Annual Report 2019

CDP Equity

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Corporate bodies

Board of Directors

Chairman
Mario Nuzzo [1]

Chief Executive Officer
Pierpaolo Di Stefano

Director
Ilaria Bertizzolo [2]

Board of Statutory Auditors

Chairman
Roberto Ruggero Capone

Standing Auditor
Paolo Golia
Ines Gandini

Alternate Auditor
Carlo Purificato
Marina Scandurra

Independent Auditors

PricewaterhouseCoopers S.p.A.

1 In office since 31 December 2019, passed away in January 2020 The role is still vacant
2 Mrs. Ilaria Bertizzolo was co-opted in the Board of Directors and has been in office since 17 December 2019 after the resignation submitted by Mrs. Emanuela Bono.

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Report on operations

1. Company Profile

1.1 Role and mission of CDP Equity

CDP Equity S.p.A. (hereinafter also the "Company" or "CDP Equity") is the new company name adopted on 31 March 2016 by Fondo Strategico Italiano S.p.A. established on 2 August 2011.

CDP Equity is a public undertaking established by Legislative Decree, which carries out the business of acquiring equity investments in "companies of major national interest" [3]through venture capital investments in accordance with the market economy investor principle.

The Company mainly acquires minority stakes in companies of "significant national interest" that are in a stable situation of economic and financial balance and have adequate profitability and significant growth prospects, such as to generate value for investors.

In 2019, CDP Equity expanded its scope of activity, becoming CDP Group's point of reference for equity investments. In this light, the Parent Company transferred the SGR business to the Company making it possible for the latter to underwrite funds and agreements to participate in newly established initiatives with industrial partners in the energy, digital and social sectors.

1.2 Shareholding Structure of CDP Equity

At 31 December 2019, CDP Equity had a fully subscribed and paid-up share capital of Euro 2,890,583,470 entirely held by CDP for a total of 289,058,347 ordinary shares.

1.3 CDP Equity corporate bodies and Governance

In line with the provisions of the By-Laws, the Company is managed by a Board of Directors composed of three members, a Board of Statutory Auditors and a Supervisory Board as control bodies.

3 Companies operating in the following sectors are considered to be of "national significant interest" (as defined in the decrees of the Minister of Economy and Finance of 3 May 2011 and 2 July 2014, as well as of the By-laws):
I. in the sectors of defense, security, infrastructure, transport, communications, energy, insurance and financial brokerage, research and innovation with high technological content, and public services, tourism, hotels, agri-food and distribution as well as management of cultural and artistic assets;
II. outside of the aforementioned strategic sectors, which collectively present an annual net turnover of at least Euro 300 million and an average number of employees not less than 250. The size can be reduced up to Euro 240 million of turnover and 200 employees in the case of companies that perform relevant activities in terms of industry and benefits for the national economic and production system, also in terms of presence in the territory of production facilities.

Of "significant national interest" are also companies which, although not established in Italy, operate in the sectors previously mentioned under point I., and have subsidiaries or permanent establishments in Italy, which have in the same territory the following cumulative requirements: (i) annual net turnover not lower than Euro 50 million; (ii) average number of employees in the last fiscal year not lower than 250.

In 2019, the Company renewed its Board of Directors as the mandate expired with the approval of the financial statements for the year ended 31 December 2018; the Shareholders' Meeting of 29 April 2019 appointed Prof. Mario Nuzzo as Chairman and Dr. Pierpaolo Di Stefano and Dr. Emanuela Bono as members of the Board of Directors. Dr. Di Stefano was subsequently appointed Chief Executive Officer. Following the resignation of Dr. Emanuela Bono as of 17 December 2018, Dr. Ilaria Bertizzolo was co-opted on the same date. Prof. Nuzzo passed away in the first days of 2020. Therefore, the Board of Directors is currently composed of only two members, pending the co-option of the new Chairman.

The Board of Statutory Auditors is composed of the Chief Statutory Auditor in the person of Dr. Roberto Ruggero Capone and the Standing Auditors Dr. Ines Gandini and Prof. Paolo Golia. The term of office of the Board of Statutory Auditors expires with the approval of the financial statements for the year ended 31 December 2019.

The Supervisory Board is made up of 3 members in compliance with the Company's By-Laws. In January 2019, Dr. Marini, the Chairman of the Supervisory Board, submitted his resignation due to a cause of incompatibility. The Board, which was due to expire with the approval of the 2018 financial statements, was not reinstated and therefore Avv. Lecis, the only external member still in office, was appointed as Chairman. From the date of the natural expiry of the Board and until its new appointment, which took place during the meeting of the Board of Directors of 26 February 2020, the Supervisory Board operated under an extension regime.

On 26 February 2020, the Board of Directors of CDP Equity appointed the members of the Supervisory Board in the persons of Dr. Giuseppe Scammacca and Avv. Alessia Ferruccio as external members and confirmed Dr. Mara De Paola as an internal member.

2. Significant events occurred in the period

2.1 Equity transactions

2.1.1 Capital decrease following Saipem spin-off

In 2019, CDP Equity, in line with the projections of the Group's Business Plan, transferred its investment in Saipem S.p.A. ("Saipem") to its affiliate CDP Industria through a partial spin-off transaction. The transaction resulted in the transfer of the equity investment at book value for a total of Euro 593 million with a concurrent reduction in CDP Equity's share capital by approximately Euro 590 million.

2.1.2 Capital increase for the contribution of the SGR business

In 2019, in line with the projections of the Group's Business Plan, CDP contributed its SGR business to CDP Equity. Overall, the transaction entailed the transfer of part of the team that managed the business through the technical form of staff secondment, which was part of the reorganisation process initiated in August, and the contribution of the equity investments owned in five asset management companies: (i) CDP Venture Capital SGR S.p.A., (ii) Fondo Italiano d'Investimento SGR S.p.A., (iii) QuattroR SGR S.p.A., (iv) FSI SGR S.p.A. and (v) F2i SGR S.p.A. The contribution, which was completed in December 2019, resulted in an increase in assets and shareholders' equity by Euro 24 million; the share capital was increased by Euro 2 million, while Euro 22 million were allocated as share premium reserve.

* * *

The transactions above resulted in a total reduction in share capital for a total of Euro 590 million.

2.2 Portfolio transactions

In addition to the transactions described in the previous section with an impact on the portfolio through the performance of equity transactions, below is a description of the portfolio transactions which did not have an impact on the Company's share capital.

2.2.1 Acquisition of SIA shares

In 2019, CDP Equity directly acquired 25.7% of SIA S.p.A. ("SIA") capital through the acquisition of the equity investment from F2i Reti Logiche S.r.l., Orizzonte Infrastrutture Tecnologiche and, for a negligible part, from JP Morgan, for a total outlay of Euro 646 million.

Since 2014 SIA has been an investee company through its subsidiary FSIA Investimenti which, following the acquisition of a further 7.9%, increased its investment to 57.4%, acquiring the majority control of the company. The acquisition of 7.9% by FSIA resulted in an outlay of Euro 71 million.

For more information about SIA reference should be made to the paragraphs below illustrating the Company's portfolio.

2.2.2 Equity investment in Salini Impregilo

In November 2019, CDP Equity subscribed a capital increase in Salini Impregilo S.p.A. ("Salini Impregilo") through the acquisition of 166,666,666 shares, corresponding to 18.7% of the share capital, with an investment of Euro 250 million in the listed company. The investment was completed with cash provided by CDP, which made a capital contribution of the same amount to CDP Equity.

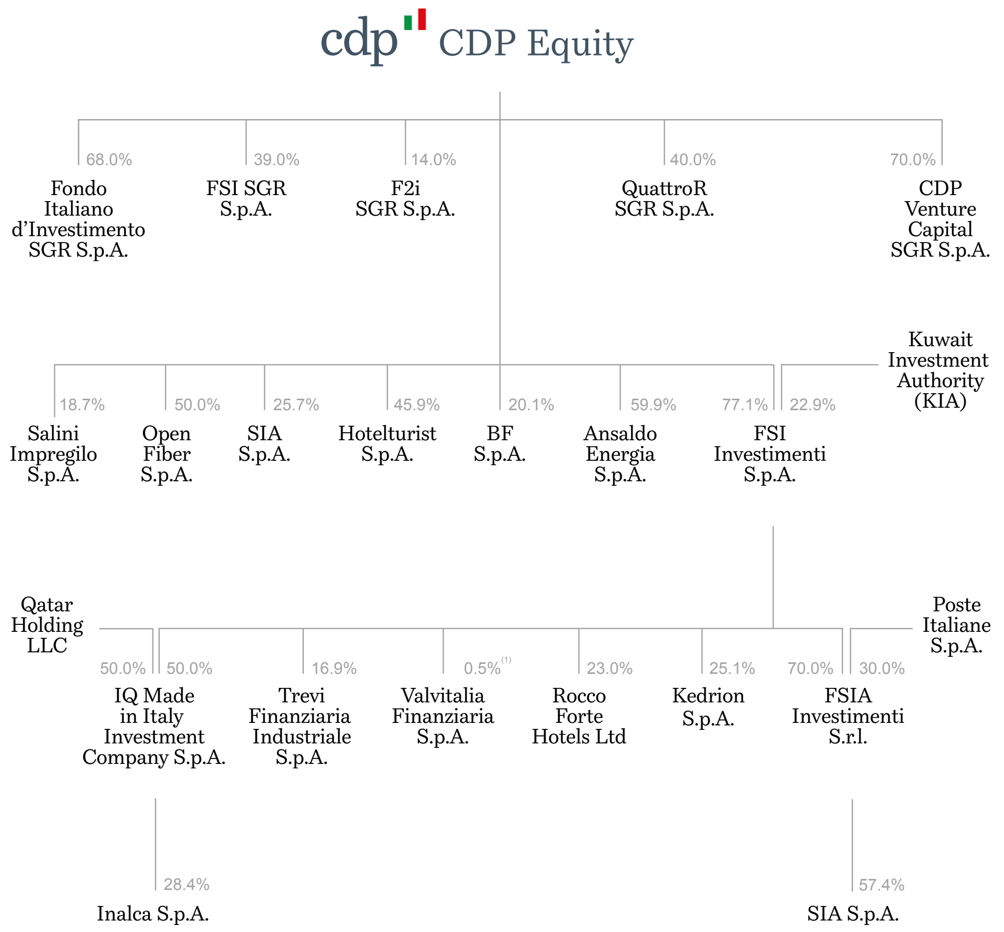
The acquisition of the investment in Salini Impregilo was part of the implementation of the *Progetto Italia*, which aims to consolidate the Italian construction sector through the acquisition of Astaldi and other operators.

3. CDP Equity portfolio

3.1 Summary of the portfolio of CDP Equity

At 31 December 2019, CDP Equity, either directly or indirectly through its subsidiaries or joint ventures, had investments in its portfolio totalling Euro 3.4 billion and commitments of further Euro 0.1 billion for a total of Euro 3.5 billion in resources allocated to investments, as detailed in the summary table below.

The chart below shows CDP Equity corporate structure with the equity investments held at 31 December 2019, either directly or through its subsidiaries and joint ventures.



(1) 49.5% pro forma post convertible bond conversion.

The table below shows the equity investments portfolio held by CDP Equity at 31 December 2019, either directly or through its subsidiaries and joint ventures, in terms of initial invested capital, i.e. net of any disposals, including partial disposals.

	Company	Sector	% of shareholding	Allocated resources	of which invested	of which committed
1	SIA S.p.A.	Transaction management and payment infrastructures	83.1%	886	886	-
2	Open Fiber S.p.A.	Telecom infrastructures	50.0%	833	741	92
3	Ansaldo Energia S.p.A.	Engineering, machinery - energy sector	59.9%	741	741	-
4	Salini Impregilo S.p.A.	Large complex infrastructure development	18.7%	250	250	-
5	Inalca S.p.A.	Food production and distribution	28.4%	165	165	-
6	Valvitalia Finanziaria S.p.A.	Production of components - energy sector	49.5%	156	151	5
7	Trevi Finanziaria Industriale S.p.A.	Engineering, construction, mechanics - energy sector	16.9%	140	101	39
8	Kedrion S.p.A.	Biopharmaceuticals	25.1%	117	117	-
9	Rocco Forte Hotels Limited	Tourism and hotels	23.0%	82	82	-
10	B.F. S.p.A.	Growing and sale of agricultural products	18.8%	80	80	-
11	Hotelturist S.p.A.	Tourism and hotels	45.9%	26	20	6
12	Fondo Italiano di Investimento	Assets management	68.0%	10	10	-
13	CDP Venture Capital SGR	Assets management	70.0%	7	7	-
14	F2i	Assets management	14.0%	5	5	-
15	FSI SGR	Assets management	39.0%	1	1	-
16	QuattroR	Assets management	40.0%	0.8	0.8	-
Total				**3,501**	**3,359**	**142**

3.2 Special purpose vehicles

Below is a detailed outline of: (i) companies and joint ventures established by CDP Equity to make investments in accordance with its mission; and (ii) companies in which CDP Equity has a direct and/or indirect interest.

FSI INVESTIMENTI

FSI Investimenti was established on 20 June 2014 by CDP Equity through a payment of Euro 120,000 at the moment of its incorporation. FSI Investimenti is a co-investment company in the form of a joint-stock company, open to the introduction of other investors for the joint completion of investments, without prejudice to CDP Equity's control over FSI Investimenti. FSI Investimenti is 77.12% owned by CDP Equity and 22.88% owned by Kuwait Investment Authority (KIA).

At 31 December 2019, FSI Investimenti held the following equity investments: (i) 70% of FSIA; (ii) 50% of IQ; (iii) 25.06% of Kedrion; (iv) 16.86% of Trevi; (v) 23% of Rocco Forte Hotels (vi) 49.5% of Valvitalia, of which 0.5% directly and 49.0% through a Convertible Bond Loan, a proforma for its conversion.

IQ MADE IN ITALY INVESTMENT COMPANY

IQ is a joint venture with Qatar Holding LLC ("QH") incorporated in March 2013 with the aim of investing in companies operating in several typical Made-in-Italy sectors such as food, fashion and luxury goods, furniture and design, leisure, tourism and lifestyle.

In December 2014, IQ acquired 28.4% of Inalca's share capital for a price of Euro 165 million, of which Euro 115 million as capital increase and, for the remaining Euro 50 million through the purchase of shares in the company, owned by Cremonini S.p.A..

In 2017, the shareholders agreed to modify IQ mission and limit its scope solely to the management and improvement of its portfolio exclusively represented by the investment in Inalca.

On the basis of the investment agreements and shareholders' agreements signed, FSI Investimenti and QH hold joint control over the Company as defined in IFRS 11.

FSIA INVESTIMENTI

FSIA is a holding company established in 2014 in order to hold the equity investment of SIA. In 2017, 30% of the holding company's capital was transferred to Poste Italiane.

On 4 November 2019 FSIA acquired an additional shareholding equal to 7.9% in SIA, increasing its total shareholding from 49.5% to 57.4%. As the holding company did not have sufficient financial resources to complete the acquisition alone, FSI Investimenti and Poste Italiane capitalised the company with a total contribution of Euro 50 million, of which Euro 35 million were contributed pro-rata by FSI Investimenti.

