately 3.8 billion, bringing the total stock to approximately €14.6 billion, of which €13.6 billion in the Separate Account and €1 billion in the Ordinary Account.

As part of the management and coordination activities, the progressive centralisation of operations concerning the liquidity of subsidiaries is continuing. At 30 June 2014 the balance of deposits of subsidiaries included amounts deposited by FSI for €2,791 million, by SACE for €1,315 million, by Fintecna for €1,237 million and, to a lesser degree, by CDP Reti and IQ. The change compared with year-end 2013 is attributable to the payment made by Fintecna following the signing of a deposit agreement in June and to the increase recorded by SACE and FSI deposits.

As regards short-term funding, starting from April 2014 CDP launched a programme of Multi-Currency Commercial Papers to be issued up to a maximum of €3 billion for institutional investors. Operations of this instrument started in the month of July.

For short-term treasury management operations under the Ordinary Account, CDP uses money market instruments such as deposits and repurchase agreements in order to optimise the timing and cost of consolidation with medium and long-term funding. To invest any excess liquidity, CDP uses deposits with banks with high credit ratings and short-term Italian government securities. The net position on the money market at the end of June 2014 came to a negative €18 million, compared with the net negative €150 million at the end of 2013. This was attributable to repurchase agreements that partially finance the portfolio of Italian government securities assigned to the above-mentioned Account. The liabilities for repurchase agreements are balanced by investments in government securities totalling €985 million.

As regards the securities portfolio, in June 2014, the balance amounted to €26.5 billion, up from year-end 2013 (+15%; €23 billion) due to new purchases mainly with a long-term maturity. Net of the securities invested for OPTES funding (about €5 billion), the balance amounts to €21 billion, down by 8% mainly as a result of the sale of part of the government securities previously purchased.

3.1.5.2. Developments in medium and long-term funding

After the extension of the Euro Medium Term Notes programme of CDP to the Separate Account in 2013, aimed at diversifying the funding sources, new issues in the first half of 2014 came to a total nominal value of €2,200 million, entirely under the Separate Account. The characteristics of the issues carried out in 2014 are shown in the table below.

Flow of medium/long-term funding

(millions of euros)

EMTN programme	Date of issue/funding	Nominal value	Financial Characteristics
Issue (maturity date 12-Feb-2019)	12-feb-14	750	FR 2.375%
Issue (maturity date 25-Mar-2024)	25-mar-14	250	FR 3.96/CMS20Y%
Issue (maturity date 31-May-2021)	29-mag-14	750	FR 2.75%
Issue (maturity date 25-Mar-2024)	25-giu-14	150	FR 3.96/CMS20Y%
Issue (maturity date 30-Jun-2017)	30-giu-14	300	EUR3M + 0.80%
Total		**2,200**	
- Of which under the Separate Account		2,200	
- Of which under the Ordinary Account		-	

The second benchmark-sized issue at the end of May followed a roadshow to Europe's main financial centres, which showed that there was great interest in the securities issued by CDP, as testified by the issue's results (62% allocated to foreign investors and orders totalling more than €1.5 billion). The roadshow is part of CDP's new funding strategy among institutional investors. It is aimed at allowing the company to achieve the status of regular issuer on international markets and to promote a transparent and liquid secondary market.

As regards the credit facilities granted by the European Investment Bank (EIB), during the first half of 2014 a new project finance agreement was signed to finance a motorway project totalling €700 million (Separate Account). The credit line was fully disbursed in the month of March. During the reporting period CDP also requested and obtained two new disbursements on credit facilities in the amount of €20 million, under the Separate Account, as funding to the 2012 Earthquake Moratorium fund, bringing EIB disbursements to a total of €720 million. The characteristics of these credit facilities are shown below.

Flow of medium/long-term funding

(millions of euros)

EIB credit facilities	Date of issue/funding	Nominal value
Draw (maturity date 31-Dec-2021)	18-mar-14	700
Draw (maturity date 30-Jun-2039)	10-apr-14	19
Draw (maturity date 30-Jun-2034)	10-apr-14	1
Total		**720**
- Of which under the Separate Account		720
- Of which under the Ordinary Account		-

During the year, the early repayment of two EIB loans under the Ordinary Account for a total amount of approximately €400 million brought net funding from these operations to €320 million.

Finally, in May 2014, CDP signed a new agreement with the European Investment Bank for a credit line of up to €500 million to fund projects submitted by SMEs and networks of enterprises.

For the sake of full disclosure, the table below shows CDP's overall position in medium and long-term funding at 30 June 2014, compared with the end of 2013, by product type.

Stock of medium/long-term funding

(millions of euros)

	30/06/2014	31/12/2013	% change
Medium/long-term funding from banks	**3,629**	**3,366**	**7.8%**
EIB credit facilities	3,629	3,366	7.8%
- of which Separate Account	*1,070*	*350*	*205.7%*
- of which Ordinary Account	*2,559*	*3,016*	*-15.2%*
Bond funding	**8,451**	**6,782**	**24.6%**
EMTN programme	8,451	6,782	24.6%
- Securities issued	*8,475*	*6,801*	*24.6%*
- of which Separate Account	*4,555*	*2,355*	*93.4%*
- of which Ordinary Account	*3,920*	*4,446*	*-11.8%*
- IAS/IFRS adjustment	*(23)*	*(19)*	*25.2%*
Total medium/long-term funding from banks and bond funding	**12,080**	**10,148**	**19.0%**

In all, at 30 June 2014 medium-to-long term funding recorded a significant increase compared with year-end 2013, amounting to €12,080 million, of which €8,451 million for securities and €3,629 million for medium-to-long term funding from banks. Including short-term funding, funding from banks amounted to €20,686 million at 30 June 2014.

3.1.5.3. DEVELOPMENTS IN POSTAL SAVINGS

At 30 June 2014, the total stock of postal savings, including passbook savings accounts and savings bonds pertaining to CDP, came to €244,770 million, compared with €242,417 million at the end of 2013, an increase of about 1%.

More specifically, the carrying amount of postal passbook savings accounts reached €108,733 million, while savings bonds, which are measured at amortised cost, came to €136,037 million.

Stock of postal savings

(millions of euros)

	30/06/2014	31/12/2013	% change
Passbook savings accounts	108,733	106,920	1.7%
Postal savings bonds	136,037	135,497	0.4%
Total	**244,770**	**242,417**	**1.0%**

The increase in postal savings was mainly due to the increase in net funding that CDP posted in passbook accounts.

Postal savings remains a major component of household savings. Specifically, in early 2014, the weight of postal savings on total household financial assets in the form of bank deposits (current accounts, deposits and bonds), asset management, government securities and life insurances remained stable, and stood at 14.2% at March 2014.

Net funding from passbooks was a positive €1,387 million, down compared to 2013, when net funding came to a positive €3,446 million, particularly as a result of the success achieved by Smart passbooks during the launch of the product. Also in 2014, Smart passbooks accounted for a substantial part of the positive net funding amounting to €8 billion, of which about €4.4 billion through migration from Ordinary Passbooks.

The following table shows a breakdown of net funding from passbooks, by product type.

Passbook accounts - Net funding

(millions of euros)

	Deposits	Withdrawals	Net funding 1st half 2014	Net funding 1st half 2013
Registered passbook accounts	50,212	48,816	1,395	3,457
- Ordinary	*36,738*	*43,316*	*-6,578*	*-9,238*
- SMART ordinary	*12,838*	*5,060*	*7,777*	*12,316*
- Time deposits	*-*	*0.02*	*-0.02*	*-0.01*
- Minors	*407*	*234*	*174*	*118*
- Judicial	*228*	*206*	*22*	*262*
Bearer passbook accounts	2	10	-8	-10
- Ordinary	*2*	*10*	*-8*	*-10*
- Time deposits	*-*	*0.003*	*-0.003*	*-0.001*
Total	**50,213**	**48,826**	**1,387**	**3,446**

Note: The net funding figures include transfers between passbook accounts

Gross subscriptions of savings bonds in the first half of 2014 came to €5,681 million, a decline from 2013 (€14,358 million) due to decreased repayments. The types of postal savings bonds that posted increased subscription volumes were 3x4 bonds (33% of total subscriptions), bonds indexed to Italian inflation (19% of total subscription) and *Fedeltà* bonds (11% of total subscription).

As regards the expansion of the range of postal savings products offered by CDP, in the first half of 2014, the renewed offering of the Smart passbook, the launch of the "risparmiodisicuro" savings programme, which allows for the automatic subscription of paperless bonds, the launch of the 3x4RisparmiNuovi bond, aimed at people who invest new liquidity, which has replaced the RisparmiNuovi[19] bond and, after the temporary suspension in 2013, the resumed placement of the 3x4 Fedeltà bond, which has replaced the Fedeltà bond and is aimed at holders of bonds about to reach maturity.

For reasons related to the optimisation of the range of products offered, some of the bonds offered by CDP were no longer subscribable at the reporting date, specifically the Fixed-term bonds, the Indexed bonds, Premia bonds, 18-month Plus bonds, 7Insieme bonds, 2-year Plus bonds, 3 year Plus bond and the Renditalia bond.

19 The two products differ solely for the financial characteristics and term.

Postal savings bonds - CDP net funding

(millions of euros)

	Subscriptions	Redemptions	Net funding 1st half 2014	Net funding 1st half 2013	% change
Ordinary bonds	473	2,199	-1,726	-2,518	-31.5%
Fixed-term bonds	0.2	24	-24	-37	-36.0%
Indexed bonds	-	995	-995	-1,075	-7.4%
BFPPremia bonds	-	200	-200	-676	-70.5%
Italian inflation indexed bonds	1,092	977	114	494	-76.9%
Bonds for minors	325	127	198	244	-18.8%
18-Month bonds	368	562	-194	-3,771	-94.9%
18-Month Plus bonds	0.02	484	-484	-6,078	-92.0%
BFP3x4 bonds	1,865	386	1,478	5,182	-71.5%
7Insieme bonds	170	47	123	163	-24.5%
3-year Plus bonds	-	142	-142	-118	20.0%
2-year Plus bonds	-	913	-913	357	n/s
BFP *Fedeltà* bonds	431	165	266	2,170	-87.7%
BFP3x4 *Fedeltà* bonds	186	36	150	1,791	-91.6%
BFP *Renditalia* bonds	132	35	97	211	-54.0%
BFP *Europa* bonds	323	17	306	39	675.3%
BFP *Impresa* bonds	14	6	7	14	-47.0%
BFP *RisparmiNuovi* bonds	220	54	166	118	40.6%
BFP Eredità Sicura bonds	15	5	10	-	n/s
BFP 3X4RisparmiNuovi	68	1	67	-	n/s
Total	**5,681**	**7,375**	**-1,694**	**-3,490**	**-51.5%**

Net CDP funding from savings bonds came to a negative €1,694 million, up from 2013 when funding was negative at €3,490 million. In 2014, this result is mainly due to the high volume of redemptions at the same time that the 18-month, 18-month Plus and 2-year Plus bonds, predominantly paperless, are maturing, being only partially offset by reinvestment in new bonds. For bonds pertaining to the MEF, on the other hand, redemptions came to €3,042 million, substantially in line with 2013 (€3,331 million). As a result, total net redemptions of savings bonds (both CDP and MEF) for the first half of 2014 came to €4,736 million, compared with negative net redemptions of €6,822 million in 2013.

Postal savings bonds - Total net funding (CDP+MEF)

(millions of euros)

	CDP net funding	MEF redemptions	Net funding 1st half 2014	Net funding 1st half 2013	% change
Ordinary bonds	-1,726	2,895	-4,621	-5,529	-16.4%
Fixed-term bonds	-24	148	-171	-358	-52.1%
Indexed bonds	-995	-	-995	-1,075	-7.4%
BFPPremia bonds	-200	-	-200	-676	-70.5%
Italian inflation indexed bonds	114	-	114	494	-76.9%
Bonds for minors	198	-	198	244	-18.8%
18-Month bonds	-194	-	-194	-3,771	-94.9%
18-Month Plus bonds	-484	-	-484	-6,078	-92.0%
BFP3x4 bonds	1,478	-	1,478	5,182	-71.5%
7Insieme bonds	123	-	123	163	-24.5%
3-year Plus bonds	-142	-	-142	-118	20.0%
2-year Plus bonds	-913	-	-913	357	n/s
BFP *Fedeltà* bonds	266	-	266	2,170	-87.7%
BFP3x4 *Fedeltà* bonds	150	-	150	1,791	-91.6%
BFP *Renditalia* bonds	97	-	97	211	-54.0%
BFP *Europa* bonds	306	-	306	39	675.3%
BFP *Impresa* bonds	7	-	7	14	-47.0%
BFP *RisparmiNuovi* bonds	166	-	166	118	40.6%
BFP Eredità Sicura bonds	10	-	10	-	n/s
BFP 3X4RisparmiNuovi	67	-	67	-	n/s
Total	**-1,694**	**3,042**	**-4,736**	**-6,822**	**-30.6%**

Considering passbook accounts as well, total net funding (CDP+MEF) came to a negative €3,349 million, substantially in line with 2013 (negative at €3,375 million) although with a different contribution of postal passbook savings accounts and postal savings bonds. Of particular note is the fact that the overall net redemptions on savings bonds (CDP + MEF) were only partially offset by the positive net funding from passbooks.

Total net postal savings funding (CDP+MEF)

(millions of euros)

	Net funding 1st half 2014	Net funding 1st half 2013	% change
Postal savings bonds	**-4,736**	**-6,822**	**-30.6%**
- of which: pertaining to CDP	*-1,694*	*-3,490*	*-51.5%*
- of which: pertaining to MEF	*-3,042*	*-3,331*	*-8.7%*
Passbook savings accounts	1,387	3,446	-59.7%
CDP net funding	-306	-44	599.6%
MEF net funding	-3,042	-3,331	-8.7%
Total	**-3,349**	**-3,375**	**-0.8%**

3.1.6. THE TREASURY AND FUNDING ACTIVITIES OF THE FINTECNA GROUP

Funding of the Fintecna Group amounted to about €1.4 billion and was entirely attributable to the Fincantieri Group. Specifically, €717 million represents current funding (including so-called “construction loans” of the VARD Group) while €288 million are medium-to-long term bank loans. The remaining amount of about €400 million consists of €300 million from the 5-year bond issued in the second half of 2013 and from the residual debt in respect of the subsidiary Orizzonte Sistemi Navali.

Compared to 2013, the change in the group's net funding is mainly attributable to: the increase in the short-term loans from banks amounting to about 82 million and the increased exposure of the subsidiary Orizzonte Sistemi Navali S.p.A. equivalent to about €72 million.

At 30 June 2014, the balance of cash and cash equivalents and debt securities of the Fintecna Group totalled about €1.8 billion. In the first half of 2014, the composition of this aggregate significantly changed compared with year-end 2013 due to the following operations:

- elimination of debt securities due to: (i) transfer of the entire government securities portfolio equivalent to €800 million in the first quarter of 2014; (ii) maturity of the Veneto Banca and Dexia Crediop bonds totalling €270 million;
- transfer to the parent company of about €1.2 billion under banking cash equivalents in compliance with the Guidelines for Treasury Operations;
- distribution to the shareholder CDP of an ordinary dividend equivalent to €100 million;
- payment to MEF of the amount due for the purchase of the assets of former Sir Committee by Ligestra Tre.

Stock of investments of financial resources

(millions of euros)

	30/06/2014	31/12/2013	% change
Cash and cash equivalents and other treasury investments	1,791	930	92.6%
Debt securities	7	1,070	n/s
Total	**1,798**	**2,000**	**-10.1%**

3.1.7. The treasury activities of the SACE Group

The purpose of the financial operations of the SACE Group is to manage a range of risks through the application of asset-liability management methods. In doing so, the Group has successfully kept within the risk limits set for each of its subsidiaries and for each type of investment.

The limits are set to ensure that assets are managed prudently and effectively, with a view to governing risk and keeping it within predetermined parameters. Value-at-Risk models are used to measure capital requirements.

At 30 June 2014, the balance of cash and cash equivalents and other treasury investments of SACE was about €2.4 billion consisting of: (i) approximately €440 million in current accounts held with banks, (ii) about €1.3 billion in time deposits with the parent company, and (iii) about €660 million in units of investment funds and investment vehicles and to a lesser extent in shares. The overall balance of debt securities was €2.7 billion, which, compared with 31 December 2013, recorded a decrease of about 27% as a result of the redemption of government securities worth €1.1 billion net of new investments in notes equivalent to about €92 million.

Stock of investments of financial resources

(millions of euros)

	30/06/2014	31/12/2013	% change
Cash and cash equivalents and other treasury investments	2,415	1,794	34.6%
of which treasury equity investments	662	787	-15.9%
Debt securities	2,748	3,746	-26.6%
Total	**5,163**	**5,540**	**-6.8%**

3.2. THE TERNA GROUP

NATIONAL TRANSMISSION GRID

The number of NTG plants belonging to the Terna Group at 30 June 2014, compared with 31 December 2013, is shown in the following table:

Number of plants	Terna Group		
	30/06/2014	31/12/2013	Change
No. of stations	478	475	+3
No. of transformers	653	651	+2
MVA	139,702	138,719	+983
No. of bays	5,123	5,105	+18
Lines km	57,648	57,539	+109
No. of 3-phase power lines	4,114	4,108	+6
km	63,768	63,594	+174

DEVELOPMENT OF THE NATIONAL TRANSMISSION GRID

Terna has drawn up the 2014 Transmission Grid Development Plan ("PdS") with the works planned in the 2014-2023 period and the progress of development works planned in previous years. The document describes the reference framework, the objectives and the criteria used in planning the Transmission Grid, the new development needs that emerged in 2013, action priorities and the expected results of implementation of the Development Plan.

In compliance with the Ministerial Decree of 20 April 2005 (regarding the concession, as amended by decree of the Ministry for Economic Development of 15 December 2010) and Legislative Decree 93/2011, the approval of the Development Plan follows an elaborate process; the consultation phase with the competent authorities for the 2013 and 2014 Plans is scheduled to be carried out in the period from July to October 2014.

The 2014 Development Plan provides for about €8.1 billion in investments, thanks to which efficiency gains for the electrical system will reduce costs by more than €1.4 billion a year. In addition, implementation of the Plan will expand the NTG by more than 4,500 km of new power lines and more than 110 new transformer stations with new transformation capacity of about 17,000 MVA.

The 2014 edition of the European Ten-Year Network Development Plan (TYNDP 2014) is being prepared under the ENTSO-E (European Network of Transmission System Operators for Electricity), as envisaged under the EU Regulation for the Third Energy Package.

WORK PERFORMED DURING THE PERIOD

With reference to investment in regulated activities for the year, the main ones related to:

- progress of works on the "Sorgente-Rizziconi": with reference to the power lines and cables in Calabria, the foundations and installations of the pylons of the Rizziconi – Scilla power line were completed, while the stringing activities are in an advanced phase; the excavation in the Favazzina tunnel are also continuing. As regards Sicily, the construction of the foundations and the installation of the pylons along the Villafranca – Sorgente power line as well as the stringing activities are in an advanced phase. As regards the power stations in Calabria, the new 380-kV metal-clad section was completed and tested in Scilla and the activities for the construction of the second 150-kV section were started; in Sicily, in Villafranca, the construction of the retaining walls and of the prefabricated buildings was completed and the installation of the 380-kV metal-clad section and equipment was started;
- 380kV Foggia-Benevento II power line: the 380-kV Foggia – Benevento II power line of over 90 km was completed;
- reorganisation of the 220-kV grid of the City of Naples: as regards of the power lines/cables, the laying of the Fratta-Gricignano cable was completed, while the connections are currently being executed; the final design of the Poggioreale–Secondigliano cable connection and the preparation of the preliminary design for authorisation of the Castelluccia–San Sebastiano cable connection are in progress; the activities for the construction of the Casalnuovo – Acerra cable connection are continuing. With reference to the power stations, the installation of a shunt reactor at the Castelluccia power station was completed, as well as the works to activate the ATR 380/220kV in Santa Maria Capua a Vetere;
- 380-kV Trino-Lacchiarella power line: the works on the main power line were completed (about 100 km between Piedmont and Lombardy);

- Codrongianos synchronous compensator power station: the construction of the civil works and prefabricated buildings was completed, while the installation of the first compensator and step-up transformer is near completion;
- 380-kV Udine Ovest-Redipuglia power line: as regards the power stations, the work on the site was completed while the construction of the civil works and prefabricated buildings are in progress and the electromechanical assembly works have been started. As regards the power lines/cables, the contracts have been awarded and the preliminary works for the opening of the construction sites have been started;
- Italy-Montenegro interconnection: the final design activities for the cable connection and the transformation power stations are continuing; the work on the site of the Cepagatti transformer station is near completion.

4. FINANCIAL POSITION AND PERFORMANCE

4.1. PARENT COMPANY

The financial position and performance of the parent company at 30 June 2014 is presented below. In order to facilitate understanding of the results for the period, the analysis of the balance sheet and income statement uses the statements reclassified based on operational criteria.

4.1.1. RECLASSIFIED BALANCE SHEET

4.1.1.1. ASSETS

The assets of the parent company from the reclassified balance sheet at 30 June 2014 can be grouped into the following aggregates:

Reclassified balance sheet

(millions of euros)

	30/06/2014	31/12/2013	% change
ASSETS			
Cash and cash equivalents and other treasury investments	172,638	147,507	17.0%
Loans to customers and banks	102,591	103,211	-0.6%
Debt securities	26,498	23,054	14.9%
Equity investments and shares	32,788	32,693	0.3%
Assets held for trading and hedging derivatives	930	798	16.6%
Property, plant and equipment and intangible assets	229	224	2.2%
Accrued income, prepaid expenses and other non-interest-bearing assets	5,526	5,558	-0.6%
Other assets	1,033	1,640	-37.0%
Total assets	**342,233**	**314,685**	**8.8%**

At the end of the period, total assets came to about €342 billion, a 9% increase from the end of the previous year, when the total was about €315 billion. This trend is mainly the result of increased OPTES operations, of which the balance at 30 June 2014 was particularly high, totalling €33 billion (versus €10 billion in 2013).

The stock of cash and cash equivalents (with the available balance on the treasury account equal to €141 billion) amounted to €173 billion, an increase of 17% over the end of 2013. Net of OPTES operations (whose balance grew almost three-fold compared with 2013, totalling €28 billion), the balance is equivalent to €145 billion, up by over 5% (versus more than €137 billion in 2013) despite the continuation of the early repayment of the LTRO programme. This increase is due mainly to the (i) progressive concentration of the treasury of the subsidiaries, (ii) the EMTN issues and (iii) the sale of a number of government securities previously purchased.

The stock of loans to customers and banks, equivalent to about €103 billion, was stable compared with year-end 2013 (-0.6%, but nonetheless better than the trend in bank lending to general government and firms).

Debt securities totalled over €26 billion, a substantial increase compared with the end of 2013 (+15; €23 billion). Net of OPTES operations (about €5 billion), the balance amounts to €21 billion, down by 8% mainly as a result of the sale of part of the government securities.

At 30 June 2014, the carrying amount of equity investments and shares was equal to about €33 billion, in line with year-end 2013.

Assets held for trading and hedging derivatives increased by +17% compared with the end of 2013. This aggregate reports the fair value (if positive) of derivative instruments used for hedging, which includes operational hedge positions that are not recognised as hedging derivatives for accounting purposes: at 30 June 2014 the change is mainly due to the increase in the positive fair value of the hedged bond funding.

The total balance of property, plant and equipment and intangible assets came to €229 million, of which €223 million in property, plant and equipment and the remainder in intangible assets. The increase was attributable to a larger volume of investments made during in the first half of 2014 compared with the depreciation and amortisation charge recognised during the period on existing assets. In this regard, there was a sharp increase in capital expenditure in the period (equal to more than €8.5 million in the first half of 2014, compared with €5 million in the same period of 2013) mainly as a result of an increase in expenditure for renovations of owned buildings.

The aggregate "Accrued income, prepaid expenses and other non-interest-bearing assets" was basically stable compared with 2013, equivalent to €5.5 billion. This performance was mainly attributable to: (i) the decrease in loans falling due to be settled with interest accrued on cash and cash equivalents yet to be collected; (ii) the increase in instalments falling due on 30 June 2014 and not yet collected; (iii) an increase in the fair value of loans hedged for financial risks using derivative instruments, which, as discussed below, is matched by an increase in the negative fair value of the related hedging derivatives.

Finally, other assets, which include current and deferred tax assets, payments on account for withholding tax on interest on postal passbooks and other sundry assets, equivalent to €1,033 million, decreased compared with €1,640 million in 2013 due to increased advance payments for IRES tax and IRAP tax (in the amount of 130% calculated on the already high amount of tax for 2012) which characterised the previous year.

4.1.1.2. LIABILITIES AND EQUITY

The reclassified liabilities and equity of CDP at 30 June 2014 can be grouped into the following aggregates:

Reclassified balance sheet

(millions of euros)

	30/06/2014	31/12/2013	% change
LIABILITIES AND EQUITY			
Funding	319,234	291,939	9.3%
- of which: postal funding	*244,770*	*242,417*	*1.0%*
- of which: funding from banks	*20,686*	*22,734*	*-9.0%*
- of which: funding from customers	*45,327*	*20,007*	*126.6%*
- of which: funding from bonds	*8,451*	*6,782*	*24.6%*
Liabilities held for trading and hedging derivatives	2,374	1,946	22.0%
Accrued expenses, deferred income and other non-interest-bearing liabilities	850	497	70.9%
Other liabilities	1,091	1,480	-26.3%
Provisions, taxes and staff severance pay	178	685	-74.0%
Equity	18,506	18,138	2.0%
Total liabilities and equity	**342,233**	**314,685**	**8.8%**

Total funding at 30 June 2014 came to €319 billion (+9.3% from the end of 2013). Within this aggregate, postal funding continued to grow (up 1% from the end of 2013), due to interest accrued versus slightly negative net funding; with the stock, which comprises passbook savings accounts and postal savings bonds, amounting to about €245 billion.

Also contributing to the balance of funding, albeit to a lesser extent, were the following components:

- funding from banks, which fell from over €23 billion in 2013 to about €21 billion in June 2014, mainly due to the continuation of the early recovery plan for the ECB LTRO loan (the total repayment made during the half year was around €3.8 billion), only partially offset by draws on EIB credit lines and repurchase agreements;

- funding from customers, which more than doubled compared with the end of 2013 to over €45 billion; this performance was mainly attributable (i) stock generated by OPTES operations totalling €33 billion (the balance was equivalent to €10 billion at the end of 2013); (ii) increased funding resulting from the progressive concentration of the treasury of the subsidiaries;
- bond funding grew by 25% compared with year-end 2013, reaching over €8 billion, mainly due to EMTN issues equivalent to €2.2 billion.

Liabilities held for trading and hedging derivatives posted an increase compared with the end of 2013 (+22%) to stand at €2,374 million. The aggregate includes the fair value (if negative) of derivative instruments used for hedging, including operational hedges that are not recognised as hedge positions for accounting purposes. This trend was mainly the result of the increased negative fair value of the hedging derivatives.

Accrued expenses, deferred income and other non-interest-bearing liabilities, amounting to €850 million, increased by 71% compared with the figure at the end of 2013 due to the combined effect of greater accrued expenses and the increase in fair value of the hedged bond funding.

Developments in the other aggregates can be summarised as follows: (i) the decrease in other liabilities, the stock of which totalled €1,091 million at the end of the period, mainly due the decline in the liability in respect of Poste Italiane for the remuneration of fund-raising services in the postal savings system; (ii) the decrease (-74%) in provisions for contingencies, taxes and staff severance pay due to decreased current tax liabilities.

Finally, equity at 30 June 2014 came to €18.5 billion. The increase over the end of 2013 (+2%) was due to the combined impact of net income for the period (€1,203 million), only partially offset by dividends paid to shareholders in the period in respect of 2013 net income.

4.1.1.3. BALANCE SHEET RATIOS

Main indicators (reclassified data)

	2014	2013
Loans to customers and banks/Total assets	30.0%	32.8%
Loans to customers and banks/Postal funding	41.9%	42.6%
Equity investments and shares/Equity	1.77x	1.80x
Gross bad debts and substandard loans/Gross loans to customers and banks	0.307%	0.292%
Net bad debts and substandard loans/Net loans to customers and banks	0.188%	0.196%
Net writedowns/Net loans to customers and banks	0.023%	0.039%

In the first half of 2014, funding from postal savings grew slightly, in contrast to the trend registered in the stock of loans to customers and banks, thereby leaving the ratio of the stock of postal savings funding to total loans to customers and banks essentially unchanged.

The ratio of equity investments and shares to the company's total equity decreased as a result of an increase in the denominator due to the net income (net of dividends paid to shareholders) proportionately larger than the increase generated in the numerator by the new investments made by CDP.

The credit quality of CDP's loan portfolio remains very high and its risk profile moderate, as shown by the very low cost of credit.

4.1.2. RECLASSIFIED INCOME STATEMENT

4.1.2.1. FINANCIAL PERFORMANCE

The following analysis of CDP's performance is based on an income statement that has been reclassified on the basis of operational criteria, and specifically:

Reclassified income statement

(millions of euros)

	1st half 2014	1st half 2013	Change (+ / -)	% change
Net interest income	**714**	**1,512**	**(798)**	**-52.8%**
Dividends and gains (losses) on equity investments	1,318	1,390	(72)	-5.2%
Net commissions	(835)	(825)	(10)	1.2%
Other net costs and revenues	165	33	132	399.9%
Gross income	**1,362**	**2,110**	**(748)**	**-35.4%**
Net writedowns	(26)	(11)	(14)	126.9%
Overheads	(55)	(52)	(3)	5.0%
of which: administrative expenses	*(51)*	*(48)*	*(3)*	*5.6%*
Operating income	**1,287**	**2,052**	**(765)**	**-37.3%**
Net income	**1,203**	**1,731**	**(528)**	**-30.5%**

The results achieved in the first half of 2014 showed a decrease in net income due to the drop in the net interest income. Net of non-recurring factors, net income would have been substantially unchanged compared with 2013 due to the contribution of investments and measures adopted to partly mitigate the reduced net interest income.

Net interest income was equivalent to €714 million, down by about 53% compared with the same period of 2013. In a market situation marked by a significant drop in interest rates, this trend is mainly the result of decreases in the Treasury current account interest rate, which has reached record lows following the changes brought about by the Ministerial Decree of 28 May 2014[20] concerning the methods for calculating the yield of funds.

The performance of the net interest income was partially offset in terms of gross income through the sale of a limited portion of the portfolio of capital gain securities and the contribution of the dividends from investments, which basically offset the extraordinary dividend paid by Fintecna (net of impairment) in the first half of 2013.

Overhead costs comprise staff costs and other administrative expenses, as well as value adjustments of property, plant and equipment and intangible assets.

20 The Ministerial Decree enacted the changes introduced by Decree Law 66 of 24 April 2014 ("Spending review"), which under Article 12, para. 1, modified the yield of the current account with the Central State Treasury of the separate account. Specifically, while the parameters for the benchmark parameters of the yield (mean interest rate of Italian treasury bills (BOT) and that of the Rendistato index) remain unchanged, the period for their measurement has changed from the previous six-month period to the "six-month period of validity of the yield”. The retroactive effect of the Ministerial Decree resulted in a yield of current account no. 29814 with the Central State Treasury of 1.44% in the first half of 2014.

Breakdown of overheads

(thousands of euros)

	1st half 2014	1st half 2013	Change (+ / -)	% change
Staff costs	**28,723**	**27,014**	**1,708**	**6.3%**
Other administrative expenses	**22,023**	**20,625**	**1,398**	**6.8%**
Professional and financial services	3,566	2,158	1,409	65.3%
IT expenses	10,223	8,605	1,619	18.8%
General services	3,264	3,678	(414)	-11.3%
Publicity and marketing expenses	777	723	54	7.5%
- of which for mandatory publicity	*322*	*430*	*(108)*	*-25.1%*
Information resources and databases	807	781	26	3.4%
Utilities, taxes and other expenses	3,257	4,530	(1,273)	-28.1%
Corporate bodies expenses	128	151	(22)	-14.9%
Total net administrative expenses	**50,746**	**47,639**	**3,106**	**6.5%**
Expenses rebilled to third parties	178	578	(400)	-69.2%
Total administrative expenses	**50,924**	**48,217**	**2,707**	**5.6%**
Net adjustments of property, plant and equipment and intangible assets	3,604	3,719	(115)	-3.1%
Grand total	**54,527**	**51,936**	**2,591**	**5.0%**

Staff costs in the first half of 2014 came to €29 million, an increase of 6% compared with the same period of 2013. The increase mainly reflects the expansion in the workforce as envisaged in the 2013-2015 Business Plan, ordinary wage developments and higher expenses for employee services.