On the basis of the agreements and shareholders' agreements signed, FSI Investimenti and Poste held joint control of FSIA until the acquisition of the controlling interest in SIA, which, according to the analyses carried out, is a subsidiary controlled by CDP Group through FSIA and FSI Investimenti. As of 4 November 2019, FSIA is therefore considered a subsidiary of FSI Investimenti.

FSIA is also subject to the management and coordination of FSI Investimenti.

3.3 The equity investments held directly by CDP Investimenti

ANSALDO ENERGIA

59.94 %

Ansaldo Energia

At 31 December 2019, the equity interest held by CDP Equity totalled 59.94%, unchanged from 31 December 2018. Although the equity interest has remained unchanged since 31 December 2018, the expiry and the non-renewal of the shareholders' agreements and investment agreements with Shanghai Electric Company ("SEC"), holding a 40% interest, resulted in a change in the status of the equity investment, which, under IFRS 11, changed from being a jointly controlled equity investment to a solely controlled equity investment.

In May 2019, CDP Equity contributed with a shareholder loan to Ansaldo Energia for a total of Euro 200 million to support the company's investments and development plan.

Ansaldo Energia develops and manufactures gas turbines, provides turnkey gas central heating systems and services for the maintenance of the facilities. It is also active in the nuclear sector, in particular following the acquisition of the British company Nuclear Engineering Services in 2014. Gas turbines represent a product based on a high level of technology that, in addition to Italy, only three other nations in the world have (Germany, USA, and Japan).

The company has approximately 3,500 employees (about 2,600 in Italy) and is a leader in the sector of value-added energy-oriented mechanic engineering, a sector in which Italy boasts niche excellence.

The market of energy generation from gas is expected to grow in the medium term as a result of: i) the replacement of obsolete coal and nuclear plants; ii) environmental issues; iii) growth in emerging markets and iv) increase in the availability of fuel from “shale gas” at lower prices.

Value adjustments

When preparing the financial statements for the year ended 31 December 2018, CDP Equity recognised an impairment loss of Euro 157 million in income statement, reducing the carrying value of the investment in Ansaldo Energia from Euro 652 million to Euro 495 million. The fairness of the recoverable value attributed to the investment by CDP Equity as a result of the impairment test was confirmed by the fairness opinion provided by an independent advisor.

During the preparation of the 2019 financial statements, the investment was again subjected to an impairment test and, based on the recoverable amount that relied on a fundamental assessment, the need emerged for a further impairment of Euro 299 million, bringing the carrying value down to Euro 196 million. The fairness of the recoverable value attributed to the investment was confirmed by the fairness opinion provided by an independent advisor.

Open Fiber

open fiber

50.00 %

At 31 December 2019 CDP Equity held 50% of Open Fiber capital along with Enel S.p.A. ("Enel"). CDP Equity's investment in Open Fiber, amounting to Euro 359 million, was entirely completed through a capital increase transaction and was targeted, together with the resources provided by Enel, to the acquisition of 100% of Metroweb Italia S.p.A. ("Metroweb Italia") from F2i (53.8%) and FSI Investimenti (46.2%), for a total consideration equal to Euro 714 million.

Moreover, in 2018 CDP Equity approved a further investment of up to Euro 475 million in support of the Company's Business Plan, of which Euro 250 million paid in October 2018 and Euro 132.5 million paid in June 2019. The payments were made 50% as shareholder loan and 50% as capital contributions.

The rights under the existing agreements with Enel allowed the Company to exercise active governance. Pursuant to IFRS 11, this investment qualifies as a jointly controlled investment.

As a result of the impairment activities performed, impairment indicators were identified for Open Fiber, on the basis of which no impairment was recognised.

Open Fiber is a company whose objective is to build a nationwide fibre optic network open to all sector operators. In particular, the company's development plan includes: i) "fiber-to-the-home" coverage for approximately 9.5 million real estate units (clusters A and B); ii) coverage of 7.9 million real estate units in smaller centres (clusters C and D), following the award of three tenders launched by Infratel.

Open Fiber's wholesale offer provides telecommunications operators with a vast catalogue of passive (fibre switched off from user termination to Open Fiber's point-of-presence) and active (collection and delivery of ultra-broadband digital flows with guaranteed quality between user termination and operators) services.

In August 2018, the company signed an agreement with a pool of commercial banks, CDP and EIB for a loan of up to Euro 3.5 billion with a duration of seven years aimed at implementing the business plan. The loan, together with resources made available by CDP Equity and Enel shareholders totalling Euro 949 million (of which Euro 475 million from CDP Equity), covers the project's entire financial requirement.

B.F. S.p.A.

20.50 %

B.F.

At 31 December 2019, the interest held by CDP Equity was 20.5%, down slightly from 21.5% at 31 December 2018 as a result of a reserved capital increase carried out in the last quarter of 2019 to which CDP Equity did not contribute. To date, the shareholding is 18.8% as a result of the completion of the capital increase transaction to which CDP Equity did not contribute.

CDP Equity completed its investment on 22 March 2017 for a total amount of Euro 50 million, as part of a transaction - to which the existing shareholders also contributed with a Euro 10 million capital increase - aimed at reorganising the activities and structure of the B.F. S.p.A. Group and implementing a new group business plan. After completion of the transaction, CDP Equity held a 20.0% shareholding in the capital of the listed company B.F..

Also, CDP Equity contributed, for its share, to the capital increase of B.F. completed in December 2018, which increased its shareholding from 20.0% to 21.5%.

Under IAS 28, taking into account the analysis performed pursuant to IFRS 10, 11 and 12, this investment qualified as an associated investment.

BF is a holding company active in all sectors of the Italian agro-industrial chain: from the production of 100% Made in Italy agricultural products to their marketing through its own distribution brand or in partnership with the most important large-scale retail chains. The company is also present in the market of service provision in favour of agricultural operators: BF is a leading company in the agro-tech sector, implementing a series of innovative actions in production processes replicable on a national scale, such as land geo-mapping, precision agriculture, with particular attention to traceability, reduction of energy consumption and the provision of the correct dosages for crops and improved yields.

BF holds 100% of Bonifiche, Italy's largest farm operating in the sector of growing and marketing of agricultural products. The farm currently owns approximately 6,500 hectares of land, confirming its leadership as Italy's largest landowner. Bonifiche uses its land to grow rice, maize, durum and soft wheat, barley, sugar beet, alfalfa, sunflower, soya beans, vegetables, medicinal plants and fruits.

TH

49.50 %

Hotelturist

At 31 December 2019, CDP Equity held 49.5% of Hotelturist capital with an investment of Euro 20.4 million completed through a capital increase transaction. Specifically, on 3 August 2017 CDP Equity subscribed a capital increase of Euro 20.4 million in Hotelturist S.p.A. ("Hotelturist" or "TH Resorts"), to be paid in several tranches, for a forward share of 45.9%. The capital increase transaction included Euro 10 million to be paid at closing and the remaining Euro 10.4 million on 15 November 2017. The remaining shares of Hotelturist are held by Solfin Turismo S.p.A. ("Solfin Turismo") (45.9%) and Istituto Atesino di Sviluppo S.p.A. ("ISA") (8.2%).

The rights under the existing agreements with Solfin Turismo and ISA allow the Company to exercise active governance. Pursuant to IFRS 11, this investment qualifies as a jointly controlled investment.

As a result of the impairment activities performed, impairment indicators were identified for Hotelturist, on the basis of which no impairment was recognised

TH Resorts is one of the leading tourist operators in Italy, with a successful leisure & hospitality model.

The hotels and resorts managed, all 3 or 4 stars, belong to the "sea", "winter mountain", "summer mountain" and "cities of art" categories.

SIA

25.70 %

SIA is owned by CDP Equity both directly with a shareholding equal to 25.7% and indirectly through FSIA with an indirect shareholding equal to 57.4%.

SIA is one of the European leaders in the design, implementation and management of infrastructure and technology services, dedicated to financial institutions, central banks, governments and companies in the areas of payments, e-money, network services and capital markets.

SIA operates mainly as a provider of business-to-business ("B2B") payment services in three areas: card transaction processing (both issuing and acquiring), payments (SEPA transfers) and institutional services (MTS securities platform management and central bank clearing).

Recently, SIA completed two important acquisitions: i) at the end of December 2016, it completed the acquisition of UniCredit's e-money processing activities ("UBIS") and ii) at the end of September 2018, it completed the acquisition of the processing activities located in Central and Eastern Europe from its US competitor First Data.

In 2018, SIA managed approximately 84 million payment cards and provided various key services to the financial system, central banks and the Public Administration in Italy and Europe.

SIA has approximately 3,400 employees, of whom 1,500 in Italy, with a significant link to technology and software development companies.

SIA relies on significant technological expertise and presents itself as an innovator thanks to research developed in Italy; it contributes to the digitization of the Public Administration, overseeing some key services for financial intermediaries and central banks and promoting the penetration of e-money in Italy.

Salini Impregilo

18.70 %

At 31 December 2019, CDP Equity held 18.7% of Salini Impregilo share capital acquired, as described above, through a capital increase transaction including a payment of Euro 250 million.

The governance rights qualify the investment as an equity investment in a related party in accordance with international accounting standards.

Salini Impregilo is an industrial group specialised in the construction of large-scale works and complex infrastructures for sustainable mobility, hydroelectric power, water and green buildings.

Salini Impregilo is a leader in the Italian market and one of the sector's main players at the international level with 114 years of engineering expertise applied in 50 countries on five continents, with 50,000 direct and indirect employees of over 100 nationalities.

For five years, Engineering News - Record (ENR) recognised Salini Impregilo as the world's leading company for the construction of infrastructures in the water sector (dams, hydraulic and wastewater projects, drinking water and desalination plants) and since 2018 the Group has ranked in the top ten of the environmental sector and become a global player in the sustainable mobility sector (in particular, undergrounds and railways and also roads and bridges).

The SGR Business

Following the contribution of the SGR business by CDP, CDP Equity has acquired shareholdings in five asset management companies. More specifically:

- CDP Venture Capital SGR (70%) was set up in 2008 to accelerate growth in the Italian venture capital ecosystem elevating it among the best European countries in terms of amount of capital invested and number and quality of operators;
- Fondo Italiano d'Investimento (68%) was set up in 2010 on the initiative of the Ministry of the Economy and Finance. Fondo Italiano d'Investimento SGR is owned by CDP Equity (68%) and by other Italy's leading institutions and banks for the remainder. Since the beginning, the distinctive feature of the initiative has been the combination of the objectives of economic return and development of the production system through the use of market instruments. Fondo Italiano d'Investimento SGR manages seven closed-end investment funds, reserved for qualified investors, with total assets under management of approximately Euro 2.3 billion.
- F2i SGR (14%), set up in 2007, is Italy's largest independent manager of infrastructure funds, with assets under management of around Euro 5 billion. The companies that are part of the F2i network represent Italy's main infrastructure platform, diversified into strategic sectors for the economic system: transport and logistics, renewable energy, energy distribution networks, telecommunications networks and services, and social and health infrastructures. F2i, through its subsidiaries, has 15 thousand employees in Italy. F2i SGR's shareholders include leading financial institutions such as banking foundations, Italian and foreign pension funds, national and international asset managers and sovereign wealth funds. The funds managed by F2i SGR are subscribed by leading Italian and foreign institutions.
- FSI SGR (39%), set up in 2016, manages the FSI I fund which, by size, ranks among Europe's largest venture capital investment funds focused on a single country. The fund's investor base is diversified by asset class and geographic region, including Cassa Depositi e Prestiti, the European Investment Fund, European banks, insurance companies and asset managers, banking foundations, pension funds, family offices of industrial groups and sovereign wealth funds from the Middle East, Far East and Central Asia. The fund offers investors the possibility to combine solid investment returns with unique access to Italian mid-market companies with growth potential in industries such as mechanic engineering, food production and distribution, luxury, fashion, design, pharmaceuticals and, in general, business services. With more than 3,000 companies included in the investment perimeter, the opportunities in the fund's pipeline are very broad and diversified by sector.
- QuattroR SGR (40%), which started operations in late 2016, is an asset management company, controlled by its management. The SGR manages a fund of over Euro 700 million specialising in investments in Italian companies experiencing a temporary financial imbalance. QuattroR fund subscribers are leading Italian institutional investors. QuattroR configures as a financial partner for the relaunch of medium and large Italian companies facing a temporary crisis but with solid industrial fundamentals.

3.4 The equity investments held directly by FSI Investimenti

Kedrion

KEDRION BIOPHARMA

25.06 %

At 31 December 2019 FSI Investimenti holds 25.06% of Kedrion. The total investment amounts to Euro 117 million. In November 2019, FSI Investimenti participated in the capital increase of the company for a total of Euro 65 million for the integration of a new shareholder - FSI SGR S.p.A.- for the purpose of preventing the dilution of its investment, with a capital injection of Euro 17 million. Based on the agreements and the investment contract agreement signed and on the requirements identified by the international accounting standards, the shareholding classifies as an investee company.

Kedrion is Italy's largest operator in the plasma derivatives sector and is one of the world's 5 top operators in terms of volume of fractionated plasma. The company employs about 2,600 people (of which about 1,200 in Italy) and has 6 technologically advanced production plants: 4 in Italy, 1 in Hungary and 1 in the United States. Kedrion, through its production facilities in Italy and the direct management of the plasma collection logistics system, ensures the availability and continuity of supply of plasma-derived drugs distributed to patients by the Italian National Health Service.

Kedrion products are used by healthcare organizations in over 90 countries worldwide to treat patients suffering from hemophilia, immunodeficiency and other serious diseases.

The sector of plasma derivatives is worth approximately USD 21 billion worldwide; the largest markets by size are North America (47%), Europe (25%) and Asia (19%). In the past 10 years, the sector has grown at an annual rate of 11%, while for the coming years an increase of 7% is expected by the major international research centres.

In 2019, Kedrion approved dividends, based on the results achieved in 2018, for Euro 5.1 million, of which Euro 1.3 million attributable to FSI Investimenti.

Valvitalia Finanziaria

VALVITALIA GROUP

49.50 %

At 31 December 2019, FSI Investimenti held 49.50% (pro-forma post conversion of the Convertible Bond Loan) in Valvitalia Finanziaria S.p.A., which holds 100% of the share capital of Valvitalia S.p.A.. The overall investment amounted to a total of Euro 151.2 million, of which Euro 1 million in capital increase corresponding to a 0.5% share and Euro 150.2 million through the underwriting of a convertible bond loan. The convertible bond has a term of 7 years (with maturity date in January 2021), is fully convertible at any time at the sole discretion of the bondholder (i.e. mandatory in case of IPO or other liquidity event) and has a coupon of 2%. If the convertible bond loan were converted, FSI Investimenti's shareholding in Valvitalia Finanziaria would total 49.5%.

The carrying value of the investment, originally recognised at Euro 1 million and adjusted to Euro 0.6 million at 31 December 2018, was subjected to impairment test, the result of which resulted in its zeroing.

Based on the agreements and the investment contract agreement signed and on the requirements identified by the international accounting standards, the equity investment classifies as a jointly controlled company.

Valvitalia is active in the design, production and sale of valves and actuators, oil & gas systems, fire protection systems as well as forged fittings and flanges for the oil and natural gas, petrochemical, electricity, civil and military shipbuilding as well as the water treatment and transport industries.

With over 1,100 employees Valvitalia operates on a global scale, has 10 plants, 7 of which are located in Italy, one in China, one in the United Kingdom and one in Canada, as well as various commercial and representative offices.

Valvitalia, thanks to its commercial references, its international sales network and its ability to design complex and customised products, acts as supply chain leader within the so-called "valve district", which comprises over 200 highly specialised component manufacturers that serve customers worldwide, linking sub-suppliers to global demand.

Valvitalia has a high propensity to export, with more than 80% of the turnover generated abroad and an ability to oversee the main oil& gas markets.

16.85 %

Trevi Finanziaria Industriale

At 31 December 2019, FSI Investimenti holds a 16.85% shareholding in Trevi acquired with an initial investment of Euro 100 million; the book value of the investment has decreased as a result of adjustments made over time following the outcome of impairment tests. In particular, at 31 December 2019, the recoverable value was measured based on Trevi fair value for a total of Euro 4.5 million corresponding to 16.85% of the company, equal to the weighted average of the traded volumes recorded in the month prior to 31 December 2019. FSI Investimenti made a value adjustment on the equity investment held in Trevi of Euro 4.6 million compared to 31 December 2018.

Under IAS 28 and taking into account the analysis performed on IFRS 10, 11 and 12; the investment qualifies as an associated investment.

Trevi is the international leader in the manufacturing of machinery and services for the foundations, the Group's core business, and oil exploration sectors. In the last few years, the Group companies have developed important infrastructural projects, including dams, subways and ports, and also other structures with a high degree of engineering complexity. The Trevi Group was founded in 1957 in Cesena and the parent company, Trevi Finanziaria Industriale, has been listed on the Electronic Stock Market of Borsa Italiana since 1999.

Over 90% of Trevi revenues are generated abroad, while Soilmec (foundations) and Drillmec (oil & gas) machines are mainly manufactured in Italy. The company purchases products and services from Italian suppliers in the fields of engineering, carpentry, mechanical and hydraulic components and external processing.

The company has approximately 6,000 employees worldwide, of which over 1,000 in Italy.

In 2019, the Company completed a financial transaction aimed at strengthening its equity position through a capital increase of up to Euro 130 million to be pre-emptively offered to shareholders and, at the same time, the conversion by the lending banks of a portion of the receivables due to the Group of Euro 310 million. The Company's comprehensive financial benefit is estimated in a range going from Euro 390 million and Euro 440 million.

The Company also announced that the relevant shareholders (including FSI Investimenti) confirmed to Trevi Board of Directors their intention to underwrite (subject to specific conditions) up to Euro 77.4 million (for a share of FSI Investimenti totalling Euro 38.7 million). Furthermore, as part of the same equity strengthening transaction, the Group announced that it had accepted the offer made by Megha Engineering & Infrastructures Ltd. (MEIL Group) regarding the transfer of its activities in the Oil & Gas sector.

In February 2020, the resolution for Trevi capital increase was certified by the Tribunal and the process is still underway as at the reporting date. The transaction is expected to be completed by the end of the first half of 2020.

Rocco Forte Hotels Limited

ROCCO FORTE HOTELS

23.00 %

At 31 December 2019 FSI Investimenti holds 23% of Rocco Forte Hotel Limited. The total investment amounts to Euro 82 million. The rights entitled under the shareholders' agreements and investment agreements in force allow to exercise active governance at the company. Under IAS 28 and taking into account the analysis performed on IFRS 10, 11 and 12; the investment qualifies as an associated investment.

Rocco Forte Hotels operates 15 top-of-the-range hotels located in Italy, the United Kingdom, Germany, Belgium and Russia. The Group also stipulated agreements for the opening of a hotel in Shanghai, China. Italy, where Rocco Forte Hotels is present in Rome, Florence, Sicily and since 2019 in the Puglia region, is the leading country in terms of turnover, representing more than 30% of the Group's consolidated revenues. In Italy, Rocco Forte Hotels employs approximately 600 resources out of a total of about 2,200 internationally. The partnership with the Rocco Forte Hotels Group is driven by the strong interest and determination of the hotel group to pursue a development plan focused on the Italian market, in addition to proven managerial ability, the business model, the strength of the brand and international presence, but with a significant presence in Italy.

3.5 The equity investments held directly by IQ MIIC

Inalca

INALCA®

28.40 %

At 31 December 2019, IQ holds a 28.4% shareholding in Inalca. The equity investment, completed in December 2014, amounts to Euro 165 million.

The rights entitled under the shareholders' agreements and investment agreements in force to allow IQ to exercise active governance at the company. Under IAS 28 and taking into account the analysis performed on IFRS 10, 11 and 12; for IQ the investment in Inalca qualifies as an associated investment.

Inalca is one of the main operators in beef processing in Europe and in food distribution abroad, especially in Russia and in many African countries. Food distribution covers a wide range of products (over 2,000), which includes food items, typically Made in Italy. Inalca has 15 plants in Italy specialised by product type (11 for beef processing and four active in cured meats, snacks and deli meals) and twenty-seven plants and distribution platforms abroad.

The company has more than 5,500 employees.

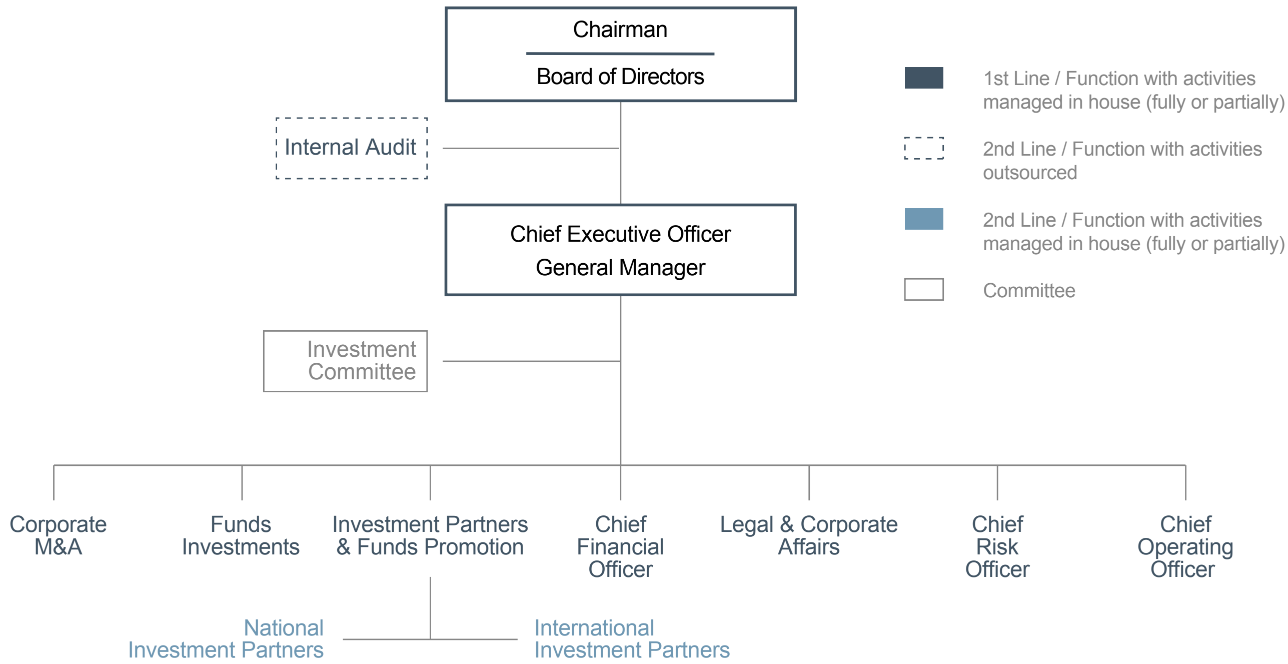
The acquisition of an equity interest by IQ in the capital of Inalca is consistent with the objective of investing in companies with growth potential in Italy and with international development potential, which also generates an increase in terms of related industries, added value and employment in Italy.

The financial resources derived from the capital increase were primarily used to support both overall organic growth and growth by acquisition of companies in Italy and abroad. Thanks to the support of IQ, Inalca is positioning itself as a catalyst for the development of the distribution of Italian food products abroad, with the aim of promoting Made in Italy food, whose potential is significant.

4. Organizational structure of CDP Equity

4.1 Organizational structure of CDP Equity

The organisational structure of CDP Equity at 31 December 2019 is shown in the diagram below:



In 2019, with the aim of facilitating the pursuit of the Company's and the Group's strategies for venture capital investing and investment funds, both at the national and international level, the organisational structure of the Company's business was revised.

In this context and in line with the resolutions made by the Board of Directors on 23 July 2019, the following organisational functions reporting directly to the Chief Executive Officer and General Manager were established, effective as of 1 August 2019: Corporate M&A tasked with the performance of activities related to investment and divestment transactions in companies, assessing and coordinating the completion of extraordinary transactions along with the rationalisation of the equity investment portfolio; Funds Investments tasked with the structuring of investment and divestment transactions in investment fund units, assessing and coordinating their completion and management of the relevant business activities; Investment Partners & Funds Promotion tasked with the promotion of transactions in investment fund units or companies and managing business relations with investors and co-investors at the national and international level.

As a result of the revision described above, the Equity Investments function was discontinued and the entire organisation was strengthened with the addition of new resources on partial secondment from CDP.

On 1 August 2019, the company also established a secondary office in Rome - Via Goito 4, at the parent company's headquarters.

At 31 December 2019, CDP Equity had a total of 39 employees, including seconded staff members, 10 more than the 29 employees registered at the end of 2018. The company adopts the National Collective Bargaining Agreements applicable to credit, financial and instrumental companies for both middle managers and professional staff members.

The average employee age is 39 years, with men accounting for 61% and women for 39%.

The revised organisational structure allows CDP Equity to fully accomplish its corporate mission, maximising the operational synergies with the sole shareholder. In this context, CDP Equity and CDP operate in close coordination with regard to the main corporate staff and support functions.

In this regard, CDP Equity and CDP entered into a framework agreement for the outsourcing of services and the related service agreements: the framework agreement defines the general terms and conditions of supply, while the individual service agreements govern the various types of services and the specific provision procedures.

Specifically, the existing service agreements include: (i) internal auditing activities; (ii) administrative and tax support activities; (iii) human resources administrative management activities; and (iv) procurement activities

In 2019, CDP Equity implemented significant infrastructural changes to protect corporate data (encryption of all laptops, smartphones and tablets; migration of mail to GDPR-compliant MS Tenant CDP Cloud; migration of data to CDP infrastructure with access log audit). Following the migration to the Parent Company's ICT infrastructure, CDP Equity can benefit from the same IT solutions adopted by CDP.

4.2 Legal affairs, risk management and compliance activities

The Legal and Corporate Affairs function has supported the other corporate functions in implementing and updating – in accordance with the CDP Group's "Regulation on the exercise of management and coordination activities" and the "Group's regulatory model and principles for the management of the Group's Regulation" policies, the following procedures: (i) "Transactions with Related Parties"; (ii) "Monitoring of corrective actions resulting from audits"; (iii) "Housing"; (iv) "Waste management"; (v) "Missions" (update); (vi) "Job Posting" (update); (vii) "Group-wide risk reporting"; (viii) "CDP Group Compliance Model" (update); (ix) "Management of access, correspondence and network of the Milan office"; (x) "Organisational principles and management of organisational changes" (update); (xi) "Storage of personal data"; (xii) "Management of data subjects' rights"; (xiii) "ICT security failure management (xiv) "Management of access to company systems"; (xv) "Reuse and disposal of hardware"; (xvi) "Fair value assessment of bonds, derivatives and loans"; (xv) "Risk Assessment and Control of Non-Compliance Risk" (update); (xvi) "Identification of Operational Risks - Risk Self Assessment and Loss Data Collection" (updated); (xv) "Personal Transactions by Relevant Persons"; (xiv) "Group Accounting Manual"; (xv) "Integrated Tableau de Bord of the Control Functions"; (xvi) "Guidelines on the Processing of Personal Data" (updated).

The Legal and Corporate Affairs area provided support to the Company in connection with the appointment of the Board of Directors and the granting of powers to the Chairman and Chief Executive Officer and General Manager, the establishment of a secondary office, the partial spin-off of CDP Equity in favour of CDP Industria S.p.A, as well as the capital increase in kind through the contribution by the sole shareholder CDP to CDP Equity of its shareholdings in Invitalia Ventures SGR S.p.A., FII SGR S.p.A., FSI SGR S.p.A., QuattroR SGR S.p.A., and F2i SGR S.p.A.

In addition, the Legal and Corporate Affairs area supported the Equity Investments area (later merged into the Corporate M&A area after completion of the aforementioned internal reorganisation) in the ordinary management and exercise of governance rights over the equity investments held by CDP Equity.

Risk management

CDP Equity risk management is based on the Risk Management Policy approved by the Board of Directors. The document defines the basic principles of operation and related guidelines, in order to identify, measure and manage the various types of risk CDP Equity may be subject to in carrying out its activities. These principles define, among other things, limits to risk-taking for CDP Equity also in the process of approval of the investments.

In FY 2019, the CDP Equity Risk Management carried out its activities in compliance with the aforementioned principles, summarised along three lines: (i) assessment of the risks in the process of approval of the investments and divestments; (ii) monitoring of the investments portfolio; (iii) preparation of quarterly update notes on risk management activities to be submitted to the Board of Directors.

Specifically, in the period, CDP Equity resolved and completed investment transactions in some portfolio companies. In addition to periodic reporting submitted by the companies included in the portfolio, equity investments are monitored also through specific in-depth analyses in order to update and verify company risk profiles. The main findings were brought to the attention of the Board of Directors through the quarterly reports on risk management activities.

CDP Equity's liquidity profile is solid, also because it is part of the CDP Group. The company has no borrowings and the available liquidity is substantial even with respect to its financial commitments.

Risk Management also completed the updating of the Operational Risk Assessment procedure in coordination with the parent company CDP, based on CDP Equity's regulatory framework and internal processes, including targeted interviews with the heads of all business functions.

In the period and in compliance with the existing risk policy, Risk Management also conducted audits on the accounting valuations of the optional components associated with portfolio investments. The valuations of such optional components were carried out in the fair value perspective with the support of an independent expert consultant.

Compliance activity

In 2019, the Compliance area continued to carry out the activities falling under its competence, focusing on the audits envisaged in the reference plan and analysing and assessing the reputational risk associated with equity transactions involving CDPE.

In the period, the Compliance function also implemented, supplemented and issued specific internal regulations in line with the outcomes of the compliance risk assessments conducted.

Finally, the Compliance function was involved in the reorganisation and redefinition of processes following the expansion of CDP Equity's operations.