Other administrative expenses also increased, reflecting the continuing initiatives contained in the Business Plan. The change was primarily the result of: (i) greater expenses incurred by the bond emission programme due to the change in the accrual of the costs in time compared with the same period of 2013; (ii) higher IT expenses due to the acceleration in spending on the technological innovation projects envisaged in the 2013-2015 Business Plan; (iii) increased expenses connected with renovation of the Company’s buildings.

Finally, net income accrued in the period was equivalent to €1,203 million, down compared with €1,731 million in the first half of 2013.

Net of non-recurring factors relating (i) to the change in the method for calculating the yield of the current account with the Central State Treasury for fiscal year 2014 and (ii) to extraordinary dividends for the financial year 2013 received by Fintecna and the related impairments on equity investments, there was a net income for the first half of 2014 of about €1,454 million, in line with the proforma net income in the first half of 2013.

Reclassified income data - pro forma excluding non-recurring items

(millions of euros)

	1st half 2014	1st half 2013	Change (+ / -)	% change
Net interest income	**1,085**	**1,512**	**(427)**	**-28.2%**
Dividends and gains (losses) on equity investments	1,318	1,100	219	19.9%
Net commissions	(835)	(825)	(10)	1.2%
Other net costs and revenues	165	33	132	399.9%
Gross income	**1,733**	**1,820**	**(86)**	**-4.8%**
Net writedowns	(26)	(11)	(14)	126.9%
Overheads	(55)	(52)	(3)	5.0%
Operating income	**1,658**	**1,762**	**(104)**	**-5.9%**
Net income	**1,454**	**1,459**	**(6)**	**-0.4%**

4.1.2.2. PERFORMANCE INDICATORS

Analysing the indicators, there was a reduction in the spread between lending and funding rates, which went from about 130 basis points in June 2013 to about 60 basis points in the same period of 2014.

Despite the decline in financial income and the increase in overheads due to the plan for the expansion of the workforce and the IT infrastructure as envisaged in the Business Plan, the cost/income ratio remained very low (4.1%) and well within the targets set.

Finally, the return on equity (ROE) was down compared with the same period of 2013, from 20.6% to 13.3%, due to the trend in net income for the year.

Main indicators (reclassified data)

	2014*	2013*
Net interest income/Gross income	52.4%	71.6%
Net commissions/Gross income	-61.3%	-39.1%
Other revenues/Gross income	108.9%	67.4%
Commission expense/Postal funding	0.7%	0.7%
Spread on interest-bearing assets - liabilities	0.6%	1.3%
Cost/income ratio	4.1%	2.5%
Cost/income ratio (including commission expense on postal funding)	41.5%	30.4%
Net income/Opening equity (ROE)	13.3%	20.6%
Net income/Average equity (ROAE)	13.1%	20.2%

*** Annualised where material.**

4.2. THE IMPACT OF CONSOLIDATION

The financial position and performance of the CDP Group at 30 June 2014 is presented below, from an operational perspective, as specified below. For more detailed information on financial position and performance, please see the separate reports and financial statements of the other CDP Group companies, which contain all the accounting information and an analysis of the performance of these companies.

Specifically, in the operational presentation provided, Ansaldo Energia, the CDP Immobiliare Group, the Fintecna Group, Quadrante and the Terna Group are consolidated using the equity method rather than on a line-by-line basis. The aim of this is to aid understanding of the Group's earning performance, by eliminating the impact of the non-financial companies – whose scope of operations differ significantly from that of the parent company – from the amounts relating to the core business. The companies that are solely engaged in the management of equity investments have been consolidated on a line-by-line basis, with the equity investment held by these companies.

For the first time, the Group balances include the contribution of Ansaldo Energia (in the income statement), FSI Investimenti and FSIA.

The following section discusses the main changes in the financial aggregates of the CDP Group, with the exception of the aspects already presented with regard to the parent company.

For the sake of full disclosure, a schedule reconciling management accounts with the accounting statements is also provided.

4.2.1. RECLASSIFIED CONSOLIDATED BALANCE SHEET

The following table presents the situation of the CDP Group, with specific reporting of the contributions from the spheres of operations "Business and Finance Areas of the parent company" and "Group Companies, other equity investments and other". The first sphere includes the following Areas: Public Entities, Finance, Financing, Public Interest Lending and Economic Support of the parent company; the second sphere includes, in addition to the Equity Investments area of the parent company, the remaining Areas of the parent company (which perform activities of governance, policy, control and support) and all the other Group companies. The difference between the consolidated balances and those relating to the two spheres of operations reflects intercompany eliminations and consolidation adjustments.

Reclassified consolidated balance sheet

(millions of euros)

	30/06/2014				31/12/2013	% change
ASSETS	**CDP Group**	**Parent Company Business and Finance Areas**	**Group entities, other equity investments and other**	**Elimination/ adjustment**	**CDP Group**	
Cash and cash equivalents and other treasury investments	173,778	172,638	5,368	(4,228)	148,960	16.7%
Loans to customers and banks	105,453	102,318	3,408	(273)	105,963	-0.5%
Debt securities	29,121	26,498	2,760	(137)	26,672	9.2%
Equity investments and shares	26,716	-	39,712	(12,996)	26,269	1.7%
Reinsurers' share of technical provisions	79	-	79	-	82	-4.2%
Assets held for trading and hedging derivatives	931	930	7	(6)	807	15.4%
Property, plant and equipment and intangible assets	368	-	333	35	364	1.1%
Accrued income, prepaid expenses and other non-interest-bearing assets	5,558	5,526	46	(13)	5,613	-1.0%
Other assets	2,030	-	2,036	(6)	2,788	-27.2%
Total reclassified assets	**344,034**	**307,909**	**53,748**	**(17,623)**	**317,518**	**8.4%**
Total statutory assets	*366,689*				*340,467*	*7.7%*

At 30 June 2014, the total assets of the CDP Group came to about €344 billion, up about 8% compared with 31 December 2013.

The stock of cash and cash equivalents rose to nearly €174 billion (up more than €25 billion over the end of 2013). These include about €173 billion relating to the Business and Finance Areas of the parent company, which have been analysed above. In addition, this aggregate includes deposits and other liquid assets attributable to FSI and the SACE Group, totalling about €5.2 billion (of which €4.1 billion has been eliminated), as well as the cash held by CDP Reti and, in a smaller amount, by CDP GAS, amounting to about €155 million (eliminated up to an amount of €122 million). The change in the balance relates to: (i) increase in the deposit of FSI with the parent company amounting to about €340 million, mainly attributable to the liquidity resulting from the hedging transaction concerning Generali and to the disinvestment of the interest in Hera, offset in part by the investment in FSIA (€204 million) and Valvitalia (€151 million); (ii) increase in cash held by the SACE Group equivalent to about €620 million, mainly due to the disinvestment of part of the securities portfolio net of the effects of the distribution of the dividend on the 2013 net income (totalling €249 million); (iii) decrease equivalent to about €102 million in the deposit of the subsidiary CDP Reti with the parent company, mainly due to the distribution of dividends worth €284 million and the collection of dividends from SNAM worth €152 million.

The stock of loans to customers and banks at 30 June 2014 was essentially stable compared with the end of 2013 (-0.5%) and came to a total of €105 billion. The figure essentially relates to the Business and Finance Areas of the parent company, with the remainder (€3.4 billion) comprising the contribution of the SACE Group (about €2.4 billion), which is mainly related to the operations of SACE Fct (around €1.2 billion) and to receivables from foreign countries by subrogation. The aggregate also comprises the equity investments held by SIMEST totalling to about €450 million. The allocation of these equity investments under loans to customers and banks takes account of the characteristics of the SIMEST transactions, which include the obligation of the partner to repurchase the stake upon expiration of the agreements. Lastly, the aggregate includes the revolving shareholder loan granted by CDP GAS to TAG for the purpose of providing the company with financial support and analogous financing granted to CDP GAS by the parent company (the latter of which has been eliminated in consolidation), both amounting to about €270 million.

At 30 June 2014, debt securities amounted to about €29 billion, up 9% compared with the end of 2013. These include over €26 billion relating to the Business and Finance Areas of the parent company (to which the reader is referred). The remaining balance, of €2.8 billion, includes €2.7 billion attributable to the SACE Group (of which €135 million eliminated) and, to a lesser degree (€11 million, of which €2 million eliminated) to CDPI SGR. Excluding the parent company, the aggregate decreased by about €1 billion compared with 2013, due to the partial disinvestment of the securities portfolio of the SACE Group.

Equity investments and shares increased slightly compared with December 2013, reaching about €27 billion. The change in this aggregate, equivalent to €447 million, is mainly attributable to: (i) capital increase of the parent company in CDP Immobiliare and Quadrante equivalent to €70 million (eliminated in consolidation) and, to a residual extent, draws on the investment funds and investment vehicles (about €26 million); (ii) FSI (€274 million), relating to the equity investment in FSIA (€204 million, which was eliminated) and Valvitalia (€151 million), net of impairment (€78 million) of the equity investment in Generali caused by the drop in the value of the security; (iii) investment by FSIA in SIA worth €281 million; (iv) the valuation at equity of the equity investments held by CDP, CDP Reti and CDP GAS, respectively, in ENI, SNAM and TAG; and (v) the valuation at equity of the Terna Group, the Fintecna Group, the CDP Immobiliare Group, Quadrante and Ansaldo Energia. The change relating to these latter companies is attributable, for the amount pertaining to CDP, to the income generated in the period net of dividends paid (in the absence of dividends paid by CDP Immobiliare, Quadrante and Ansaldo Energia).

Reinsurers’ share of technical provisions, which include reinsurers’ commitments under reinsurance agreements with the SACE Group, were down by 4% compared with 31 December 2013 at about €79 million.

Assets held for trading and hedging derivatives amounted to €0.9 billion, up 15% over the figure at the end of 2013. The aggregate reports the fair value (if positive) of derivative instruments used for hedging, which includes operational hedges that are not recognised as such for accounting purposes. The balance is essentially attributable to the Business and Finance Areas of the parent company, to which the reader is referred.

Property, plant and equipment and intangible assets totalled almost €0.4 billion (of which €0.1 billion attributable to the SACE group and the remainder to the parent company), up 1% over the end of 2013.

Accrued income, prepaid expenses and other non-interest-bearing assets was substantially unchanged compared with year-end 2013, equivalent to about €5.6 billion. Readers are invited to consult the discussion of the Business and Finance Areas of the parent company for more information.

Finally, other assets amounted to about €2 billion, down about 27% from the end of 2013. In addition to items already described for the parent company, the balance includes: (i) for the SACE Group, tax assets and trade receivables totalling €0.4 billion; (ii) for the FIV – Extra Sub-Fund, the 40 properties, previously owned by the government and 6 local authorities, acquired on 30 December 2013. The decrease in the balance not attributable to the parent company, amounting to around €150 million, is mainly due to the tax assets of SACE and specifically to high advance payments for IRES tax and IRAP tax in 2013 compared with the current period.

Reclassified consolidated balance sheet

(millions of euros)

LIABILITIES AND EQUITY	30/06/2014 CDP Group	30/06/2014 Parent Company Business and Finance Areas	30/06/2014 Group entities, other equity investments and other	30/06/2014 Elimination/ adjustment	31/12/2013 CDP Group	% change
Funding	316,175	287,469	33,322	(4,616)	289,193	9.3%
- of which: postal funding	*244,768*	*213,926*	*30,844*	*(2)*	*242,417*	*1.0%*
- of which: funding from banks	*20,970*	*20,686*	*284*	*-*	*22,975*	*-8.7%*
- of which: funding from customers	*42,100*	*45,327*	*1,273*	*(4,500)*	*17,132*	*145.7%*
- of which: funding from bonds	*8,337*	*7,531*	*921*	*(114)*	*6,670*	*25.0%*
Liabilities held for trading and hedging derivatives	2,445	2,374	79	(8)	2,017	21.2%
Accrued expenses, deferred income and other non-interest-bearing liabilities	838	850	2	(13)	478	75.5%
Other liabilities	1,171	-	1,189	(17)	1,584	-26.1%
Insurance provisions	2,227	-	2,227	-	2,519	-11.6%
Provisions, taxes and staff severance pay	605	-	404	200	1,337	-54.8%
Equity	20,572	17,232	16,508	(13,169)	20,390	0.9%
- of which pertaining to the shareholders of the parent company	*19,484*				*19,295*	*1.0%*
Total liabilities and reclassified equity	**344,034**	**307,925**	**53,732**	**(17,623)**	**317,518**	**8.4%**
Total liabilities and statutory equity	*366,689*				*340,467*	*7.7%*

Total funding at 30 June 2014 came to more than €316 billion, up 9% over the end of 2013.

Within this aggregate, postal funding, attributable to the parent company, grew slightly. For a more complete analysis, please see the earlier discussion. The amount relating to this form of funding is notionally allocated to the sphere of operations "Group Companies, other equity investments and other", on the basis of the average stock of loans held during the financial year. The purpose of this is to properly show both the funding and lending relating to the equity investment portfolio.

The aggregate also includes funding from banks, which fell from about €23 billion in 2013 to about €21 billion in June 2014. The change is mainly attributable to the Business and Finance areas of the parent company, the discussion of which readers may consult for more details. The change is offset in part by a positive amount of €44 million due to: (i) FSIA (€77 million) for financing of the acquisition of SIA; (ii) the SACE Group (negative amount of €30 million) and (iii) SIMEST for the residual amount (negative at €4 million).

Funding from customers amounted to €42 billion, more than double the level at the end of 2013. This balance is due to the parent company for €45 billion, among which centralised deposits of FSI, the SACE Group and CDP Reti (for a total of €4.2 billion) and the loan granted by CDP to CDP GAS (amounting to €273 million) eliminated at consolidated level and the deposit of the Fintecna

Group worth €1.2 billion. In addition, the balance includes the funding of FSI and the SACE Group, totalling about €1 billion. Net of the parent company, the change in the aggregate is mainly due to: (i) FSI with regard to cash received as security for the loan of securities related to the hedging transaction concerning Generali; (ii) SACE Group (€150 million) relating to increased short-term loans of SACE Fct; (iii) CDP GAS (totalling €40 million) in relation to increased financing from the parent company.

Funding from bonds increased by about €1.7 billion (+25%) compared with the end of 2013 and was mainly attributable to the Business and Finance Areas of the parent company.

The item "Liabilities held for trading and hedging derivatives" reports the fair value (if negative) of derivatives used for hedging, including operational hedges that are not recognised as such for accounting purposes. Compared with 2013, the change in the stock at consolidated level is essentially attributable to the Business and Finance Areas of the parent company, to which the reader is referred.

Accrued expenses, deferred income and other non-interest-bearing liabilities, amounting to about €838 million, were up 75% compared with the figure at the end of 2013 (+€361 million). The change is basically due to the parent company.

Other liabilities decreased by 26% compared with the end of 2013 to about €1.2 billion, of which about €80 million relating to the SACE Group. The change in the figure, amounting to about -€400 million, is mainly attributable to the parent company.

The balance of about €2.2 billion for insurance provisions includes the provisions set aside, on the basis of reasonable forecasts, against the commitments undertaken as part of the Group's insurance business. At 30 June 2014, the balance was entirely attributable to the SACE Group.

Provisions, taxes and staff severance pay amounted to €0.6 billion, decreasing by about 55% over the figure at the end of 2013. This change is mainly attributable to the parent company, to which the reader is referred, net of the decrease, totalling €220 million, in the tax liabilities relating to the SACE Group.

Equity at 30 June 2014 amounted to about €20.6 billion, up by €20.4 billion posted at the end of 2013. This was attributable to the net income generated by the various Group companies, offset by dividends paid to third-party shareholders out of income for 2013. Around €19.5 billion of total equity pertains to the parent company (an increase of 1% on 2013) and about €1.1 billion to non-controlling interests, essentially attributable to the Bank of Italy becoming a shareholder of FSI following the capital increase completed in 2013.

Equity

(millions of euros)

	30/06/2014	**31/12/2013**
Equity attributable to the shareholders of the parent company	19,484	19,295
Non-controlling interests	1,088	1,095
Total Equity	**20,572**	**20,390**

4.2.2. RECLASSIFIED CONSOLIDATED INCOME STATEMENT

The following table presents the situation of the CDP Group, with specific reporting of the contributions from the spheres of operations "Business and Finance Areas of the parent company" and "Group Companies, other equity investments and other". For the sake of clarity, consolidation eliminations and adjustments have been allocated either to the parent company or to the respective sphere of operations of the consolidated companies.

In the operational presentation provided below, based on the consolidation method adopted for certain non-financial companies, the "Dividends and gains (losses) on equity investments" are included in the figures as relating to the dividends and gains/losses of each company. The impact of the valuation at equity of the Fintecna Group, the Terna Group, the CDP Immobiliare Group, Quadrante, Ansaldo Energia, ENI, SNAM and TAG, is shown, net of tax, under the operating income for the Group.

Reclassified income data

(millions of euros)

	30/06/2014			30/06/2013	% change
	CDP Group	**Parent Company Business and Finance Areas**	**Group entities, other equity investments and other**	**CDP Group**	
Net interest income	**842**	**1,084**	**(242)**	**1,625**	**-48.2%**
Dividends and gains (losses) on equity investments	941	-	941	1,248	-24.5%
Net commissions	(813)	(728)	(85)	(802)	1.3%
Other net revenues	(11)	165	(176)	340	n/s
Gross income	**960**	**521**	**438**	**2,410**	**-60.2%**
Profit (loss) on insurance operations	422	-	422	112	277.4%
Profit (loss) on banking and insurance operations	**1,382**	**521**	**860**	**2,522**	**-45.2%**
Net writedowns	(27)	(26)	(1)	(15)	83.2%
Overheads	(124)	(11)	(114)	(114)	9.1%
of which: administrative expenses	*(119)*	*(11)*	*(108)*	*(108)*	*9.8%*
Other operating income (costs)	(2)	0.1	(2)	4	n/s
Operating income	**1,234**	**485**	**749**	**2,403**	**-48.7%**
Impact of consolidation	(107)	-	(107)	(506)	-78.8%
Net income	**981**			**1,414**	**-30.7%**
Net income (loss) for the year pertaining to non-controlling interests	16			9	76.0%
Net income (loss) for the year pertaining to shareholders of the parent company	**964**			**1,405**	**-31.4%**

The net income of the CDP Group decreased compared with 2013, mainly due to developments in net interest income of the parent company and to other net revenues of the SACE Group, partly offset by the increase in the net profit from insurance operations. Net of non-recurring factors relating to the parent company (the discussion of which readers may consult for more details), the reduction in net income would have been mitigated compared with the same period of 2013.

Group net income in the first half of 2014 amounted to €981 million (€964 million of which pertaining to the parent company), a decrease of 31% over the same period of 2013.

More specifically, net interest income came to €842 million, a decrease of 48% (-€783 million) from the same period of 2013. This performance is mainly attributable to the decrease in the spread between lending and funding registered by the parent company (the discussion of which readers may consult for more details). The amount relating to the cost of the parent company's funding has been notionally allocated to the sphere of operations “Group Companies, other equity investments and other”, on the basis of the average stock of loans held during the financial year.

“Dividends and gains (losses) on equity investments” amounted to €941 million at consolidated level. The figure includes: (i) dividends paid to the parent company by ENI, by the Fintecna Group and the Terna Group (respectively amounting to €515 million, 100 million and 78 million); (ii) dividends paid to CDP GAS and CDP Reti by TAG and SNAM (respectively amounting to €60 million and €152 million); (iii) dividends and gains attributable to FSI (in relation to dividends from Generali of about €31 million, from Metroweb of about €5 million, from Kedrion of about €2 million, and from IQ of about €1 million, in addition to the valuation at equity of the investments in IQ, Metroweb and Kedrion) for a total of €35 million; and (iv) in a residual amount, the dividends paid to CDP by investment funds and investment vehicles. The dividends paid by companies consolidated at equity are subsequently eliminated within the “Impact of consolidation” figure, which also includes the amount of the net income generated by those companies attributable to the Group.

Net commission expense was negative at €813 million (up 1% compared with the first half of 2013), essentially borne by the parent company (mainly in relation to the Business and Finance Areas of the parent company). As already reported above with regard to net interest income, the amount relating to fees on the parent company's funding has been notionally allocated to the sphere of operations “Group Companies, other equity investments and other”, on the basis of the average stock of loans held during the financial year. The figure also includes: (i) SIMEST for about €11 million, relating to the fees received for the management of venture capital funds, the 394 fund and the 295 fund, (ii) CDPI SGR, which received commissions during the period totalling €5 million in relation to its core business of management of the FIA and the FIV (both of which are eliminated at consolidated level), and (iii) the SACE group, which in the first half of 2014 posted net fee income of about €5 million.

These results were accompanied by the contribution from other net revenues, of -€11 million at consolidated level and down €350 million compared with the first half of 2013. The figure mainly includes the result from trading and hedging activities of the SACE Group (negative at about €181 million) and the contribution of the Business and Finance Areas of the parent company (of about €165 million), to which the reader is referred.

The net profit from insurance operations, equal to €422 million, reports net premium income and other income and charges from insurance operations, up by €310 million compared with the same period of 2013, mainly due to the positive trend in net premium income and in the credit collection operations of the SACE Group.

Overheads comprise staff costs and other administrative expenses, as well as writedowns of property, plant and equipment and intangible assets. This aggregate increased by about €10 million compared with the same period of 2013, amounting to €124 million. Of these, €55 million relate to the parent company, while €70 million are mainly due to the SACE Group (€50 million) and to SIMEST (€10 million).

Other operating income (costs) came to -€2 million. The figure mainly includes the Extra sub-fund of FIV, with the valuation loss recognised on the property portfolio, for a total of €4 million.

As noted above, the contribution of the companies valued at equity is shown in the item “Impact of consolidation” (under income from the Group’s core business), in the amount of -€107 million. The aggregate includes: -€106 million for ENI, -35 million for CDP GAS and -€15 million for the Fintecna Group, offset in part by CDP Immobiliare for €37 million, +6 million for the Terna Group, +4 million for CDP Reti and €2 million for Ansaldo Energia.

Taking into account the other residual items and taxes, net income amounted to €981 million, down from the €1,414 million earned in the first half of 2013 (-31%).

The following table relates to the reclassified consolidated income statement excluding non-recurring factors already presented with reference to the parent company.

Reclassified income data - pro forma excluding non-recurring items *(millions of euros)*

	30/06/2014			30/06/2013	% change
	CDP Group	**Parent Company Business and Finance Areas**	**Group entities, other equity investments and other**	**CDP Group**	
Net interest income	**1,213**	**1,455**	**(242)**	**1,625**	**-25.4%**
Dividends and gains (losses) on equity investments	941	-	941	848	11.1%
Net commissions	(813)	(728)	(85)	(802)	1.3%
Other net costs and revenues	(11)	165	(176)	340	n/s
Gross income	**1,331**	**892**	**438**	**2,010**	**-33.8%**
Profit (loss) on insurance operations	422	-	422	112	277.4%
Profit (loss) on banking and insurance operations	**1,753**	**892**	**860**	**2,122**	**-17.4%**
Net writedowns	(27)	(26)	(1)	(15)	83.2%
Overheads	(124)	(11)	(114)	(114)	9.1%
of which: administrative expenses	*(119)*	*(11)*	*(108)*	*(108)*	*9.8%*
Other operating income (costs)	(2)	0.1	(2)	4	n/s
Operating income	**1,605**	**856**	**749**	**2,003**	**-19.9%**
Impact of consolidation	(107)	-	(107)	(106)	1.2%
Net income	**1,231**			**1,414**	**-13.0%**
Net income (loss) for the year pertaining to non-controlling interests	16			9	76.0%
Net income (loss) for the year pertaining to shareholders of the parent company	**1,215**			**1,405**	**-13.5%**

4.2.3. RECONCILIATIONS WITH CONSOLIDATED EQUITY AND NET INCOME

Lastly, the following table reconciles the equity and net income of the parent company with the corresponding consolidated figures, expressed in both detailed form and aggregate form for major companies.

RECONCILIATION OF EQUITY AND NET INCOME OF THE PARENT COMPANY AND CONSOLIDATED EQUITY AND NET INCOME

(thousands of euros)

2014 1ST HALF	**Net income**	**Capital and reserves**	**Total**
PARENT COMPANY FINANCIAL STATEMENTS	**1,203,008**	**17,303,034**	**18,506,042**
Balance from financial statements of fully consolidated companies	906,807	20,766,702	21,673,509
Consolidation adjustments:			0
- carrying amount of fully consolidated equity investments		*(19,280,428)*	*(19,280,428)*
- goodwill		*583,611*	*583,611*
- reclassifications	*3,101*	*(3,101)*	*0*
- differences with purchase price allocation		*1,819,401*	*1,819,401*
- management of differences due to purchase price allocation	*(3,502)*	*(281,663)*	*(285,165)*
- dividends from fully consolidated companies	*(803,938)*	*803,938*	*0*
- transfer adjustments of separate financial statements	*2,216*	*1,029,786*	*1,032,002*
- valuation of equity investments accounted for with equity method	*(146,168)*	*619,120*	*472,952*
- elimination of intercompany transactions	*1,585*	*12,541*	*14,126*
- deferred tax assets and liabilities	*16,682*	*(828,136)*	*(811,454)*
- non-controlling interests	*(215,605)*	*(4,024,636)*	*(4,240,241)*
CONSOLIDATED FINANCIAL STATEMENTS	**964,186**	**18,520,169**	**19,484,355**

(thousands of euros)

	Net income	**Capital and reserves**	**Total**
Parent company	1,203,008	17,303,034	18,506,042
ENI consolidation	(106,080)	743,935	637,855
Terna consolidation	3,017	183,470	186,487
FINTECNA consolidation	(12,747)	(144,845)	(157,592)
FSI consolidation	29,311	188,100	217,411
SACE consolidation	(43,200)	11,704	(31,496)
CDP GAS consolidation	(33,526)	16,484	(17,042)
CDP RETI consolidation	(109,290)	208,314	99,024
Other	33,693	9,973	43,666
CONSOLIDATED FINANCIAL STATEMENTS	**964,186**	**18,520,169**	**19,484,355**

5. RISK MONITORING

5.1. MONITORING THE RISKS OF THE PARENT COMPANY

CDP's risk policies are established by the Board of Directors acting on a recommendation of the Chief Executive Officer. The Risk Committee, which took its current form in 2010, is a collegial body that provides technical information and advice to the Chief Executive Officer and provides opinions on issues concerning CDP's overall risk policy and management and operational assessment of especially large risks. The Risk Committee is also responsible for issuing opinions on transactions for which a second opinion is required or that otherwise involve a significant impact on operations (in support of and in accordance with the BoD's powers).

Risk monitoring activities are the responsibility of the head of Risk Management, Anti-Money Laundering and Compliance (RMAC), who reports directly to the Chief Executive Officer.

In terms of overall risk scenario, the first half of 2014 was characterised by a reduction in risk aversion in the markets and a gradual return to normal of credit spreads, accompanied by an extremely low general level of interest rates, with significant implications for CDP's risk environment.

5.1.1. CREDIT RISK

Credit risk arises primarily in relation to lending activities – both under the Separate Account and the Ordinary Account – and, on a secondary level, in hedging derivatives and securities financing (see the next section on counterparty risk).

The principles followed by CDP in its lending activities are set out in the Lending Rules, approved by the Board of Directors, which also govern the lending process and the roles of the units involved. The Risk Management, Anti-Money Laundering and Compliance area (RMAC) is responsible for quantifying the economic capital needed to cover credit risk, for the methods for calculating risk-adjusted pricing, for monitoring risk-adjusted returns, and for identifying exposure concentrations. The RMAC area also monitors the overall risk performance of the loan portfolio, proposing any risk mitigation measures needed.

The changes in the economic and financial environment have influenced the granting of credit by CDP. In particular, public finance restrictions have reduced demand for loans by Public Entities. Under the Separate Account, activities to support the economy continued, provided primarily through the banking system to channel postal savings to stimulate and sustain medium-long term lending to small and medium enterprises and residential property buyers. CDP's exposure to Italian banks continued to increase, although the gradual repayment of the amounts disbursed from the initial funds is tending to partly offset the effects of new initiatives. With regard to credit risk mitigation, new lending through banks was, almost entirely, backed by the assignment as security to CDP of the banks' receivables due from the final borrowers.

CDP also initiated the purchasing of two types of bonds linked to the granting of credit in the residential construction sector:

- covered bank bonds, namely bonds issued by banks that have a portfolio of loans as an additional guarantee;
- residential mortgage backed securities (RMBS), namely securities issued by specific securitisation companies and backed by a portfolio of receivables that, after having been originated by the bank, are segregated from the bank's balance sheet.

Although both types of securities are linked to similar kinds of receivables, the risk profile assumed by CDP is different: in the first case it consists of bank risk backed by the portfolio of underlying receivables, in the second case it essentially consists of the risk of the portfolio of underlying receivables. In view of the different risk profiles a differentiated analysis and investment approval process has been established[21]. With respect to the overall fund established, in the amount of €3 billion, a net predominance of covered bank bonds over the RMBS is envisaged.

21 The methods used for measuring the credit risk for RMBS exposures is also different from the methods used for other exposures: indeed, exposures of this type should not be likened to exposures in cash loans or endorsement credits with the same rating level.

In the Ordinary Account the larger enterprises showed greater ease in accessing capital markets and bank loans at favourable conditions, resulting in lower demand for loans by CDP.

5.1.2. COUNTERPARTY RISK

In line with past practice, in order to mitigate counterparty risk in derivatives transactions, new transactions are only permitted with counterparties with whom a master netting agreement is in place (compliant with the ISDA 2002 standard) supported by Credit Support Annexes ("CSA"), which provide for the exchange of collateral. During the first half of 2014, the frequency of calculation and settlement for some existing CSAs was increased, thereby enhancing their effectiveness in containing the exposure.

To mitigate the risk in respect of securities financing activities, the majority of the repurchase transactions were carried out by the central counterparty Cassa di Compensazione e Garanzia, backed by solid counterparty risk protection mechanisms. In addition, during the half year two further framework netting arrangements that provide for the exchange of collateral were signed (Global Master Repurchase Agreement - GMRA, according to the ISMA 2000), bringing the total number of these agreements in place up to six.

5.1.3. INTEREST RATE AND INFLATION RISK

The interest rate risk profile that CDP is exposed to is characterised by the early repayment option embedded in the postal savings bonds, which results in certain differences compared to the usual features found in the banking world. The issue of postal savings bonds indexed to consumer prices also exposes CDP to inflation risk, which is measured and managed in the same manner as interest rate risk.

During the first half of 2014 there was a reduction in the IRS rates on all maturities and a contraction in the sovereign spreads for the peripheral countries, with the CDS spread for the Italian Republic down by about 60 basis points on the 5-year maturity compared to the end of 2013, and the yield of 10Y BTPs down more than 100 basis points. The BTP-IRS spread also fell steadily during the first half of the year, in line with the CDS spread.

The historically low level reached by interest rates, combined with the type of lending, characterised by a limited portion of fixed-rate loans[22], resulted in an

22Defined as the exposure to an increase of 1 basis point in zero-coupon rates across all maturities.

increase in exposure, up from +€10.2 million to +€23.8 million. This increase in exposure indicates a predominance of liability sensitivity over asset sensitivity, and is therefore strongly linked to the early repayment option in the postal savings bonds. In the current environment of very low interest rates, repayment is not financial economical and therefore the liability is associated with a long-term maturity, which, however, would rapidly shorten if interest rates were to rise again. In addition, very low interest rates tend to reduce elasticity towards the bottom of the remuneration of items similar to customer deposits. Exposure to inflation, in contrast, was essentially unchanged, at a level of -€3.3 million, compared to -€3.4 million recorded at the end of 2013.

The impact of interest rates and inflation is also monitored by measuring the impact of parallel movements of 100 basis points in the forward curves of these two risk factors on CDP's economic value. These effects[23] are reported in the following table:

(billions of euros)

Change	Effect of interest rate change	Effect of inflation rate change
+100 basis points	+1.6	(0.32)
-100 basis points	(2.80)	+0.31

5.1.4. LIQUIDITY RISK

The liquidity buffer on the treasury current account remained well above the required limits at the end of the period, with an increase of about €8 billion compared to the end of 2013. The maturity transformation limits adopted by CDP for the Ordinary Account (without retail funding) were met with a significant prudential margin.

23These exposure metrics are subject to limits approved by the Board of Directors.

The repayment of funding received through the LTRO[24] is on schedule.