5. CDP Equity results

Below is an analysis of the accounting position at 31 December 2019, as proposed on the basis of statements reclassified according to management criteria, with the objective of reporting clearer results for the year. 2019 financial and economic data is compared to the corresponding values recorded as at 31 December 2018.

5.1 Reclassified Balance Sheet

5.1.1 Assets

At 31 December 2019, fixed assets included the following aggregate items:

Reclassified Balance Sheet

(euro thousand) Assets	31/12/2019	31/12/2018	Variation (+/-)	Variation (%)
Non-current assets	2,574,467	2,695,875	(121,408)	-5%
Equity investments	2,160,679	2,070,939	89,740	4%
Non-current financial assets	408,562	623,940	(215,378)	100%
Other non-current assets	5,225	996	4,229	>100%
Current assets	121,225	575,363	(454,138)	-79%
Cash and cash equivalents	109,064	564,534	(455,471)	-81%
Other current assets	12,162	10,829	1,333	12%
Total assets	**2,695,692**	**3,271,238**	**(575,546)**	**-18%**

At 31 December 2019, total assets amounted to Euro 2,696 million and included "Non-current assets" for Euro 2,575 million and "Current assets" for Euro 121 million, of which Euro 109 million in cash and cash equivalents and Euro 12 million in other current assets. The item showed a reduction by Euro 576 million compared to the value of Euro 3,271 million registered at 31 December 2018.

"Non-current assets" included "Shareholdings" for Euro 2,161 million and "Non-current financial assets" for Euro 409 million and "Other non-current assets" for Euro 5 million.

In detail, the "Equity investments" item included the book value of the equity investments. The item showed a reduction by Euro 90 million compared to the value of Euro 2,071 million registered at 31 December 2018. The reduction is attributed to: (i) the acquisition of 25.7% of SIA capital for Euro 646 million, (ii) the acquisition of a 18.7% shareholding, through a capital increase transaction, in Salini Impregilo with an investment totalling Euro 250 million, (iii) the capital contribution to Open Fiber for a total of Euro 66 million, (iv) the transfer of the SGR business from CDP to CDP Equity with an increase in the equity portfolio amounting to Euro 19 million, partly offset by (v) the spin-off of Saipem in favour of CDP Industria for Euro 593 million and (vi) the value adjustment following the impairment test on Ansaldo Energia for Euro 299 million.

"Non-current financial assets" of Euro 409 million included shareholder loans granted to Ansaldo Energia for a total of Euro 200 million and to Open Fiber for Euro 191 million, and relevant interest accrued, namely Euro 8 million and Euro 12 million, respectively; these receivables were partially adjusted to reflect the counterparty's risk of default, as required by IFRS 9, for a total of over Euro 8 million. Financial assets also include Euro 5 million attributable to F2i SGR interest acquired as part of the transfer of the SGR business from CDP.

The item showed a reduction by Euro 216 million compared to the value of Euro 624 million registered at 31 December 2018 as a result of: (i) the full disposal of the BTP portfolio for Euro 498 million, (ii) the recognition of the new loan in favour of Ansaldo Energia for Euro 200 million, (iii) and the second tranche in favour of Open Fiber for Euro 66 million, (iv) interest accrued on both loans for Euro 18 million (iv) less IFRS 9 adjustments for the period for Euro 7 million and (vi) the F2i value for Euro 5 million.

"Other non-current assets" amounted to Euro 5 million and included Euro 2.5 million of assets for leased capital goods, Euro 2.2 million of deferred tax assets, Euro 0.2 million of fixed assets and Euro 0.1 million of security deposits. Compared to 31 December 2018, there was an increase of Euro 4 million mainly driven by the adoption of IFRS 16 which resulted in the recognition of the right of use for leases with an effect on assets of Euro 2.5 million and an increase in deferred tax assets of Euro 1.5 million.

"Cash and cash equivalents" reported the balances of cash on hand held at primary credit institutions and at CDP; the decrease compared to 31 December 2018 amounting to approximately Euro 456 million is attributed to cash outflows of Euro 1,242 million and inflows of Euro 786 million. In detail, the Company used resources for a total of Euro 1,228 million in favour of some of its investee companies by way of capital increase transactions (Open Fiber and Salini Impregilo) and shareholder loans (Open Fiber and Ansaldo Energia) in addition to the acquisition of 25.7% of SIA's capital held by F2i, Hat and JP Morgan, and paid operating expenses and taxes for a total amount of Euro 14 million. On the revenue side, the Company collected Euro 527 million resulting from the proceeds of the transfer of government bonds (BTPs), Euro 250 million from CDP as capital contribution to provide the Company with the resources necessary to complete the transaction in Salini Impregilo, and Euro 5 million in interest income accrued on the BTPs; in addition, Euro 3 million resulted as income from tax consolidation and other minor collections of an operating and management nature.

"Other current assets" amounted to Euro 12 million and include Euro 11 million in receivables due from investee companies (almost all referring to the receivable for services rendered to FSI Investimenti under the service agreement) and Euro 0.9 million in tax receivables and other minor items. Compared with 31 December 2018, when this aggregate item amounted to Euro 11 million, the composition differed: the lower receivables due from investee companies were offset by the receivable due from CDP resulting from tax consolidation and amounting to approximately Euro 2 million.

5.1.2 Liabilities

At 31 December 2019, liabilities included the following aggregate items:

Reclassified Balance Sheet

(Euro thousand) Liabilities and Shareholders' Equity	31/12/2019	31/12/2018	Variation (+/-)	Variation (%)
Shareholders' equity	2,671,169	3,256,866	(585,697)	-18%
Provision for risks and charges and other non-current liabilities	16,096	12,530	3,566	28%
Tax payables and other current liabilities	8,427	1,842	6,585	>100%
Total liabilities and Shareholders' equity	**2,695,692**	**3,271,238**	**(575,546)**	**-18%**

At 31 December 2019, shareholders' equity amounted to euro 2,671 million with a reduction of Euro 586 million compared to 31 December 2018; this reduction is attributed to the spin-off of Saipem in favour of CDP Industria with a concurrent reduction in share capital by Euro 593 million, a loss recognised in the period equal to Euro 267 million, the capital contribution by CDP amounting to Euro 250 million to complete the equity investment transaction in Salini Impregilo, and the contribution of the SGR business from CDP to CDP Equity, which increased

shareholders' equity by Euro 24 million.

“Provisions for risks and charges and other non-current liabilities" amounted to Euro 16 million, including: (i) Euro 12 million from the fair value of the Open Fiber earn-out (Euro 11 million at 31 December 2018), (ii) Euro 3 million from liabilities recognised to reflect the use of leased assets following the adoption of IFRS 16, and (iii) approximately Euro 1 million from the provision for bonuses and employee severance indemnities. Compared to 31 December 2018, this item increased by Euro 3.6 million mainly as a result of the first-time adoption of IFRS 16 totalling Euro 2.7 million and the change in the fair value of Open Fiber earn-out totalling Euro 0.9 million.

"Tax payables and other current liabilities" amounted to Euro 8 million and include: (i) tax consolidation payables of Euro 4 million, (ii) payables to suppliers of Euro 1.4 million (iii) operating payables due to CDP for a total of Euro 1.3 million regarding the provision of outsourced services by CDP in favour of CDP Equity, sundry costs charged back in relation to seconded staff, as well as the payable regarding the 2019 sublease agreement (iv) tax payables of Euro 1.2 million and (v) other operating payables of Euro 0.4 million. The recognition of Euro 4 million of a tax consolidation payable, compared to the receivable registered at the end of 2018, and Euro 3 million of higher operating and tax payables, resulted in the overall increase in the item by Euro 7 million.

5.2 Reclassified Income Statement

5.2.1 The economic situation

Reclassified Income Statement

(Euro thousand)	2019	2018	Variation (+/-)	Variation (%)
Result from ordinary operations	-	31,618	(31,618)	-100%
Dividends	-	31,618	(31,618)	-100%
Result from ordinary operations	(303,900)	(157,860)	(146,040)	93%
Due diligence and consultancy for investments	(3,480)	(340)	(3,139)	>100%
Other expenditure for investments and Tobin tax on investments	(1,551)	(32)	(1,520)	>100%
Capital losses on equity investments	(298,869)	(157,489)	(141,380)	90%
Net variation in the value of financial instruments	(956)	(1,870)	914	-49%
Result from ordinary operations	(304,856)	(128,112)	(176,744)	>100%
Financial income and expenses	44,867	13,284	31,582	>100%
Overhead costs	(9,652)	(9,241)	(410)	4%
Result from operations	35,215	4,043	31,172	>100%
Other expenses and income	5,654	5,735	(81)	-1%
Result for the year	(263,987)	(118,335)	(145,652)	>100%
Income tax	(3,290)	1,599	(4,889)	>100%
Profit (loss) for the year	**(267,277)**	**(116,736)**	**(150,541)**	**>100%**

In 2019, the Group posted a loss of Euro 267 million, resulting from the negative result from ordinary operations equal to Euro 305 million, the positive result from operating activities equal to Euro 35 million, other operating income of Euro 6 million and negative taxes of approximately Euro 3 million.

Compared to the corresponding period in 2018, when a loss of Euro 117 million was recognised, this item increased by approximately Euro 150 million mainly as a result of: (i) higher negative impact on income statement for approximately Euro 141 million of the impairment loss on Ansaldo Energia recognised at 31 December 2019, (ii) higher operating expenses for approximately

Euro 5 million, (iii) an increase in taxes by Euro 5 million and (iv) a positive effect of fair value changes on financial instruments of approximately Euro 1 million. In 2019, dividends were not paid out to FSI Investimenti compared to 2018 and this was entirely offset by the positive result from operations.

The positive result from operations equal to Euro 35 million included: (i) interest income on the shareholder loan granted in favour of Open Fiber totalling Euro 10 million, (ii) interest income on the shareholder loan granted in favour of Ansaldo Energia totalling Euro 8 million, (iii) IFRS 9 adjustments made to the aforementioned loans for a total of Euro 7 million, (iv) the gain generated by the transfer of government bonds equal to Euro 27 million, (v) interest income on government bonds of Euro 5 million, and (vi) overheads amounting to Euro 10 million.

Compared to 2018, when operating income was positive and amounting to Euro 4 million, there was an increase by Euro 31 million as a result of the collection of the capital gain deriving from the transfer of government bonds and interest accrued in the period.

Other operating income and charges consisted mainly of income from service contracts between CDP Equity and FSI Investimenti, FSIA Investimenti and IQ, as well as other minor items, totalling Euro 6 million; this item is in line with the amount reported at 31 December 2018.

Taxes posted a negative balance of Euro 3.3 million, including Euro 4 million of taxes from tax consolidation and the estimated IRAP charge for the period amounting to Euro 1 million; these negative effects are partially offset by the positive effects of deferred tax assets and liabilities totalling Euro 1.7 million.

6. Foreseeable outlook

In 2020, the Company is expected to continue searching for new investment opportunities, while managing, monitoring and enhancing the value of its equity investments.

After the end of 2019, in March 2020, the outbreak of Covid-19, which originated in China, spread to many countries around the world and the World Health Organization termed it a “pandemic” on 11 March 2020.

At the date of reporting, Italy is one of the most affected European countries. This led to significant pressure on Italy's health system and the Italian government was urged to enact a series of measures (Prime Ministerial Decrees of 4, 8, 9 March 2020 and the "Cura Italia" Decree dated 17 March 2020), which introduced unprecedented and restrictive measures to be applied to Public Administration activities, production facilities, the economy in general and the daily lives of Italian citizens, along with substantial economic measures to support households, workers and businesses.

In the hypothesis in which the spread of the virus is not stopped in the short term, the pandemic development could also significantly hit global prospects of future growth, influencing the general macroeconomic scenario and the financial markets.

In this respect, the Directors of CDP Equity believe that the current trend of the Covid-19 crisis and the uncertainties related to its further development in terms of impact on the productive, economic and social context in Italy does not allow– for the time being– any reasonable estimate on the performance of the Company and its investees in 2020.

It cannot be excluded that the possible continuation of the current health crisis may result in short-term losses in the margins of the companies in the portfolio, which at present cannot be reliably estimated based on the information available.

7. Additional information pursuant Article 2428 of the Italian Civil Code

With reference to the additional information required by article 2428 of the Italian Civil Code, it should be noted that: (i) the Company did not carry out any research and development activities in the period; (ii) the Company's relations, held in the period of reference, with subsidiaries, associated companies, parent companies and companies subject to the control of the latter are reported in Section V of the Notes, to which reference should be made; (iii) the Company does not hold, nor has it acquired or transferred during the six months of reference, any of its own shares or shares in its parent company, either directly or through a trust company or third party; (iv) the Company opened a secondary office in Rome, Via Goito no. 4 at the Parent Company's offices.

Milan, 31 March 2019

Chief Executive Officer

Pierpaolo Di Stefano

02

Financial Statements
as at 31 December 2019

Form and content of the financial statements as at 31 December 2019

The financial statements at 31 December 2019 were prepared in accordance with the current regulatory provisions and are made up of:
- Balance Sheet;
- Income Statement;
- Statement of Comprehensive Income;
- Statement of Changes in Equity;
- Cash Flow Statements
- Notes.

The Notes include:
- Introduction
- I – Basis of preparation and accounting principles;
- II – Information on the Balance Sheet;
- III – Information on the Income Statement;
- IV – Information on risks and related hedging policies;
- V – Transactions with related parties.

The section “Annexes to the financial statements”, which forms an integral part of these annual financial statements at 31 December 2019, includes the separate financial statements at 31 December 2018 of the parent company Cassa Depositi e Prestiti S.p.A..

Contents

Financial statements at 31 December 2019

BALANCE SHEET

Assets (Euro units)	31/12/2019	31/12/2018	Notes
Non-current assets			
Property, plants and equipment	2,698,691	114,248	II.1.1
Intangible assets	46,300	104,953	II.1.2
Equity investments	2,160,679,115	2,070,938,714	II.1.3
Non-current financial assets	408,562,023	623,939,966	II.1.4
Deferred tax assets	2,355,964	648,540	II.1.5
Other non-current assets	124,477	128,421	II.1.6
Total non-current assets	2,574,466,570	2,695,874,842	
Current assets			
Receivables from investee companies	11,180,721	5,668,146	II.2.1
Current financial assets	-	2,182,911	II.2.2
Tax receivables	721,735	561,938	II.2.3
Other current assets	259,335	2,415,754	II.2.4
Cash and cash equivalents	109,063,540	564,534,104	II.2.5
Total current assets	121,225,331	575,362,853	
Total assets	**2,695,691,901**	**3,271,237,695**	

Total liabilities and Shareholders' equity (Euro units)	31/12/2019	31/12/2018	Notes
Shareholders' equity			
Share Capital	2,890,583,470	3,480,981,960	II.4.1
Reserves	297,394,132	25,415,313	II.4.2
Profit (loss) carried forward	(249,531,213)	(132,795,100)	
Profit (loss) for the year (+/-)	(267,277,053)	(116,736,113)	
Total Shareholders' equity	2,671,169,336	3,256,866,060	
Non-current liabilities			
Provisions for risks and charges	1,284,694	1,194,086	II.5.1
Staff Severance and Retirement	146,773	175,396	II.5.2
Payables for leasing loans	2,559,520	-	
Other financial liabilities	12,101,448	11,145,590	II.5.3
Deferred tax liabilities	3,325	14,795	II.5.4
Total non-current liabilities	16,095,760	12,529,867	
Current liabilities			
Tax payables	1,200,094	174,005	II.6.1
Other current liabilities	7,226,711	1,667,763	II.6.2
- Payables due to suppliers	*1,402,336*	*774,575*	
- Payables due to social security institutions	*162,155*	*151,833*	
- Payables due to parent company	*5,351,015*	*519,255*	
- Other payables	*311,205*	*222,100*	
Total current liabilities	8,426,805	1,841,768	
Total Liabilities and Shareholders' Equity	**2,695,691,901**	**3,271,237,695**	

INCOME STATEMENT

Items (Euro units)	31/12/2019	31/12/2018	Notes
Revenue from ordinary operations			
Dividends	-	31,617,765	III.1.1
Total revenue from ordinary operations	-	31,617,765	
Costs from ordinary operations			
Investment costs	(5,030,862)	(371,815)	III.1.2
Capital losses on investments	(298,869,109)	(157,488,628)	III.1.3
Decreases in the value of financial instruments	(955,858)	(1,869,735)	III.1.4
Total costs from ordinary operations	(304,855,829)	(159,730,178)	
Result from ordinary operations	(304,855,829)	(128,112,413)	
Financial income	51,511,851	13,284,265	III.2.1
Financial expenses	(73,181)	(31)	III.2.2
Administrative costs	(9,202,441)	(7,695,048)	III.2.3
- *Personnel costs*	*(6,758,871)*	*(5,285,807)*	
- *Other administrative expenses*	*(2,443,570)*	*(2,409,241)*	
Amortisation and depreciation of intangible and tangible assets	(449,140)	(93,601)	III.2.4
Impairment of non-current assets	-	(1,630,567)	III.2.5
Impairment of current receivables and other current assets	(6,571,946)	177,786	III.2.6
Result from ordinary operations	35,215,143	4,042,804	
Other operating income/expenses:	5,654,079	5,734,744	III.3
- *Other income*	*5,672,899*	*5,743,893*	
- *Other expenses*	*(18,820)*	*(9,149)*	
Result before taxes	(263,986,607)	(118,334,865)	
Income, current and deferred taxes	(3,290,446)	1,598,752	III.4
Profit (loss) for the year	**(267,277,053)**	**(116,736,113)**	

STATEMENT OF COMPREHENSIVE INCOME

Items (Euro units)	31/12/2019	31/12/2018
Profit (loss) for the year	(267,277,053)	(116,736,113)
Other income components net of taxes without reclassification to income statement	-	-
Tangible assets	-	-
Defined benefit plan	-	-
Other income components net of taxes with reclassification to income statement	-	-
Financial assets available for sale	-	-
Hedging of financial flows	-	-
Total other income components net of taxes	-	-
Comprehensive profitability	**(267,277,053)**	**(116,736,113)**

STATEMENT OF CHANGES IN EQUITY 31/12/2019

(Euro units)	Initial balance at 31/12/2018	Changes in opening balance	Initial balance at 01/01/2019	Allocation of previous year's result	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares underwritten and paid-up	3,480,981,960	-	3,480,981,960	-	-
Reserves:					
a) profit	(107,379,787)	-	(107,379,787)	(116,736,113)	-
b) other	-	-	-	-	-
Valuation reserves:					
a) available for sale	-	-	-	-	-
b) hedging of financial flows	-	-	-	-	-
c) other reserves	-	-	-	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Profit (loss) for the year	(116,736,113)	-	(116,736,113)	116,736,113	-
Shareholders' equity	**3,256,866,060**	**-**	**3,256,866,060**	**-**	**-**

STATEMENT OF CHANGES IN EQUITY 31/12/2018

(Euro units)	Initial balance at 31/12/2017	Changes in opening balance	Initial balance at 31/12/2018	Allocation of previous year's result	
				Reserves	Dividends and other allocations
Shareholders' equity:					
a) ordinary shares underwritten and paid-up	3,480,981,960	-	3,480,981,960	-	-
Reserves:					
a) profit	(162,831,433)	(139,969)	(162,971,402)	55,591,615	-
b) other	-	-	-	-	-
Valuation reserves:					
a) available for sale	-	-	-	-	-
b) hedging of financial flows	-	-	-	-	-
c) other reserves	-	-	-	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Profit (loss) for the year	55,591,615	-	55,591,615	(55,591,615)	-
Shareholders' equity	**3,373,742,142**	**-**	**3,373,602,173**	**-**	**-**

Changes in the period								
	Shareholders' equity transactions							
Changes in equity and reserves	New shares issued	Treasury shares	Extraordinary dividend payout	Changes in equity instruments	Derivatives on Treasury shares	Stock options	Comprehensive profitability at 31/12/02019	Shareholders' equity at 31/12/2019
(590,398,490)	-	-	-	-	-	-	-	2,890,583,470
271,978,819	-	-	-	-	-	-	-	47,862,919
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(267,277,053)	(267,277,053)
(318,419,671)	**-**	**-**	**-**	**-**	**-**	**-**	**(267,277,053)**	**2,671,169,336**

Changes in the period								
	Shareholders' equity transactions							
Changes in equity and reserves	New shares issued	Treasury shares	Extraordinary dividend payout	Changes in equity instruments	Derivatives on Treasury shares	Stock options	Comprehensive profitability at 31/12/02018	Shareholders' equity at 31/12/2018
-	-	-	-	-	-	-	-	3,480,981,960
-	-	-	-	-	-	-	-	(107,379,787)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(116,736,113)	(116,736,113)
-	**-**	**-**	**-**	**-**	**-**	**-**	**(116,736,113)**	**3,256,866,060**

CASH FLOW STATEMENTS (INDIRECT METHOD)

(Euro units)	31/12/2019	31/12/2018
A. OPERATIONS		
1. Management	35,502,318	6,480,095
- profit for the year (+/-)	(267,277,053)	(116,736,113)
- capital gain/loss on financial assets held for trading and financial assets and liabilities valued at fair value (-/+)	955,858	1,869,735
- capital gain/loss on hedging activities (-/+)	-	-
- value adjustments/reversal on impairment (+/-)	6,571,946	-
- value adjustments/reversal on tangible and intangible assets (+/-)	449,140	93,601
- value adjustments/reversal on equity investments (+/-)	298,869,109	157,488,628
- net allowances to provisions for risks and charges and other costs/income (+/-)	817,872	
- unpaid taxes (+)	3,290,446	(1,845,251)
- other adjustments (+/-)	(8,175,000)	(34,390,505)
2. Cash generated/paid on financial assets	215,661,406	(50,212,756)
- receivables due from parent company and banks - current portion	2,182,911	512,043,815
- receivables due from parent company and banks - non-current portion	-	-
- receivables due from associated companies - current portion	(84,132)	31,736,328
- receivables due from associated companies - non-current portion	-	-
- assets available for sale	-	-
- assets valued at fair value	-	-
- other current assets	(3,424,312)	30,105,170
- other non-current assets	216,986,939	(624,098,069)
3. Cash generated/paid on financial liabilities	484,226	(2,905,168)
- payables due to parent company and banks - current portion	-	-
- payables due to parent company and banks - non-current portion	-	-
- payables due to associated companies	-	-
- other financial liabilities	-	-
- other current liabilities	1,566,190	(2,045,795)
- other non-current liabilities	(1,081,964)	(859,373)
Net liquidity generated/paid on operating activities	251,647,950	(46,637,829)
B. INVESTMENT ACTIVITY		
1. Liquidity generated by	592,641,839	-
- disposal of equity investments	592,641,839	-
- disposal of tangible assets	-	-
- disposal of intangible assets	-	-
- disposal of business units	-	-
2. Liquidity paid on:	(981,340,682)	(202,965,943)
- acquisitions of equity investments	(981,251,349)	(202,897,898)
- acquisitions of tangible assets	(89,333)	(68,045)
- acquisitions of intangible assets	-	-
Net liquidity generated/paid on investment activities	(388,698,843)	(202,965,943)
B. FUNDING ACTIVITY		
- emissions/acquisitions of equity instruments (payment/reimbursement of equity and reserves)	(590,398,490)	-
- dividend distribution and other purposes	271,978,819	-
Net liquidity generated/paid on funding activities	(318,419,671)	-
NET LIQUIDITY GENERATED/PAID IN THE YEAR	**(455,470,564)**	**(249,603,772)**

RECONCILIATION

(Euro units)	31/12/2019	31/12/2018
Cash and cash equivalents at the beginning of the year	564,534,104	814,137,876
Total net liquidity generated/paid in the year	(455,470,564)	(249,603,772)
Cash and cash equivalents at year end	**109,063,540**	**564,534,104**

Notes

Introduction

Information on the company

As to the information on the Company, reference should be made to the Report on Operations.

Form and content of the annual financial statements

The annual financial statements of CDP Equity S.p.A. ("CDP Equity" or the "Company") were prepared according to International Accounting Standards IAS/IFRS, making use of the right, which is granted under Legislative Decree no. 38 of 28 February 2005, as amended by Legislative Decree 91/2014 ("Competitiveness Decree"), that extends the possibility for preparing the financial statements in accordance with International Accounting Standards ("IAS/IFRS") to all companies, other than those required to prepare financial statements according to the IAS/IFRS or in abbreviated form pursuant to art. 2435-*bis* of the Italian Civil Code (Legislative Decree. 38/2005 art. 4, paragraph 6).

The financial statements include the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statements and the Notes, and are accompanied by the Directors' Report on Operations.

The annual financial statements have been prepared with clarity and provide a true and fair view of the equity and financial position and net economic result for the financial year. The financial statements are consistent with the company's accounting records, which fully reflect the transactions that occurred in the year.

All the schedules included in the annual financial statements and the tables in the Notes have been prepared in Euro. In the Income Statement revenues were reported without any sign, while costs are shown in brackets. The rounded-off amount of the items has been obtained by adding the individual rounded-off amounts of the sub-items.

The Notes provide, as detailed hereinafter, any and all information required by the IAS/IFRS regulations, as well as any additional information that is considered necessary to give a true and fair view of the Company's situation.

Audit of Accounts

The interim financial statements of CDP Equity are subject to limited auditing by the independent auditors PricewaterhouseCoopers S.p.A. ("PwC"), in implementation of shareholders' resolution of 27 April 2017, which appointed the company as independent auditors for the auditing of the financial statements for the 2017-2019 period.

Management and Coordination by CDP

CDP Equity is a wholly-owned subsidiary of Cassa Depositi e Prestiti S.p.A. ("CDP") and is subject to direction and coordination by CDP. The Rules for the exercise of direction and coordination currently in force were approved by CDP's Board of Directors on 25 July 2017. The Rules on the exercise of direction and coordination activities identify and define the scope and procedures for the exercise of direction and coordination by CDP, the purpose of which is to coordinate the actions and activities undertaken by the Company and CDP in the interest of the Group. In any case, direction and coordination activities are carried out in such a way as not to violate European legislation on state aid and, in particular, the principles set out in European Commission Communication 2001/C 235/03 on "State aid and risk capital".

Exemption from Preparation of the Consolidated Financial Statements

The Company does not prepare consolidated financial statements in accordance with IFRS 10, as it falls within one of the cases of exemption provided for in paragraph 4 of IFRS 10; as CDP Equity is a subsidiary of CDP, which prepares consolidated financial statements, CDP Equity is not subject to the obligation of preparing consolidated financial statements.

I. Basis of preparation and accounting principles

I.1 Introduction

I.1.1 Basis of preparation and Statement of compliance with international accounting standards

The annual financial statements have been prepared in accordance with the accounting standards issued by the IASB (including the SIC and IFRIC) endorsed by the European Commission, pursuant to EU Regulation no. 1606 of 19 July 2002 at the reporting date of the financial statements, also taking into account the minimum information required by the Civil Code, if compatible with the standards adopted.

For interpretation and application purposes, the following documents, although not yet endorsed by the European Commission, have been taken into account:
- Framework for the Preparation and Presentation of Financial Statements of the International Accounting Standards Board (issued by the IASB in 2001);
- Implementation Guidance, Basis for Conclusions, IFRIC and any other documents prepared by the IASB or by the IFRIC as an addition to the Accounting Standards issued;
- Interpretations on the application of the IAS/IFRS in Italy, prepared by the Italian Accounting Board (Organismo Italiano di Contabilità, OIC).

If the information required by the International Accounting Standards is not considered to be sufficient to give a true and fair representation, the Notes will provide any additional information that is required for this purpose.

In the preparation of the annual financial statements, the accruals principle has been correctly applied, on a going-concern basis. The general principles of relevance and significance of the information have also been taken into account, as well as the principle of substance over form.

In terms of the Company's going-concern assumption and compliance with the requirements for the same assumption of IAS 1 revised, CDP Equity has carried out an assessment of the ability to continue as a going concern, taking account of any and all information available in the medium term. From the analysis of such information and on the basis of the results highlighted in previous years, CDP Equity deems it appropriate to evaluate the financial statements on a going-concern basis.

Assets and liabilities, revenues and costs have not been offset, unless expressly required or permitted by an accounting standard or by an interpretation.

New international accounting principles approved and effective in 2019

As required by IAS 8 – "Accounting standards, Changes in Accounting Estimates and Errors", below are the new international accounting standards or amendments to standards already in force, the application of which became mandatory from 1 January 2019:
- Commission Regulation (EU) 2019/412 of 14 March 2019, published in the Official Gazette L.73 of 15 March 2019, amending Regulation (EC) No.1126/2008 of the European Commission, adopting certain international accounting standards in accordance with Regulation (EC) No.1606/2002 of the European Parliament and of the Council as regards the International Accounting Standard (IAS) 12 and 23 and the International Financial Reporting Standard (IFRS) 3 and 11. Organizations shall apply such amendments, at the latest, from the date of commencement of their first financial year starting on 1 January 2019 or later. The main changes refer to:

  IAS 12 "Income taxes"
  The accounting for income taxes arising from the payment of dividends.

  IAS 23 "Borrowing Costs"
  The entity must consider as part of its financing any financing originally contracted for the development of an asset when it is ready for its intended use or sale.

  IFRS 3 "Business combination"
  The entity shall restate the interests previously held in a jointly controlled entity when it obtains control of the business.

IFRS 11 "Joint arrangements"
The entity shall restate the interests previously held in a jointly controlled entity when it obtains joint control of the business.