The measures for controlling liquidity risk used by CDP include the Contingency Funding Plan (CFP), which sets out the processes and strategies used to manage possible liquidity crises, whether of systemic origin – caused by an unexpected deterioration in monetary and financial market conditions – or due to idiosyncratic difficulties at CDP itself. The monitoring of early-warning indicators carried out during the first half of 2014 did not reveal any problem issues.

5.1.5. Operational risks

During the first half of 2014, loss data collection and measurement of the level of exposure to operational risk continued for the ongoing monitoring of the company risk profile. The results of the assessment will be used in operations to prevent and mitigate operational risk. The loss data collection perimeter also includes near miss events.

With a view to the integrated management of operational, compliance and money laundering risk, and in order to update the activity plans for the respective areas, the methods were established for the Top-Down Risk Assessment. The objective of this assessment is to identify the priority areas (or "critical areas") on which to – subsequently – initiate a detailed analysis at individual procedure level (Bottom-Up Risk Assessment). The analysis consists of gathering information aimed at obtaining an initial assessment of CDP's level of exposure to operational, money laundering, compliance, outsourcing and reputational risk.

5.1.6. Money laundering and terrorist financing risk

The rules countering money laundering and terrorist financing require CDP to take measures concerning customer due diligence, the recording of ongoing transactions and relationships in a single computerised database and the reporting of suspicious transactions.

With regard to due diligence obligations, the process was completed of ensuring compliance with the new regulations implementing Article 7, paragraph 2, of Legislative Decree 231/2007, issued by the Bank of Italy and entering force as from 1 January 2014.

24 Long Term Refinancing Operation entered into with the European Central Bank in the first quarter of 2012.

With regard to the recording of transactions and relationships, the criteria have been revised for maintaining the single computerised database, which has been outsourced to an independent service centre, in view of the impact that the above regulations have had in this area.

5.1.7. Risks connected with equity investments

CDP possesses a sizeable portfolio of equity investments (listed and unlisted) and units in investments funds. The Risk Policy establishes the criteria for measuring and managing the risks associated with equity investments and investment funds, also providing for specific stress tests, with a specific focus on the larger investments in listed companies. In the first half of 2014, there were no substantial changes in the composition of CDP's portfolio of equity investments.

Capital management continued through the partial leveraging of certain significant equity investments, including the recent listing of Fincantieri.

5.1.8. Other material risks

CDP does not undertake trading activities, but as part of its operations it may be exposed to market risk other than the equity risk linked to the equity investment portfolio and interest rate and inflation risk related to the banking portfolio.

Specifically, CDP is exposed to equity risk deriving from the issuance of postal savings bonds indexed to the Euro Stoxx 50. This risk is covered by purchasing options that match those embedded in the bonds. On at least a quarterly basis, monitoring is carried out on the equity risk component due to the mismatch between the notional values of the options sold and purchased, caused by repayment profiles that differ from those estimated.

CDP can assume exchange risk through the issuance and/or purchase of bonds denominated in foreign currency and the granting of loans denominated in foreign currency. In general, CDP undertakes such activities only if covered by appropriate forms of hedging of the exchange rate risk. For bonds in foreign currency, either issued or purchased, these are hedged with cross currency swaps, which transform CDP's cash flows into those equivalent to an issue in euros.

The broadening of the Group’s perimeter has led to an increase in reputational risk. This risk is also contemplated within the management of operational risk and is therefore mitigated through control measures included within the internal procedures issued during the half year. In addition, in March the Rules on Related Parties were approved, designed to govern transactions undertaken with companies subject to joint control by the MEF. This enables the control of risk – including reputational risk – arising from transactions in conflict of interest, through the establishment of enhanced approval procedures.

At Group level, a compliance model has been adopted through which the parent company carries out methodological coordination and functional management. This enables the preventive management of reputational risk resulting from regulatory non-compliance by the individual entities of the group. Also in the area of compliance, the rule-map was completed, which identifies all the external regulations that impact the company (assessment of inherent risk) and an assessment was conducted on the effectiveness of the organizational compliance controls (to obtain an assessment of the residual risk). This activity contributes, together with the Top-Down Assessment, to the identification of risk-based action priorities.

5.2. MONITORING RISK IN THE COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

The Management and Coordination Rules establish that:

- the risk monitoring of the subsidiaries is the responsibility of the Head of the RMAC area of the parent company, who reports directly to the Chief Executive Officer;
- the subsidiaries agree their rules for assuming risk with CDP prior to their approval; the corporate bodies of the subsidiaries approve the risk management strategies and policies of their companies, ensuring that they are consistent with the parent company’s rules for assuming risk. They notify the parent company that its rules have been incorporated in their risk management systems; the parent company’s RMAC area monitors the appropriate adoption of the new risk assumption rules by the subsidiaries on an ongoing basis;
- the risk management units of the subsidiaries prepare and submit a set of periodic reports to the parent company’s RMAC area, with a frequency appropriate to the specific type of risk involved, ensuring compliance with the functional requirements established by the parent company.

A summary is provided below of the main activities involved in monitoring risk in the companies subject to management and coordination.

With regard to CDPI SGR, the Board of Directors of the company has adopted the "Anti-Money Laundering Safeguards Structure" guidelines issued by the parent company. These guidelines enable, among other things, the satisfaction of the regulatory requirements arising from secondary regulation, in the light of which strategic decisions at group level regarding money laundering and terrorist financing risk have been transferred back to the corporate bodies of the parent company. Information flows have therefore been set up, both periodic and event based, with the Anti-Money Laundering and Compliance Unit of CDPI SGR. Lastly, training on Operational Risk has been provided to some of the personnel of CDPI SGR.

With respect to CDP Immobiliare, the examination of the complex industrial structure of the company continued. A request was also made for information data for the purpose of monitoring the company's portfolio and study meetings were initiated for the commencement of the project on operational risk.

With regard to FSI, the coordination and collaboration continued with the Risk Management Department of FSI with particular reference to the valuation during the investment phase of the risk profile of the individual transactions and the preparatory activities for the creation of FSI Investimenti, a recently established company owned by FSI (77%) and KIA (23%). FSI's activities also involved monitoring the equity investments held in the company portfolio and the hedging of price risk in relation to the Generali shares, as well as supervision and support for the accounting valuations linked to the option components contained in the investment transactions undertaken by the company.

With regard to Fintecna, the recently created Risk Management Function, in close coordination with the parent company, focused on operational risk and initiated the Top-Down Risk Assessment project[25]. The methodological framework for the assessment of the company's level of exposure to operational risk was presented to management. The pilot project was also initiated and completed during the half year for the "Goods and services purchasing" procedure. At the end of April

[25] The aim of the project is to identify the main areas and priorities for action, with the aid of the company's management, in relation to the analysis of the risks that the company is exposed to. The project was formally initiated in July 2014.

treasury management was centralised within CDP and the possibility became available to carry out Asset & Liability Management (ALM) in accordance with the parent company guidelines. Of note, lastly, during the half year was the listing of Fincantieri owned by Fintecna.

With regard to SACE, activities primarily concentrated on methodological comparison, exchange of information flows and changes in the risk policies. In particular, the methodological comparisons involved aspects relating to market risk and the methods for treating financial positions in the risk systems currently used by the company. The comparison and exchange of information flows continued with respect to the guarantee portfolio of SACE S.p.a. enabling the creation of a database of the exposures of this portfolio as an aid to the management of risk at Group Level. This instrument was presented to the competent units of CDP and is accessible by authorised users via the Intranet.

An analytical approach was also implemented for the assessment of capital absorbed by the core business of SACE in order to be able to compare it more directly with that of CDP, thereby obtaining a consolidated measure at Group level. Additional developments were also made to simulate the impact of different types of government guarantees in favour of SACE on the company's current and future portfolio. The analyses conducted were shared with the risk management function of SACE.

Lastly, SACE reviews its organisational structure, extending the scope of the risk control function.

With regard to SIMEST, the provision of the risk management service by CDP on an outsourcing basis has started up. The service was formally initiated at the beginning of July. A detailed analysis is being conducted with the company's management of the internal processes in order to prepare a detailed work plan and identify the priorities for action.

5.3. MONITORING RISK IN THE TERNA GROUP

In the conduct of its operations, the Terna Group is exposed to various financial risks (regulatory risk, operational risk, financial/market risk) in respect of its non-traditional activities. Terna Group’s risk management policies seek to identify and analyse the risks the group is exposed to, establishing appropriate limits and controls and monitoring risks and compliance with such limits. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of the Terna Group companies.

As a part of the financial risk management policies approved by the board of directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically as concerns the instruments to be used and the precise operating limits in managing them. The exposure of the Terna Group to the aforementioned risks is substantially represented by the exposure of the parent company.

Regulatory risk

With regards to the first half of 2014 over 96% of the group's consolidated revenue is generated by annual fees and incentive mechanisms paid for the provision of services regulated by the Italian energy authority (AEEGSI). Within this regulatory environment, there are a number of variables that could impact the group's performance.
With specific reference to Resolution no. 199/11, Article 2 ordered the update, by 30 November 2013, of the remuneration rate of net invested capital for the period 1 January 2014 - 31 December 2015 on the basis of the average gross yield of 10-year Italian government bonds (BTPs) recorded in the period from November 2012 - October 2013.
In implementation of that order, Resolution no. 607/13 updated the rate of return in question to 6.3% (compared to the previous value of 7.4%) Web application of effective from the 2014 rates.

Volume effect

The revenues of Terna S.p.A. and Terna Rete Italia S.r.l. attributable to the management, operation and development of the National Transmission Grid, and to the performance of dispatching activities, are governed by rates set by the Authority. The unit transmission and dispatching rates are applied to the overall volume of energy transmitted and dispatched on the NTG. These volumes depend on factors beyond the control of the Group.
The volume mitigation mechanism introduced by Resolution no. 188/08 has been confirmed for 4-year period 2012-15 as well. It establishes that any impact on Company revenues caused by variations in electricity volumes withdrawn from the transmission grid and dispatched would be limited to +/-0.5%.

Bonuses and penalties

Resolution no. 197/11 on service quality provides for a mechanism of bonuses/penalties that only takes into consideration the energy-not-delivered indicator. The maximum potential impact for the Terna Group of this incentive mechanism lies within a range of -€12 million/+€30 million per year.

<u>Domestic legislative risk</u>

Tax law

Tax legislation may affect the Group's performance and financial position.

Environmental protection law

The Group's activities are affected by environmental legislation at the national, European and international levels (e.g. electromagnetic fields, landscape issues, etc.), and also, in the case of international activities, by rules in the legal systems of foreign countries. The Group could incur additional costs for the implementation of environmental regulations calling for preventive measures or requirements set out in secondary regulations established by current legislation.

Energy law

The Group's activities may be affected by changes in the rules governing the electricity market, strategic infrastructure (regarding which adoption is pending of the "Golden Power" decree, implementing Legislative Decree 21/12), the authorisation process for National Transmission Grid works, and the sphere of activities that Terna may perform or that impact relations between the Group companies and other stakeholders (generators, distributors, etc.).

Labour law and legislation governing tenders

With regard to electromagnetic fields, Directive 2013/35/EU on the exposure of workers to the risks arising from electromagnetic fields was recently adopted and must be transposed into the national legal system by 1 July 2016. In general, more onerous rules governing tenders and health and safety in the workplace could have an adverse impact on the Group's performance and financial position.

Operational risks: risks connected with NTG malfunction

As part of the Terna Group's operations, risks of unexpected service interruptions caused by external events that are beyond Terna's control are considered. These may include accidents, breakdowns or malfunctioning involving equipment or control systems, deteriorating plant performance, natural disasters, terrorist attacks and other extraordinary events of this kind. Besides the financial risk associated with repairs to the sections of the NTG owned by the Group, possible claims for compensation by third parties as a result of such events could arise if the Group is found be responsible. Specific insurance coverage has been arranged to mitigate the effect of operational risks.

Litigation risk: legal disputes

The Terna Group is involved, as both plaintiff and defendant, in a number of legal proceedings involving contracts, employees, the environment, regulatory matters, and public health issues arising from normal business operations.

In addition, the Group could be involved in new litigation and/or out-of-court disputes with parties of various kinds (by way of example and not exhaustively: suppliers, public entities, etc.).

For more on this matter please see Section "E. Commitments and risks" of the notes to the financial statements of Terna S.p.A. and the Terna Group.

Market and financial risks

In the conduct of its operations, the Group is exposed to various financial risks: market risk (interest-rate risk and inflation risk), liquidity risk and credit risk.

Terna's risk management policies seek to identify and analyse the risks to which the company is exposed, establishing appropriate limits and controls and monitoring risks and compliance with such limits. These policies and the associated systems are reviewed on a regular basis in order to reflect any changes in market conditions and the activities of the Group.

For more details see Section "E. Commitments and risks" of the notes to the financial statements of Terna S.p.A. and the Terna Group.

Risks connected with financing needs

Even in current market conditions, the Group expects to maintain sufficient capacity to generate financial resources from its operating activities. The investment plan for the future is however expected to result in an increase in existing net debt. Depending on conditions in the financial markets, the need to finance and refinance the existing debt could give rise to an increase in financial expense in the medium term.

5.4. LEGAL DISPUTES

5.4.1. LEGAL DISPUTES OF THE PARENT COMPANY

Regarding pending disputes, the overall number of cases, as well as the estimated potential liabilities, remain, in absolute terms, at insignificant levels and, even in relative terms, the impact of the estimated potential expenses on CDP's accounts is absolutely negligible.

With regard to Separate Account customers, at 30 June 2014, 76 suits were pending with a total estimated liability of about €2.1 million. Of these, 7 regard disputes with suppliers. There are no situations that concern serial disputes that could suggest the presence of critical issues in procedures or lack of compliance with related laws and regulations.

As regards the conversion of preference shares into ordinary shares, following the exercise of the right of withdrawal, the Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona filed a suit involving a claim of considerable size (about €432 million). However, the risk of losing the dispute, while possible, is not considered high.

There are currently no pending disputes in relation to the Ordinary Account and, therefore, there are no potential liabilities for CDP.

Lastly, with regard to labour disputes, at 30 June 2014, 36 cases were pending, for which the estimated total potential liability is about €1.7 million. Accordingly, the observations made above in relation to disputes in the Separate Account also apply, namely that the estimated potential costs, both in absolute and relative terms, are absolutely negligible with respect to the volumes in CDP's financial statements.

5.4.2. DISPUTES INVOLVING COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

The monitoring and management of disputes continued during the half year, in accordance with the criteria and operational guidelines that underpinned the operations of the Fintecna Group also last year, aimed at identifying the most appropriate defensive strategies.

In particular, with regard to labour disputes, the trend of significant increase in quantity continued, albeit in line with forecasts, of the disputes brought by former employees of companies linked to Fintecna or by their successors, to obtain damages for long-latency diseases allegedly contracted as a result of working conditions.

With a view to seeking to reduce costs, the company continued to seek settlement arrangements for the disputes, when the financial and legal conditions were suitable.

The level of civil/administrative/tax disputes was essentially in line with the previous year. In this area, the main critical aspects involved the environmental issues relating to the sites of national interest of Bagnoli and Taranto, in relation to which administrative orders were issued, respectively by the City of Naples and the Ministry of Environment and Protection of Land and Sea, – challenged by the company before the competent judicial authorities – aimed at assigning the burden of the restoration work to Fintecna.

The disputes still pending, in contrast, essentially involve cases dating back in time, whose characteristics in the past have ruled out an out-of-court settlement. As a consequence, these disputes are likely to be settled predominantly through judicial proceedings, whose duration depends essentially on external factors, that are essentially not influenced by the company's procedural conduct.

As to the number of disputes, the situation can be summarised as follows:

	31/12/2013	Settled in 2014	New in 2014	30/06/2014
Civil/Administrative/Tax	238	39	12	211
Labour	555	155	223	623
Total	**793**	**194**	**235**	**834**

With regard to CDP Immobiliare in the first six months of 2014 there was a reduction in pending disputes, the majority of which relating to management of the real estate holdings (liberation of buildings occupied without title, sales, debt recovery for payment is not made, environmental matters, etc.).
There were a total of 124 disputes pending at 30 June 2014 of which 87 relating to CDP Immobiliare and 37 to the investee companies.
The activities conducted mainly involved the monitoring and management of disputes with the aid and support of external lawyers, in order to guide the procedural strategy based on the needs and motivations of the companies and in order to achieve the best settlement for those disputes. Almost all the disputes settled at a favourable outcome for the CDP Immobiliare group.
To that end, at the same time, also considering the duration of judicial proceedings, which can even reach periods of more than 10 years, the company continued to seek settlement solutions, where the suitable legal and financial conditions were identified.

At 30 June 2014 the SACE Group was involved in 40 disputes, most of them involving insurance commitments assumed prior to 1998. More specifically, there are 33 pending suits against the company, potentially involving an estimated €33.3 million, while the group itself has filed 7 claims, seeking a total of around €174.4 million.

The transactions in dispute, namely those where SIMEST has initiated legal action for the recovery of the related credit claim (principal plus income for loans in equity investments), outstanding, at 30 June 2014, totalled 69. Specifically, the claim amount for the proceedings relating to Law 100/90 totals about €10.9 million, of which about 79% secured by bank guarantees or already written down in the balance sheet at 30 June 2014.

6. OUTLOOK FOR THE FULL YEAR

6.1. THE PARENT COMPANY AND THE COMPANIES SUBJECT TO ITS MANAGEMENT AND COORDINATION

As regards the outlook, in 2014 CDP will continue to implement and set up the projects envisaged in the Business Plan. New lending, investment and managed resources by the Group is expected to continue in accordance with the objectives set in the Plan.

Within the process of disposal of certain equity investments announced by the Government, with constant changes to the Group's scope of companies, the main planned transactions are already at the advanced stage (IPO Fincantieri, opening up of CDP Reti's share capital, and transfer of TAG to SNAM).

On the asset side, the stock of loans to customers and banks is expected to continue expanding more rapidly than lending forecast for the banking system as a whole, primarily due to the contribution of the parent company.

Net interest income in 2014 is expected to continue to decline, as a result of the contraction in the spread between lending and funding as a result of the reduction in market interest rates, but nevertheless in line with the Plan targets.

The primary risks and uncertainties affecting results for 2014 consist of the uncertainty regarding the evolution of the demand and supply of credit to public entities, enterprises and households and the continued or further declining interest rates, already at record lows, with potential further decreases in the Treasury current account interest rate in the second half of 2014, if there is a further reduction in the yield on government bonds. The possibility that the market prices or reference values of equity investments held by CDP may perform poorly, may make it necessary for adjustments to be made. Moreover, given the possibility of an unforeseen rise in interest rates, there is a risk of an increase in the early redemption of postal savings bonds and replacement with newly issued bonds, a shift that could raise funding costs.

6.2. THE OUTLOOK FOR THE TERNA GROUP

In the second half of the year the Terna Group will be involved in implementing the actions envisaged in the 2014-2018 business plan, approved by the board of directors on 25 February 2014.

With regard to its traditional activities, the Group will be focused on implementing the investments for the development and renewal of the NTG and the investments for the electricity storage systems. With regard to the non-traditional activities the group will continue to focus on value creation through activities for third parties in the engineering, development and maintenance services mainly for the electricity sector and housing for the telecommunications business.

In the second half of 2014 the Group will continue scouting and developing new opportunities in Italy and abroad. In particular, in the second half of the year, the group expects to negotiate agreements for the development of the Italy-France interconnection and the integration of the activities of Tamini with the objective of replicating the established models of operational and financial efficiency of the Terna Group. In addition, the development opportunities include the participation in the privatisation of TSO Greco, whose sale is due to be completed in 2014, which represents a strategic option for growth and harnessing of expertise for the Terna Group.

Lastly, the group will continue to focus on its capital and financial strength. In 2014 the group will fund its investments and dividend policy through cash generation and existing available cash without the need to for additional debt before 2015.

Rome, 30 July 2014

The Chairman
Franco Bassanini

REPORT OF THE INDEPENDENT AUDITORS

pwc

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

To the Shareholders of
Cassa Depositi e Prestiti SpA

1 We have reviewed the condensed consolidated interim financial statements of Cassa Depositi e Prestiti SpA and its subsidiaries (Cassa Depositi e Prestiti Group) as of 30 June 2014, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. The Directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 We conducted our review in accordance with the criteria for a review recommended by Consob, the National Commission for Listed Companies and the Stock Exchange, with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned condensed consolidated interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

Regarding the comparative data of the consolidated financial statements of the prior year and of the condensed consolidated interim financial statements of the prior interim period, which are presented for comparative purposes, reference is made to our reports dated 29 April 2014 and dated 2 August 2013, respectively.

As reported in the notes to the condensed consolidated interim financial statements, the Directors of Cassa Depositi e Prestiti SpA have reclassified some comparative data relating to the condensed consolidated interim financial statements of the prior year, compared to the data previously presented that we reviewed. We have examined the reclassification methods of such comparative data and the disclosures thereof, as presented in the notes to the condensed consolidated interim financial statements, for the purpose of issuing this report on the review of the condensed consolidated interim financial statements as of 30 June 2014.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

www.pwc.com/it

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Cassa Depositi e Prestiti Group as of 30 June 2014 have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Rome, 6 August 2014

PricewaterhouseCoopers SpA

Signed by

Lorenzo Pini Prato
(Partner)

"This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers".

CERTIFICATION pursuant to Article 154-bis of Legislative Decree 58/1998

Certification of the condensed consolidated interim financial statements at 30 June 2014 pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

1. The undersigned Giovanni Gorno Tempini, in his capacity as Chief Executive Officer, and Andrea Novelli, in his capacity as the manager responsible for the preparation of the financial reports of Cassa Depositi e Prestiti S.p.A., hereby certify, taking account of the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

- the appropriateness with respect to the characteristics of the company and
- the effective adoption

of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements for the period (1 January – 30 June 2014).

2. In this regard:
2.1 the assessment of the appropriateness of the administrative and accounting procedures followed in preparing the condensed consolidated interim financial statements at 30 June 2014 was based on a process developed by Cassa Depositi e Prestiti S.p.A. in line with the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at the international level;
2.2 in the first half of 2014 the manager responsible for the preparation of the financial reports of Cassa Depositi e Prestiti S.p.A. assessed the adequacy and effective adoption of existing administrative and accounting procedures, with reference to the internal control system for financial reporting. Work also continued, and is still under way, on the updating of information technology procedures of the parent company.

3. In addition, we certify that:
3.1 the condensed consolidated interim financial statements:
a) have been prepared in compliance with the international accounting standards adopted in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b) correspond to the information in the books and other accounting records;
c) provide a true and fair representation of the performance and financial position of the issuer and the companies included in the scope of consolidation;
3.2 the interim report on operations contains a reliable analysis of references to significant events in the first six months of the year and their impact on the condensed consolidated interim financial statements, together with a description of the main risks and uncertainties to be faced in the remaining six months of the year.

Rome, 6 August 2014

Chief Executive Officer	Financial Reporting Manager
Giovanni Gorno Tempini	*Andrea Novelli*

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2014

FORM AND CONTENT OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2014

The condensed consolidated interim financial statements at 30 June 2014 have been prepared in conformity with the applicable regulations and are composed of:

- **CONSOLIDATED BALANCE SHEET;**
- **CONSOLIDATED INCOME STATEMENT;**
- **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME;**
- **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY;**
- **CONSOLIDATED STATEMENT OF CASH FLOWS;**
- **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.**

CONSOLIDATED FINANCIAL STATEMENTS

AT 30 JUNE 2014

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Assets	30/06/2014	31/12/2013
10.	Cash and cash equivalents	886	737
20.	Financial assets held for trading	1,275,887	2,574,242
30.	Financial assets at fair value	152,580	
40.	Financial assets available for sale	5,097,051	6,532,702
50.	Financial assets held to maturity	23,835,158	19,914,739
60.	Loans to banks	30,368,490	18,672,942
70.	Loans to customers	257,861,170	245,792,451
80.	Hedging derivatives	1,333,586	961,826
100.	Equity investments	20,758,505	20,474,446
110.	Reinsurers' share of technical provisions	78,751	82,185
120.	Property, plant and equipment	13,474,993	13,524,650
130.	Intangible assets	1,309,043	2,789,776
	of which:		
	- goodwill	726,061	1,793,787
140.	Tax assets	1,524,766	2,194,896
	a) current	824,814	1,446,498
	b) deferred	699,952	748,398
150.	Non-current assets and disposal groups held for sale	3,021,095	
160.	Other assets	6,597,108	6,951,847
	Total assets	**366,689,069**	**340,467,439**

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Liabilities and equity	30/06/2014	31/12/2013
10.	Due to banks	25,892,763	27,875,218
20.	Due to customers	285,295,893	258,782,572
30.	Securities issued	15,651,348	13,567,579
40.	Financial liabilities held for trading	420,001	516,352
60.	Hedging derivatives	2,071,843	1,570,173
70.	Adjustment of financial liabilities hedged generically (+/-)	49,354	52,258
80.	Tax liabilities	1,615,828	2,551,975
	a) current	184,721	940,307
	b) deferred	1,431,107	1,611,668
90.	Liabilities associated with assets held for sale	2,206,153	
100.	Other liabilities	5,555,706	7,131,964
110.	Staff severance pay	148,931	173,210
120.	Provisions	1,881,017	2,283,731
	a) post-employment benefits	1,902	4,677
	b) other provisions	1,879,115	2,279,054
130.	Technical provisions	2,175,636	2,461,639
140.	Valuation reserves	66,081	(17,717)
170.	Reserves	15,005,320	13,362,943
180.	Share premium reserve	5,988	5,988
190.	Share capital	3,500,000	3,500,000
200.	Treasury shares (-)	(57,220)	(57,220)
210.	Non-controlling interests (+/-)	4,240,241	4,205,478
220.	Net income (loss) for the year	964,186	2,501,296
	Total liabilities and equity	**366,689,069**	**340,467,439**

(thousands of euros)

CONSOLIDATED INCOME STATEMENT

	Items	30/06/2014	30/06/2013
10.	Interest income and similar revenues	3,751,453	4,902,212
20.	Interest expense and similar charges	(2,956,916)	(3,278,989)
30.	**Net interest income**	**794,537**	**1,623,223**
40.	Commission income	45,038	51,778
50.	Commission expense	(865,177)	(857,796)
60.	**Net commission income**	**(820,139)**	**(806,018)**
70.	Dividends and similar revenues	33,147	16,694
80.	Net gain (loss) on trading activities	(175,775)	355,365
90.	Net gain (loss) on hedging activities	(39,269)	(16,101)
100.	Gains (losses) on disposal or repurchase of:	251,368	55,915
	a) loans	47,463	1,555
	b) financial assets available for sale	203,905	54,334
	c) financial assets held to maturity		26
110.	Net result on financial assets and liabilities at fair value	2,380	
120.	**Gross income**	**46,249**	**1,229,078**
130.	Net impairment adjustments of:	(26,942)	(14,703)
	a) loans	(24,584)	(13,878)
	d) other financial transactions	(100)	
	d) other financial transactions	(2,258)	(825)
140.	**Financial income (expense), net**	**19,307**	**1,214,375**
150.	Net premiums	253,621	99,754
160.	Net other income (expense) from insurance activities	168,287	12,025
170.	**Net result from financial and insurance activities**	**441,215**	**1,326,154**
180.	Administrative expenses	(2,172,654)	(2,176,797)
	a) staff costs	(613,974)	(567,835)
	b) other administrative expenses	(1,558,680)	(1,608,962)
190.	Net provisions	(21,518)	648
200.	Net adjustments of property, plant and equipment	(268,989)	(246,552)
210.	Net adjustments of intangible assets	(45,918)	(42,673)
220.	Other operating income (costs)	2,926,982	2,941,336
230.	**Operating costs**	**417,903**	**475,962**
240.	Gains (losses) on equity investments	641,264	512,177
270.	Gains (losses) on disposal of investments	955	693
280.	**Income (loss) before tax from continuing operations**	**1,501,337**	**2,314,986**
290.	Income tax for the period on continuing operations	(323,862)	(707,663)
300.	**Income (loss) after tax on continuing operations**	**1,177,475**	**1,607,323**
310.	Income (loss) after tax on disposal groups held for sale	2,316	
320.	**Net income (loss) for the period**	**1,179,791**	**1,607,323**
330.	Net income (loss) for the period pertaining to non-controlling interests	215,605	202,395
340.	**Net income (loss) for the period pertaining to shareholders of the parent company**	**964,186**	**1,404,928**

(thousands of euros)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Items	30/06/2014	30/06/2013
10.	**Income (loss) for the period**	**1,179,791**	**1,607,323**
	Other comprehensive income net of taxes not transferred to income statement		
20.	Property, plant and equipment		
30.	Intangible assets		
40.	Defined benefit plans	(9,774)	7,321
50.	Non-current assets held for sale		
60.	Share of valuation reserves of equity investments accounted for using equity method	(600)	
	Other comprehensive income net of taxes transferred to income statement		
70.	Hedging of foreign investments		
80.	Exchange rate differences	8,484	(476)
90.	Cash flow hedges	16,360	11,646
100.	Financial assets available for sale	(79,347)	11,407
110.	Non-current assets held for sale		
120.	Share of valuation reserves of equity investments accounted for using equity method	132,789	(19,938)
130.	**Total other comprehensive income net of taxes**	**67,912**	**9,960**
140.	**Comprehensive income (items 10+130)**	**1,247,703**	**1,617,283**
150.	Consolidated comprehensive income pertaining to non-controlling interests	204,746	258,223
160.	**Consolidated comprehensive income pertaining to shareholders of the parent company**	**1,042,957**	**1,359,060**

(thousands of euros)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY: CURRENT PERIOD

	Balance at 31.12.13	Changes in opening balance	Balance at 1.1.14	Allocation of net income for previous year		Changes for the period									Equity at 30.06.14	Equity at 30.06.14 - Group	Equity at 30.06.14 - Non-controlling interests
						Changes in reserves	Equity transactions							Comprehensive income for 2014			
				Reserves	Dividends and other allocations		Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests				
Share capital:																	
a) ordinary shares	4,870,232		4,870,232										4,974		4,875,206	3,500,000	1,375,206
b) preference shares	116,033		116,033												116,033		116,033
Share premium reserve	32,686		32,686										4,354		37,040	5,988	31,052
Reserves:																	
a) income	14,984,867		14,984,867	1,854,422		(6,220)							14,611		16,847,680	14,848,501	1,999,179
b) other	603,734		603,734										(2,268)		601,466	156,819	444,647
Valuation reserves	51,434		51,434			5,254								67,912	124,600	66,081	58,519
Equity instruments																	
Treasury shares	(57,220)		(57,220)												(57,220)	(57,220)	
Income (loss) for the period	2,899,002		2,899,002	(1,854,422)	(1,044,580)									1,179,791	1,179,791	964,186	215,605
Total Equity	**23,500,768**		**23,500,768**		**(1,044,580)**	**(966)**							**21,671**	**1,247,703**	**23,724,596**	**19,484,355**	**4,240,241**
Equity Group	19,295,290		19,295,290		(852,637)	375							(1,630)	1,042,957	19,484,355		
Equity Non-controlling interests	4,205,478		4,205,478		(191,943)	(1,341)							23,301	204,746	4,240,241		

(thousands of euros)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY: PREVIOUS PERIOD

	Balance at 31.12.2012	Changes in opening balance	Balance at 1.1.13	Allocation of net income for previous year		Changes for the period									Equity at 30.06.13	Equity at 30.06.13 - Group	Equity at 30.06.13 - Non-controlling interests
							Equity transactions										
				Reserves	Dividends and other allocations	Changes in reserves	Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests	Comprehensive income for 2013			
Share capital:																	
a) ordinary shares	2,823,350		2,823,350			1,050,000	554,085						441,205		4,868,640	3,500,000	1,368,640
b) preference shares	1,050,000		1,050,000			(1,050,000)	116,033								116,033		116,033
Share premium reserve	20,477		20,477				10,409								30,886	5,988	24,898
Reserves:																	
a) income	12,937,002	1,557	12,938,559	2,052,765		23,079						688	1,749		15,016,840	13,237,053	1,779,787
b) other	730,024		730,024										(89,141)		640,883	156,819	484,064
Valuation reserves	264,331	(5,968)	258,363										(10,122)	9,960	258,201	265,158	(6,957)
Equity instruments																	
Treasury shares								(57,220)							(57,220)	(57,220)	
Income (loss) for the period	3,231,813	2,947	3,234,760	(2,052,765)	(1,181,995)									1,607,323	1,607,323	1,404,928	202,395
Total Equity	**21,056,997**	**(1,464)**	**21,055,533**		**(1,181,995)**	**23,079**	**680,527**	**(57,220)**				**688**	**343,691**	**1,617,283**	**22,481,586**	**18,512,726**	**3,968,860**
Equity Group	18,183,035	2,720	18,185,755		(998,636)	23,079		(57,220)				688		1,359,060	18,512,726		
Equity Non-controlling interests	2,873,962	(4,184)	2,869,778		(183,359)		680,527						343,691	258,223	3,968,860		

(thousands of euros)

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

	30/06/2014	30/06/2013
A. OPERATING ACTIVITIES		
1. Operations	**2,375,572**	**1,175,351**
- net income for the year (+/-)	1,179,791	1,607,323
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	138,607	(193,887)
- gains (losses) on hedging activities (-/+)	39,269	16,424
- net impairment adjustments (+/-)	35,071	14,703
- net value adjustments to property, plant and equipment and intangible assets (+/-)	306,678	289,225
- net provisions and other costs/revenues (+/-)	35,986	(648)
- net premiums not collected (-/+)	(102,337)	
- other insurance income/charges not collected (-/+)	(369,884)	(1,935)
- unpaid taxes and duties (+)	(106,691)	66,128
- writedowns/writebacks of equity investments (+/-)	(591,940)	(512,177)
- other adjustments (+/-)	1,811,022	(109,805)
2. Cash generated by/used in financial assets	**(14,372,010)**	**(16,351,279)**
- financial assets held for trading	1,159,913	336,212
- financial assets at fair value	(150,200)	
- financial assets available for sale	1,509,938	(2,097,384)
- loans to banks: other	(12,192,956)	(9,939,090)
- loans to customers	(4,912,796)	(4,383,162)
- other assets	214,091	(267,855)
3. Cash generated by/used in financial liabilities	**23,712,090**	**10,524,029**
- due to banks: on demand		
- due to banks: other	(1,712,887)	(2,087,295)
- due to customers	24,563,269	16,218,189
- securities issued	1,870,286	(2,610,869)
- financial liabilities held for trading	(96,351)	(113,789)
- other liabilities	(912,227)	(882,207)
Cash generated by/used in operating activities	**11,715,652**	**(4,651,899)**
B. INVESTING ACTIVITIES		
1. Cash generated by	**6,687,093**	**5,481,424**
- dividends from equity investments	736,835	658,777
- sale of financial assets held to maturity	5,940,000	4,821,522
- sale of property plant and equipment	10,258	1,122
- sale of intangibles		3
2. Cash used in	**(10,481,702)**	**(6,941,704)**
- purchase of equity investments	(207,689)	(151,320)
- purchase of financial assets held to maturity	(9,744,277)	(6,005,562)
- purchase of property, plant and equipment	(428,857)	(591,763)
- purchase of intangible assets	(30,911)	(21,760)
- purchase of subsidiaries and business units	(69,968)	(171,299)
Cash generated by/used in investing activities	**(3,794,609)**	**(1,460,280)**
C. FINANCING ACTIVITIES		
- issue/purchase of own shares		(57,220)
- issue/purchase of capital instruments		
- dividend distribution and other allocations	(1,044,580)	(1,181,995)
Cash generated by/used in financing activities	**(1,044,580)**	**(1,239,215)**
CASH GENERATED/USED DURING THE YEAR	**6,876,463**	**(7,351,394)**

RECONCILIATION

(*)		
Cash and cash equivalents at beginning of year	**139,027,214**	**141,958,217**
Total cash generated/used during the year	6,876,463	(7,351,394)
Cash and cash equivalents at end of year	**145,903,677**	**134,606,823**

(*) The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 "Cash and cash equivalents", the balance on the current account held with the Central State Treasury, which is reported under item 70 "Loans to customers" and the positive balance of the bank current accounts reported under item 60 "Loans to banks" net of current accounts with a negative balance reported under item 10 "Due to banks" under liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2014)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

STRUCTURE AND CONTENT OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been prepared in accordance with international accounting standards, specifically IAS 34, which establishes the minimum content and preparation rules for interim financial reports.