- Commission Regulation (EU) 2019/402 of 13 March 2019, published in the Official Gazette L.72 of 14 March 2019, amending Regulation (EC) No.1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No.1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 19. The amendments aim to clarify that, after the amendment, curtailment and settlement of the defined benefit plan, an entity should apply updated assumptions resulting from the re-measurement of its net defined benefit liability (asset) for the remainder of the reporting period. Organizations shall apply such amendments, at the latest, from the date of commencement of their first financial year starting on 1 January 2019 or later.
- Regulation (EU) 2019/237 of the European Commission of 8 February 2019, published in the Official Gazette L.39 of 11 February 2019, amending Regulation (EC) No.1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No.1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 28. These amendments clarify that an entity that does not apply the equity method to financial instruments in associates or joint ventures shall apply IFRS 9 to long-term interests without taking into account any adjustments to their book value. Organizations shall apply these amendments retroactively for annual periods beginning on or after 1 January 2019. Early application is permitted.
- Regulation (EU) 2018/1595 of the European Commission of 23 October 2018, published in the Official Journal Law 265 of 24 October 2018, which adopts IFRIC 23, which specifies how to reflect uncertainty in the accounting of income tax.
- Regulation (EU) 2017/1986 of the European Commission of 31 October 2017, published in the Official Journal Law 291 of 9 November 2017, which adopts IFRS 16 - Leasing, which aims to improve reporting of leasing contracts. Companies shall apply IFRS 16, at the latest, from the date of commencement of their first financial year starting on 1 January 2019 or later.

New accounting principles and interpretations already issued and approved by the European Union, but not yet in force (effective for the financial years starting from 1 January 2020)

Below are the new principles and interpretations already issued and approved, but not yet in force and therefore inapplicable to the drafting of the financial statements as at 31 December 2019 (except in the case of early adoption, if deemed appropriate):

- Commission Regulation (EU) 2020/34 of 15 January 2020, published in the Official Gazette L.12 of 16 January 2020, amending Regulation (EC) No.1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) No.1606/2002 of the European Parliament and of the Council as regards the International Accounting Standard (IAS) 39 and the International Financial Reporting Standard (IFRS) 7 and 9. Organizations shall apply such amendments, at the latest, from the date of commencement of their first financial year starting on 1 January 2020 or later.
- Commission Regulation (EU) 2019/2014 of 29 November 2019, published in the Official Gazette L.318 of 10 December 2019, amending Regulation (EC) No.1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No.1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 1 and 8. Organizations shall apply such amendments, at the latest, from the date of commencement of their first financial year starting on 1 January 2020 or later.
- Commission Regulation (EU) 2019/2075 of 29 November 2019, published in the Official Gazette L.316 of 6 December 2019, amending Regulation (EC) No.1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) No.1606/2002 of the European Parliament and of the Council as regards the International Accounting Standard (IAS) 1, 8, 34, 37 and 38 and the International Financial Reporting Standard (IFRS) 2, 3 and 6, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) 12, 19, 20 and 22 and the Interpretation of the Standing Interpretations Committee (SIC) 32. Organizations shall apply such amendments, at the latest, from the date of commencement of their first financial year starting on 1 January 2020.

Accounting standards, amendments and interpretations not yet approved by the European Union as at 31 December 2019

Below is a list of accounting standards, interpretations and amendments that have been issued by IASB, but which have not yet been approved by the European Union as at the date of these financial statements:

- IFRS 17 Insurance Contracts (published on 18 May 2017);
- Amendments to IFRS 3: Business Combinations (published on 22 October 2018);
- Amendments to IAS 1 and IAS 8: Definition of Material (published on 31 October 2018).

I.1.2 Events occurred after closure

During the period between the reporting date of these annual financial statements and the date of its approval by the Board of Directors (31 March 2019), no events occurred in addition to those already reported, which would have required adjustments to the data approved on said date, and no significant events occurred that would have required additional information.

It should be noted that the sole shareholder resolved in January 2020 to provide the Company with additional financial resources in the amount of Euro 500 million by way of a capital contribution and implemented its resolution in February 2020. CDP Equity also subscribed two Funds of Funds ("FoFs") launched by the acquired SGR companies between January and February 2020. Specifically, on 31 January 2020 CDP Equity subscribed the Private Debt Italia FoF launched by Fondo Italiano d'Investimento SGR for Euro 250 million; on 4 February 2020 CDP Equity subscribed the VenturItaly FoF launched by CDP Venture SGR for Euro 200 million. Both commitments were entered into after securing prior financial hedging from the parent company CDP.

After the end of 2019, in March 2020, the outbreak of Covid-19, which originated in China, spread to many countries around the world and the World Health Organization termed it a "pandemic" on 11 March 2020.

At the date of reporting, Italy is one of the most affected European countries. This led to significant pressure on Italy's health system and the Italian government was urged to enact a series of measures (Prime Ministerial Decrees of 4, 8, 9 March 2020 and the "Cura Italia" Decree dated 17 March 2020), which introduced unprecedented and restrictive measures to be applied to Public Administration activities, production facilities, the economy in general and the daily lives of Italian citizens, along with substantial economic measures to support households, workers and businesses.

In the hypothesis in which the spread of the virus is not stopped in the short term, the pandemic development could also significantly hit global prospects of future growth, influencing the general macroeconomic scenario and the financial markets.

In this respect, the Directors of CDP Equity believe that the current trend of the COVID-19 crisis and the uncertainties related to its further development in terms of impact on the productive, economic and social context in Italy does not allow – for the time being – any reasonable estimate on the performance of the Company and its investees in 2020.

It cannot be excluded that the possible continuation of the current health crisis may result in short-term losses in the margins of the investees in the portfolio, which at present cannot be reliably estimated based on the information available.

In application of IAS 10 this circumstance should not result in any adjustment to the balances in the financial statements at 31 December 2019, as the fact itself and its consequences occurred after the closing date, nor do they represent a factor of uncertainty as to the ability of the company to continue to operate as a going concern.

I.1.3 Other aspects

I.1.3.1 Use of accounting estimates

The application of the international accounting standards for the preparation of the annual financial statements requires the Company to make some accounting estimates on certain Balance Sheet items, which are considered to be reasonable and realistic based on the information available at the time when they were made and which affect the book value of assets and liabilities and the information on potential assets and liabilities as at the reporting date of the annual financial statements, as well as the amount of revenues and costs in the relevant period. Furthermore, any change in the conditions underlying the judgments, assumptions and estimates adopted may have an impact on the subsequent results.

The only items that are subject to an estimate at the date of these annual financial statements are connected to those related to current and deferred taxes, financial assets and liabilities and the determination of the provision for future costs, in addition to the recoverable amount of investments recorded at cost in order to assess whether there is evidence that the value of investments may be impaired.

It should be noted that the factors of uncertainty related to the Covid-19 pandemic, already disclosed both in the Report on Operations, in the section "Business Outlook", and in these Notes in "Events after closing", do not entail adjustments to the balances in accordance with § 21-22 of IAS 10. At present, having made the necessary assessments on the basis of the information available and since it is not possible to determine with a sufficient degree of reliability the effects on the economy in general and on the sectors of operation of the investee companies included in the portfolio, it is believed that these circumstances do not provide elements that can be entered as estimates in the financial statements at 31 December 2019.

I.1.3.2 Proposed allocation of the period result

CDP Equity closed the 2019 financial year with a loss of Euro 267,277,052.54, of which a proposal was submitted to the Shareholders' Meeting to carry it forward.

I.1.3.3 CDP Group consolidated financial statements

The consolidated financial statements of the smaller group of companies to which CDP Equity belongs as a subsidiary company, are prepared by Cassa Depositi e Prestiti S.p.A., with registered office at Via Goito 4, Rome. The consolidated financial statements are available at the Parent Company's head office and on its institutional website.

I.1.3.4 The transition to the new accounting standard IFRS 16

The regulatory framework

As of 1 January 2019, the new accounting standard IFRS 16, issued by the IASB in January 2016 and endorsed by the European Commission through Regulation no. 1986/2017, replaces IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases - Incentives" and SIC 27 "Evaluating the substance of transactions involving the legal form of a lease", and governs the requirements for accounting for lease contracts.

IFRS 16 applies to all leases (leases) with the exception of the following cases, which are already within the scope of other Standards:
- leases for the exploration for or extraction of minerals, oil, natural gas and similar non-regenerative resources (IFRS 6 - Exploration for and Evaluation of Mineral Resources);
- leases of agricultural activities (IAS 41 - Agriculture) held by the lessee;
- service concession arrangements (IFRIC 12 - Service Concession Arrangements);
- intellectual property licenses granted by the lessor (IFRS 15 - Revenue);
- rights held by the lessee under licensing agreements for products such as films, video recordings, plays, literary works, patents and copyrights (IAS 38 - Intangible Assets).

The most important aspect that characterizes the new standard is the introduction of a single accounting model for lease contracts by the lessee, based on the right of use, with the consequent elimination of the distinction between operating and finance leases[4], provided for by IAS 17: all lease contracts must therefore be accounted for in the same way with the recognition of an asset and a liability. The right of use the leased asset is recognized in the balance sheet and the liability for the lease instalments still to be paid to the lessor is recognised discounted in the balance sheet (lease liability). The income statement includes the charges relating to the amortisation of the right of use, and interest payable on the lease liability in replacement of the lease payments previously shown under administrative expenses.

With the implementation of the new standard, leases are defined as agreements that give the final lessee the right to use a specific asset for a specific period of time against payment. What is important now is the right to control the use of the asset and this is exactly what must be assessed in each individual contract.

In addition, the following specific conditions must be met and be present in order to obtain the use of the asset:
- activity must be specified;
- the right to obtain substantially all the economic benefits deriving from the use of the specified asset;
- the right to decide on the use of the asset.

The evaluation of whether a contract is, or contains a lease, is made at the beginning of the contract and must be carried out again every time there is a change in the terms and conditions of the contract.

The CDP Group's choices

CDP Group, with the support of an external advisor, designed a specific project for the purpose of identifying the contracts falling under the scope of the new standard and, consequently, applying the accounting standard both in terms of first-time adoption and full operation, while also devising the necessary IT and organisational measures. The project involved various organisational units, including Administration, Finance & Reporting; Asset & Liability Management; Property Management; Demand Management and Planning; ICT and various units representing the Group companies subject to management and coordination activities.

The analysis carried out made it possible to identify the following cases relevant for the application of the principle:
- real estate;
- automotive;
- other assets.

On first-time adoption, CDP Group applied the new standard on the basis of the "Modified Retrospective" approach, in accordance with paragraphs C5 b and C8 b (ii). This approach allows to recognise the cumulative effect resulting from the application of the standard on the date of first-time adoption without the need to restate comparative data.

Specifically, this approach requires the following amounts to be recognised:

4 This distinction remains in the analysis of leases by the lessee.

- the lease liability, calculated as the present value of the remaining lease payments due, discounted at the lessee's incremental borrowing rate at the date of first application (IFRS 16.C8. a);
- the asset, consisting of the right of use equal to the lease liability adjusted for the amount of any lease prepayments or accrued lease payments recognised in the balance sheet immediately before the date of first application (IFRS 16.C8. b.ii).

The Group decided to adopt some of the practical expedients and recognition exemptions provided for by the new standard. More specifically:
- contracts with a total or residual lease term lower than or equal to 12 months have been excluded;
- contracts with a value of the underlying asset lower than or equal to Euro 5,000 at the date of purchase were excluded;
- initial direct costs were excluded from the valuation of the right of use at the date of first application;
- leases of intangible assets were excluded (IFRS 16.4).

With regard to the discount rate, CDP Group decided to adopt an incremental borrowing rate to represent what the lessee "would expect to pay to borrow, for a similar term and with a similar value guarantee, the funds needed to obtain an asset of value similar to the right of use in a similar economic environment". The valuation was determined on the basis of an analysis of the identified leases, in which no implied interest rate was found.

Taking into account the characteristics and requirements of the standard, the BTP curve was used to determine the discount rate.

The impact of the first-time adoption (FTA) of IFRS 16 on CDP Equity's financial statements

Following CDP Group's decision to adopt the "Modified Retrospective" approach on first-time adoption, no impact was recognised on the accounting for equity at 1 January 2019.

Rights of use of approximately Euro 3 million were recognised under item "Tangible assets" against operating lease liabilities of approximately Euro 3 million, which is equal to the total lease liabilities recognised at FTA. As a result, the balance sheet items affected by the application of IFRS 16 changed as follows from 31 December 2018 to 1 January 2019:.
- property, plant and equipment increased from Euro 114 thousand to Euro 3 million,
- financial liabilities measured at amortised cost rose from Euro zero million to Euro 3 million.

I.2 Information on the main items in the financial statements

The accounting standards adopted in the preparation of the annual financial statements are described in the following pages.

Assets or liabilities have been classified as "current" when the trading, sale or discharge thereof is expected within twelve months from the reporting date of the financial statements or within the normal operating cycle of the company, if greater than twelve months; all other assets and liabilities have been classified as "non-current".

Tangible assets

"Tangible assets" include both property, plant and equipment and any other tangible functional assets regulated by IAS 16, and investment property (land and buildings) regulated by IAS 40. This item includes any assets that are the object of finance leases (for the lessees) and operating leases (for the lessors). In order to determine whether a contract contains a lease, reference is made to the IFRIC 4 interpretation. This item includes improvements and incremental expenses incurred on third-party assets, separate from the assets and with independent functionality and usability.

Tangible fixed assets are recognized at their acquisition cost, including additional charges, non-deductible VAT and costs for commissioning of the asset, increased by revaluations made in the application of specific laws. Ordinary maintenance and repair costs, incurred subsequent to initial recognition, resulting in an increase in future economic benefits, are recognized as increase of the value of assets. In the absence of future economic benefits, these costs are recognised in the Income Statement.

Financial expenses directly attributable to the acquisition, construction or production of an asset that justify capitalization under IAS 23 are capitalized on the asset as part of its cost.

The amount recognised in the financial statements express the accounting value of assets, net of depreciation, which have been calculated on the basis of rates that are considered to be adequate to represent the residual useful life of each asset or value.

Any newly-acquired assets are depreciated starting from the time when they are included in the production process and are therefore ready for use.

Each component of property, plant and equipment of material value of the overall value of the item to which it belongs, is recognised and depreciated separately.

Tangible assets held under leases, through which all risks and rewards are substantially transferred to the Company, are recognised as assets at their current value or, if lower, the present value of minimum lease payments due, including the eventual amount to be paid for the exercise of the purchase option. The corresponding debt to the lessor is listed under financial payables. The assets are depreciated using the same criteria used for property assets.

Leases in which the lessor maintains substantially the risks and rewards associated with ownership are classified as operating leases. The costs referring to an operating lease are recognised as an expense in the Income Statement over the lease term on a straight-line basis.

Property, lands and buildings were treated as assets that can be separated and, therefore, are considered separately for accounting purposes, even if jointly acquired. Land is considered to have an indefinite life and, therefore, is not depreciated.

Any assets that are considered to be capital goods, either because of their destination or because of their nature, are depreciated in every financial year on a straight-line basis with reference to their residual possible use.

If, regardless of depreciation there is an impairment, the asset is written down, with subsequent reversal of the original value should the assumptions of the impairment no longer apply.

The "Fixed assets under construction and advances" are made up of advances or costs incurred for fixed assets and materials not yet completed, or waiting to be tested, which therefore have not yet been included in the production cycle of the company and for this reasons the depreciation is suspended.

The book value of an instrumental tangible asset is derecognised from the Balance Sheet upon disposal or when no future economic benefits are expected from its use or disposal.

Intangible assets

"Intangible assets" under IAS 38 are non-monetary assets, identifiable, without physical substance and consist mainly of concessions, licenses and trademarks, contractual relationships with customers, research and development costs and industrial patent intellectual property rights. Intangible assets include goodwill, under IFRS 3, equal to the difference between the amount incurred for a business combination and the fair value of the net identifiable asset acquired.

An intangible asset is recognized if all the following conditions are met:
- the asset is identifiable, i.e. it is separable from the rest of the company;
- the asset is controlled, i.e. it subject to the control of the company;
- the asset will generate future economic benefits.

The amortisation of any development costs recognised as intangible assets commences from the date on which the result generated by the project is marketable and is performed using the straight-line method.

Intangible assets are recognised at their acquisition or production cost, including any additional charges and are amortised for the period of their expected future use that, at the closing date of each financial year, is assessed for the purpose of verifying the fairness of the estimate.

An intangible asset is reported under Balance sheet assets only where it is established that:
- future economic benefits attributable to the asset in question will probably flow to the company;
- the cost of the asset can be assessed reliably.

If, regardless of depreciation there is an impairment, the asset is written down, with subsequent reversal of the original value should the assumptions of the impairment no longer apply.

Equity investments

"Equity include investments in subsidiaries (IFRS 10), joint ventures (IFRS 11) and subject to significant influence (IAS 28), other than those under "Financial assets held for trading" and"Financial assets at fair value" in accordance with paragraph 18 of IAS 28.

Subsidiaries are those in which more than half of the voting rights at a Shareholders' Meeting are directly or indirectly held for the purpose of appointing the Directors, or, in any case, regardless of the foregoing, when the power is exercised to determine the subsidiary's financial and management policies (inclusive of the *de facto* control cases). Joint controlled companies are those companies where control is shared with other parties as per contract. Associated companies are those companies in which at least 20% of the voting rights is held, either directly or indirectly, or in which, although with a lower share of voting rights, a significant influence exists, which is defined as the power to participate in the determination of the financial and management policies, without retaining control or joint control. Other equity interests are included in the item "Financial assets available for sale", the accounting of which will be described below.

In accordance with IAS 27, paragraph 10, the initial recognition and the subsequent valuation of equity investments are made at cost, on the settlement date, plus any directly attributable transaction costs or income. In the case in which the investment in not consolidated at higher levels, in the presence of coordination or joint control, the same is measured according to the equity method. Upon acquisition, the same provisions envisaged for business combination apply. Therefore, the difference between the purchase price and the equity interest acquired is subject to allocation based on the fair value allocation of the subsidiary's identifiable net assets. Any higher price which is not allocated represents goodwill. Any higher allocated price is not subject to a separate representation, but is summarised in the book value of the investee (so-called "synthetic consolidation").

In the presence of indicators that the value of an equity investment might have been impaired, the recoverable value is estimated in accordance with IAS 36.

Possible indicators of impairment are:
- the generation of negative economic results or in any case a significant variance from budget or multi-year plan objectives, if, following specific analyses, they prove to be relevant in terms of their effects on the estimate of expected flows;
- significant financial difficulties of the investee;
- probability that the investee declares bankruptcy or is subject to other financial restructuring procedures;
- a book value of the investment in the separate financial statements that exceeds, in the consolidated financial statements, the value of the corresponding portion of equity, including any goodwill;
- the distribution of a dividend greater than the profit for the period and existing profit reserves;
- the distribution of a dividend by investee companies greater than the profit for the period posted in the statement of comprehensive income.

The recoverable value is determined by taking into account the current value of future cash flows that the investment may generate, including the value of final disposal of the investment. If such value is less than the book value, the difference is recognized through the Income Statement as an impairment loss.

In case of absence of market values and valuation models, the value of the interest is prudentially adjusted for the loss resulting from the financial statements of the participated company, if such value is considered a reliable indicator of a permanent impairment loss.

Equity investments are derecognised from the Balance Sheet assets when contractual rights to the cash flows arising from such assets expire or when all related risks and benefits are substantially transferred along with the transfer of the financial asset.

Financial assets

1) Financial assets valued at fair value through profit or loss (FVTPL)

The following financial assets are included:
- Financial assets held for trading[5];
- assets measured at fair value with the valuation results recognized in the income statement based on the option granted to companies under IFRS 9 (the so-called fair value option), which allows a financial asset to be irrevocably designated as measured at fair value with an impact on income statement if, and only if, by doing so, an inconsistent valuation is eliminated;
- other financial assets that must be measured at fair value, i.e. those assets other than those designated at fair value with an impact on income statement that do not meet the requirements for classification at amortized cost, at fair value with an impact on comprehensive income or that are not held for trading. They are essentially represented by those financial assets whose contractual terms provide for periodic flows that are not represented only by capital repayments and interest payments on the capital to be repaid (therefore characterized by failure to pass the SPPI test), or those assets that do not comply with the business model terms of the portfolio valued at amortized cost or at fair value with an impact on overall profitability.

Derivatives are classified as financial assets held for trading if their fair value is positive. Otherwise, they are classified as financial liabilities held for trading. The item also includes derivatives embedded in complex financial contracts, the primary contract of which is represented by a financial liability, which have been recognized separately because:
- the economic characteristics and risks are not strictly correlated to the characteristics of the underlying contract;
- the embedded instruments, even if separate, meet the definition of a derivative;
- the hybrid instruments to which they belong are not recognised at fair value and the relevant changes are recognized in the Income Statement.

Financial assets measured at fair value with an impact on the income statement are initially recognized on the trading date for derivative contracts, on the settlement date for debt securities, equity securities, UCIT units and on the disbursement date for loans. Exceptions are securities whose delivery is not regulated on the basis of conventions envisaged by the reference market; therefore, their initial recognition occurs on the date of subscription.

Upon initial recognition, financial assets measured at fair value with an impact on the income statement are recognised at fair value, which generally corresponds to the consideration envisaged for the transaction, less transaction costs or income, which are immediately recognised in income statement.

The valuation subsequent to initial recognition is carried out at fair value, with valuation effects recognised under "Net result from trading" in income statement. The fair value for the financial instruments listed on active markets is determined based on the official prices at the reporting date. The fair value of financial instruments, including equity instruments, that are not listed on active markets is determined on the basis of valuation techniques and data available on the market, such as prices of similar instruments on active markets, discounted cash flows, option pricing models and values reported in recent comparable transactions.

For equity securities and related derivative instruments not listed on an active market, the cost criterion is used as a fair value estimate only residually and limited to a few circumstances, i.e. in the case in which it is not possible to apply the valuation methods indicated above, or in the presence of a wide range of possible fair value measurements, where the cost represents the most accurate estimate.

If the fair value of a financial asset becomes negative, such asset is accounted for under item "Financial liabilities held for trading" in the Balance Sheet.

Reclassifications to other categories of financial assets are not permitted unless the business model is changed in relation to financial assets held for trading. In this case, all financial assets involved will be reclassified based on IFRS 9.

Financial assets held to maturity, valued at fair value with an impact on income statement, are derecognised from the Balance Sheet upon collection or when the contractual rights related to the financial flows have expired or in the event of assignments to third parties which transfer all the risks and rewards attached to the ownership of the transferred asset. On the other hand, if a relevant portion of the risks and rewards attached to the financial assets transferred has been retained, the asset will continue to be recognized in the financial statements, even though it has actually been legally transferred.

In the event that it is not possible to verify the substantial transfer of risks and benefits, financial assets are derecognised from the

5 A financial asset is classified as held for trading if: (i) it is acquired mainly with a view to being sold in the short term; (ii) it is part of a portfolio of financial instruments that are managed jointly and for which there is a strategy aimed at achieving profits in the short term; (iii) it is a derivative contract not designated as part of accounting hedging transactions, including derivatives with a positive fair value embedded in financial liabilities other than those measured at fair value with recognition of the income effects in income statement.

financial statements if no type of control has been retained over the same. Otherwise, any control, even if only partial, allows for the assets to be accounted for in the balance sheet to the extent of the residual involvement.

When financial assets are transferred, they are derecognised from the financial statements even if the contractual rights regarding the related cash inflows are retained in the presence of a simultaneous obligation to transfer these flows, and only them, without causing any significant delay to other third parties.

2) Financial assets valued at fair value through other comprehensive income (FVOCI)

This item includes all financial assets (debt securities, equity securities and loans) classified in the portfolio valued at fair value with an impact on comprehensive income.

Specifically, this portfolio contains the debt instruments and loans that meet both of the following conditions:
- the financial activity is managed according to a business model whose objective is achieved both through the collection of contractual financial flows and through the sale of financial assets;
- the contractual terms of the financial asset provide, at certain dates, for cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

This item also includes equity instruments that are not held for trading and do not represent potential compensation paid by a purchaser in a business combination to which IFRS 3 applies, for which the option, granted by the standard, to classify subsequent changes in the fair value of the instrument in the valuation reserve with an impact on comprehensive income (FVTOCI option[6]), was irrevocably exercised.

The initial recognition of this item occurs on the settlement date for debt securities and equity securities or on the disbursement date for loans.

The initial recognition of the financial assets for which the FVTOCI option is exercised is made at fair value, which generally corresponds to the transaction price, including any ancillary expenses and income attributable to the transaction.

In cases where this amount differs from the fair value at the time of initial recognition, the instrument is accounted for as follows:
- if the estimate of fair value uses only observable market data, then the difference is recognised in income statement;
- in all other cases, the difference is deferred as an adjustment to the carrying amount of the financial instrument.

The valuation subsequent to initial recognition, for financial instruments listed on active markets, is carried out at fair value determined on the basis of the official prices recorded at the reporting date. The fair value of financial instruments, including equity instruments, that are not listed on active markets is determined on the basis of valuation techniques and data available on the market, such as prices of similar instruments on active markets, discounted cash flows and values reported in recent comparable transactions. For equity securities not listed on an active market, the cost criterion is used as a fair value estimate only residually and limited to a few circumstances, i.e. in the case in which it is not possible to apply the valuation methods indicated above, or in the presence of a wide range of possible fair value measurements, where the cost represents the most accurate estimate.

Gains and losses arising from changes in the fair value of debt instruments and loans, with the exception of impairment gains and losses and foreign exchange gains and losses[7], are recognised in comprehensive income. Valuation reserves in shareholders' equity until the financial asset is derecognised.

If the financial assets in question are derecognised, the cumulative gain or loss previously recognised in other comprehensive income items is reclassified from equity to profit or loss for the period.

Interest on debt securities and receivables is recognised in income statement using the amortised cost method based on the effective interest rate, i.e. the rate that exactly discounts estimated future cash collections over the expected life of the financial instrument at the net book value of the financial asset.

These instruments are also subject to the impairment test envisaged by IFRS 9, with the consequent recognition of an impairment value in income statement to cover expected losses. Specifically, instruments classified in stage 1 (i.e. financial assets at the origination date, if not impaired, and instruments for which there is no significant increased credit risk vs initial recognition) are subject to impairment test at the initial recognition date and at each subsequent reporting date with an expected impairment 12 months after the reporting date. Conversely, instruments classified in stage 2 (performing financial assets for which there is a significantly increased credit risk vs initial recognition) and in stage 3 (impaired exposures), an expected impairment is recognised over the entire residual life of the financial instrument.

6 Fair Value Through Other comprehensive Income option.
7 Impairment gains and losses and foreign exchange gains and losses are recognised in profit or loss for the year.

The exercise of the option of fair value through OCI for equity instruments implies a different accounting with respect to debt securities, since:
- the values recognised in the valuation reserve are never reclassified in income statement, not even in case of derecognition;
- all exchange differences are recognised in the equity reserve and therefore recognised in comprehensive income;
- IFRS 9 impairment requirements do not apply to equity instruments.

Only dividends are recognised in income statement.

Reclassifications to other categories of financial assets are not permitted unless the business model is changed. In this case, all financial assets involved will be reclassified based on IFRS 9.

Financial assets held to maturity, valued at fair value with an impact on comprehensive profitability, are derecognised from the Balance Sheet upon collection or when the contractual rights related to the financial flows have expired or in the event of assignments to third parties which transfer all the risks and rewards attached to the ownership of the transferred asset. On the other hand, if a relevant portion of the risks and rewards attached to the financial assets transferred has been retained, the asset will continue to be recognised in the financial statements, even though it has actually been legally transferred.

In the event that it is not possible to verify the substantial transfer of risks and benefits, financial assets are derecognised from the financial statements if no type of control has been retained over the same. Otherwise, any control, even if only partial, allows for the assets to be accounted for in the balance sheet to the extent of the residual involvement.

When financial assets are transferred, they are derecognised from the financial statements even if the contractual rights regarding the related cash inflows are retained in the presence of a simultaneous obligation to transfer these flows, and only them, without causing any significant delay to other third parties.

3) Financial assets valued at amortised cost

This item includes debt instruments and loans that meet both of the following conditions:
- the financial asset is held as part of a business model whose objective is to collect contractual cash flows;
- the contractual terms of the financial asset provide, at certain dates, for cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

The following financial assets are included:
- loans to banks (current accounts, guarantee deposits, debt securities, etc.). Operating loans are included that relate to the provision of financial activities and services. Furthermore, receivables towards Central Banks (e.g. mandatory reserve) are also included, other than demand deposits included under 'Cash and cash equivalents';
- loans to customers (loans, finance leases, factoring transactions, debt securities, etc.). This item also includes amounts due from Post Offices, variation margins with clearing agencies for transactions in derivative contracts and operating receivables related to the provision of financial services and activities.

"Financial assets valued at amortised cost" are initially recognized on the settlement date if they refer to debt or equity instruments or on the disbursement date if they refer to loans.

The initial recognition is made at fair value, which generally corresponds to the transaction price, including any ancillary expenses and income attributable to the transaction.

Subsequent to initial recognition, these assets are measured at amortised cost, equal to the value at which the financial asset is measured at the moment of the initial recognition less any capital repayments, plus or minus the cumulative amortisation, according to the criterion of the effective interest of any difference between this initial amount and the amount at maturity, adjusted for any provision to cover losses. The effective interest rate is the rate that discounts the flow of estimated payments over the expected life of the financial asset, in order to obtain the exact net book value at the time of initial recognition, which includes both directly attributable transaction costs and fees paid or received between the contracting parties.

In some cases, the financial asset is considered impaired at the time of the initial recognition when the credit risk is very high and, in the case of purchase, is acquired with significant discounts. In this case, for impaired financial assets acquired or originating at the time of the initial recognition, an effective interest rate adjusted for credit risk is calculated, including the expected losses on initial receivables in the estimated cash flows.

Amortised cost is not applied to short-terms loans and receivables for which the effect of discounting is immaterial. The same measurement criterion is adopted for loans without a defined maturity or upon revocation.

Assets measured at amortised cost are subject to a provision to cover expected losses in accordance with IFRS 9 and the amount of such losses is recognised in income statement under item "Net adjustments for credit risk". Specifically, instruments classified in stage 1 (i.e. financial assets at the origination date, if not impaired, and instruments for which there is no significant increased credit risk vs initial recognition) are subject to impairment test at the initial recognition date and at each subsequent reporting date with an expected 12 month impairment. Conversely, instruments classified in stage 2 (performing financial assets for which there is a significantly increased credit risk vs initial recognition) and in stage 3 (impaired exposures), an expected impairment is recognised over the entire residual life of the financial instrument.