The condensed consolidated interim financial statements are expressed in thousands of euros and include the consolidated balance sheet, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement and these explanatory notes to the financial statements, as well as the directors' interim report on Group operations.
The condensed consolidated interim financial statements at 30 June 2014 present a clear, true and fair view of the performance and financial position for the period. The figures reported in the statements correspond with the company's accounting records and fully reflect the transactions conducted during the period.

BASIS OF PRESENTATION

The financial statements and the tables in the explanatory notes are expressed in thousands of euros unless otherwise specified.
Accounts with zero balances for both the current and prior period have been excluded. In the income statement, revenues are indicated as positive numbers, while costs are shown as negative numbers (in brackets).
The figures in the explanatory notes to the financial statements have been rounded to the nearest thousand, and the rounded totals for the various figures are obtained by summing the rounded balances of the items making up such totals.
The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 "Cash and cash equivalents" of the balance sheet, the balances on the current account held with the Central State Treasury reported under item 70 "Loans to customers" and the positive balance on bank accounts

reported under item 60 "Loans to banks" net of current accounts with a negative balance reported under item 10 "Due to banks" of liabilities.

COMPARISON AND DISCLOSURE

The financial statements comply with the provisions of Bank of Italy circular 262/2005 as updated with the version of 21 January 2014 and, in accordance with IAS 34, contain the following comparative information in addition to the accounting data at 30 June 2014:

- balance sheet at 31 December 2013;
- income statement at 30 June 2013;
- statement of comprehensive income at 30 June 2013;
- statement of changes in equity at 30 June 2013;
- cash flow statement at 30 June 2013.

AUDITING OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The CDP Group condensed consolidated interim financial statements have undergone a limited audit by PricewaterhouseCoopers S.p.A. in execution of the shareholder resolution of 25 May 2011, which engaged this firm to audit the financial statements and accounts for the period 2011-2019.

ACCOUNTING POLICIES

GENERAL INFORMATION

SECTION 1 – DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards and International Accounting Standards (IFRS/IAS) issued by the IASB (and related IFRIC and SIC interpretations) endorsed by the European Commission as of 30 June 2014. More specifically, the condensed consolidated interim financial statements have been prepared in compliance with the provisions of IAS 34 governing interim financial reporting. As permitted under this standard, CDP has elected to prepare a condensed report in place of the full reporting envisaged for the annual financial statements.
The schedules have been prepared in compliance with the Bank of Italy circular of 22 December 2005 as updated on 21 January 2014.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The financial statements have been prepared in accordance with the IFRSs issued by the IASB (including the SIC and IFRIC interpretations) endorsed by the European Commission pursuant to Regulation (EC) 1606 of 19 July 2002.

For the purposes of interpretation and to provide support in applying these standards, the following documents have also been considered, although they have not been endorsed by the European Commission:

- the *Framework for the Preparation and Presentation of Financial Statements* issued by the International Accounting Standards Board in 2001;
- *Implementation Guidance, Basis for Conclusions*, IFRIC interpretations, and any other documentation prepared by the IASB or IFRIC to supplement the IFRSs;
- Interpretation documents concerning the application of the IFRSs in Italy, prepared by the *Organismo Italiano di Contabilità* (Italian Accounting Board; OIC) and by the Italian Banking Association (ABI).

Where the information required by the IFRSs and the regulations of the Bank of

Italy is deemed to be inadequate in presenting the company's financial standing in a true and fair manner, the explanatory notes to the financial statements also include supplemental information for such purpose.

The condensed consolidated interim financial statements have been prepared on an accruals and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.

Pursuant to the provisions of joint Bank of Italy/Consob/Isvap document no. 2 of 6 February 2009 and document no. 4 of 4 March 2010 concerning disclosures on business continuity and in compliance with the requirements on the same issue contained in IAS 1 Revised, the CDP Group has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon.
Based on an analysis of the information and the results achieved in previous years, the CDP Group feels that it is appropriate to prepare its financial statements on a going-concern basis.

No assets have been offset with liabilities, nor have revenues with costs, unless expressly required or allowed by the regulations issued by the Bank of Italy or by an accounting standard or a related interpretation.

In the tables shown in the notes to the financial statements, the figures under each item attributable to non-banking Group enterprises are shown only if they are significant.

USE OF ESTIMATES

The application of international accounting standards in preparing the consolidated financial statements requires the CDP Group to formulate estimates for certain balance sheet items that are considered reasonable and realistic on the basis of the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities and the disclosures on contingent assets and liabilities as of the reporting date, as well as the amounts reported for revenues and costs for the period under review.
Changes in the conditions underpinning the judgements, assumptions and estimates used could also have an impact on future results.

The main areas in which management is required to make subjective assessments are:

- the quantification of impairment losses on loans, equity investments and other financial assets in general;
- the use of valuation techniques to determine the fair value of financial instruments not quoted on an active market;
- the quantification of provisions for employees and provisions for liabilities and contingencies;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products;
- the technical provisions of the insurance companies;
- the valuation of construction contracts and inventories of raw materials, semi-finished and finished products.

The description of the accounting treatment used for the main financial statement items provides details on the main assumptions and assessments used in preparing the financial statements.

SECTION 3 – SCOPE AND METHODS OF CONSOLIDATION

Subsidiaries are consolidated on a line-by-line basis, while companies subject to joint control or significant influence are accounted for using the equity method, except for certain investments in subsidiaries in liquidation or subsidiaries in the start-up phase that do not contain any assets whose contribution to the condensed consolidated interim financial statements is not significant.

The financial statements of the subsidiary is used for the full line-by-line consolidation of those relating to 30 June 2014, as approved by the competent bodies of the consolidated companies, adjusted where necessary to bring them into line with the Group's accounting policies and reclassified in accordance with formats prescribed by the Bank of Italy in Circular 262 of 22 December 2005 updated to 21 January 2014.

The following table reports the companies included in the scope of consolidation on a full line-by-line basis.

EQUITY INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (CONSOLIDATED PROPORTIONATELY)

Company name	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
			Investor	% holding	
A. Enterprises					
A.1 Consolidated on a line-by-line basis					
1. Terna S.p.A.	Rome	1	CDP S.p.A.	29.85%	29.85%
2. TERNA RETE ITALIA S.r.l.	Rome	1	Terna S.p.A.	100.00%	100.00%
3. TERNA RETE ITALIA S.p.A.	Rome	1	Terna S.p.A.	100.00%	100.00%
4. TERNA PLUS S.r.l.	Rome		Terna S.p.A.	100.00%	100.00%
5. TERNA STORAGE S.r.l.	Rome	1	Terna S.p.A.	100.00%	100.00%
6. TERNA CRNA GORA D.O.O.	Podgorica	1	Terna S.p.A.	100.00%	100.00%
7. Fintecna S.p.A.	Via Versilia 2 - Rome	1	CDP S.p.A.	100.00%	100.00%
8. Fincantieri S.p.A.	Via Genova, 1 - Trieste	1	Fintecna S.p.A.	99.36%	99.36%
9. Ace Marine LLc	Wisconsin - WI - USA	1	Fincantieri Marine Group LLC	100.00%	100.00%
10. Bacini di Palermo S.p.A.	Palermo	1	Fincantieri S.p.A.	100.00%	100.00%
11. Centro per gli Studi di Tecnica Navale CETENA S.p.A.	Genoa	1	Fincantieri S.p.A.	71.10%	71.10%
			Seaf S.p.A.	15.00%	15.00%
12. Delfi S.r.l.	Follo (SP - Italy)	1	Fincantieri S.p.A.	100.00%	100.00%
13. FMSNA YK	Sasebo - Japan	1	Fincatieri Marine Systems North America Inc.	100.00%	100.00%
14. Fincantieri Do Brasil Partecipaçoes S.A.	Brazil	1	Fincantieri S.p.A.	80.00%	80.00%
			Fincantieri Holding B.V.	20.00%	20.00%
15. Fincantieri Holding B.V.	Amsterdam - NL	1	Fincantieri S.p.A.	100.00%	100.00%
16. Fincantieri Marine Group Holdings Inc.	Green Bay - WI - USA	1	Fincantieri USA Inc.	87.44%	87.44%
17. Fincantieri Marine Group LLC	Marinette - WI - USA	1	Fincantieri Marine Group Holdings Inc.	100.00%	100.00%
18. Fincantieri Marine Systems North America Inc.	Chesapeake - VI - USA	1	Fincantieri Holding B.V.	100.00%	100.00%
19. FINCANTIERI OIL & GAS S.p.A.	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
20. Fincantieri USA Inc.	Wilmington - DE - USA	1	Fincantieri S.p.A.	86.02%	86.02%
21. Gestione Bacini La Spezia S.p.A.	Muggiano (SP - Italy)	1	Fincantieri S.p.A.	99.89%	99.89%
22. Isotta Fraschini Motori S.p.A.	Bari	1	Fincantieri S.p.A.	100.00%	100.00%
23. Marinette Marine Corporation	Wisconsin - WI - USA	1	Fincantieri Marine Group LLC	100.00%	100.00%
24. Società per l'esercizio di attività finanziarie SEAF S.p.A.	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
25. SeaStema S.p.A.	Genoa	1	Fincantieri S.p.A.	100.00%	100.00%
26. XXI Aprile S.r.l.	Via Versilia 2 - Rome	1	Fintecna S.p.A.	100.00%	100.00%
27. Fincantieri India Private Limited	India	1	Fincantieri S.p.A.	1.00%	100.00%
			Fincantieri Holding B.V.	99.00%	99.00%
28. Vard Holdings Limited	Singapore	1	Fincantieri Oil & Gas S.p.A.	55.63%	55.63%
29. Vard Group AS	Norway	1	Vard Holdings Limited	100.00%	100.00%
30. Vard Electro AS	Norway	1	Vard Group AS	100.00%	100.00%
31. Vard RO Holding S.r.l.	Romania	1	Vard Group AS	99.995%	99.995%
32. Vard Niteròi SA	Brazil	1	Vard Group AS	99.9995%	99.9995%
			Vard Electro Brazil (Instalaçoes Eletricas) Ltda	0.0005%	0.0005%
33. Vard Promar SA	Brazil	1	Vard Group AS	50.50%	50.50%
34. Estaleiro Quissamã Ltda	Brazil	1	Vard Group AS	50.50%	50.50%
35. Vard Singapore Pte Ltd	Singapore	1	Vard Group AS	100.00%	100.00%
36. Vard Design AS	Norway	1	Vard Group AS	100.00%	100.00%
37. Vard Accommodation AS	Norway	1	Vard Group AS	100.00%	100.00%
38. Vard Piping AS	Norway	1	Vard Group AS	100.00%	100.00%
39. Vard Brevik Holding AS	Norway	1	Vard Group AS	100.00%	100.00%
40. Seaonics AS	Norway	1	Vard Group AS	51.00%	51.00%
41. Aakre Eigendom AS	Norway	1	Vard Group AS	100.00%	100.00%
42. Vard Design Liburna Ltd.	Croatia	1	Vard Design AS	51.00%	51.00%
43. Vard Electro Tulcea S.r.l.	Romania	1	Vard Electro AS	99.96%	99.96%
44. Vard Electro Brazil (Instalaçoes Eletricas) Ltda	Brazil	1	Vard Electro AS	99.00%	99.00%
			Vard Group AS	1.00%	1.00%
45. Vard Electro Braila S.r.l.	Romania	1	Vard Electro AS	100.00%	100.00%
46. Vard Electrical Installation and Engineering (India) Private Limited	India	1	Vard Electro AS	99.00%	99.00%
			Vard Tulcea SA	1.00%	1.00%
47. Vard Tulcea SA	Romania	1	Vard RO Holding S.r.l.	99.44%	99.44%
48. Vard Braila SA	Romania	1	Vard RO Holding S.r.l.	94.1224%	94.1224%
			Vard Group AS	5.8776%	5.8776%
49. Vard Vung Tau Ltd	Vietnam	1	Vard Singapore Pte Ltd	100.00%	100.00%

Company name	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
			Investor	% holding	
50. Vard Accommodation Tulcea S.r.l.	Romania	1	Vard Accommodation AS	99.18%	99.18%
			Vard Electro Tulcea S.r.l.	1.82%	1.82%
51. Multifag AS (formerly Vard Grenland Industri AS)	Norway	1	Vard Brevik Holding AS	100.00%	100.00%
52. Vard Brevik Support AS	Norway	1	Vard Brevik Holding AS	100.00%	100.00%
53. Vard Engineering Brevik AS	Norway	1	Vard Brevik Holding AS	70.00%	70.00%
54. Vard Offshore Brevik AS	Norway	1	Vard Brevik Holding AS	100.00%	100.00%
55. Ronor AS	Norway	1	Vard Brevik Holding AS	100.00%	100.00%
56. Vard Ship Repair Braila SA	Romania	1	Vard Braila SA	68.58%	68.58%
			Vard Brevik Holding AS	31.42%	31.42%
57. Brevik Elektro AS	Norway	1	Multifag AS (formerly Vard Grenland Industri AS)	100.00%	100.00%
58. Seaonics Polska SP.Z O.O.	Poland	1	Seaonics AS	100.00%	100.00%
59. Vard Engineering Constanta S.r.l.	Romania	1	Vard RO Holding S.r.l.	70.00%	70.00%
			Vard Braila SA	30.00%	30.00%
60. Johangarden AS	Norway	1	Vard Electro AS	100.00%	100.00%
61. Brevik Philadelphia	USA	1	Vard Electro AS	100.00%	100.00%
62. SACE S.p.A.	Rome	1	CDP S.p.A.	100.00%	100.00%
63. SACE BT S.p.A.	Rome	1	SACE S.p.A.	100.00%	100.00%
64. SACE Fct S.p.A.	Rome	1	SACE S.p.A.	100.00%	100.00%
65. SACE SRV S.r.L.	Rome	1	SACE BT S.p.A.	100.00%	100.00%
66. SACE DO BRASIL	Sao Paulo (BR)	1	SACE S.p.A.	100.00%	100.00%
67. Valcomp Uno S.r.l.	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
68. Valcomp Tre S.p.A.	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
69. Ansaldo Energia S.p.A.	Genoa	1	Fondo Strategico Italiano S.p.A	84.84%	84.84%
70. Ansaldo Nucleare S.p.A.	Italy	1	Ansaldo Energia S.p.A.	100.00%	100.00%
71. Yeni Aen Anonim Sirketi	Turkey	1	Ansaldo Energia S.p.A.	100.00%	100.00%
72. Ansaldo Thomassen Bv	Netherlands	1	Ansaldo Energia S.p.A.	100.00%	100.00%
73. Ansaldo Thomassen Gulf	United Arab Emirates	2	Ansaldo Energia S.p.A.	100.00%	100.00%
74. Ansaldo Swiss AG	Switzerland	1	Ansaldo Energia S.p.A.	100.00%	100.00%
75. ASPL Asia Power Project Ltd	India	1	Ansaldo Energia S.p.A.	100.00%	100.00%
76. CDP Investimenti SGR S.p.A.	Rome	1	CDP S.p.A.	70.00%	70.00%
77. Fondo Strategico Italiano S.p.A	Milan	1	CDP S.p.A.	77.70%	77.70%
			Fintecna S.p.A.	2.30%	2.30%
78. CDP GAS S.r.l.	Rome	1	CDP S.p.A.	100.00%	100.00%
79. CDP Reti S.p.A.	Rome	1	CDP S.p.A.	100.00%	100.00%
80. Quadrante S.p.A.	Rome	1	CDP S.p.A.	100.00%	100.00%
81. CDP Immobiliare S.r.l.	Rome	1	CDP S.p.A.	100.00%	100.00%
82. Simest S.p.A.	Rome	1	CDP S.p.A.	76.01%	76.01%
83. Fondo FIV - comparto Plus	Rome	4	CDP S.p.A.	100.00%	100.00%
84. Fondo FIV - comparto Extra	Rome	4	CDP S.p.A.	100.00%	100.00%
85. Tamini Trasformatori S.r.l.	Melegnano (MI - Italy)	1	Terna Plus S.r.l.	100.00%	100.00%
86. Verbano Trasformatori S.r.l.	Novara (Italy)	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
87. V.T.D. Trasformatori S.r.l.	Valdagno (VI - Italy)	1	Tamini Trasformatori S.r.l.	98.00%	98.00%
			Verbano Trasformatori S.r.l.	2.00%	2.00%
88. Tamini Transformers USA L.L.C.	Chicago	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
89. Nuclear Engineering Group Limited	Wolverhampton	1	Ansaldo Nucleare S.p.A.	100.00%	100.00%
90. FSIA Investimenti S.r.l.	Milan	1	Fondo Strategico Italiano S.p.A.	100.00%	100.00%
91. FSI Investimenti S.p.A.	Milan	1	Fondo Strategico Italiano S.p.A.	100.00%	100.00%
92. Vard Marine Inc.	Vancouver	1	Vard Group AS	100.00%	100.00%
93. Residenziale Immobiliare 2004 S.p.A.	Rome	1	CDP Immobiliare S.r.l.	72.52%	72.52%
A.2 Consolidated proportionately					

Key
(1) Type of relationship
1 = Majority of voting rights in ordinary shareholders' meeting
2 = Dominant influence in ordinary shareholders' meeting
3 = Agreements with other shareholders
4 = Other form of control
5 = Unitary management pursuant to Article 26.1 of Legislative Decree 87/92
6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92
7 = Joint control
(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes

SECTION 4 – EVENTS SUBSEQUENT TO THE REPORTING DATE

During the period between the reporting date for the financial statements and their approval by the Board of Directors, no events occurred that would require an adjustment to the figures approved.

SECTION 5 – OTHER ISSUES

First-time adoption of standards

During the period new accounting standards and interpretations entered force. Their provisions were taken into account in the preparation of these interim financial statements, where applicable, in particular:

IAS 27 - "Separate financial statements" amended by Regulation (EU) 1254/2012. The changes introduced consist in having extrapolated and transferred the regulations concerning the preparation of the consolidated financial statements to a new specific accounting standard (IFRS 10 - "Consolidated Financial Statements"). Accordingly, the new IAS 27 has the task of defining and regulating the principles solely for the preparation of the separate financial statements, remaining essentially unchanged in this respect from the previous version;

IAS 28 - "investments in associates and joint ventures" amended by Regulation (EU) 1254/2012. The accounting standard has been supplemented with the requirements for the application of the equity method for investments in joint ventures;

IFRS 10 - "Consolidated financial statements" adopted through Regulation (EU) 1254/2012. The new standard establishes the rules for the preparation and presentation of consolidated financial statements, adding to the rules on this subject previously contained in IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Special purpose entities. The new principle contains a new definition of control as the sole basis for the consolidation of all types of entities, eliminates some inconsistencies or doubts of interpretation between IAS 27 and SIC 12, and finally lays down rules for the clear and unambiguous identification of "de facto control". The aforementioned provisions did not entail any review of the methods used in this interim report for the consolidation of interests and specifically of the interests in the subsidiary Terna and in the associate SNAM, as specified in Annex 1 - Scope of consolidation. It should also be noted that with regard to CDP's holding in these companies, the necessary assessment on the methods for the representation of these interests has been started for the purpose of drafting the financial statements of the CDP Group at 31 December 2014.

IFRS 11 - "Joint arrangements" adopted through Regulation (EU) 1254/2012. The new standard establishes the rules of financial reporting for entities that are part of a joint agreement and supersedes IAS 31 - Interests in Joint Ventures and SIC 13 - Jointly Controlled Entities - Non-monetary contributions by venturers. IFRS 11 also establishes criteria for the identification of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form, and, in contrast to that established previously in IAS 31, it does not allow the use of the proportionate consolidation method as a method of accounting for investments in joint ventures;

IFRS 12 - "Disclosure of interests in other entities" adopted through Regulation (EU) 1254/2012. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard contains a summary of all the information that an entity is required to provide in order to enable users of financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those investments on the financial position, results of operations and cash flows;

IAS 32 - "Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities" amended through Regulation (EU) 1256/2012. Following the amendment to IFRS 7, IAS 32 revised provides additional guidance to reduce inconsistencies in the practical application of the standard.

Restatement of the income statement at 30 June 2013

The income statement has been restated as at 30 June 2013 to include the effects of the entries from the purchase price allocation processes, concluded at the end of 2013, in relation to the following entities:

- Fintecna S.p.A., purchased at the end of 2012;
- SACE S.p.A., purchased at the end of 2012;
- Vard, purchased at the beginning of 2013 through the subsidiary Fintecna;
- SNAM S.p.A., associate purchased during the second half of 2012;
- Kedrion S.p.A. and Metroweb S.p.A., purchased during 2012.

The overall impact on profit attributable to the Group, relating to the above allocation processes, was negative by €30.2 million.

Certain reclassifications were also made as a result of changes, in interpretation and application, introduced with the second update of the "Instructions for the preparation of company financial statements and the consolidated financial statements of banks" issued by the Bank of Italy on 21 January 2014.

(thousands of euros)

CONSOLIDATED INCOME STATEMENT

	Items	30/06/2013 restated	30/06/2013	Change
10.	Interest income and similar revenues	4,902,212	4,912,900	(10,688)
20.	Interest expense and similar charges	(3,278,989)	(3,278,799)	(190)
30.	**Net interest income**	**1,623,223**	**1,634,101**	**(10,878)**
40.	Commission income	51,778	51,778	
50.	Commission expense	(857,796)	(857,796)	
60.	**Net commission income**	**(806,018)**	**(806,018)**	
70.	Dividends and similar revenues	16,694	16,694	
80.	Net gain (loss) on trading activities	355,365	355,082	283
90.	Net gain (loss) on hedging activities	(16,101)	(15,818)	(283)
100.	Gains (losses) on disposal or repurchase of:	55,915	55,915	
	a) loans	1,555	1,555	
	b) financial assets available for sale	54,334	54,334	
	c) financial assets held to maturity	26	26	
120.	**Gross income**	**1,229,078**	**1,239,956**	**(10,878)**
130.	Net impairment adjustments of:	(14,703)	(14,703)	
	a) loans	(13,878)	(13,878)	
	d) other financial transactions	(825)	(825)	
140.	**Financial income (expense), net**	**1,214,375**	**1,225,253**	**(10,878)**
150.	Net premiums	99,754	99,754	
160.	Net other income (expense) from insurance activities	12,025	(1,425)	13,450
170.	**Net result from financial and insurance activities**	**1,326,154**	**1,323,582**	**2,572**
180.	Administrative expenses	(2,176,797)	(2,212,958)	36,161
	a) staff costs	(567,835)	(586,055)	18,220
	b) other administrative expenses	(1,608,962)	(1,626,903)	17,941
190.	Net provisions	648	44,986	(44,338)
200.	Net adjustments of property, plant and equipment	(246,552)	(245,937)	(615)
210.	Net adjustments of intangible assets	(42,673)	(31,135)	(11,538)
220.	Other operating income (costs)	2,941,336	2,932,074	9,262
230.	**Operating costs**	**475,962**	**487,030**	**(11,068)**
240.	Gains (losses) on equity investments	512,177	539,613	(27,436)
270.	Gains (losses) on disposal of investments	693	693	
280.	**Income (loss) before tax from continuing operations**	**2,314,986**	**2,350,918**	**(35,932)**
290.	Income tax for the period on continuing operations	(707,663)	(710,016)	2,353
300.	**Income (loss) after tax on continuing operations**	**1,607,323**	**1,640,902**	**(33,579)**
310.	Income (loss) after tax on disposal groups held for sale			
320.	**Net income (loss) for the period**	**1,607,323**	**1,640,902**	**(33,579)**
330.	Net income (loss) for the period pertaining to non-controlling interests	202,395	205,779	(3,384)
340.	**Net income (loss) for the period pertaining to shareholders of the parent company**	**1,404,928**	**1,435,123**	**(30,195)**

OTHER INFORMATION

The condensed consolidated interim financial statements are subject to approval by the Board of Directors of CDP and will be published in accordance with the deadlines and procedures provided for in the regulations applicable to CDP.

THE CONSOLIDATED TAXATION MECHANISM

For the period 2012-2014, the parent company has opted, in its capacity as the consolidating entity, to adopt the "consolidated taxation mechanism" introduced with Legislative Decree 344 of 12 December 2003 – together with the subsidiaries Fondo Strategico Italiano S.p.A., CDP GAS S.r.l., Fincantieri S.p.A., Fincantieri Oil & Gas S.p.A., Isotta Fraschini Motori S.p.A. and CDP Reti S.p.A.. As from the current year, also participating are the subsidiaries CDP Immobiliare S.r.l. and Fintecna S.p.A..

THE MAIN FINANCIAL STATEMENT AGGREGATES

The accounting policies governing the classification, recognition, measurement and derecognition of assets and liabilities and the recognition of revenues and costs used in preparing the condensed consolidated interim financial statements are the same as those adopted in preparing the annual financial statements.

The following pages provide a description of the accounting principles adopted in preparing the condensed consolidated interim financial statements.

1 – FINANCIAL ASSETS HELD FOR TRADING

"Financial assets held for trading" (item 20) includes all financial assets, regardless of type (debt securities, equities, loans, derivatives, etc.), allocated to the trading portfolio and held for the purpose of generating profits over the short term as a result of changes in the price of such instruments, as well as the derivative contracts operationally connected with financial liabilities measured at fair value (under the fair value option) and derivatives with a positive value, including those resulting from the separation of embedded derivatives, that are not deemed to be effective for hedging purposes.
Financial assets held for trading meet the following prerequisites:

a) they are purchased with the intention of being sold in the short term;
b) they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
c) they are derivatives (with the exception of derivatives that are designated and effective hedging instruments).

Such financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or income. Initial recognition is carried out at the subscription date for derivative contracts and on the settlement date for debt and equity securities, with the exception of those for which delivery is not governed by conventions on the market concerned, for which initial recognition is at the contract date.
Financial assets held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its

own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.
The financial instruments are measured subsequently at fair value based on the official prices as of the reporting date if they are listed on active markets. For financial instruments, including equity, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.
If the fair value of a financial asset becomes negative, it is recognised as a financial liability held for trading.
Financial assets held for trading are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.
The gains and losses on sale or redemption and unrealised gains and losses resulting from the fair value measurement of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80).

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

"Financial assets available for sale" (item 40) are non-derivative financial assets (debt securities, equity, etc.) that are classified as being available for sale and not as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.
Available-for-sale financial assets are initially recognised on the contract date for all financial assets, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is carried out at the settlement date and on the disbursement date in the case of loans.
The financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or gains.
Investments in equity instruments that are not listed on an active market and for which it is not possible to measure fair value reliably, as well as derivatives

connected to such instruments and/or that must be settled with the delivery of such instruments, are measured at cost.

Unrealised gains or losses on available-for-sale securities are recorded in a specific equity reserve, net of tax effects, until the investment is sold or written down.

The financial instruments are measured subsequently at fair value based on the official prices as of the reporting date if they are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent comparable transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.

Available-for-sale financial assets undergo impairment testing to determine whether there is objective evidence of impairment. Where the decline in the fair value of an available-for-sale security with respect to its initial cost value is significant or prolonged, an impairment is recognised through profit or loss. A decrease in fair value is deemed significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of more than 24 months. Where an available-for-sale security is impaired, the cumulative, unrealised change in value recorded in the equity reserve is recognised in the income statement under "Net impairment adjustments of financial assets available for sale" (item 130.b). The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of an available-for-sale financial asset exceeds its recoverable amount. The amount of this loss is measured using specific valuation techniques and models for equity securities. Any writebacks of investments in equity instruments are not recognised in the income statement but in an equity reserve, while any writebacks of investments in debt instruments go through the income statement. The value of the instrument after the writeback shall in any event not exceed the value that the instrument would have had in the absence of the prior adjustments.

Dividends on equity instruments that are available for sale are recognised as income when the right to receive payment is established.

In addition to the recognition of impairment losses, the cumulative gains or losses in the equity reserve are, as mentioned above, recognised in the income statement at the time of the sale of the asset. Accordingly, in the event of the disposal of an investment in available-for-sale securities, the related cumulative, unrealised change in value recorded in equity is recognised in the income

statement as "Gains (losses) on the disposal or repurchase of financial assets available for sale" (item 100.b).
Available-for-sale financial assets are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.

3 – Financial assets held to maturity

Financial assets held to maturity include financial assets other than derivatives with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
If, following a change in such intention or ability, it is no longer appropriate to continue to classify an investment as held to maturity, it is reclassified under financial assets available for sale.
Held-to-maturity financial assets are initially recognised at fair value, which is normally equal to the price paid or received. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is taken to the income statement.
The value at which such assets are recognised includes incidental costs and revenues attributable to the transaction.
Following initial recognition, financial assets held to maturity are measured at amortised cost and undergo impairment testing. The amortised cost of a financial asset is equal to the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Such assets are derecognised when the contractual rights to the cash flows from the assets expire or when the assets are divested by transferring substantially all the risks and rewards of ownership of the assets.

4 – Loans

The term "loans" refers to a portfolio of financial instruments, including debt securities, that are not listed on an active market and which IAS 39 refers to as "loans and receivables", for which the company has a right to receive future cash flows.

Loans are recognised when the contract is executed, i.e. upon the unconditional acquisition of a right to payment of the amounts agreed, and are initially measured at fair value, which equals the amount disbursed including directly related transaction costs and commissions. Where the net amount disbursed does not equal the loan's fair value because the interest rate is lower than the market rate or the rate normally applied for similar loans, initial measurement is effected by discounting the future cash flows using an appropriate rate.
The loans made by the CDP Group to public entities and public-law bodies under the Separate Account portfolio have a number of features that distinguish them from loans granted by banks, which normally disburse the entire amount of the loan to its beneficiary at the time the loan is granted. Such loans are special-purpose loans generally granted to local authorities for public works and are disbursed to the beneficiaries only after verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the authority as the work is performed by the various contractors involved.
Upon signing the finance agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by the CDP Group earn interest that can be treated as a reimbursement of the interest income earned by the CDP Group on the non-disbursed portion. The CDP Group's special-purpose loans normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. The repayment plan for the amount granted begins, with certain exceptions, the year following the signing of the related contract. The CDP Group's accounting policy for special-purpose loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins.
Any disbursements requested by borrowers during the grace period effectively reduce the commitment and result in a short-term receivable for the amount actually disbursed, with this amount accruing interest at the rate agreed upon by contract. The short-term receivable for advances on loans in their grace period is measured at cost in accordance with international accounting standards.
When repayment begins on a loan that has not yet been disbursed, both a payable and a receivable are recognised for the same amount in respect of the party responsible for repaying the loan. In accordance with the IASs/IFRSs, the receivable is measured at amortised cost (which, given the lack of transaction costs on the loans granted and with certain exceptions, equals cost), and the

payable is a demand liability that decreases as the amounts are actually disbursed.
Loans granted by the CDP Group to borrowers other than public entities or public-law bodies are treated in a manner analogous to that for loans granted by banks.
The interest on loans and default interest is recognised as interest income and similar revenues on loans to banks and customers and are recognised on an accruals basis.
The carrying amount of loans is subject to periodic testing for impairment that could reduce their expected realisable value. This reduction becomes material when it is deemed probable that the amount due will not be paid in full, based on the original terms of the agreement, or that an equivalent asset will not be received.
Loans classified as bad debts, substandard or restructured are measured individually for positions that exceed a given value threshold. The measurement of writedowns of loans is based on discounting the expected future cash flows of principal and interest net of collection costs, taking account of any guarantees securing the positions and any advances received. The key to determining the value of the future cash flows is in defining the estimated collections, the related timing, and the discount rate to be applied.
The impairment of problem loans is then written back only when the quality of the loan improves to the point that there is a reasonable certainty of a greater recovery of principal and interest and/or greater receipts have been recorded than the previously recorded carrying amount of the loan. In any event, given the method used to measure impairment losses, as the due dates for credit collection approach with the passing of time, the value of the loan is written back, given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans.
Recovery of all or a part of previously written down loans is recognised as a reduction to “Net impairment adjustments of loans” (item 130.a).
Loans are derecognised when paid in full, when all of the related risks and rewards have been transferred, or when a loan is deemed to be definitively uncollectible. The amount of the loss is recognised in the income statement net of previously recognised impairment losses.
Loans represented by positions with parties that are not classified under any of the risk categories listed above, but which are more than 90 days past due, also undergo individual impairment testing.
Loans for which no evidence of individual impairment has been identified undergo collective impairment testing.

The method used for collective testing is based on the parameters used for pricing loans and calculating (for internal purposes only) CDP's capital adequacy with respect to the exposures it has assumed. The estimate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the 1-year expected loss.

These corrective parameters are determined by considering the degree of concentration of the loan portfolio (concentration adjustments) and the expected time between the default event and the emergence of confirmation of default (loss confirmation period).

"Loans to customers" include unlisted financial assets in respect of customers (loans, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. The item also reports the liquidity represented by the balance on the current account held with the Central State Treasury.

This also includes receivables from Italian post offices and variation margins with clearing bodies for derivatives transactions.

"Loans to banks" include unlisted financial assets in respect of banks (current accounts, security deposits, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also includes the amounts receivable from central banks other than free deposits (such as the reserve requirement).

5 – FINANCIAL ASSETS AT FAIR VALUE

A financial asset may be classified into financial assets at fair value through profit or loss if this enables more relevant information to be obtained because:

- eliminates or significantly reduces an inconsistency in measurement or recognition - accounting asymmetry - that would otherwise arise from measuring assets on a different basis;
- a group of financial assets is managed and its return is measured on a fair value basis, in accordance with a documented risk management or investment strategy.

Hybrid instruments with embedded derivatives that would otherwise be separated from the host instrument may also be classified in this category.

Equity instruments that do not have observable prices in an active market and whose fair value cannot be reliably determined cannot be designated as financial assets at fair value.

6 - Hedging transactions

In accordance with the IAS definition, hedging instruments are designated derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities the fair value or cash flows of which are expected to offset the changes in fair value or cash flows of a designated position (IAS 39, paragraphs 72-77 and Annex A, paragraph AG94). A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that (a) exposes the organisation to the risk of a change in fair value or future cash flows and (b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101). The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk is offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105-AG113).
When a financial instrument is classified as a hedging instrument, the following are to be formally documented:
the relationship between the hedging instrument and the position hedged, including the risk management objectives;
the hedging strategy, which must be in line with established risk management policies;
the methods to be used in order to verify the effectiveness of the hedge.
Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged position.
A hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the hedged position or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.
If the hedge is not effective as described above, the hedging instrument is reclassified under trading instruments, while the hedged item is measured in accordance with the criteria for its category. Hedge accounting also ceases in the event the hedging instrument expires, is sold or exercised or where the hedged item expires, is sold or is repaid.
In the case of hedges to neutralise the risk of changes in future cash flows generated by the execution of a forecast transaction considered highly probable at the balance-sheet date (cash flow hedge), the effective portion of changes in the fair value of the derivative subsequent to initial recognition are recognised under “reserves” in shareholders’ equity. When the financial effects originated by

the hedged item become manifest, the reserve is reclassified to profit or loss under operating components. If the hedge is not perfectly effective, the ineffective portion of the change in the fair value of the hedging instrument is recognised immediately in profit or loss.

If during the life of a derivative instrument, the hedged expected cash flows are no longer considered to be highly probable, the reserves associated with that instrument are immediately reversed to profit or loss for the year. Conversely, if the derivative instrument is transferred or no longer qualifies as an effective hedge, the reserves representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the manifestation of the financial effects of the transaction originally hedged. If the hedged transaction is no longer considered probable, the unrealised gains or losses recognised in equity are recognised immediately in profit or loss.

Asset item 80 and liability item 60 report hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the reporting date have either a positive or negative value.

7 – Equity investments

The item includes equity interests in joint ventures (IFRS 11) and associates subject to significant influence (IAS 28).

Joint ventures are companies in which control is shared with other parties, including on the basis of contractual agreements.

Associates are companies in which CDP holds, either directly or indirectly, at least 20% of the voting rights or, independently of the proportion of voting rights, companies over which CDP has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control. Minority holdings are recognised as financial assets available for sale (item 40) and are treated as described above.

Equity investments are initially recognised at cost at the settlement date. They are subsequently accounted for using the equity method. Acquisitions are treated in the same manner as business combinations. Accordingly, the difference with the price paid (difference between the purchase price and the fraction of equity acquired) is allocated on the basis of the fair value of the net identifiable assets of the associate. Any excess not allocated represents goodwill. The allocated excess is not reported separately but is instead included in the carrying amount of the equity investment (synthetic consolidation).

Any positive difference between the value of the share of equity in the investee and the cost of the investment is recognised as income.
In applying the equity method, account is also taken of treasury shares held by the investee.
Where there is evidence that the value of an equity investment can be impaired, its recoverable value is determined, taking account of both its market value and the present value of future cash flows.
If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. This loss is only recognised when the loss in value is significant and prolonged. Impairment losses on investments listed on active markets, unless there are additional, specifically justified reasons, are recognised when the impairment is deemed to be significant or prolonged. A decrease in fair value is deemed significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of more than 24 months.

8 – PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment" includes all non-current tangible assets used in operations governed by IAS 16 and investment property (land and buildings) governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases (for the lessor), as well as leasehold improvement costs.
Property, plant and equipment is recognised at purchase cost including incidental expenses and non-deductible VAT, increased by revaluations carried out under the provisions of specific laws.
The carrying amount represents the book value of the assets net of depreciation.
The depreciation rates used are felt to reflect the remaining useful economic lives of the assets.
Newly acquired assets are depreciated as from the period in which they enter service.
Property, plant and equipment held under finance leases that transfer to the Group substantially all the risks and rewards of ownership are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments due, including any amount payable to exercise the bargain purchase option. The corresponding liability to lessor is recognised under financial debt. The assets are depreciated using the same criteria as those used for assets owned.
Leases in which the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Costs in respect of

operating leases are recognised on a straight-line basis over the term of the lease.
Property, plant and equipment leased to others under finance lease agreements (or agreements treated in the same manner as finance leases), under which substantially all the risks and rewards of ownership of the asset have been transferred to the user of the asset, are recognised as financial receivables in the balance sheet. At the time of transfer of the asset to the user, the selling profit on the sale of the leased asset is recognised. That profit is determined as the difference between: i) the fair value of the asset at the inception of the lease or, if lower, the present value of the minimum payments due under the lease that pertain to the Group, calculated at a market interest rate; and ii) the cost of producing the leased asset increased by legal costs and internal costs directly attributable to the negotiation and arranging of the lease contract. Subsequent to recognition of the financial receivable, financial income is recognised in an amount reflecting the constant periodic rate of return on the receivable allocated over the term of the lease on a systematic and rational basis.
Assets to be relinquished free of charge are recognised at cost, including any disposal and removal costs that will be incurred under contractual obligations to restore the assets to their original condition, net of depreciation calculated over the lesser of the estimated useful life of the asset and the term of the concession, net of dismantling and removal costs.
Land and buildings are treated as separate assets for accounting purposes, even if purchased together. Land is considered to have an indefinite life and, as such, is not depreciated.
Assets whose use or nature classifies them as capital equipment are depreciated on a straight line basis over their remaining useful lives.
If an impairment loss, independently of amortisation, is identified, the asset is written down, with the original value being restored if the reasons for the writedown no longer apply.
Maintenance and repair costs that do not increase the utility or useful lives of assets are charged directly to income for the year.
Borrowing costs directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation pursuant to IAS 23 are capitalised on the asset as part of its cost.
“Assets under construction and advances” are composed of advances or expenses incurred in respect of assets and materials that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company’s production cycle, depreciation is suspended.

9 – INTANGIBLE ASSETS

"Intangible assets" include goodwill, governed by IFRS 3, and other intangibles, governed by IAS 38, and primarily include concessions, licenses and brands, customer contracts, R&D costs and industrial patents and intellectual property rights.

Concessions, licenses, brands and similar rights arising from an acquisition are recognised at fair value as of the date of the acquisition and are amortised over their expected life. More specifically, brands are not amortised but undergo impairment testing on an annual basis or more frequently if specific events or changes in circumstances suggest that they can be impaired.

Customer contracts arising from an acquisition are recognised at fair value as of the date of the acquisition. Contractual rights are amortised over the expected life of the relationship.

Research costs are expensed in the period in which they are incurred. Costs for the development of new products and production processes are capitalised and recognised under intangible assets only if all of the following conditions are met:

- the project is clearly identifiable and the costs associated with it are identifiable and can be measured reliably;
- the technical feasibility of the project has been demonstrated;
- the intention to complete the project and sell the intangible assets generated by the project has been demonstrated;
- there is a potential market or, in the case of internal use, the usefulness of the intangible asset has been demonstrated;
- adequate technical and financial resources to complete the project are available.

The amortization of any development costs recognised under intangible assets begins as from the date on which the result of the project is ready for sale and is carried out on a straight-line basis.

Costs incurred for the acquisition of industrial patents and intellectual property rights are amortised on a straight-line basis, allocating the acquisition cost over the shorter of the expected period of use and the term of the associated contracts, as from the time the right acquired can be exercised.

Intangible assets are recognised at purchase or development cost including incidental expenses and are amortised over their estimated useful lives, which, at the end of each year, is subject to impairment testing in order to verify the appropriateness of the estimates.

An intangible asset is only recognised under the following conditions:

- future economic benefits from the asset are expected to flow to the entity;
- the cost of the asset can be measured reliably.

Goodwill generated from the acquisition of subsidiaries is allocated to each identified cash generating unit (CGU). Following initial recognition, goodwill is not amortised but is reduced for any impairment losses. The estimate of the recoverable value of goodwill recognised uses a discounted cash flow model, which determines value in use on the basis of an estimation of future cash flows and an appropriate discount rate.

If an impairment loss, independently of amortisation, is identified, the asset is written down, with the original value being restored if the reasons for the writedown no longer apply.

Goodwill in respect of investments in associated companies and companies subject to joint control is included in the carrying amount of such companies. Negative goodwill is taken to the income statement at the time of the acquisition.

10 - NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) whose carrying amount will be recovered principally through a sale rather than through continuing use are classified as held for sale and reported separately from other assets and liabilities in the balance sheet. Non-current assets (or disposal groups) classified as held for sale are first measured in accordance with the IFRS/IAS applicable to each asset and liability and are subsequently measured at the lower of their carrying amount and fair value less costs to sell. The individual assets of the companies classified as held for sale are not depreciated/amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised. Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets (or disposal groups) classified as held for sale through profit or loss. The corresponding balance sheet values for the previous year are not reclassified. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is an operation acquired exclusively with a view to resale.

11 – Current and deferred taxation

Corporate income tax (IRES) and the regional tax on business activities (IRAP), which are determined in compliance with applicable tax law, are recognised on the basis of a realistic estimate of the associated income components for the first half of 2014.
Deferred tax items regard the recognition of the effects of differences, including timing differences, between the valuation of accounting items under tax regulations, which are used to determine taxable income, and that under statutory reporting regulations (which seek to quantify the result for the year).
More specifically, "taxable temporary differences" between statutory and tax values are those that will give rise to taxable amounts in future tax periods, while "deductible temporary differences" are those that will give rise to deductible amounts in the future.
Deferred tax liabilities – which are correlated with the amount of income that will become taxable in future years – are recognised in the tax provision without offsetting against deferred tax assets, which are recognised in the balance sheet under "Tax assets".
If the deferred tax items regard developments that directly affect equity, they are recognised in equity.

12 - Provisions

"Provisions" (item 120) are recognised solely under following conditions:

- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

When the financial impact of the time factor is significant and the dates of payment of the obligation can be estimated reliably, the provision is measured as the present value (discounted at market rates as of the reporting date) of the charges that are expected to be incurred in order to settle the obligation.
The provisions are only used when the charges for which they were originally established are incurred. When the outlay to fulfil the obligation is no longer deemed to be probable, the provision is reversed through the income statement.

13 – Debt and securities issued

"Amounts due to banks" (item 10) and "Amounts due to customers" (item 20) include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans) other than "Financial liabilities held for trading" (item 40), "Financial liabilities at fair value through profit or loss" (item 50), and debt securities under item 30 ("Securities issued"). This includes operating payables. Securities issued, both listed and unlisted, are measured at amortised cost. The item is reported net of repurchased securities. It also includes securities which, as of the balance sheet date, have matured but have not yet been redeemed. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.
These are initially measured at fair value including the costs incurred to issue the securities. Subsequent measurement is at amortised cost. The payables are eliminated when they mature or are extinguished.

14 – Financial liabilities held for trading

This item includes all forms of financial liabilities (debt securities, loans, etc.) designated as being held for trading purposes. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.
The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transactions costs or revenues. Initial recognition is carried out at the subscription date for derivative contracts and on the settlement date for debt and equity securities, with the exception of those for which delivery is not governed by conventions on the market concerned, for which initial recognition is at the contract date.
Financial liabilities held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.
Subsequent measurement is at fair value. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the liability remains on the balance sheet even if official title has been transferred.
The gains and losses on sale or redemption and unrealised gains and losses resulting from the fair value measurement of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial liability held for trading.

15 – Foreign currency transactions

Transactions in a foreign currency are initially recognised in euros by translating the amount in the foreign currency into euros at the spot exchange rate prevailing on the date of the transaction.
In preparing the financial statements, assets denominated in a foreign currency are accounted for as follows:

- in the case of monetary instruments, at the spot exchange rate prevailing at the preparation date of the financial statements, recognising exchange rate differences under "Net gain (loss) on trading activities" in the income statement;
- in the case of non-monetary instruments, at cost using the exchange rate for the original transaction;
- in the case of non-monetary instruments measured at fair value, at the spot exchange rate prevailing at the preparation date of the financial statements.

Exchange rate differences in respect of non-monetary items are treated using the same rules for gains and losses on the original instruments.
The effects of foreign exchange differences related to the equity of investments measured using the equity method are recognised in an equity reserve.
The financial statements of companies denominated in currencies other than the euro are translated in accordance with the following rules:

- assets and liabilities are converted using the exchange rates prevailing at the balance-sheet date;
- costs and revenues are converted using the average exchange rate for the period;
- the "translation reserve" comprises exchange rate differences generated by the conversion of financial variables at a different rate from the closing

rate and those generated by the translation of opening shareholders' equity at a different rate from the closing rate of the reporting period;
- goodwill and fair value adjustments associated with the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate for the period.

16 – INSURANCE ASSETS AND LIABILITIES

Insurance assets include amounts in respect of risks ceded to reinsurers under contracts governed by IFRS 4. Reinsurers' share of technical provisions are determined on the basis of the existing contracts/treaties, in accordance with the same criteria used for quantifying the technical provisions, unless a different valuation is deemed appropriate in consideration of the recoverability of the receivable.

Insurance liabilities represented by technical provisions, under the provisions of IFRS 4, may continue to be accounted for using local GAAP. A review of the contracts written by the Group insurance undertakings found that they all qualify as insurance contracts. Technical provisions also include any provisions that made necessary by the liability adequacy test. Claims provisions do not include compensation and equalisation provisions as they are not permitted under the IFRS. The provisions are recognised in accordance with the accounting standards adopted before the IFRS, as all of the policies fall within the scope of IFRS 4 (Insurance contracts). Specifically, this item includes:

- the provision for unearned premiums, which comprises two items: the provision for premium instalments determined on a pro rata temporis basis, as required by Article 45 of Legislative Decree 173 of 26 May 1997 and the provision for unexpired risks comprising amounts to be allocated to cover claims payments and expenses that exceed the provision for premium instalments on outstanding contracts and are not subject to claim at the year-end, while meeting the requirements of IFRS 4 for the liability adequacy test;
- the provision for claims outstanding, which includes provisions for claims reported but not yet paid on the basis of the forecast cost of the claim, including settlement and management expenses. Claims provisions are determined on the basis of an estimate of the ultimate cost of covering charges relating to the indemnity paid, direct costs and payment for each individual claim.

17 - OTHER INFORMATION

STAFF SEVERANCE PAY

The liability in respect of employee benefits to be paid at the time of or subsequent to termination of the employment relationship under defined benefit and other long-term benefit plans is recognised net of any plan assets. It is determined separately for each plan on the basis of actuarial assumptions, estimating the amount of future benefits accrued by employees at the reference date. The liability is recognised over the period in which the entitlement accrues. The liability is estimated by independent actuaries.
It should be noted that a number of Group companies with a small number of employees and a small overall severance pay liability continued to report that liability as calculated on the basis of Italian statutory provisions (Article 2120 of the Italian Civil Code), given the immateriality of the effects of adopting IAS 19.

INTEREST INCOME AND EXPENSE

Interest income and expense is recognised in the income statement for all instruments based on amortised cost using the effective interest method.
Interest also includes the net positive or negative balance of the differences and margins related to financial derivative contracts.

COMMISSIONS

Commissions are recognised in the income statement on an accruals basis. This excludes commissions considered when calculating amortised cost for the purpose of determining the effective interest rate, which are recognised under interest.

DIVIDENDS

Dividends are recognised as income in the period in which they are approved for distribution.
Dividends form equity investments accounted for using the equity method are deducted from the carrying amount of the investments.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. The method chosen for determining cost is the weighted average cost method. The net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. The products being manufactured and semi-finished goods are valued at production cost, excluding financial expenses and overheads.

CONTRACT WORK IN PROGRESS (CONSTRUCTION CONTRACTS)

When the profit or loss of a contract can be reliably estimated, the related contract costs and revenues are recognised separately in profit or loss on a percentage of completion basis. Progress is measured based on the work carried out and measured proportionally to the costs of contracts incurred up to the reporting date and estimated costs of the total contract. Differences between the value of completed contracts and payments on account received are recognised under balance sheet assets or liabilities, considering any impairment losses on the work carried out so as to take into account the risks of customers' refusal to recognise the work performed. Expected contract losses are taken immediately to profit or loss under contract costs.

Contract costs include all those costs that relate directly to the specific contract, as well as fixed and variable costs incurred by Group companies as part of normal operations.

SHARE-BASED PAYMENTS

The cost of employee service remunerated through stock option plans is measured at the fair value of the options granted to employees at the grant date. The fair value of options granted is recognised under staff costs over the vesting period, with a corresponding increase in equity, considering the best possible estimate of the number of options that employees will be able to exercise. Such estimate is reviewed where subsequent information indicates that the expected number of equity instruments that will vest differs from the estimate previously carried out, independently of market conditions.

The measurement method used to calculate fair value considers all the characteristics of the options (term, price and conditions, etc.), as well as the value of the underlying security at the grant date, volatility and the yield curve at the grant date, in line with the duration of the plan.

At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of market conditions.

CAPITALISED BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation are capitalised as part of the cost of the asset. The qualifying assets (property, plant and equipment and intangible assets) involved are those that require at least one year before being ready for use. The directly attributable borrowing cost is that which would not have been incurred if the expenditure for the asset had not been incurred.

Where funds are borrowed specifically, costs eligible for capitalisation are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where funds are part of a general pool, the eligible amount is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate will be the weighted average of the borrowing costs applicable to the general pool, excluding any specifically borrowed funds. The amount of borrowing costs capitalised during a year shall in any case not exceed the amount of borrowing costs incurred during that year.
Capitalisation commences as from the date all the following conditions have been met: (a) expenditures have been incurred for the asset; (b) borrowing costs are being incurred; and (c) activities to prepare the asset for its intended use or sale are in progress.
Capitalisation ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

GRANTS

The revenues are recognised when it is probable that the economic benefits of the operation will flow to the entity. However, where the recoverability of an amount already included in the revenues is uncertain, the unrecoverable amount or the amount whose recovery is no longer probable is recognised as a cost.
Grants received in relation to specific assets whose value is recognised under non-current assets are, for plants already in operation before 31 December 2002, recognised under other liabilities and taken to the income statement over the depreciation period of the related assets. Since 2003, grants for new plants entering service are recognised as a direct reduction of the value of the related asset.
Grants for operating expenses are recognised in full in the income statement when the conditions for recognition are satisfied.

REVENUES

Depending on the type of transaction, revenues are recognised on the basis of the following specific criteria:

- revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- revenues from services are recognised with reference to the stage of completion of the service. If revenues cannot be reliably measured, they are recognised to the extent of recoverable costs;

- revenues from fees for the use of the National Transmission Grid (NTG) are determined on the basis of the rates set by the Authority for Electricity and Gas.

Payments collected on behalf of third parties, such as fees for other non-Group grid owners, as well as fees recognised for the balancing of the national electrical energy system, which do not increase equity, are shown net of the related costs.

NET PREMIUM INCOME

This macro-item includes accrued premiums in respect of contracts classified as insurance contracts pursuant to IFRS 4 and investment contracts with discretionary participation in profits considered equivalent to insurance contracts by IFRS 4.
Insurance contracts comprise all contracts under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the other party (the policyholder or other beneficiary) if a specified uncertain future event adversely affects the policyholder or the other beneficiary.
All contracts written by the Group can be classified as insurance contracts pursuant to IFRS 4. Premiums are reported net of cessions in reinsurance.

USE OF ESTIMATES

The application of international accounting standards in preparing the financial statements requires the company to formulate estimates for certain balance sheet items that are considered reasonable and realistic on the basis of the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities and the disclosures on contingent assets and liabilities as of the reporting date, as well as the amounts reported for revenues and costs for the period under review.
Changes in the conditions underpinning the judgements, assumptions and estimates used could also have an impact on future results.

EMISSION RIGHTS

The Group recognises the income statement and balance sheet effects arising from the purchase and/or sale of emission rights only to the extent they cover any difference between the assigned allowances and actual emissions.

DETERMINING FAIR VALUE

Fair value is the amount for which an asset (or liability) could be exchanged in an arm’s length transaction between parties with a reasonable level of knowledge about market conditions and the material circumstances of the object of the exchange.

In the definition of fair value a key assumption is that an entity is fully operational and does not have the need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer.
For financial instruments, fair value is determined in three possible ways:

- in the case of instruments quoted on active markets, prices on financial markets are used (Level 1);
- in the case of financial instruments not quoted on active markets, recourse is made, where possible, to valuation techniques that use observable market parameters other than quoted prices for the instrument but connected with its fair value by non-arbitrage relationships (Level 2);
- in other cases, recourse is made to internal valuation techniques that also use as inputs parameters that are not observable on the market and thus are inevitably subjective to some degree (Level 3).

A market is considered active if prices are readily and regularly available on regulated markets, organised trading facilities, brokers, intermediaries, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions carried out close to the valuation date.
In the case of financial instruments that are not quoted on active markets, valuation using Level 2 inputs requires the use of valuation techniques that process market parameters at different levels of complexity. For example, valuation techniques may, in addition to interpolations and extrapolations, involve the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.
In selecting the valuation techniques to be used in Level 2 measurements, the Group takes account of the following criteria:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represents all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and integrated into the Group’s corporate systems.

The selection of market parameters as inputs for Level 2 valuations is carried out on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments quoted on active markets.
For derivatives and bonds, the Group has developed a reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based.
The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. Nevertheless, given the generalised use of framework netting arrangements that provide for the exchange of collateral, as at 30 June 2014 such adjustments are confined to cases of limited importance.
In some cases, in determining fair value it is necessary to have recourse to valuation techniques that call for inputs that cannot be drawn directly from observable market variables, such as statistical or "expert-based" estimates by the party performing the valuation (Level 3).
More specifically, in the financial statements of the Group, the following measurements are classified as Level 3:

- the valuation of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- certain inflation-linked derivatives, which call for parameters determined using "expert-based" assessments owing to the low liquidity of some market segments;
- equity interests, other equity instruments and unlisted debt instruments that are measured using non-market parameters.

Here, too, Level 3 valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

BUSINESS COMBINATIONS

Business combinations are recognised using the acquisition method. Under that method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the acquisition-date fair values of the assets transferred and the liabilities assumed and equity instruments issued by the acquirer in exchange for control of the acquiree. Transaction costs are generally recognised in profit or loss at the time they are incurred.

For the newly acquired companies, if the allocation of the purchase price is not definitive, the difference between the purchase price and the equity is provisionally allocated to goodwill if positive or to liabilities under item 100 "Other liabilities" if negative, net of any goodwill in the balance sheets of the acquirees. In accordance with IFRS 3, paragraph 45 et seq., within 12 months of the acquisition date, the difference resulting from the transaction must be allocated definitively, recognising the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. The following items are exceptions, being measured as provided for in the relevant standard governing their treatment:

- deferred tax assets and liabilities;
- assets and liabilities in respect of employee benefits;
- liabilities or equity instruments related to share-based payment transactions involving shares of the acquiree or share-based payment transactions involving shares of the Group issued in replacement of contracts of the acquiree;
- assets held for sale and discontinued operations.

Goodwill is determined as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the any equity interest previously held by the acquirer in the acquiree over the acquisition-date fair value of the net assets acquired and liabilities assumed. If the acquisition-date fair value of the net assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the any equity interest previously held by the acquirer in the acquiree, the excess is recognised in profit or loss as a gain from the transaction.

Non-controlling interests can be measured at fair value or as a proportionate share in the recognised amounts of the acquiree's identifiable net assets at the acquisition date. The choice of which measurement method to use is decided on a case-by-case basis.

Any contingent consideration provided for in the business combination agreement is measured at its acquisition-date fair value and included in the consideration transferred for the acquiree for the purposes of determining goodwill. Any subsequent changes in that fair value that can be considered as adjustments occurring during the measurement period shall be reflected retrospectively in goodwill. Changes in fair value that can be considered as measurement-period adjustments are those prompted by new information about facts and circumstances that existed as of the acquisition date that has been obtained during the measurement period (which may not exceed one year from the acquisition date).

In the case of business combinations achieved in stages, the equity interest previously held by the Group in the acquiree is revalued at the fair value as of the date of acquisition of control and any resulting gain or loss is recognised through profit or loss. Any changes in the value of the previously held equity interest that had been recognised in other comprehensive income are reclassified to the income statement as if the equity interest had been sold.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the item for which the accounting is incomplete. During the measurement period, the provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the assets and liabilities recognised as of that date.

Disposals of non-controlling interests in a subsidiary by way of a sale or dilution that do not result in the loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In these circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their interests in the subsidiary. Any difference between the amount of the adjustment of non-controlling interests and the fair value of the consideration received shall be recognised directly in equity.

DISCLOSURES ON FAIR VALUE MEASUREMENT

QUALITATIVE DISCLOSURES

This section contains the disclosures on fair value measurement in accordance with the requirements of IFRS 13.

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assumption is that this refers to an ordinary transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded. In the definition of fair value a key assumption is that an entity is fully operational and does not have the need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer.

The international accounting standards have established three levels of classification for a financial instrument (known as the "hierarchy of fair value inputs"); le level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1).

A market is considered active if prices are readily and regularly available on regulated markets, organised trading facilities, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions carried out close to the valuation date.

The fair value of unlisted financial instruments is classified under level 2 or 3 according to whether or not the inputs used in the valuation model are observable and their significance within that model.

The level 2 inputs are prices available on active markets or inputs based on observable market data, such as interest rates, credit spreads or yield curves. If they are used in the pricing of an instrument, they must be available for the entire remaining life of the instrument. The fair value of a financial instrument measured using techniques that use level 2 inputs is classified in the same level for the fair value hierarchy.

The level 2 inputs may need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it (through the use of statistical or "expert-based" techniques by those carrying out the measurement), the fair value measurement is classified under level 3, or the inputs not observable in the market and not directly available.

This category also includes the parameters estimated on the basis of proprietary models or historical data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

1. Fair value levels 2 and 3: valuation techniques and inputs used

Valuation techniques for unlisted financial instruments may, in addition to interpolations and extrapolations, involve the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.

The CDP Group takes the following into consideration when selecting the valuation models:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represents all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge;

- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and integrated into the internal systems used by the companies of the CDP Group.

The selection of market parameters as inputs for Level 2 valuations is carried out on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments quoted on active markets.

Specifically, in the CDP Group's financial statements the fair value measurements are assigned to level 2 for bonds receivable or payable whose measurement depends exclusively on observable market parameters, and the measurement of interest rate derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them.

For derivatives and bonds, a reference framework has been developed that comprises the valuation criteria and models on which the valuation of each category of instrument is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. In view of the use of framework netting arrangements that provide for the exchange of collateral, of the frequency of exchange of the collateral and the fact that it is established in the form of cash, as well as the minimum ratings required from the counterparties, at 30 June 2014 no adjustments of this kind have been made. With regard to the embedded derivatives in postal savings bonds which are separated out, the adjustment for the joint credit risk of CDP and the Italian Government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in the consolidated financial statements:

- the valuation of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;

- certain inflation-linked derivatives, which call for parameters determined using "expert-based" assessments owing to the low liquidity of some market segments;
- certain bonds whose valuation depends on the conditions of use established from time to time and/or spreads that are not directly observable or representative of the creditworthiness of the issuer/debtor;
- equity interests and other unquoted equity instruments that are measured using non-market parameters.

2. Valuation processes and sensitivity

Description of the valuation process for the fair value measurement of instruments classified at level 3 of the hierarchy of fair value inputs

Here, too, Level 3 valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

The methods and processes adopted by the CDP Group aim to ensure that the value assigned to each position appropriately reflects their current fair value, with a level of detail for the checks proportional to the quantitative significance of the assets and liabilities measured.

The reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based is contained in methodological documents updated on a regular basis. The valuations are performed through internal systems used by the companies of the CDP Group for the management of securities and derivatives and subject to standard controls. The valuation process and related controls are subject to third-level checks on a regular basis.

Description of non-observable inputs used the valuation process for the fair value measurement of instruments classified at level 3 on a recurring basis

Redemption profiles

The redemption of postal savings bonds is a central estimate of the nominal amount of the bonds that will be submitted to the post office for redemption within a series of future dated, between the valuation date and the final maturity date. The estimated is made by the parent company through statistical analyses and expert-based valuations. This non-observable figure is significant for the Level 3 measurement of the fair value of the options separated out from the postal savings bonds indexed to the Dow Jones EuroStoxx 50. If the investor redeems the bond in advance they lose the entitlement to receive any component of indexed remuneration and as a result the option granted by CDP lapses. For this category of financial instrument, higher redemptions therefore result in a lower value of liabilities for CDP. Although the redemption profiles are non-observable inputs, the changes in those profiles over time is closely linked to the changes in actual redemptions observed.

Term structure of expected inflation

The term structure of expected inflation used to value derivatives in certain indexes that do not have a liquid market, refers to rates for indexes that have a liquid market.

Equity multiple

Equity investments in unlisted companies are valued by applying a multiplication factor to the equity in line with what is estimated would be applied for a market transaction.

NAV Adjustment

The Net Asset Value (NAV) is the difference between the total value of a fund’s assets and liabilities. An increase in NAV coincides with an increase in fair value. For funds classified as Level 3, the NAV may need to be adjusted downwards to take account of characteristics that, in the event of a transaction, are liable to generate a price lower than the NAV.

3. Hierarchy of fair value inputs

IFRS 13 requires the provision of a description, with regard to the financial and non-financial assets and liabilities measured at fair value on a recurring basis, of the policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred separately for financial assets and liabilities and non-financial assets and liabilities (IFRS 13 paragraph 95).

The transfers are motivated by whether it becomes possible or impossible to reliably measure fair value, respectively, at Level 1, Level 2 or Level 3: For example, if the measurement of an instrument is classified as "Level 3" due to the unobservability of a significant input, if that input becomes observable in the market or if it becomes common to use a model that requires only observable inputs, then the measurement is transferred to Level 2, and the transfer occurs at the end of the reporting period.

QUANTITATIVE DISCLOSURES

Hierarchy of fair value inputs

(thousands of euros)

ASSETS AND LIABILITIES VALUED AT FAIR VALUE ON A RECURRING BASIS: BREAKDOWN BY LEVEL OF FAIR VALUE INPUTS

	30/06/2014			31/12/2013		
Financial assets/liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading	853,593	421,488	806	2,052,959	518,998	2,285
2. Financial assets at fair value			152,580			
3. Financial assets available for sale	4,618,508	10,988	467,555	6,080,728	10,814	441,160
4. Hedging derivatives		1,327,377	6,209		960,719	1,107
5. Property, plant and equipment						
6. Intangible assets						
Total	**5,472,101**	**1,759,853**	**627,150**	**8,133,687**	**1,490,531**	**444,552**
1. Financial liabilities held for trading		108,254	311,747		93,835	422,517
2. Financial liabilities at fair value						
3. Hedging derivatives		2,043,173	28,670		1,544,456	25,717
Total		**2,151,427**	**340,417**		**1,638,291**	**448,234**

(thousands of euros)

CHANGE FOR THE YEAR IN FINANCIAL ASSETS MEASURED AT FAIR ON A RECURRING BASIS (LEVEL 3)

	Financial assets held for trading	**Financial assets at fair value**	**Financial assets available for sale**	**Hedging derivatives**	**Property, plant and equipment**	**Intangible assets**
1. Opening balance	**2,285**		**441,160**	**1,107**		
2. Increases		**152,580**	**45,103**	**5,848**		
2.1 Purchases		150,200	37,609			
2.2 Profits taken to:		2,380	7,463	5,848		
2.2.1 Income statement		2,380		5,848		
- of which: capital gains		2,380		5,848		
2.2.2 Equity	x	x	7,463			
2.3 Transfers from other levels						
2.4 Other increases			31			
3. Decreases	**1,479**		**18,708**	**746**		
3.1 Sales			100			
3.2 Repayments	706		9,145			
3.3 Losses taken to:	773		7,595	746		
3.3.1 Income statement	773			746		
- of which: capital losses						
3.3.2 Equity	x	x	7,595			
3.4 Transfers to other levels						
3.5 Other decreases			1,868			
4. Closing balance	**806**	**152,580**	**467,555**	**6,209**		

(thousands of euros)

CHANGE FOR THE YEAR IN FINANCIAL LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS (LEVEL 3)

		Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
1.	**Opening balance**	**422,517**		**25,717**
2.	**Increases**	**71,466**		**2,965**
2.1	Issues	6,214		
2.2	Losses taken to:	65,252		2,965
2.2.1	Income statement	65,252		2,514
	- of which: capital losses	*4,121*		
2.2.2	Equity	x	x	451
2.3	Transfers from other levels			
2.4	Other increases			
3.	**Decreases**	**182,236**		**12**
3.1	Sales	182,216		
3.2	Repayments			
3.3	Profits taken to:	20		12
3.3.1	Income statement	20		
	- of which: capital gains			
3.3.2	Equity	x	x	12
3.4	Transfers to other levels			
3.5	Other decreases			
4.	**Closing balance**	**311,747**		**28,670**

DISCLOSURES ON "DAY ONE PROFIT/LOSS"

The carrying amount of financial instruments on recognition is equal to their fair value at the same date.

In the case of financial instruments other than those at fair value through profit or loss, the fair value at the recognition date is normally assumed to be equal to the amount received or paid.

In the case of financial instruments at fair value through profit or loss classified as Level 3, any difference with respect to the amount received or paid could in principle be recognised through profit or loss under the appropriate items, generating a so-called "day one profit/loss".

Such difference may only be recognised through profit or loss if it is generated by a change in the factors on which market participants base their valuations in determining prices (including the time effect).

If the instrument has a specified maturity and a model that monitors changes in the factors on which operators base prices is not immediately available, the day one profit/loss may be recognised through profit or loss over the life of the financial instrument.

INFORMATION ON THE BALANCE SHEET

ASSETS

CASH AND CASH EQUIVALENTS – ITEM 10

(thousands of euros)

CASH AND CASH EQUIVALENTS: COMPOSITION

	30/06/2014	31/12/2013
a) Cash	886	737
b) Free deposits with central banks		
Total	**886**	**737**

FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

(thousands of euros)

FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

	Banking group	Insurance group	Other entities	30/06/2014	31/12/2013
A On-balance-sheet assets					
1. Debt securities		196,742		196,742	1,270,165
1.1 Structured securities					
1.2 Other debt securities		196,742		196,742	1,270,165
2. Equity securities		54,915		54,915	69,314
3. Units in collective investment undertakings		606,938		606,938	717,886
4. Loans					
4.1 Repurchase agreements					
4.2 Other					
Total A		**858,595**		**858,595**	**2,057,365**
B Derivatives					
1. Financial derivatives	394,195	1,466	21,631	417,292	516,877
1.1 trading		1,466	21,631	23,097	44,198
1.2 associated with fair value option					
1.3 other	394,195			394,195	472,469
2. Credit derivatives					
2.1 trading					
2.2 associated with fair value option					
2.3 other					
Total B	**394,195**	**1,466**	**21,631**	**417,292**	**516,877**
Total (A+B)	**394,195**	**860,061**	**21,631**	**1,275,887**	**2,574,242**

The financial derivatives set out in the table mainly regard options purchased to hedge the embedded option component of postal savings bonds indexed to baskets of equities. This option component was separated from the host instrument and was classified among financial liabilities held for trading.

FINANCIAL ASSETS AT FAIR VALUE – ITEM 30

(thousands of euros)

FINANCIAL ASSETS AT FAIR VALUE: COMPOSITION BY TYPE

	30/06/2014	31/12/2013
1. Debt securities	152,580	
1.1 Structured securities	152,580	
1.2 Other debt securities		
2. Equity securities		
3. Units in collective investment undertakings		
4. Loans		
4.1 Repurchase agreements		
4.2 Other		
Total	**152,580**	

This item includes the convertible bond issued by Valvitalia Finanziaria S.p.A. and held by FSI.

This instrument may be fully converted at any time and at FSI's sole discretion (or compulsorily in the case of an IPO or other liquidity event).

FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

(thousands of euros)

FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY TYPE

	Banking group	Other entities	30/06/2014	31/12/2013
1. Debt securities	3,433,303		3,433,303	4,817,092
1.1 Structured securities				
1.2 Other debt securities	3,433,303		3,433,303	4,817,092
2. Equity securities	11,569	1,195,172	1,206,741	1,288,265
2.1 At fair value	9,457	1,187,291	1,196,748	1,276,632
2.2 At cost	2,112	7,881	9,993	11,633
3. Units in collective investment undertakings	448,849	7,158	456,007	426,047
4. Loans		1,000	1,000	1,298
Total	**3,893,721**	**1,203,330**	**5,097,051**	**6,532,702**

The balance is mainly the sum of the contributions of:

- CDP in the amount of about €3,894 million, with a decrease of about €552 million from the end of 2013;
- FSI in the amount of about €1,115 million, in respect of investments in equity securities;
- Fintecna in the amount of about €81 million.

SIMEST and Terna contributed about €7 million.

FINANCIAL ASSETS HELD TO MATURITY – ITEM 50

(thousands of euros)

FINANCIAL ASSETS HELD TO MATURITY: COMPOSITION BY TYPE

	Banking group	Insurance group	30/06/2014	31/12/2013
1. Debt securities	22,285,641	1,549,517	23,835,158	19,914,739
- structured				
- other	22,285,641	1,549,517	23,835,158	19,914,739
2. Loans				
Total	**22,285,641**	**1,549,517**	**23,835,158**	**19,914,739**

The item mainly includes investments by the parent company in government securities, with a carrying amount of €22,277 million, whose inflation-linked component, with a nominal value of €3,900 million, is held to hedge the exposure to Italian inflation due to the issue of postal savings bonds indexed to inflation.

LOANS TO BANKS – ITEM 60

(thousands of euros)

LOANS TO BANKS: COMPOSITION BY TYPE

	Banking group	Insurance group	Other entities	30/06/2014	31/12/2013
A. Claims on central banks	**1,710,119**			**1,710,119**	**1,213,100**
1. Fixed-term deposits					
2. Reserve requirement	1,710,119			1,710,119	1,213,100
3. Repurchase agreements					
4. Other					
B. Loans to banks	**25,919,817**	**437,696**	**2,300,858**	**28,658,371**	**17,459,842**
1. Financing	25,919,817	437,696	2,300,858	28,658,371	17,188,138
1.1 Current accounts and free deposits	1,489,885	303,616	2,300,004	4,093,505	4,391,687
1.2 Fixed-term deposits	1,677,338	133,496		1,810,834	1,903,721
1.3 Other financing:	22,752,594	584	854	22,754,032	10,892,730
- Repurchase agreements	11,014,369			11,014,369	
- Finance leasing					
- Other	11,738,225	584	854	11,739,663	10,892,730
2. Debt securities					271,704
2.1 Structured securities					
2.2 Other debt securities					271,704
Total (carrying amount)	**27,629,936**	**437,696**	**2,300,858**	**30,368,490**	**18,672,942**

Loans to banks are primarily composed of:

- the balance on the management account for the reserve requirement, pertaining to the parent company, of about €1,710 million;
- other loans amounting to about €22,754 million; the figure shows an increase compared to the end of 2013 of about €11,861 million mainly attributable to new repurchase agreements;
- fixed-term deposits of €1,811 million, of which about €1,677 million in respect of Credit Support Annexes (cash collateral) opened at banks by CDP to hedge the counterparty credit risk on derivatives;
- deposit and current account balances totalling about €4,094 million, with an overall decrease in the balances of the Group of around €298 million compared with the figure at 31 December 2013.

LOANS TO CUSTOMERS – ITEM 70

Loans to customers mainly regard lending operations under the Separate Account and Ordinary Account of CDP. The item also reports liquidity held with the Central State Treasury. The following table provides a breakdown of the positions by technical form.

(thousands of euros)

LOANS TO CUSTOMERS: COMPOSITION BY TYPE

	30/06/2014			31/12/2013		
	Performing	Impaired		Performing	Impaired	
		Acquired	Other		Acquired	Other
Loans	**254,421,876**			**242,323,538**		**371,364**
1. Current accounts	496,418			269,850		
1.1 Liquidity held with Central State Treasury	141,922,658			134,789,288		
2. Repurchase agreements	13,384,415			8,263,855		
3. Loans	92,531,380		221,448	92,932,707		240,955
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	424			441		
5. Finance leasing						
6. Factoring	1,187,633		87,870	1,232,529		101,428
7. Other	4,898,948		32,041	4,834,868		28,981
Debt securities	**3,097,935**			**3,097,549**		
8. Structured						
9. Other debt securities	3,097,935			3,097,549		
Total (carrying amount)	**257,519,811**		**341,359**	**245,421,087**		**371,364**

Liquidity held with the Central State Treasury in current account no. 29814 in the name of "Cassa DP SPA - Gestione Separata" comprises liquidity generated by Separate Account transactions performed by the parent company. As envisaged by Article 6.2 of the MEF decree of 5 December 2003, the Ministry for the Economy and Finance pays semi-annual interest at a floating rate equal to the simple arithmetic mean between the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index. Interest accrued on current account no. 29814 that will be credited after 30 June 2014 amounted to about €999 million.

The item "current accounts" mainly regards the positive balance on correspondent accounts held by Fintecna with investees.

Factoring receivables, which total about €1,276 million, regard the activities of the subsidiary SACE Fct. They decreased by about €58 million from the end of 2013.

The item relating to debt securities, totalling about €3,098 million, does not show any significant changes compared to the end of 2013.

Repurchase agreements used to invest liquidity at short term, with Italian government securities as collateral, amounted to about €13,384 million, an increase of around €5,121 million compared to the end of 2013.

The volume of long-term loans and other financing, which totalled about €97,684 million, representing a decrease of about €354 million compared with 31 December 2013.

Impaired positions amounted to about €341 million (of which about €221 million pertaining to the parent company), with a decrease of about €30 million compared with 31 December 2013.

Developments in the impaired on-balance-sheet exposures of the banking group and the associated writedowns during the period are reported in the following table.

(thousands of euros)

BANKING GROUP - ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS IMPAIRED POSITIONS

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Opening gross exposure	**61,629**	**255,996**		**35,257**
- of which: exposures assigned but not derecognised				
B. Increases	**12,884**	**20,621**		**25,426**
B.1 transfers from performing positions	316	1,207		16,927
B.2 transfers from other categories of impaired positions	11,696	17,197		7,627
B.3 other increases	872	2,217		872
C. Decreases	**918**	**25,633**		**31,979**
C.1. to performing loans		3,712		11,332
C.2. writeoffs				
C.3. collections	918	4,034		2,014
C.4. assignments				
C.5. transfers to other categories of impaired positions		17,887		18,633
C.6. other decreases				
D. Closing gross exposure	**73,595**	**250,984**		**28,704**
- of which: exposures assigned but not derecognised				

(thousands of euros)

BANKING GROUP - ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN TOTAL ADJUSTMENTS

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Total opening adjustments	**49,604**	**61,943**		
- of which: exposures assigned but not derecognised				
B. Increases	**3,218**	**17,920**		
B.1 writedowns	2,690	17,189		
B.1 bis losses on disposals				
B.2 transfers from other categories of impaired positions				
B.3 other increases	528	731		
C. Decreases	**811**	**39**		
C.1 writebacks from valuations	102			
C.2 writebacks from collection	708	39		
C.2 bis gains on disposals				
C.3 writeoffs				
C.4 transfers to other categories of impaired positions				
C.5 other decreases	1			
D. Total closing adjustments	**52,011**	**79,824**		
- of which: exposures assigned but not derecognised				

HEDGING DERIVATIVES – ITEM 80

(thousands of euros)

HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE

	Banking group	Other entities	30/06/2014	31/12/2013
A. Financial derivatives:	**529,840**	**803,746**	**1,333,586**	**961,826**
1) Fair value	351,060	803,746	1,154,806	780,754
2) Cash flow	178,780		178,780	181,072
3) Investment in foreign operation				
B. Credit derivatives				
1) Fair value				
2) Cash flow				
Total	**529,840**	**803,746**	**1,333,586**	**961,826**

The item reports derivatives transactions carried out to hedge the exposure to changes in fair value and in cash flows that at the end of the period had a positive value.

EQUITY INVESTMENTS – ITEM 100

(thousands of euros)

EQUITY INVESTMENTS IN JOINT VENTURES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE: INFORMATION ON INVESTMENTS

Company name	Registered office	Equity investment		% of votes (1)	Carrying amount
		Investor	% holding		
1. ELMED ETUDES S.àr.l.	Tunisia (TN)	Terna S.p.A.	50.00%	50.00%	
2. Etihad Ship Building LLC	Abu Dhabi (UAE)	Fincantieri S.p.A.	35.00%	35.00%	
3. Orizzonte Sistemi Navali S.p.A.	Genoa	Fincantieri S.p.A.	51.00%	51.00%	16,053
4. Alfiere S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	
5. Manifatture Milano S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	4,778
6. Quadrifoglio Genova S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	
7. Quadrifoglio Modena S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	
8. Quadrifoglio Verona S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	
9. Quadrifoglio Piacenza S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	
10. Quadrifoglio Brescia S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	
11. MT - Manifattura Tabacchi S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	
12. Bonafous S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	
13. Pentagramma Romagna S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	
14. Cinque Cerchi S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	119
15. Pentagramma Perugia S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	417
16. Pentagramma Piemonte S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	50.00%	1,274
17. Italia Turismo S.p.A.	Rome	CDP Immobiliare S.r.l	42.00%	42.00%	21,729
18. Kedrion Group S.p.A.	Castelvecchio Pascoli (LU - Italy)	Fondo Strategico Italiano S.p.A.	23.20%	23.20%	99,095
19. Metroweb Italia S.p.A.	Milan	Fondo Strategico Italiano S.p.A.	46.17%	46.17%	198,299
20. IQ Made in Italy Investment Company S.p.A.	Milan	Fondo Strategico Italiano S.p.A.	50.00%	50.00%	150,643
21. Trans Austria Gasleitung GmbH (3)	Vienna (A)	CDP GAS S.r.l.	89.00%	50.00%	446,926
22. Sia S.p.A.	Milan	FSI Investimenti S.p.A.	42.26%	42.26%	280,887
23. Valvitalia Finanziaria S.p.A.	Milan	Fondo Strategico Italiano S.p.A.	0.50%	0.50%	1,000
24. Eni S.p.A.	Rome	CDP S.p.A.	25.76%	25.76%	15,919,487
25. Galaxy S.àr.l. SICAR	Luxembourg (L)	CDP S.p.A.	40.00%	40.00%	2,348
26. Europrogetti & Finanza S.p.A. in liquidazione	Rome	CDP S.p.A.	31.80%	31.80%	
27. CESI S.p.A.	Milan	Terna S.p.A.	42.698%	42.698%	38,703
28. CrnoGorski Elektroprenosni AD ("CGES")	Podgorica (MME)	Terna S.p.A.	22.09%	22.09%	37,191
29. CORESO S.A.	Brussels (B)	Terna S.p.A.	22.49%	22.49%	456
30. Consorzio Incomir in liquidazione	Mercogliano (AV - Italy))	Fintecna S.p.A.	45.46%	45.46%	40
31. Ligestra Due S.r.l.	Rome	Fintecna S.p.A.	100.00%	100.00%	782
32. Ligestra S.r.l.	Rome	Fintecna S.p.A.	100.00%	100.00%	684
33. Ligestra Tre S.r.l.	Rome	Fintecna S.p.A.	100.00%	100.00%	24,002
34. S.P.S. S.c.p.a. in fallimento	Rome	Fintecna S.p.A.	20.40%	20.40%	
35. Olympic Subsea KS	Norway (NOR)	Vard Group AS	35.00%	35.00%	13,167
36. Castor Drilling Solution AS	Norway (NOR)	Seaonics AS	34.00%	34.00%	1,521
37. Bridge Eiendom AS	Norway (NOR)	Vard Brevik Holding AS	50.00%	50.00%	332
38. Brevik Technology AS	Norway (NOR)	Vard Brevik Holding AS	34.00%	34.00%	91
39. Taklift AS	Norway (NOR)	Vard Brevik Holding AS	25.47%	25.47%	312
40. Dameco AS	Norway (NOR)	Vard Offshore Brevik AS	34.00%	34.00%	3
41. Møkster Supply AS	Norway (NOR)	Vard Group AS	40.00%	40.00%	668
42. Møkster Supply KS	Norway (NOR)	Vard Group AS	36.00%	36.00%	5,039
43. Island Offshore LNG AS	Norway (NOR)	Vard Group AS	30.00%	30.00%	1,204
44. Island Offshore LNG KS	Norway (NOR)	Vard Group AS	27.00%	27.00%	11,404
45. Rem Supply AS	Norway (NOR)	Vard Group AS	49.00%	49.00%	11,464
46. Olympic Green Energy KS	Norway (NOR)	Vard Group AS	30.00%	30.00%	2,888
47. DOF Iceman AS	Norway (NOR)	Vard Group AS	50.00%	50.00%	2,473
48. ATI (African Trade Insurance Agency)	Nairobi	SACE S.p.A.	5.61%	5.61%	7,570
49. Snam S.p.A.	San Donato Milanese (MI - Italy)	CDP Reti S.p.A.	30.00%	30.00%	3,455,105

Total equity investments valued using the equity method	20,758,154
Other minor equity investments (2)	351
Total equity investments valued using the equity method	20,758,505

Key:
(1) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes

(2) Companies in liquidation or subsidiaries in the start-up phase without assets and liabilities.

(3) Participation in financial rights is equal to 94%.

The interest in Eni S.p.A. considered for the purposes of measuring the investment using the equity method, taking account of treasury shares held by Eni S.p.A., amounts to about 25.92%.

There were no significant changes in the portfolio of equity investments held.

REINSURERS' SHARE OF TECHNICAL PROVISIONS – ITEM 110

(thousands of euros)

REINSURERS' SHARE OF TECHNICAL PROVISIONS: COMPOSITION

	30/06/2014	31/12/2013
A. Non-life insurance	**78,751**	**82,185**
A1. Provision for unearned premiums	30,818	31,057
A2. Provision for claims outstanding	47,642	50,770
A3. Other	291	358
B. Life insurance		
B1. Mathematical reserves		
B2. Provision for claims outstanding		
B3. Other		
C. Technical provisions where the investment risk is borne by the insured		
C1. Reserves for contracts whose benefits are linked to investment funds and market indices		
C2. Reserves from the operation of pension funds		
D. Total reinsurers' share of technical provisions	**78,751**	**82,185**

PROPERTY, PLANT AND EQUIPMENT – ITEM 120

Property, plant and equipment includes all of the movable property and real estate held by the Group, net of depreciation, and breaks down as follows:

(thousands of euros)

OPERATING PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF ASSETS MEASURED AT COST

	Banking group	Insurance group	Other entities	30/06/2014	31/12/2013
1. owned	**220,495**	**116,685**	**13,090,689**	**13,427,869**	**13,477,405**
a) land	117,406	100,281	158,211	375,898	385,808
b) buildings	60,753	14,149	1,311,941	1,386,843	1,409,769
c) movables	1,837	1,943	7,756	11,536	13,410
d) electrical plant	1,107	263	292,782	294,152	247,480
e) other	39,392	49	11,319,999	11,359,440	11,420,938
2. acquired under finance leases			**583**	**583**	**475**
a) land					
b) buildings			343	343	475
c) movables					
d) electrical plant			239	239	
e) other			1	1	
Total	**220,495**	**116,685**	**13,091,272**	**13,428,452**	**13,477,880**

The item mainly regards Terna's investments in electricity transmission lines and transformation stations.

(thousands of euros)

INVESTMENT PROPERTY: COMPOSITION OF ASSETS MEASURED AT COST

	30/06/2014	31/12/2013
1. Owned	**46,541**	**46,770**
a) land	4,185	4,185
b) buildings	42,356	42,585
2. Acquired under finance leases		
a) land		
b) buildings		
Total	**46,541**	**46,770**

INTANGIBLE ASSETS – ITEM 130

Intangible assets break down as follows:

(thousands of euros)

INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

	30/06/2014		31/12/2013	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	x	**726,061**	x	**1,793,787**
A.1.1 pertaining to Group	x	726,061	x	1,793,787
A.1.2 non-controlling interests	x		x	
A.2 Other intangible assets	**582,982**		**995,989**	
A.2.1 Assets carried at cost	582,982		995,989	
a) internally-generated intangible assets	26,250		73,679	
b) other assets	556,732		922,310	
A.2.2 Assets carried at fair value				
a) internally-generated intangible assets				
b) other assets				
Total	**582,982**	**726,061**	**995,989**	**1,793,787**

Impairment testing of goodwill

Goodwill recognised in the balance sheet in the amount of €726 million, consists of:

- €486 million for Terna;
- €240 million for the companies in the VARD Group.

Goodwill showed no evidence of impairment during the period.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES – ITEM 150 OF THE ASSETS AND ITEM 90 OF THE LIABILITIES

(thousands of euros)

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE: COMPOSITION BY CATEGORY

	30/06/2014	31/12/2013
A. Individual assets		
A.1 Financial assets		
A.2 Equity investments		
A.3 Property, plant and equipment		
A.4 Intangible assets		
A.5 Other		
Total A		
B. Disposal groups		
B.1 Financial assets held for trading		
B.2 Financial assets at fair value		
B.3 Financial assets available for sale	1,558	
B.4 Financial assets held to maturity		
B.5 Loans to banks	209,387	
B.6 Loans to customers	118,143	
B.7 Equity investments	577	
B.8 Property, plant and equipment	226,754	
B.9 Intangible assets	1,499,736	
B.10 Other assets	964,940	
Total B	**3,021,095**	
C. Liabilities associated with individual assets held for sale		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities		
Total C		
D. Liabilities associated with disposal groups		
D.1 Due to banks	661,740	
D.2 Due to customers	2,228	
D.3 Securities issued		
D.4 Financial liabilities held for trading		
D.5 Financial assets at fair value		
D.6 Provisions	375,603	
D.7 Other liabilities	1,166,582	
Total D	**2,206,153**	

The balances of the items 150 of the assets and 90 of the liabilities relate to Ansaldo Energia, controlled through FSI. On 8 May 2014 a long-term strategic agreement was signed between FSI and Shanghai Electric Company ("SEC"), which provides for the purchase by SEC of a 40% share of Ansaldo Energia for a price of €400 million. Once the partial has been completed, which will result in the loss of control over Ansaldo, the equity investment will be deconsolidated.

The table below shows the list of equity investments held by the Ansaldo Energia Group, classified under assets held for sale:

(thousands of euros)

Company name	Registered office	Equity investment		% of votes (1)	Carrying amount
		Investor	% holding		
1. Consorzio Stabile Ansaldo New Clear	Genoa	Ansaldo Energia S.p.A.	20.00%	20.00%	15
		Ansaldo Nucleare S.p.A.	70.00%	70.00%	
2. Ansaldo Energy Inc.	East Hanover (US)	Ansaldo Energia S.p.A.	100.00%	100.00%	92
3. Ansaldo Russia	Moscow (RUS)	Ansaldo Energia S.p.A.	100.00%	100.00%	54
4. Polaris S.r.l.	Genoa	Ansaldo Energia S.p.A.	49.00%	49.00%	344
5. NNS Societè de service pour reacteur	Morestel (FR)	Ansaldo Energia S.p.A.	40.00%	40.00%	30
6. Polaris Anserv S.r.l.	Bucharest (RO)	Ansaldo Nucleare S.p.A.	20.00%	20.00%	32
7. Ansaldo Sviluppo Energia S.r.l	Genoa	Ansaldo Energia S.p.A.	100.00%	100.00%	10
Total equity investments					577

Key:
(1) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes

OTHER ASSETS – ITEM 160

(thousands of euros)

OTHER ASSETS: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2014	31/12/2013
Payments on account for withholding tax on postal passbooks	178,530			178,530	395,274
Other tax receivables	10	8,601	83,478	92,089	111,366
Leasehold improvements			5,781	5,781	6,125
Receivables due from investees	25		123,716	123,741	67,058
Trade receivables and advances to public entities	6,235		16,315	22,550	30,845
Construction contracts			1,505,242	1,505,242	1,689,013
Advances to suppliers	147	527	281,476	282,150	207,758
Inventories		33	1,676,819	1,676,852	1,443,496
Advances to personnel	9	753	13,449	14,211	10,131
Other trade receivables	207	151,941	2,311,007	2,463,155	2,625,617
Other items	11,982	3,113	159,137	174,232	299,296
Accrued income and prepaid expenses	103	2,780	55,692	58,575	65,868
Total	**197,248**	**167,748**	**6,232,112**	**6,597,108**	**6,951,847**

The item reports assets not otherwise classified under the previous items.
The main items under this heading are:

- the trade receivables of the Terna Group (about €1,858 million) in respect of electricity dispatching activities and the remuneration paid by distributors for use of the National Transmission Grid;
- the trade receivables of the Fintecna Group, equal to about €428 million;
- construction contracts (about €1,505 million), mainly regarding the shipbuilding activities of Fincantieri;
- inventories of semi-finished goods and products being manufactured in the amount of about €1,677 million, mainly relating to the assets of the real estate sector (in accordance with IAS 2, the item also includes assets represented by land and buildings held by the Group companies that operate in the real estate sector);
- advances to suppliers in the amount of €282 million, mainly attributable to the Fintecna Group;
- payments on account in respect of withholding tax on interest earned on postal passbook savings accounts issued by the parent company in the amount of about €179 million.

LIABILITIES

DUE TO BANKS – ITEM 10

(thousands of euros)

DUE TO BANKS: COMPOSITION BY TYPE

	30/06/2014	31/12/2013
1. Due to central banks	**14,806,791**	**18,633,851**
2. Due to banks	**11,085,972**	**9,241,367**
2.1 Current accounts and demand deposits	113,372	154,498
2.2 Fixed-term deposits	1,546,728	1,489,775
2.3 Loans	9,358,995	7,512,142
2.3.1 Repurchase agreements	1,695,220	443,226
2.3.2 Other	7,663,775	7,068,916
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.6 Other payables	66,877	84,952
Total	**25,892,763**	**27,875,218**

The item "Due to central banks" essentially regards refinancing from the ECB. The reduction in the amount compared to the end of 2013 is due to the continuation during the first half of 2014 of the early repayment plan for the three-year financing operations (LTRO).

Fixed-term deposits mainly refer to cash collateral under Credit Support Annexes securing the counterparty risk on derivatives (cash collateral) and the balance on postal passbook accounts and postal savings bonds held by banks.

For the parent company, loans comprise repurchase agreements (about €1,695 million) and loans from the EIB (about €3,631 million). The remainder is composed of bank loans to the other Group companies.

DUE TO CUSTOMERS – ITEM 20

(thousands of euros)

DUE TO CUSTOMERS: COMPOSITION BY TYPE

	30/06/2014	31/12/2013
1. Current accounts and demand deposits	84,776	6,708
2. Fixed-term deposits	276,826,802	251,572,835
3. Loans	1,171,189	391,664
3.1 Repurchase agreements	869,050	
3.2 Other	302,139	391,664
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	7,213,126	6,811,365
Total	**285,295,893**	**258,782,572**

"Fixed-term deposits" mainly regard the balance at 30 June 2014 of postal passbook accounts and postal savings bonds. It also includes the parent company's short-term funding, associated with its management of the liquidity of the MEF (OPTES), amounting to €33 billion (which had a balance of €10 billion at the end of 2013).

The item "Other payables" mainly regards amounts not yet disbursed on loans being repaid granted by CDP to public entities and public-law bodies.

SECURITIES ISSUED – ITEM 30

(thousands of euros)

SECURITIES ISSUED: COMPOSITION BY TYPE

	Banking group	Other entities	30/06/2014	31/12/2013
A. Securities				
1. Bonds	8,742,406	6,908,942	15,651,348	13,567,579
1.1 structured	47,674		47,674	45,238
1.2 other	8,694,732	6,908,942	15,603,674	13,522,341
2. Other securities				
2.1 structured				
2.2 other				
Total	**8,742,406**	**6,908,942**	**15,651,348**	**13,567,579**

For the banking group, the balance of securities issued at 30 June 2014, amounting to 8,742 million, relates entirely to the bonds issued by the parent company under the Euro Medium Term Notes programme.
New issues were made under the Euro Medium Term Notes programme during the half year for a total nominal value of €2,200 million.

Securities issued by other entities, amounting to about €6,909 million, mainly relate to the bonds issued by Terna.

FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

(thousands of euros)

FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	30/06/2014	31/12/2013
A. On-balance-sheet liabilities		
1. Due to banks		
2. Due to customers		
3. Debt securities		
3.1 Bonds		
3.1.1 Structured		
3.1.2 Other		
3.2 Other securities		
3.2.1 Structured		
3.2.2 Other		
Total A		
B. Derivatives		
1. Financial derivatives	**420,001**	**516,352**
1.1 Trading	73,383	55,616
1.2 Associated with fair value option		
1.3 Other	346,618	460,736
2. Credit derivatives		
2.1 Trading		
2.2 Associated with fair value option		
2.3 Other		
Total B	**420,001**	**516,352**
Total (A+B)	**420,001**	**516,352**

The item is mainly composed of the embedded option component of bonds indexed to baskets of shares that was separated from the host contract.

HEDGING DERIVATIVES – ITEM 60

(thousands of euros)

HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE

	30/06/2014	31/12/2013
A. Financial derivatives	**2,071,843**	**1,570,173**
1) Fair value	1,980,775	1,452,441
2) Cash flow	91,068	117,732
3) Investment in foreign operation		
B. Credit derivatives		
1) Fair value		
2) Cash flow		
Total	**2,071,843**	**1,570,173**

The item reports derivatives transactions carried out to hedge the exposure to changes in fair value and in cash flows that at the end of the period had a negative value.

ADJUSTMENT OF FINANCIAL LIABILITIES HEDGED GENERICALLY - ITEM 70

(thousands of euros)

VALUE ADJUSTMENTS OF HEDGED FINANCIAL LIABILITIES

	30/06/2014	31/12/2013
1. Positive adjustments of financial liabilities	49,354	52,258
2. Negative adjustments of financial liabilities		
Total	**49,354**	**52,258**

This item reports the net change in the value of the postal savings bonds issued by the parent company, which have been portfolio hedged generically against interest rate risk. The hedging relationship was interrupted in 2009 in view of the closure of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of the validity of the hedging relationship, was subsequently accounted for on the basis of the amortised cost of the bonds.

OTHER LIABILITIES – ITEM 100

(thousands of euros)

OTHER LIABILITIES: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2014	31/12/2013
Items being processed	13,368			13,368	9,576
Amounts due to employees	4,812	3,314	99,665	107,791	73,953
Charges for postal funding service	853,000			853,000	893,418
Tax payables	90,399	3,694	71,778	165,871	508,148
Construction contracts			766,208	766,208	1,275,535
Trade payables	11,512	13,272	2,928,221	2,953,005	3,550,152
Due to social security institutions	2,584	2,328	70,509	75,421	74,673
Accrued expenses and deferred income		1,181	159,402	160,583	164,074
Other items of insurance companies		27,694		27,694	54,942
- liabilities for premiums to be reimbursed		*21*		*21*	*59*
- premium deposits		*5*		*5*	*5*
- processing expenses		*55*		*55*	*26*
- collections from factoring being processed		*27,613*		*27,613*	*54,852*
Other	112,896	46,918	272,951	432,765	527,493
Total	**1,088,571**	**98,401**	**4,368,734**	**5,555,706**	**7,131,964**

For the banking group, the main items under this heading are:

- the payable to Poste Italiane S.p.A. of €853 million, in respect of the unpaid portion at 30 June 2014 of commissions for funding with postal savings products;
- tax payables totalling about €90 million, mainly regarding the tax on interest paid on postal savings products.

With regard to other Group entities, the item mainly regards trade payables of the Terna Group and the Fintecna Group. Liabilities in respect of construction contracts, equal to about €766 million, report the excess of advances received over the value of the contracts completed.

PROVISIONS – ITEM 120

(thousands of euros)

PROVISIONS - OTHER PROVISIONS

	Banking group	Insurance group	Other entities	30/06/2014	31/12/2013
1. Company pension plans		**1,902**		**1,902**	**4,677**
2. Other provisions	**92,716**	**168,596**	**1,617,803**	**1,879,115**	**2,279,054**
2.1 legal disputes	3,763	2,029	18,325	24,117	36,344
2.2 staff costs	3,000	3,094	86,552	92,646	99,074
2.3 other	85,953	163,473	1,512,926	1,762,352	2,143,636
Total	**92,716**	**170,498**	**1,617,803**	**1,881,017**	**2,283,731**

Item 2.3 "Other", totalling about €1,762 million, includes €1,382 million in provisions of the subsidiary Fintecna, whose activities include the management of complex liquidation proceedings and the complex and flexible management of the associated litigation. The provisions mainly regard risks associated with litigation, reclamation and conservation of property sites and other real estate risks as well as provisions for commitments in respect of contracts.

TECHNICAL PROVISIONS – ITEM 130

(thousands of euros)

TECHNICAL PROVISIONS: COMPOSITION

	Direct business	Indirect business	Total 30/06/2014	Total 31/12/2013
A. Non-life insurance	**2,116,464**	**59,172**	**2,175,636**	**2,461,639**
A1. Provision for unearned premiums	1,533,707	47,708	1,581,415	1,670,508
A2. Provision for outstanding claims	581,657	11,464	593,121	790,073
A3. Other	1,100		1,100	1,058
B. Life insurance				
B1. Mathematical reserves				
B2. Provision for claims outstanding				
B3. Other				
C. Technical provisions where the investment risk is borne by the insured				
C1. Reserves for contracts whose benefits are linked to investment funds and market indices				
C2. Reserves from the operation of pension funds				
D. Total technical provisions	**2,116,464**	**59,172**	**2,175,636**	**2,461,639**

GROUP EQUITY – ITEMS 140, 170, 180, 190, 210 AND 220

The share capital of €3,500,000,000 at 30 June 2014 is fully paid up and is composed of 296,450,000 ordinary shares with no par value.

The parent company holds 4,451,160 treasury shares with a value of €57,220,116 at 30 June 2014.

SHARE CAPITAL - NUMBER OF SHARES OF THE PARENT COMPANY: CHANGE FOR THE YEAR

	Ordinary	Other
A. Shares at start of the year	**296,450,000**	
- fully paid	296,450,000	
- partly paid		
A.1 Treasury shares (-)	(4,451,160)	
A.2 Shares in circulation: opening balance	**291,998,840**	
B. Increases		
B.1 New issues		
- for consideration:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- bonus issues:		
- to employees		
- to directors		
- other		
B.2 Sale of own shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	**291,998,840**	
D.1 Treasury shares (+)	4,451,160	
D.2 Shares at end of the year	296,450,000	
- fully paid	296,450,000	
- partly paid		

Group equity at June 30, 2014 amounted to about €19,484 million, while non-controlling interests stood at about €4,240 million.

(thousands of euros)

GROUP'S EQUITY: COMPOSITION

	30/06/2014	31/12/2013
1. Share Capital	3,500,000	3,500,000
2. Share premium reserve	5,988	5,988
3. Reserves	15,005,320	13,362,943
4. Treasury shares (-)	(57,220)	(57,220)
5. Valuation reserves	66,081	(17,717)
6. Equity instruments		
7. Income (loss) for the period	964,186	2,501,296
Total	**19,484,355**	**19,295,290**

INFORMATION ON THE INCOME STATEMENT

INTEREST – ITEMS 10 AND 20

(thousands of euros)

INTEREST INCOME AND SIMILAR REVENUES: COMPOSITION

	Debt securities	Loans	Other	30/06/2014	30/06/2013
1 Financial assets held for trading	7,066			**7,066**	**27,136**
2 Financial assets at fair value	1,366			**1,366**	
3 Financial assets available for sale	48,967			**48,967**	**92,175**
4 Financial assets held to maturity	480,279			**480,279**	**451,654**
5 Loans to banks	1,937	194,172	35	**196,144**	**212,272**
6 Loans to customers	55,009	2,954,940		**3,009,949**	**4,110,638**
7 Hedging derivatives	x	x			
8 Other assets	x	x	7,682	**7,682**	**8,337**
Total	**594,624**	**3,149,112**	**7,717**	**3,751,453**	**4,902,212**

Interest income in the first half of 2014 was generated primarily by:

- loans with banks and customers in the amount of about €2,154 million;
- liquidity held by the parent company with the Central State Treasury, c/a no. 29814, in the amount of about €995 million;
- debt securities in the amount of about €595 million.

(thousands of euros)

INTEREST EXPENSE AND SIMILAR CHARGES: COMPOSITION

	Payables	Securities	Other	30/06/2014	30/06/2013
1 Due to central banks	19,961	x		**19,961**	**91,902**
2 Due to banks	58,488	x		**58,488**	**56,413**
3 Due to customers	2,587,444	x		**2,587,444**	**2,831,896**
4 Securities issued	x	239,763		**239,763**	**189,686**
5 Financial liabilities held for trading					
6 Financial liabilities at fair value					
7 Other liabilities and funds	x	x	269	**269**	**447**
8 Hedging derivatives	x	x	50,991	**50,991**	**108,645**
Total	**2,665,893**	**239,763**	**51,260**	**2,956,916**	**3,278,989**

Interest expense on amounts due to banks and customers mainly regards interest on the postal funding of the parent company, totalling about €2,569 million.

Interest on securities issued regarded interest on bonds and amounted to about €240 million.

The negative differences on hedges amounted to about €51 million.

COMMISSIONS - ITEMS 40 AND 50

(thousands of euros)

COMMISSION INCOME: COMPOSITION

	30/06/2014	30/06/2013
a) guarantees issued	2,626	1,240
b) credit derivatives		
c) management, intermediation and advisory services:	5,070	5,220
1. trading in financial instruments		
2. foreign exchange		
3. asset management	5,070	5,220
3.1. individual		
3.2. collective	5,070	5,220
4. securities custody and administration		
5. depository services		
6. securities placement		
7. order collection and transmission		
8. advisory services		
8.1. concerning investments		
8.2. concerning financial structure		
9. distribution of third-party services		
9.1 asset management		
9.1.1. individual		
9.1.2. collective		
9.2. insurance products		
9.3. other		
d) collection and payment services		
e) servicing activities for securitisations		
f) services for factoring transactions	5,956	5,930
g) tax collection services		
h) management of multilateral trading systems		
i) holding and management of current accounts		
j) other services	31,386	39,388
Total	**45,038**	**51,778**

Commission income earned during the first half of 2014 amounted to about €45 million.

The commissions earned by the parent company, of about €20 million, mainly relates to services associated with lending activities.

The commissions earned by the other Group companies amounted to about €25 million and mainly related to the management of financial support funds and venture capital funds (SIMEST), the management of portfolios (CDPI SGR), and factoring services (SACE Fct).

(thousands of euros)

COMMISSION EXPENSE: COMPOSITION

	30/06/2014	30/06/2013
a) guarantees received	8,328	6,091
b) credit derivatives		
c) management and intermediation services:	853,000	842,500
1. trading in financial instruments		
2. foreign exchange		
3. asset management:		
3.1 own portfolio		
3.2 third-party portfolio		
4. securities custody and administration		
5. placement of financial instruments	853,000	842,500
6. off-premises distribution of securities, products and services		
d) collection and payment services	749	1,021
e) other services	3,100	8,184
Total	**865,177**	**857,796**

Commission expense in the first half of 2014 amounted to about 865 million.

This item mainly regards the charge for the period, equal to about €853 million, of the remuneration paid by the parent company to Poste Italiane S.p.A. for managing postal funding.

The new agreement between CDP and Poste Italiane S.p.A. for the period 2011-2013 modifies the fee structure, no longer providing for a commission directly attributable to the issue of new postal savings bonds, but rather a comprehensive fee for the activities involved in performing the service, which as from the financial statements at 31 December 2011 is fully expensed in the year in which it accrues. The fee structure is consistent with the developments in the service provided by Poste Italiane S.p.A., which now emphasises the overall management of postal savings rather than merely providing placement services. The Agreement in force for the three-year period 2011-2013 was automatically renewed for the three-year period 2014-2016. CDP and Poste Italiane S.p.A. have however also set up a negotiating table to redefine the management service for postal savings for the coming years, through the signature of a new Agreement.

DIVIDENDS AND SIMILAR REVENUES – ITEM 70

The balance at 30 June 2014, of about €33.1 million, mainly regards dividends received by FSI in respect of its stake in Assicurazioni Generali S.p.A. (about €31.4 million).

NET GAIN (LOSS) ON TRADING ACTIVITIES – ITEM 80

The net gain (loss) on trading activities was a loss of about €175.8 million.
The item was negatively affected by the losses recorded in the operational hedging in currency and the realised losses recognised on units in collective investment undertakings by the insurance group.

GAINS (LOSSES) ON DISPOSAL OR REPURCHASE - ITEM 100

The balance at 30 June 2014, of about €251.4 million, mainly regards the gains recorded by the parent company (around €142 million) and by Fintecna S.p.A. (about €59 million) on the disposals of debt securities held under assets available for sale.
The positive balance of the penalties received by the parent company for the early repayment of mortgages contributed the remainder.

NET IMPAIRMENT ADJUSTMENTS - ITEM 130

The balance, which is negative by a total of €26.9 million, essentially refers to the net balance between writedowns and writebacks on loans and other financial transactions (guarantees issued and commitments to disburse loans), both specific and general.
Writebacks from interest concern writebacks connected with the passage of time, arising from the accrual of interest during the year based on the original effective interest rate used in calculating the writedown.

Net adjustments on loans amount to €24.6 million, almost entirely relating to the parent company.

(thousands of euros)

NET IMPAIRMENT ADJUSTMENTS OF LOANS: COMPOSITION

	Writedowns			Writebacks				30/06/2014	30/06/2013
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to banks			**(1,057)**					**(1,057)**	**(10,534)**
- Loans			(1,057)					(1,057)	(10,534)
- Debt securities									
B. Loans to customers		**(22,091)**	**(3,514)**	**102**	**1,349**		**627**	**(23,527)**	**(3,344)**
Purchased impaired receivables									
- Loans			X				X		
- Debt securities			X				X		
Other receivables		(22,091)	(3,514)	102	1,349		627	(23,527)	(3,344)
- Loans		(22,091)	(3,392)	102	1,349		627	(23,405)	(3,361)
- Debt securities			(122)					(122)	17
C. Total		**(22,091)**	**(4,571)**	**102**	**1,349**		**627**	**(24,584)**	**(13,878)**

Key
A = Interest
B = Other writebacks

Net adjustments on other financial transactions, amounting to about €2.3 million, relate almost entirely to the parent company.

(thousands of euros)

NET IMPAIRMENT ADJUSTMENTS OF OTHER FINANCIAL TRANSACTIONS: COMPOSITION

	Writedowns			Writebacks				30/06/2014	30/06/2013
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees issued			(87)					(87)	(176)
B. Credit derivatives									
C. Commitments to disburse funds		(2,863)			286		406	(2,171)	(649)
D. Other transactions									
E. Total		**(2,863)**	**(87)**		**286**		**406**	**(2,258)**	**(825)**

Key:
A = Interest
B = Other writebacks

NET PREMIUM INCOME – ITEM 150

The balance at 30 June 2014, which shows a gain of 254 million, is entirely attributable to the premium funding of the insurance companies of the SACE Group.

(thousands of euros)

NET INSURANCE PREMIUMS: COMPOSITION

	Direct business	Indirect business	Total 30/06/2014	Total 30/06/2013
A. Life insurance				
A.1 Gross premiums written (+)				
A.2 Premiums ceded in reinsurance (-)		X		X
A.3 Total				
B. Non-life insurance				
B.1 Gross premiums written (+)	148,467	21,293	169,760	191,053
B.2 Premiums ceded in reinsurance (-)	(10,692)	X	(10,692)	X
B.3 Change in gross unearned premium reserve (+/-)	111,166	(16,373)	94,793	78,420
B.4 Change in technical reserves attributable to reinsurers (-/+)	(240)		(240)	(240)
B.5 Total	248,701	4,920	253,621	269,233
C. Total net premiums	**248,701**	**4,920**	**253,621**	**269,233**

NET OTHER INCOME (EXPENSE) FROM INSURANCE OPERATIONS – ITEM 160

The balance at 30 June 2014, of about 168 million, reflects the change in technical provisions other than the unearned premium provision, as well as other income and expense directly connected with the insurance operations of the insurance companies of the SACE Group.

(thousands of euros)

NET OTHER INCOME (EXPENSE) FROM INSURANCE OPERATIONS: COMPOSITION

	30/06/2014	30/06/2013
1. Net change in technical reserves	(107)	(55)
2. Accrued claims paid during the year	178,760	16,575
3. Other income and charges from insurance operations	(10,366)	(4,495)
Total	**168,287**	**12,025**

STAFF COSTS – ITEM 180A

(thousands of euros)

STAFF COSTS: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2014	30/06/2013
1) Employees	**29,647**	**31,743**	**545,933**	**607,323**	**562,153**
a) wages and salaries	20,324	19,976	375,681	415,981	374,626
b) social security contributions	192	3,865	22,030	26,087	16,545
c) severance pay	2	520	14,305	14,827	337
d) pensions	6,072	1,567	106,826	114,465	121,646
e) allocation to staff severance pay provision	687	999	3,469	5,155	4,520
f) allocation to provision for pensions and similar liabilities					
- defined contribution					
- defined benefit					
g) payments to external pension funds	636	681	8,411	9,728	24,629
- defined contribution	636	681	7,145	8,462	24,629
- defined benefit			1,266	1,266	
h) costs in respect of agreements to make payments in own equity instruments					982
i) other employee benefits	1,734	4,135	15,724	21,593	20,866
l) recovery payments seconded employees			(513)	(513)	(1,998)
2) Other personnel in service	**58**	**378**	**1,809**	**2,245**	**443**
3) Board of Directors and Board of Auditors	**759**	**355**	**3,292**	**4,406**	**5,239**
4) Retired personnel					
Total	**30,464**	**32,476**	**551,034**	**613,974**	**567,835**

OTHER ADMINISTRATIVE EXPENSES – ITEM 180B

(thousands of euros)

OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2014	30/06/2013
IT costs	10,327	3,044	14,354	27,725	22,740
General services	3,446	2,031	111,785	117,262	143,128
Expenses for goods and services for industrial operations			1,228,665	1,228,665	1,335,111
Professional and financial services	3,621	3,874	84,536	92,031	37,016
Advertising and marketing	829	951	9,387	11,167	6,180
Other personnel costs	516	539	207	1,262	1,232
Utilities, duties and other expenses	3,311	3,570	70,721	77,602	59,567
Information resources and databases	832	1,522	69	2,423	3,644
Corporate bodies	139		404	543	344
Total	**23,021**	**15,531**	**1,520,128**	**1,558,680**	**1,608,962**

NET PROVISIONS – ITEM 190

(thousands of euros)

NET PROVISIONS: COMPOSITION

	Provisions	Uses	30/06/2014
Litigation	(502)	152	(350)
Sundry personnel costs	(1,713)	120	(1,593)
Tax disputes			
Other risks and charges	(33,771)	14,196	(19,575)
Total	**(35,986)**	**14,468**	**(21,518)**

Net provisions are mainly attributable to the companies grouped under other entities, notably Fintecna Group, in relation to the management of liquidation proceedings and significant litigation.

NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT – ITEM 200

(thousands of euros)

NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT

	Banking group	Insurance group	Other entities	30/06/2014
A. Property, plant and equipment				
A.1 Owned	(2,459)	(987)	(265,407)	(268,853)
- Operating assets	(2,415)	(987)	(265,407)	(268,809)
- Investment property	(44)			(44)
A.2 Acquired under finance leases			(136)	(136)
- Operating assets			(136)	(136)
- Investment property				
Total	**(2,459)**	**(987)**	**(265,543)**	**(268,989)**

The balance of this item mainly relates to depreciation of property, plant and equipment of Terna.

NET ADJUSTMENTS OF INTANGIBLE ASSETS – ITEM 210

(thousands of euros)

NET ADJUSTMENTS OF INTANGIBLE ASSETS: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2014
A. Intangible assets				
A.1 Owned	(1,175)	(853)	(43,890)	(45,918)
- Internally generated		(748)	(7,616)	(8,364)
- Other	(1,175)	(105)	(36,274)	(37,554)
A.2 Acquired under finance leases				
Total	**(1,175)**	**(853)**	**(43,890)**	**(45,918)**

The adjustments of intangible assets, relating entirely to amortisation, mainly refer to the Terna Group (about €29 million) and the Fintecna Group (about €15 million).

OTHER OPERATING INCOME (COSTS) – ITEM 220

(thousands of euros)

OTHER OPERATING COSTS: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2014	30/06/2013
Operating costs in respect of supply chain					180
Settlements of litigation					
Depreciation of leasehold improvements			409	409	319
Other	418	511	31,935	32,864	19,107
Total	**418**	**511**	**32,344**	**33,273**	**19,606**

(thousands of euros)

OTHER OPERATING INCOME: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2014	30/06/2013
Income from adjustment of liability items					248
Income for corporate offices paid to employees			1,402	1,402	209
Sundry reimbursements					513
Recovery of expenses	265	155	3,900	4,320	527
Insurance indemnities					162
Rent and other income from real estate operations	10	372	14,727	15,109	84,032
Revenues from industrial operations			2,906,462	2,906,462	2,835,355
Other	233	2,277	30,452	32,962	39,896
Total	**508**	**2,804**	**2,956,943**	**2,960,255**	**2,960,942**

"Other operating costs and income" at 30 June 2014 showed net income of about €2,927 million. They mainly show the income earned by the Fintecna Group (about €1,971 million) and the Terna Group (about €949 million).

GAINS (LOSSES) ON EQUITY INVESTMENTS – ITEM 240

The item, which amounted to a positive €641 million, reports the measurement using the equity method of companies subject to significant influence or joint ventures.
The main contributions came from the investments in:

- ENI in the amount of about €409 million;
- SNAM, in the amount of about €151 million;
- Residenziale Immobiliare 2004 S.p.A. in the amount of about €43 million (for more details see part of the Notes below entitled "Business combinations");
- TAG in the amount of about €25 million.

BUSINESS COMBINATIONS

BUSINESS COMBINATIONS CARRIED OUT DURING THE PERIOD

(millions of euros)

BUSINESS COMBINATIONS

Company names	Date of transaction	(1)	(2)	(3)	(4)
Residenziale Immobiliare 2004 S.p.A	07/04/2014	11.5	15%	6.0	(8.0)
Tamini Tasformatori S.r.l. (5)	20/05/2014	23.9	100%	16.4	1.5
Nuclear Engineering Group Limited	23/05/2014	26.0	100%	29.0	(0.4)

Key
(1) = Cost
(2) = Percentage of voting rights in ordinary shareholders' meeting
(3) = Total Group revenues
(4) = Net Group profit (loss)
(5) The revenue and operating income figures refer to the closing date

Acquisition of Residenziale Immobiliare 2004 S.p.A.

Following the agreement reached with the partner Finprema S.p.A. and with the Maire Group (a partner of Finprema), and the modification of the shareholders' agreements, on 7 April 2014 the subsidiary CDP Immobiliare acquired control of Residenziale Immobiliare 2004 S.p.A., in which it already held a 50% interest. The company was included in the scope of consolidation as from 1 April 2014.

Control was acquired through the purchase of an additional stake in the share capital equivalent to 15%, for a price of €11,483 thousand, which was basically equal to the pro-quota value of the book equity of the subsidiary at 31 March 2014. Following this transaction and up to 30 June 2014, there were three separate capital increases, which were not subscribed by the non-controlling partner and hence resulted in an increase in the interest to 70.95%.

Pursuant to IFRS 3, the acquisition method was applied by which:

- the fair value of the interest already held was re-measured (equivalent to 50% and previously accounted for using the equity method) and estimated to amount to €37.1 million, with the recognition of a gain of €46.4 million;
- the fair value of the acquired assets and liabilities of the company was estimated. Specifically, the carrying amounts of the assets and liabilities already recognised in the company's financial statements were maintained, as these were deemed indicative of the related fair values.

Acquisition of Nuclear Engineering Group Limited

On 23 May 2014 the subsidiary Ansaldo Energia reached an agreement through Ansaldo Nucleare to purchase 100% of the British company Nuclear Engineering Group Limited (NEG), which is involved in the largest nuclear decommissioning programme in the United Kingdom.

Including the takeover of the financial exposure of about €10 million claimed by the previous partner, the acquisition is worth about €36 million. Following the agreement and thanks to its consolidated experience in the nuclear industry, Ansaldo Nucleare will be able to broaden its range of services and grow on international markets and especially in the UK, which is characterised by an extremely positive trend.

NEG has a workforce of 400 employees who work in three sites in the United Kingdom and revenues equivalent to €45 million. In addition to a broad range of projects in the nuclear and defence industries, the company is heavily engaged in the design, construction and realisation of three highly advanced plants to recover contaminated materials at the Sellafield site.

Ansaldo Nucleare also undertook to pay the seller £5.5 million as earn-out if the set EBITDA targets are reached.

Acquisition of the Tamini Trasformatori Group

On 20 May 2014, pursuant to the preliminary transfer agreement signed on 25 February 2014, the subsidiary Terna perfected the closing of the acquisition of the entire share capital of Tamini Trasformatori S.r.l. and its subsidiaries ("Tamini Group") by Terna Plus S.r.l.

In addition to Tamini Trasformatori S.r.l., the Tamini Group includes the subsidiaries V.T.D. Trasformatori S.r.l., Verbano Trasformatori S.r.l. and Tamini Trasformers USA L.L.C. It operates in the production and marketing of power transformers. It has 4 production sites, all located in Italy: in Legnano, Melegnano, Novara and Valdagno.

The acquisition of the Tamini Group is an opportunity to leverage a historical Italian company, whose excellence in the electricity industry is acknowledged in Italy and abroad.

The amount due was initially set at €23.9 million, in addition to the working capital and net financial position; The final price was set during the fiscal year according to the contractual terms, adopting any price adjustments resulting from the appraisal of the company with regard to the financial position and performance on the closing date.

In drafting the Consolidated Interim Financial Report of the Terna Group, the initial accounting of the combination is to be deemed incomplete and the recognised amounts are hence provisional. As provided for by IFRS 3 – Business combinations, the accounting of the acquisition of the Tamini Group will be completed no later than one year from the closing of the transaction.
The assets and liabilities and specifically of property, plant and equipment were provisionally measured with the discounted cash-flow method (DCF); the final allocation of the price paid to the net assets acquired is currently underway.

The amount paid at 30 June 2014 was equal to about €49 million, while the additional share of the currently estimated deferred price amounts to about €10 million.

TRANSACTIONS WITH RELATED PARTIES

1. INFORMATION ON THE COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

The following table reports the compensation accrued in the first half of 2014 paid to members of the Board of Directors, Board of Auditors and key management personnel of the parent company and the wholly-owned consolidated subsidiaries.

(thousands of euros)

REMUNERATION OF GROUP BOARD OF DIRECTORS AND BOARD OF AUDITORS

	Board of Directors	Board of Auditors	Key management personnel
(a) short-term benefits	4,830	744	12,388
(b) post-employment benefits			347
(c) other long-term benefits			
(d) severance benefits			
(e) share-based payments			
Total	**4,830**	**744**	**12,735**

(thousands of euros)

REMUNERATION PAID TO BOARD OF DIRECTORS AND BOARD OF AUDITORS OF THE PARENT COMPANY

Name	Position	Period in office	End of term (*)	Compensation and bonuses
Directors				
Franco Bassanini	Chairman (4)	01/01/14-30/06/14	2015	164
Giovanni Gorno Tempini	Chief Executive Officer (4)	01/01/14-30/06/14	2015	525
Maria Cannata	Director	01/01/14-30/06/14	2015	(**)
Olga Cuccurullo	Director	01/01/14-30/06/14	2015	(**)
Marco Giovannini	Director	01/01/14-30/06/14	2015	18
Mario Nuzzo	Director	01/01/14-30/06/14	2015	18
Francesco Parlato	Director	01/01/14-30/06/14	2015	(**)
Antimo Prosperi	Director	01/01/14-30/06/14	2015	(**)
Alessandro Rivera	Director	01/01/14-30/06/14	2015	(**)
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003)				
Roberto Ferranti	Director (1)	01/01/14-30/06/14	2015	15
Vincenzo La Via	Director (2)	01/01/14-30/06/14	2015	(**)
Piero Fassino	Director	01/01/14-30/06/14	2015	18
Massimo Garavaglia	Director	01/01/14-30/06/14	2015	18
Antonio Saitta	Director	01/01/14-16/06/14	2014	16
Board of Auditors				
Angelo Provasoli	Chairman	01/01/14-30/06/14	2015	14
Gerhard Brandstätter	Auditor	01/01/14-16/04/14	2014	6
Luciano Barsotti	Auditor (3)	17/04/14-30/06/14	2015	4
Andrea Landi	Auditor	01/01/14-30/06/14	2015	10
Ines Russo	Auditor	01/01/14-30/06/14	2015	(**)
Giuseppe Vincenzo Suppa	Auditor (5)	01/01/14-30/06/14	2015	5

(*) Date of Shareholders' Meeting called to approve financial statements for the year

(**) The remuneration is paid to the Ministry for the Economy and Finance

(1) Delegate of the State Accountant General. The remuneration shown is the amount paid directly to the director from 01/02/2014. Up to 31/01/2014 the remuneration was paid to the the Ministry for the Economy and Finance.

(2) Director General of the Treasury

(3) Alternate auditor brought in on 17/04/2014 and appointed as auditor at the Shareholders' Meeting of 28/05/2014.

(4) The compensation includes remuneration for the 1st half 2014, the bonus for the previous year, and the three-year component linked to the previous term of office.

(5) The remuneration shown is the amount paid directly to the auditor from 02/04/2014. Up to 01/04/2014 the remuneration was paid to the Ministry for the Economy and Finance.

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Certain transactions between the CDP Group and related parties, notably those with the Ministry for the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative mandates.

In any event, the CDP Group did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the company. All transactions with related parties were carried out on an arm's length basis and form part of the CDP Group's ordinary operations.

The following table reports assets, liabilities, revenues and costs in respect of transactions in the first half of 2014 with the Ministry for the Economy and Finance, Poste Italiane S.p.A. and companies subject to significant influence and joint ventures.

(thousands of euros)

TRANSACTIONS WITH RELATED PARTIES

Name	Assets	Liabilities	Off balance sheet	Costs/ Revenues
Alfiere S.p.A	23,865			875
Bonafous S.p.A.	3,478			103
Brevik Technology AS	27			
Bridge Eiendom AS	528			
Cagliari 89 Scarl in liquidazione	1,165	1,043		(2)
CESI S.p.A.	4,291	3,401		(242)
Cinque Cerchi S.p.A.	10,213			621
COEDAM Scarl in liquidazione	3,887			25
Consorzio Aerest in liquidazione	6,817			1
Consorzio Codelsa in liquidazione	138	163		1
Consorzio Edinca in liquidazione	384,989	126,264		
Consorzio Edinsud in liquidazione	453,226	80,088		
Consorzio G1	5	1		
Consorzio IMAFID in liquidazione		16		3
Consorzio Italtecnasud in liquidazione	952	60		1
Consorzio MED.IN. in liquidazione	236	60		6
CORESO S.A.		134		
Edilmagliana '89 Scarl in liquidazione	935,647	11,543		122
Eni S.p.A.	1,740	367	479	3,223
ETIHAD SHIP BUILDING LLC	688			355
Europrogetti & Finanza S.p.A. in liquidazione		151	151	
Poste Italiane group	1,853,823	1,029,468	1,856,900	(846,585)
IQ Made in Italy Investment Company SpA	1,472	301,059		(1,775)
Italia Turismo S.p.A.	29,656	18		465
Kedrion Group SpA	2,362		1,936	25
Ligestra DUE S.r.l.	156,388	28		1,137
Ligestra QUATTRO S.r.l.	12	2		3
Ligestra S.r.l.	92,976	8		936
Ligestra TRE S.r.l.	229,663	5		1,668
M.T. Manifattura Tabacchi S.p.A.	5,167			306
Manifatture Milano S.p.A.	3,492	5		477
Metroweb Italia SpA				30
Ministry for the Economy and Finance	206,573,001	35,034,208	2,420,717	2,360,368
OMSAV S.p.A. in fallimento		80		
Orizzonte Sistemi Navali S.p.A.	78	76		(966)
Pentagramma Perugia S.p.A.	683			49
Pentagramma Piemonte S.p.A.	8,004	11		353
Pentagramma Romagna S.p.A.	4,159	6		252
Quadrifoglio Brescia S.p.A.	1,394			89
Quadrifoglio Genova S.p.A.	2,515			99
Quadrifoglio Piacenza S.p.A.	2,336			164
Quadrifoglio Verona S.p.A.	815			37
Quadrifolgio Modena S.p.A.	3,685			160
SNAM S.p.A.				2,396
Tirrenia di Navigazione S.p.A. in amm.ne straordinaria.	10,774	6		19
Trans Austria Gasleitung GmbH	273,914			3,946
Valvitalia Finanziaria S.p.A.	152,580			3,841

SHARE-BASED PAYMENTS

No share-based payment compensation plans were signed during the half year and there were no plans in place in previous years.

OPERATING SEGMENTS

This section of the notes to the financial statements has been drafted in compliance with IFRS 8 Operating Segments.

Operating segment disclosures are presented by separating the contribution from Group's two spheres of operations: "Business and Finance Areas of the parent company" and "Group Companies, other equity investments and other".

The sphere "Business and Finance Areas of the parent company" include the activities carried out by the Public Entities, Finance, Financing, Public Interest Lending and Economic Support areas of the parent company.

Lending to public entities and public-law bodies is mainly conducted by the Public Entities area using standardised products, offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination, in implementation of the statutory mission of the Separate Account.

Treasury operations and funding activities are managed by the Finance area, which is responsible for meeting CDP's funding needs, as well as sourcing, investing and monitoring liquidity. The area also structures products and funding and lending operations, setting the financial terms and conditions and ensuring the balance of the cost of funding and yields on lending. It also contributes to strategic Asset Liability Management and manages financial risk at the operational level, including through access to the market and use of hedging instruments.

The Public Interest Lending area intervenes directly in general public interest projects sponsored by public entities or public-law bodies for which the financial sustainability has been verified.

The Financing area is involved in lending (using funding not guaranteed by the state or with EIB funds), on a project or corporate finance basis, for investments in works, plant, infrastructure and networks to be used to deliver public services or in reclamation projects (energy, multi-utilities, local public transport, health care).
The Economic Support area is responsible for managing subsidised credit instruments, established by specific legislation, and economic support instruments.

With regard to the sphere "Group Companies, other equity investments and other", it includes, above all, the bouncers relating to the "Equity investments and other" area of the parent company. This Area includes the activities related to investment and divestment of shareholdings and investment fund units, extraordinary transactions and transactions for the rationalization of the investment portfolio, in addition to all aspects related to the management of companies and investment funds in which CDP holds equity interests. This aggregate also includes costs related to Areas of the parent company that carry out governance, management, control and support activities, as well as costs and revenues not otherwise attributable. Lastly, this aggregate includes the contribution of all the other companies of the CDP Group, in order to present all the operating costs and revenues connected to the investment portfolio of the parent company in a single aggregate.

The reclassified balance sheet and income statement at 30 June 2014 have been constructed on the basis of the respective separate financial statements (for CDP, CDPI SGR, SIMEST, FSI, FSI Investimenti, FSIA, CDP Reti, Quadrante, CDP GAS and FIV) or consolidated financial statements (Terna Group, SACE Group, Fintecna Group, CDP Immobiliare Group and Ansaldo Energia), aggregating their accounts as indicated above and reporting the effects of consolidation for CDP in the column "Eliminations/adjustments".

Reclassified balance sheet

Balance sheet at 30 June 2014

(thousands of euros)

	Parent Company Business and Finance Areas	Group entities, other equity investments and other	Elimination/ adjustment	Total CDP Group
Cash and cash equivalents and other treasury investments	172,637,595	5,367,866	(4,227,827)	173,777,634
Loans to customers and banks	102,317,686	3,408,282	(272,587)	105,453,381
Debt securities	26,498,112	2,759,894	(136,942)	29,121,063
Equity investments and shares	-	39,711,632	(12,995,773)	26,715,859
Funding	287,469,333	33,322,202	(4,616,453)	316,175,082
- of which: postal funding	*213,925,741*	*30,844,177*	*(2,035)*	*244,767,883*
- of which: funding from banks	*20,685,927*	*284,033*	*-*	*20,969,960*
- of which: funding from customers	*45,327,025*	*1,273,368*	*(4,500,322)*	*42,100,071*
- of which: funding from bonds	*7,530,641*	*920,624*	*(114,096)*	*8,337,169*

Reclassified income statement

Income sheet at 30 June 2014

(thousands of euros)

	Parent Company Business and Finance Areas	Group entities, other equity investments and other	Total CDP Group
Net interest income	**1,083,649**	**(242,039)**	**841,609**
Dividends and gains (losses) on equity investments	-	941,395	941,395
Net commissions	(727,519)	(85,048)	(812,567)
Other net costs and revenues	165,134	(175,944)	(10,810)
Gross income	**521,263**	**438,364**	**959,627**
Profit (loss) on insurance operations	-	421,908	421,908
Profit (loss) on banking and insurance operations	**521,263**	**860,272**	**1,381,535**
Net writedowns	(25,826)	(1,116)	(26,942)
Overheads	(10,734)	(113,719)	(124,454)
of which: administrative expenses	*(10,734)*	*(108,061)*	*(118,795)*
Operating income	**484,785**	**748,969**	**1,233,753**
Impact of consolidation	-	(107,238)	(107,238)
Net income			**980,526**
Net income (loss) for the year pertaining to non-controlling interests			16,339
Net income (loss) for the year pertaining to shareholders of the parent company			**964,186**

ANNEXES

ANNEX 1

SCOPE OF CONSOLIDATION

ANNEXES 2

STATEMENTS OF RECONCILIATION OF ACCOUNTING AND OPERATING FIGURES

Annex 1

PARENT COMPANY

	Registered Office
Cassa depositi e prestiti S.p.A.	Rome

Company name	Registered Office	Investor	% Holding	Method of consolidation
Aakre Eigendom AS	Norway	Vard Group AS	100.00%	line-by-line
Ace Marine LLc	Wisconsin - WI - USA	Fincantieri Marine Group LLC	100.00%	line-by-line
Alfiere S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Ansaldo Energia S.p.A.	Genoa	Fondo Strategico Italiano S.p.A	84.84%	line-by-line
Ansaldo Energy Inc.	East Hanover (USA)	Ansaldo Energia S.p.A.	100.00%	equity
Ansaldo Nucleare S.p.A.	Italy	Ansaldo Energia S.p.A.	100.00%	line-by-line
Ansaldo Russia	Moscow (RUS)	Ansaldo Energia S.p.A.	100.00%	equity
Ansaldo Sviluppo Energia S.r.l	Genoa	Ansaldo Energia S.p.A.	100.00%	equity
Ansaldo Swiss AG	Switzerland	Ansaldo Energia S.p.A.	100.00%	line-by-line
Ansaldo Thomassen Bv	Netherlands	Ansaldo Energia S.p.A.	100.00%	line-by-line
Ansaldo Thomassen Gulf	United Arab Emirates	Ansaldo Energia S.p.A.	100.00%	line-by-line
ASPL Asia Power Project Ltd	India	Ansaldo Energia S.p.A.	100.00%	line-by-line
ATI (African Trade Insurance Agency)	Nairobi	SACE S.p.A.	5.61%	equity
Bacini di Palermo S.p.A.	Palermo	Fincantieri S.p.A.	100.00%	line-by-line
Bonafous S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Brevik Elektro AS	Norway	Multifag AS (formerly Vard Grenland Industri AS)	100.00%	line-by-line
Brevik Philadelphia	USA	Vard Electro AS	100.00%	line-by-line
Brevik Technology AS	Norway	Vard Brevik Holding AS	34.00%	equity
Bridge Eiendom AS	Norway	Vard Brevik Holding AS	50.00%	equity
Castor Drilling Solution AS	Norway	Seaonics AS	34.00%	equity
CDP GAS S.r.l.	Rome	CDP S.p.A.	100.00%	line-by-line
CDP Immobiliare S.r.l.	Rome	CDP S.p.A.	100.00%	line-by-line
CDP Investimenti SGR S.p.A.	Rome	CDP S.p.A.	70.00%	line-by-line
CDP Reti S.p.A.	Rome	CDP S.p.A.	100.00%	line-by-line
Centro per gli Studi di Tecnica Navale CETENA S.p.A.	Genoa	Fincantieri S.p.A.	71.10%	line-by-line
		Seaf S.p.A.	15.00%	line-by-line
CESI S.p.A.	Milan	Terna S.p.A.	42.698%	equity
Cinque Cerchi S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Consorzio Incomir in liquidazione	Mercogliano (AV - ITALY)	Fintecna S.p.A.	45.46%	equity
Consorzio Stabile Ansaldo New Clear	Genoa	Ansaldo Nucleare S.p.A.	70.00%	equity
		Ansaldo Energia S.p.A.	20.00%	equity
CORESO S.A.	Brussels (B)	Terna S.p.A.	22.49%	equity
CrnoGorski Elektroprenosni AD ("CGES")	Podgorica (MME)	Terna S.p.A.	22.09%	equity
Dameco AS	Norway	Vard Offshore Brevik AS	34.00%	equity
Delfi S.r.l.	Follo (SP - ITALY)	Fincantieri S.p.A.	100.00%	line-by-line
DOF Iceman AS	Norway	Vard Group AS	50.00%	equity
ELMED ETUDES S.àr.l.	Tunisia (TN)	Terna S.p.A.	50.00%	equity
Eni S.p.A.	Rome	CDP S.p.A.	25.76%	equity
Estaleiro Quissamã Ltda	Brazil	Vard Group AS	50.50%	line-by-line
Etihad Ship Building LLC	Abu Dhabi (UAE)	Fincantieri S.p.A.	35.00%	equity
Europrogetti & Finanza S.p.A. in liquidazione	Rome	CDP S.p.A.	31.80%	equity
Fincantieri Do Brasil Partecipaçoes S.A.	Brazil	Fincantieri S.p.A.	80.00%	line-by-line
		Fincantieri Holding B.V.	20.00%	line-by-line
Fincantieri Holding B.V.	Amsterdam (NL)	Fincantieri S.p.A.	100.00%	line-by-line
Fincantieri India Private Limited	India	Fincantieri Holding B.V.	99.00%	line-by-line
		Fincantieri S.p.A.	1.00%	line-by-line
Fincantieri Marine Group Holdings Inc.	Green Bay - WI - USA	Fincantieri USA Inc.	87.44%	line-by-line
Fincantieri Marine Group LLC	Marinette - WI - USA	Fincantieri Marine Group Holdings Inc.	100.00%	line-by-line
Fincantieri Marine Systems North America Inc.	Chesapeake - VI - USA	Fincantieri Holding B.V.	100.00%	line-by-line
FINCANTIERI OIL & GAS S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	line-by-line
Fincantieri S.p.A.	Via Genova, 1 - Trieste - ITALY	Fintecna S.p.A.	99.36%	line-by-line
Fincantieri USA Inc.	Wilmington - DE - USA	Fincantieri S.p.A.	86.02%	line-by-line
Fintecna S.p.A.	Via Versilia 2 - Rome	CDP S.p.A.	100.00%	line-by-line
FMSNA YK	Sasebo - Japan	Fincatieri Marine Systems North America Inc.	100.00%	line-by-line
FIV Fund - Extra sub-fund	Rome	CDP S.p.A.	100.00%	line-by-line
FIV Fund - Plus sub-fund	Rome	CDP S.p.A.	100.00%	line-by-line
Fondo Strategico Italiano S.p.A	Milan	CDP S.p.A.	77.70%	line-by-line
		Fintecna S.p.A.	2.30%	line-by-line
FSI Investimenti S.p.A.	Milan	Fondo Strategico Italiano S.p.A.	100.00%	line-by-line
FSIA Investimenti S.r.l.	Milan	Fondo Strategico Italiano S.p.A.	100.00%	line-by-line
Galaxy S.àr.l. SICAR	Luxembourg (L)	CDP S.p.A.	40.00%	equity
Gestione Bacini La Spezia S.p.A.	Muggiano (SP - ITALY)	Fincantieri S.p.A.	99.89%	line-by-line
IQ Made in Italy Investment Company S.p.A.	Milan	Fondo Strategico Italiano S.p.A.	50.00%	equity
Island Offshore LNG AS	Norway	Vard Group AS	30.00%	equity
Island Offshore LNG KS	Norway	Vard Group AS	27.00%	equity
Isotta Fraschini Motori S.p.A.	Bari	Fincantieri S.p.A.	100.00%	line-by-line
Italia Turismo S.p.A.	Rome	CDP Immobiliare S.r.l	42.00%	equity
Johangarden AS	Norway	Vard Electro AS	100.00%	line-by-line
Kedrion Group S.p.A.	Castelvecchio Pascoli (LU - ITALY)	Fondo Strategico Italiano S.p.A.	23.20%	equity
Ligestra Due S.r.l.	Rome	Fintecna S.p.A.	100.00%	equity
Ligestra S.r.l.	Rome	Fintecna S.p.A.	100.00%	equity
Ligestra Tre S.r.l.	Rome	Fintecna S.p.A.	100.00%	equity
Manifatture Milano S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Marinette Marine Corporation	Wisconsin - WI - USA	Fincantieri Marine Group LLC	100.00%	line-by-line
Metroweb Italia S.p.A.	Milan	Fondo Strategico Italiano S.p.A.	46.17%	equity
Møkster Supply AS	Norway	Vard Group AS	40.00%	equity
Møkster Supply KS	Norway	Vard Group AS	36.00%	equity
MT - Manifattura Tabacchi S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Multifag AS (formerly Vard Grenland Industri AS)	Norway	Vard Brevik Holding AS	100.00%	line-by-line
NNS Societè de service pour reacteur	Morestel (FR)	Ansaldo Energia S.p.A.	40.00%	equity
Nuclear Engineering Group Limited	Wolverhampton	Ansaldo Nucleare S.p.A.	100.00%	line-by-line
Olympic Green Energy KS	Norway	Vard Group AS	30.00%	equity
Olympic Subsea KS	Norway	Vard Group AS	35.00%	equity
Orizzonte Sistemi Navali S.p.A.	Genoa	Fincantieri S.p.A.	51.00%	equity
Pentagramma Perugia S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Pentagramma Piemonte S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Pentagramma Romagna S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Polaris Anserv S.r.l.	Bucharest (RO)	Ansaldo Nucleare S.p.A.	20.00%	equity
Polaris S.r.l.	Genoa	Ansaldo Energia S.p.A.	49.00%	equity

Company name	Registered Office	Investor	% Holding	Method of consolidation
Quadrante S.p.A.	Rome	CDP S.p.A.	100.00%	line-by-line
Quadrifoglio Brescia S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Quadrifoglio Genova S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Quadrifoglio Modena S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Quadrifoglio Piacenza S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Quadrifoglio Verona S.p.A.	Rome	CDP Immobiliare S.r.l	50.00%	equity
Rem Supply AS	Norway	Vard Group AS	49.00%	equity
Residenziale Immobiliare 2004 S.p.A.	Rome	CDP Immobiliare S.r.l.	72.52%	line-by-line
Ronor AS	Norway	Vard Brevik Holding AS	100.00%	line-by-line
S.P.S. S.c.p.a. in fallimento	Rome	Fintecna S.p.A.	20.40%	equity
SACE BT S.p.A.	Rome	SACE S.p.A.	100.00%	line-by-line
SACE DO BRASIL	Sao Paulo	SACE S.p.A.	100.00%	line-by-line
SACE Fct S.p.A.	Rome	SACE S.p.A.	100.00%	line-by-line
SACE S.p.A.	Rome	CDP S.p.A.	100.00%	line-by-line
SACE SRV S.r.L.	Rome	SACE BT S.p.A.	100.00%	line-by-line
Seaonics AS	Norway	Vard Group AS	51.00%	line-by-line
Seaonics Polska SP.Z O.O.	Poland	Seaonics AS	100.00%	line-by-line
SeaStema S.p.A.	Genoa	Fincantieri S.p.A.	100.00%	line-by-line
Sia S.p.A.	Milan	FSI Investimenti S.p.A.	42.26%	equity
Simest S.p.A.	Rome	CDP S.p.A.	76.01%	line-by-line
Snam S.p.A.	San Donato Milanese (MI - ITALY)	CDP Reti S.p.A.	30.00%	equity
Società per l'esercizio di attività finanziarie SEAF S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	line-by-line
Taklift AS	Norway	Vard Brevik Holding AS	25.47%	equity
Tamini Transformers USA L.L.C.	Chicago	Tamini Trasformatori S.r.l.	100.00%	line-by-line
Tamini Trasformatori S.r.l.	Melegnano (MI - ITALY)	Terna Plus S.r.l.	100.00%	line-by-line
TERNA CRNA GORA D.O.O.	Podgorica	Terna S.p.A.	100.00%	line-by-line
TERNA PLUS S.r.l.	Rome	Terna S.p.A.	100.00%	line-by-line
TERNA RETE ITALIA S.p.A.	Rome	Terna S.p.A.	100.00%	line-by-line
TERNA RETE ITALIA S.r.l.	Rome	Terna S.p.A.	100.00%	line-by-line
Terna S.p.A.	Rome	CDP S.p.A.	29.85%	line-by-line
TERNA STORAGE S.r.l.	Rome	Terna S.p.A.	100.00%	line-by-line
Trans Austria Gasleitung GmbH	Vienna (A)	CDP GAS S.r.l.	89.00%	equity
V.T.D. Trasformatori S.r.l.	Valdagno (VI - ITALY)	Tamini Trasformatori S.r.l.	98.00%	line-by-line
		Verbano Trasformatori S.r.l.	2.00%	line-by-line
Valcomp Tre S.p.A.	Rome	CDP Immobiliare S.r.l.	100.00%	line-by-line
Valcomp Uno S.r.l.	Rome	CDP Immobiliare S.r.l.	100.00%	line-by-line
Valvitalia Finanziaria S.p.A.	Milan	Fondo Strategico Italiano S.p.A.	0.50%	equity
Vard Accommodation AS	Norway	Vard Group AS	100.00%	line-by-line
Vard Accommodation Tulcea S.r.l.	Romania	Vard Accommodation AS	99.18%	line-by-line
		Vard Electro Tulcea S.r.l.	1.82%	line-by-line
Vard Braila SA	Romania	Vard RO Holding S.r.l.	94.1224%	line-by-line
		Vard Group AS	5.8776%	line-by-line
Vard Brevik Holding AS	Norway	Vard Group AS	100.00%	line-by-line
Vard Brevik Support AS	Norway	Vard Brevik Holding AS	100.00%	line-by-line
Vard Design AS	Norway	Vard Group AS	100.00%	line-by-line
Vard Design Liburna Ltd.	Croatia	Vard Design AS	51.00%	line-by-line
Vard Electrical Installation and Engineering (India) Private Limited	India	Vard Electro AS	99.00%	line-by-line
		Vard Tulcea SA	1.00%	line-by-line
Vard Electro AS	Norway	Vard Group AS	100.00%	line-by-line
Vard Electro Braila S.r.l.	Romania	Vard Electro AS	100.00%	line-by-line
Vard Electro Brazil (Instalaçoes Eletricas) Ltda	Brazil	Vard Electro AS	99.00%	line-by-line
		Vard Group AS	1.00%	line-by-line
Vard Electro Tulcea S.r.l.	Romania	Vard Electro AS	99.96%	line-by-line
Vard Engineering Brevik AS	Norway	Vard Brevik Holding AS	70.00%	line-by-line
Vard Engineering Constanta S.r.l.	Romania	Vard RO Holding S.r.l.	70.00%	line-by-line
		Vard Braila SA	30.00%	line-by-line
Vard Group AS	Norway	Vard Holdings Limited	100.00%	line-by-line
Vard Holdings Limited	Singapore	Fincantieri Oil & Gas S.p.A.	55.63%	line-by-line
Vard Marine Inc.	Vancouver	Vard Group AS	100.00%	line-by-line
Vard Niteròi SA	Brazil	Vard Group AS	99.9995%	line-by-line
		Vard Electro Brazil (Instalaçoes Eletricas) Ltda	0.0005%	line-by-line
Vard Offshore Brevik AS	Norway	Vard Brevik Holding AS	100.00%	line-by-line
Vard Piping AS	Norway	Vard Group AS	100.00%	line-by-line
Vard Promar SA	Brazil	Vard Group AS	50.50%	line-by-line
Vard RO Holding S.r.l.	Romania	Vard Group AS	99.995%	line-by-line
Vard Ship Repair Braila SA	Romania	Vard Braila SA	68.58%	line-by-line
		Vard Brevik Holding AS	31.42%	line-by-line
Vard Singapore Pte Ltd	Singapore	Vard Group AS	100.00%	line-by-line
Vard Tulcea SA	Romania	Vard RO Holding S.r.l.	99.44%	line-by-line
Vard Vung Tau Ltd	Vietnam	Vard Singapore Pte Ltd	100.00%	line-by-line
Verbano Trasformatori S.r.l.	Novara (ITALY)	Tamini Trasformatori S.r.l.	100.00%	line-by-line
XXI Aprile S.r.l.	Via Versilia 2 - Rome	Fintecna S.p.A.	100.00%	line-by-line
Yeni Aen Anonim Sirketi	Turkey	Ansaldo Energia S.p.A.	100.00%	line-by-line

Annex 2

CDP S.p.A. STATEMENT OF RECONCILIATION OF ACCOUNTING AND OPERATING FIGURES

The following table reconciles the financial statements prepared in accordance with Bank of Italy circular no. 262/2005, as amended, and the aggregates as reclassified on an operational basis.

These reclassifications mainly concerned:

- the allocation to specific and distinct items of interest-bearing amounts and non-interest-bearing amounts;
- the revision of portfolios for IAS/IFRS purposes with their reclassification into uniform aggregates in relation to both products and business lines.

Balance sheet - Assets

		ASSETS - Reclassified schedules							
(millions of euros)	**1st half 2014**	**Cash and cash equivalents and other treasury investments**	**Loans to customers and banks**	**Debt securities**	**Equity investments and shares**	**Assets held for trading and hedging derivatives**	**Property, plant and equipment and intangible assets**	**Accrued income, prepaid expenses and other non-interest-bearing assets**	**Other assets**
ASSETS									
10. Cash and cash equivalents	0.004	0.004							
20. Financial assets held for trading	390					390			
40. Financial assets available for sale	4,385			3,407	952			26	
50. Financial assets held to maturity	22,277			22,035				242	
60. Loans to banks	27,629	15,887	11,316	0				426	
70. Loans to customers	253,914	156,751	91,276	1,056				4,831	
80. Hedging derivatives	540					540			
100. Equity investments	31,836				31,836				
110. Property, plant and equipment	223						223		
120. Intangible assets	6						6		
130. Tax assets	817								817
150. Other assets	216								216
Total assets	**342,233**	**172,638**	**102,591**	**26,498**	**32,788**	**930**	**229**	**5,526**	**1,033**

Balance sheet - Liabilities and equity

(millions of euros)	1st half 2014	LIABILITIES AND EQUITY - Reclassified schedules					
		Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest-bearing liabilities	Other liabilities	Provisions, taxes and staff severance pay	Equity
LIABILITIES AND EQUITY							
10. Due to banks	21,683	21,450		232			
20. Due to customers	289,544	289,332		212			
30. Securities issued	8,857	8,451		405			
40. Financial liabilities held for trading	352		352				
60. Hedging derivatives	1,972		1,972				
70. Adjustment of financial liabilities hedged generically	49		49				
80. Tax liabilities	169					169	
100. Other liabilities	1,091				1,091		
110. Staff severance pay	1					1	
120. Provisions	8					8	
130. Valuation reserves	993						993
160. Reserves	12,867						12,867
180. Share capital	3,500						3,500
190. Treasury shares	-57						-57
200. Net income for the period	1,203						1,203
Total liabilities and equity	**342,233**	**319,234**	**2,374**	**850**	**1,091**	**178**	**18,506**

Income statement

INCOME STATEMENT - Reclassified schedules

(millions of euros)	1st half 2014	Net interest income	Dividends and gains (losses) on equity investments	Net commissions	Other net costs and revenues	Gross income	Net writedowns	Overheads	Other operating income (costs)	Operating income	Net provisions	Taxes	Net income (loss) for the period
INCOME STATEMENT													
10. Interest income and similar revenues	3,618	3,618				3,618				3,618			3,618
20. Interest expense and similar charges	-2,903	-2,903				-2,903				-2,903			-2,903
40. Commission income	20			20		20				20			20
50. Commission expense	-855			-855		-855				-855			-855
70. Dividends and similar revenues	1,318		1,318			1,318				1,318			1,318
80. Net gain (loss) on trading activities	15				15	15				15			15
90. Net gain (loss) on hedging activities	-40				-40	-40				-40			-40
100. Gains (losses) on disposal or repurchase	190				190	190				190			190
130. (a) Writedown for impairment	-26						-26			-26			-26
150. Administrative expenses	-51							-51		-51			-51
160. Net provisions	0.1										0.1		0.1
170. Net adjustments of property, plant and equipment	-2							-2					-2
180. Net adjustments of intangible assets	-1							-1					-1
190. Other operating income (costs)	2							0.3	1	2			1.7
260. Income tax for the period on continuing operations	-80											-80	-80.3
Total income statement	**1,203**	**714**	**1,318**	**-835**	**165**	**1,362**	**-26**	**-55**	**1**	**1,287**	**0.1**	**-80**	**1,203**

CDP GROUP STATEMENT OF RECONCILIATION OF ACCOUNTING AND OPERATING FIGURES

In order to ensure consistency between the consolidated financial statements, prepared on an accounting basis and the aggregates presented on an operational basis, the balance sheet and income statement reconciliations are shown below.

With regard to the income statement in particular, the main differences between the operational and accounting aggregates are due to the difference in the way the contribution of the consolidated companies is shown in the operational financial statements using the equity method: Terna Group, Fintecna Group, Fintecna Immobiliare Group, Quadrante, Ansaldo Energia, ENI, SNAM and TAG.

The operational net interest income, amounting to €842 million, differs slightly from the accounting balance (amounting to €795 million) due to the elimination of the figures relating to the companies consolidated at equity (Terna Group, Fintecna Group, CDP Immobiliare Group and Quadrante), which, as a result of the approach adopted contribute to the formation of the item "impact of consolidation".

With regard to the gross income, the difference between the accounting figure and the operational figure (which amount, respectively, to €44 million and €960 million) is mainly due to the difference in the presentation of the dividends paid by the companies consolidated at equity, which are eliminated in the accounting financial statements. More specifically, the operational figure includes the dividends paid by ENI (€515 million), Fintecna (€100 million), SNAM (€152 million), Terna (€78 million) and TAG (€60 million). In the operational financial statements, these dividends are eliminated within the "Impact of consolidation" figure, which also includes the amount of the net income generated by those companies attributable to the Group.

The operational net income, amounting to €981 million, differs from the accounting figure (of €1,180 million) because, for the companies consolidated operationally at equity, it does not include the amount of net income due to non-controlling interests.

With regard to the Group Equity, the difference between the accounting figure and the operational figure is entirely attributable to the difference in the consolidation criteria for the non-financial companies already described above. This resulted in the substantial reduction in the amount attributable to non-controlling interests, while leaving the amount attributable to the parent company unchanged.

Consolidated balance sheet

(millions of euros)	1st half 2014	ASSETS - Reclassified schedules: Cash and cash equivalents and other treasury investments	Loans to customers and banks	Debt securities	Equity investments and shares	Reinsurers' share of technical provisions	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Accrued income, prepaid expenses and other non-interest-bearing assets	Other assets	Operational total	Change in operational consolidation method
ASSETS												
10. Cash and cash equivalents	0.9	0									0	0.9
20. Financial assets held for trading	1,276	662		194			396		3		1,254	22
30. Financial assets at fair value	153				153						153	
40. Financial assets available for sale	5,097		1	3,407	1,481				26		4,915	182
50. Financial assets held to maturity	23,835			23,573					262		23,835	
60. Loans to banks	30,368	16,365	11,321						426		28,112	2,257
70. Loans to customers	257,861	156,751	94,132	1,947					4,840	13	257,683	179
80. Hedging derivatives	1,334						536				536	798
100. Equity investments	20,759				25,082						25,082	(4,324)
110. Reinsurers' share of technical provisions	79					79					79	
120. Property, plant and equipment	13,475							355			355	13,120
130. Intangible assets	1,309							13			13	1,296
140. Tax assets	1,525									1,131	1,131	394
150. Non-current assets and disposal groups held for sale	3,021											3,021
160. Other assets	6,597		0.2					0	0.7	886	887	5,710
Total assets	**366,689**	**173,778**	**105,453**	**29,121**	**26,716**	**79**	**931**	**368**	**5,558**	**2,030**	**344,034**	**22,655**

LIABILITIES AND EQUITY - Reclassified schedules

(millions of euros)	1st half 2014	Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest-bearing liabilities	Other liabilities	Insurance provisions	Provisions, taxes and staff severance pay	Equity	Operational total	Change in operational consolidation method
LIABILITIES AND EQUITY										
10. Due to banks	25,893	21,735		232					21,967	3,926
20. Due to customers	285,296	286,103		201					286,304	(1,008)
30. Securities issued	15,651	8,337		405					8,742	6,909
40. Financial liabilities held for trading	420		424						424	(4)
60. Hedging derivatives	2,072		1,972						1,972	100
70. Adjustment of financial liabilities hedged generically	49		49						49	
80. Tax liabilities	1,616						410		410	1,206
90. Liabilities associated with assets held for sale	2,206									2,206
100. Other liabilities	5,556				1,171				1,171	4,384
110. Staff severance pay	149						11		11	138
120. Provisions	1,881						184		184	1,697
130. Technical provisions	2,176					2,227			2,227	(51)
140. Valuation reserves	66							66	66	
170. Reserves	15,005							15,005	15,005	
180. Share premium reserve	6							6	6	
190. Share capital	3,500							3,500	3,500	
200. Treasury shares (-)	(57)							(57)	(57)	
210. Non-controlling interests (+/-)	4,240							1,088	1,088	3,152
220. Net income (loss) for the period	964							964	964	
220. Net income pertaining to non-controlling interests										
Total liabilities and equity	**366,689**	**316,175**	**2,445**	**838**	**1,171**	**2,227**	**605**	**20,572**	**344,034**	**22,655**

Note: The impacts of synthetic consolidation are notionally classified in "Equity investments and shares" and "Equity"

Consolidated income statement

CONSOLIDATED INCOME STATEMENT - Reclassified schedules

(millions of euros)	1st Half 2014	Net interest income	Dividends and gains (losses) on equity investments	Net commission income	Other net revenues	Gross income	Profit (loss) on insurance operations	Profit (loss) on banking and insurance operations	Net writedowns	Overheads - of which: administrative expenses	Other operating income (costs)	Operating income	Other items and taxes	Impact of consolidation	Net income	Net income attributable to non-controlling interests	Net income attributable to the shareholders of the parent company
INCOME STATEMENT																	
10. Interest income and similar revenues	3,751	3,709				3,709		3,709				3,709		43	3,751		3,751
20. Interest expense and similar charges	(2,957)	(2,867)				(2,867)		(2,867)				(2,867)		(90)	(2,957)		(2,957)
40. Commission income	45			43		43		43				43		2	45		45
50. Commission expense	(865)			(856)		(856)		(856)				(856)		(9)	(865)		(865)
70. Dividends and similar revenues	33		937			937		937				937		(904)	33		33
80. Net gain (loss) on trading activities	(176)				(168)	(168)		(168)				(168)		(8)	(176)		(176)
90. Net gain (loss) on hedging activities	(39)				(38)	(38)		(38)				(38)		(2)	(39)		(39)
100. Gains (losses) on disposal or repurchase	251				193	193		193				193		59	251		251
110. Net gain (loss) on financial assets and liabilities carried at fair value	2				2	2		2				2			2		2
130. Writedown for impairment	(27)								(27)			(27)			(27)		(27)
150. Net premiums	254						254	254				254			254		254
160. Net other income (expense) from insurance operations	168						168	168				168			168		168
180. Administrative expenses	(2,173)									(119)		(119)		(2,054)	(2,173)		(2,173)
190. Net provisions	(22)												(2)	(20)	(22)		(22)
200. Net adjustments of property, plant and equipment	(269)												(3)	(265)	(269)		(269)
210. Net adjustments of intangible assets	(46)												(2)	(44)	(46)		(46)
220. Other operating income (costs)	2,927									0	(2)	(2)		2,929	2,927		2,927
240. Gains (losses) on equity investments	641		4			4		4				4		637	641		641
270. Gains (losses) on the disposal of investments	1													1	1		1
290. Income tax for the period on continuing operations	(324)												(139)	(185)	(324)		(324)
310. Income (loss) after tax on disposal groups held for sale	2													2	2		2
330. Net income (loss) for the year pertaining to non-controlling interests	(216)													(199)	(199)	(16)	(216)
Total income statement	**964**	**842**	**941**	**(813)**	**(11)**	**960**	**422**	**1,382**	**(27)**	**(119)**	**(2)**	**1,234**	**(146)**	**(107)**	**981**	**(16)**	**964**