For performing financial assets (stages 1 and 2), value adjustments are calculated based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in credit risk, there is also objective evidence of impairment (stage 3), the amount of the loss is measured as the difference between the cash flows provided for in the contracts and all the cash flows expected to be received, discounted at the original effective interest rate.

The amount of the loss to be recorded in income statement is defined on the basis of an analytical evaluation process or by homogeneous categories and therefore analytically attributed to each position, and takes into account forward looking information and possible alternative recovery scenarios.

Impaired assets include financial instruments that are classified as non-performing, probable default or past due/overdue by more than ninety days according to Bank of Italy's rules and consistently with IFRS regulations.

The expected cash flows take into account the expected recovery time and the estimated realisable value of any guarantees.

If the reasons for the loss in value are removed as a result of an event occurring after the initial recognition, the value is reinstated and recognised in income statement.

Financial assets valued at amortised cost are derecognised from the Balance Sheet upon collection or when the contractual rights related to the financial flows have expired or in the event of assignments to third parties which transfer all the risks and rewards attached to the ownership of the transferred asset. On the other hand, if a relevant portion of the risks and rewards attached to the financial assets transferred has been retained, the asset will continue to be recognised in the financial statements, even though it has actually been legally transferred.

In the event that it is not possible to verify the substantial transfer of risks and benefits, financial assets are derecognised from the financial statements if no type of control has been retained over the same. Otherwise, any control, even if only partial, allows for the assets to be accounted for in the balance sheet to the extent of the residual involvement.

When financial assets are transferred, they are derecognised from the financial statements even if the contractual rights regarding the related cash inflows are retained in the presence of a simultaneous obligation to transfer these flows, and only them, without causing any significant delay to other third parties.

It is also possible that during the life of financial assets, and specifically for financial assets valued at amortised cost, their contractual terms may be subject to renegotiation. In this case, it is necessary to verify whether the contractual amendments give rise to the derecognition of the original instrument from the financial statements and the recognition of the new financial instrument or not.

In order to define which changes give rise to derecognition of the original contract and recognition of a new contract, it is necessary to carry out a case-by-case analysis, sometimes by introducing significant elements of judgment.

In general, changes to a financial asset lead to its derecognition and to the recognition of a new asset when they are of a substantial nature. However, in the absence of specific indications to refer to in the IFRS accounting standard, a list of the main changes that entail a substantial modification to the terms of any existing contract has been identified, introducing a different nature of the risks and, consequently, entailing derecognition.

Below is the list:
- modification of the counterparty;
- change in the reference currency;
- replacement of debt to equity;
- *datio in solutum*, in which repayment depends on the fair value of an asset;
- other cases of substantial change in the nature of the contract, such as the introduction of contractual clauses exposing the debtor to new risk components;
- changes granted to performing customers, who do not have economic or financial difficulties (thus not including the so-called

"forborne" exposures) and which provide for the use of market parameters for the recalculation of the financial conditions of the loan contract, with the aim of retaining the customer.

In the case of non-significant changes, the gross value is re-determined by calculating the present value of the cash flows resulting from the renegotiation, at the original rate of the exposure.

The difference between the gross value of the financial instrument before and after the renegotiation of the contractual conditions, adjusted to take into account the associated changes in the cumulative value adjustments, is recognised in income statement as a gain or loss from contractual changes without derecognition.

Cash and cash equivalents

"Cash and cash equivalents" are measured at fair value. Liquidity is made up of the cash available with banks and with CDP against the execution of a deposit agreement, with returns in line with market conditions.

The cash available is increased by the interest accrued on it, even though not yet paid.

Current and deferred taxes

The accounting items of current and deferred taxes include: i) current tax assets, represented by tax advances and receivables for withholding taxes; ii) current tax liabilities, represented by tax payables to be paid according to the tax rules in force; iii) deferred tax assets, consisting of the amounts of taxes recoverable in future years in consideration of deductible temporary differences; iv) deferred tax liabilities, consisting of payables for taxes to be paid in future periods in respect of taxable temporary differences.

Current taxes, represented by corporate income tax (IRES) and regional tax on production activities (IRAP), are recognized on the basis of a realistic estimate of the negative and positive components for the semester and are determined on the basis of the respective current rates.

Deferred tax assets and liabilities are recognized at the tax rates that, on the basis of the legislation in force at the reporting date, are expected to apply to the year when the asset will be realized or when the liability will be settled, and are periodically reviewed in order to take account of any regulatory changes.

The term "deferred" tax refers, in particular, to the recognition, in terms of taxes, of the temporary differences between the value attributed to an asset or liability according to statutory criteria and the corresponding value assumed for tax purposes.

Deferred tax assets are recognized: i) under Tax assets if they refer to "deductible temporary differences", i.e. the differences between the statutory and tax values that will result in deductible amounts in future years, to the extent that there is probability of their recovery; ii) under Tax liabilities if they refer to "taxable temporary differences" representative of liabilities as related to accounting items that will become taxable in future tax periods.

"Deferred" taxation, if referred to transactions that affect the shareholders' equity, is recognized under equity.

Provisions for risks and charges

A provision is recognised under "Provisions for risks and charges" only in the case of:
- a present (legal or implicit) obligation resulting from an event that occurred in the past;
- the probability/expectation that a cost will be required in order to fulfill such obligation, (i.e. the use of resources capable of producing economic benefits);
- the possibility of making a reliable estimate of the amount of the obligation.

The provision, when the financial effect related to the time factor is material and the payment dates of the obligations can be estimated reliably, is represented by the current value (at the interest rates applicable at the reporting date of the financial statements) of the costs that are expected to be incurred to discharge the obligation.

The provisions are used only against the charges for which they were originally recognised. Should the cost for fulfilling the obligation be no longer considered likely, the provision is reversed through the Income Statement.

Provisions for risks and charges include liabilities relating to defined-benefit plans, other than for TFR (for example, recognition of seniority bonuses upon achievement of certain number of years of presence in the company or medical care after retirement), through which the Group undertakes to provide agreed benefits for current employees and former employees and incur the actuarial and investment risks associated with the plan. The cost of said plan is therefore not determined by the amount of contributions due for the semester, but re-determined with reference to demographic and statistical assumptions and wage trends. The methodology applied is "projected unit credit method".

Staff Severance and Retirement

The employee termination indemnity (TFR, Trattamento di Fine Rapporto) covers the entire liability accrued to employees at the end of the financial year, in compliance with the provisions of law (under article 2120 of the Civil Code) and with applicable labour agreements. Pursuant to IAS 19, the TFR represents a "Defined employee benefit plan" and, thus, entails the recognition of such liability to employees through the current value of the accruing and accrued obligation (respectively the current value of future payments expected in relation to the benefits accrued in the first half of 2019 and the current value of future payments resulting from the benefits accrued in previous financial years). Given the limited number of employees of the Company, the nominal value of the debt was considered as a reasonable approximation of the current value of the obligation.

Financial liabilities at fair value

Such financial instruments are recognised on the subscription date or on the issue date, at a value equal to the cost corresponding to the fair value of the instrument, without considering any transaction costs or proceeds directly attributable to such instruments.

In particular, this category of liabilities includes the negative value of derivative trading contracts, as well as the negative value of the derivatives embedded in complex contracts, but not strictly connected thereto.

All liabilities held for trading are measured at fair value and the result of such valuation is recognised through the Income Statement.

Financial liabilities held for trading are cancelled from the Balance Sheet when the contractual rights to the related financial flows expire, or when the financial liability is disposed and all risks and rewards resulting from the ownership thereof are substantially transferred.

Interest income and expense

Interest income and expense are recognised through the Income Statement for all instruments based on the amortised cost, according to the effective interest rate method.

Dividends

Dividends are recognised through the Income Statement in the financial year when the resolution for their distribution is passed. Dividends from companies accounted for using the equity method are deducted from the value of investments.

Transactions with related parties

The financial statements provide information concerning transactions with related parties identified according to the criteria defined pursuant to IAS 24.

Procedures for determining fair value criteria

This section includes the fair value disclosure as required by IFRS 13.

The fair value represents the amount that could be received to sell an asset or paid to transfer a liability in a regular transaction between market counterparties, at the measurement date. It is assumed to refer to an ordinary transaction between unrelated parties with a reasonable degree of knowledge of market conditions and relevant facts connected to the subject matter of the trading. An essential factor for the definition of fair value is that the entity must be in regular operating conditions and must not have any urgency to liquidate a position or reduce it to a significant extent. The fair value of an instrument reflects, amongst other factors, the credit quality of the instrument itself since it incorporates the risk of default of the counterparty or of the issuer.

International accounting standards provide for the classification of the fair value of a financial instrument in three levels ("fair value hierarchy"); the level at which the measurement of fair value is attributed depends on the observability and significance of the inputs used in the valuation model.

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

A market is considered active when the prices are promptly and regularly available through regulated markets, organized trading systems, listing services, etc., and if such prices may reasonably be considered as representative of effective and regular market transactions carried out around the valuation date.

The fair value of unlisted financial instruments classified in level 2 or 3 depend on whether the inputs used in the valuation model are observable or not and their significance in the model.

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 used in the pricing of an instrument, they must be available for the remaining life of the same. The fair value of a financial instrument measured with techniques that use level 2 inputs is classified at the same level for purposes of hierarchy.

Level 2 inputs may require adjustments for their use also in consideration of the characteristics of the financial instrument being valued. If the adjustment is made on the basis of parameters that are not observable on the market or is more or less impacted by modelling choices required to do so (through the use of statistical or "expert-based" techniques on the part of the person making the assessment), the fair value measurement is classified in level 3, in relation to the inputs that are not observable on the market or not directly apparent.

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

In selecting the valuation models applied for the Level 2 valuations, the Company takes the following considerations into account:
- a simpler valuation model is preferred to a more complex one, all other conditions being equal and provided it represents all the main features of the product, allowing a reasonable alignment with the practices and results of other players in the sector;
- a valuation model is consistently applied in time to uniform categories of instruments, unless where there are objective reasons for its replacement;
- all other conditions being equal, priority is given to standard models whose mathematical structure and implementation procedures are well known in the literature.

The identification of the input market parameters for Level 2 valuations is made on the basis of non-arbitrage or comparability relations that define the fair value of the financial instrument being measured as the relative fair value compared to that of financial instruments listed on active markets.

In some cases, the determination of the fair value calls for the use of valuation models that require parameters which cannot be inferred directly from quantities available on the market, statistical or "expert based" estimates by the person performing the valuation (Level 3).

Also in the case of Level 3 valuations, a valuation model is consistently applied over time to uniform categories of instruments, unless there are objective reasons for its replacement. Likewise, the parameters which cannot be directly inferred by quantities obtainable on the market are applied according to temporal continuity.

II. Information on the Balance Sheet

II.1 NON-CURRENT ASSETS

II.1.1 Property, plants and equipment

This item included the balance, net of accumulated depreciation, of tangible assets at 31 December 2019. Compared to 31 December 2018, when the balance of this item was Euro 114 thousand, this item increased by approximately Euro 38 thousand, including Euro 66 thousand of new fixed assets entirely due to purchases of office hardware; this increase was only partially offset by depreciation for the period of Euro 28 thousand.

Property, plants and equipment: composition

(Euro units)	31/12/2019	31/12/2018
a) Electronic systems	110,371	44,623
b) Furniture	62,014	69,625
Total	**172,385**	**114,248**

II.1.2 Financial lease assets

Item "Financial lease assets" reflects the value of the right of use of the assets for which the Company has a multi-year contract in place. In detail, the item included the right of use of property and vehicles for functional use as indicated in the tables below, and was recognised for the first time as of 1 January 2019, the year in which IFRS 16 was first adopted. CDP Equity has applied the Modified Retrospective Approach as envisaged in paragraph C5.B of IFRS 16. This approach allows the recognition of the cumulative effect of the initial application of the standard at the date of the first-time application without reclassification of the comparative information and at 1 January 2019 the carrying value of the assets was equal to the financial payables amount. Therefore, the first-time adoption of the principle will not result in adjustments on the opening balances of CDP Equity shareholders' equity.

Financial lease assets: composition

(Euro units)	31/12/2019	31/12/2018
a) Properties	2,526,306	-
b) other	-	-
Total	**2,526,306**	**-**

Tangible assets with a functional use: composition of assets valued at cost

(Euro units) Assets/Values	31/12/2019	31/12/2018
1. Owned assets	172,385	114,248
a) Land	-	-
b) Buildings	-	-
c) Furniture	62,014	69,625
d) Electronic systems	110,371	44,623
e) Other	-	-
2. Rights of use acquired through leases	2,526,306	-
a) Land	-	-
b) Buildings	2,526,306	-
c) Furniture	-	-
d) Electronic plants	-	-
e) Other	-	-
Total	**2,698,691**	**114,248**

Tangible assets: annual changes

(Euro units)	Land	Furniture	Electronic systems	Other	Total
A. Gross initial balance	-	82,250	145,268	-	227,518
A.1 Total net impairments	-	(12,625)	(100,645)	-	(113,270)
A.2 Net initial balance	-	69,625	44,623	-	114,248
A.3 Changes in initial balances (first-time adoption of IFRS 16)	2,938,808	-	-	16,289	2,955,097
B. Increases	-	-	93,690	-	93,690
B.1 Purchases	-	-	89,333	-	89,333
B.2 Costs for capitalised improvements	-	-	-	-	-
B.3 Value recovery	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-
B.5 Positive changes on currency	-	-	-	-	-
B.6 Transfers from owned property held for investment	-	-	-	-	-
B.7 Other changes	-	-	4,357	-	4,357
C. Decreases	412,502	7,611	27,942	16,289	464,344
C.1 Disposals	-	-	-	-	-
C.2 Amortisation and depreciation	344,681	7,611	27,942	10,253	390,487
C.3 Impairments	-	-	-	-	-
C.4 Negative changes in fair value	-	-	-	-	-
C.5 Negative changes on currency	-	-	-	-	-
C.5 Transfers	-	-	-	-	-
C.7 Other changes	67,821	-	-	6,036	73,857
D. Net final balance	**2,526,306**	**62,014**	**110,371**	**-**	**2,698,691**
D.1 Total net impairments	(344,681)	(20,236)	(128,587)	-	(148,823)
D.2 Gross final balance	2,870,987	82,250	238,958	-	2,847,514
E. Valuation at cost	-	-	-	-	-

II.1.3 Intangible assets

This item includes the balance, net of related amortisation, of software user licences and the capitalisation of design costs for the implementation of the equity investment management programme.

At 31 December 2019 this item totalled Euro 46 thousand; therefore, compared to 31 December 2018, the item decreased by approximately Euro 59 thousand entirely attributable to the period amortisation.

Intangible assets: composition

(Euro units)	31/12/2019	31/12/2018
Software use licences	4,599	9,407
Other intangible assets	41,701	95,546
Total	**46,300**	**104,953**

Tangible assets: annual changes

(Euro units)	31/12/2019	31/12/2018
A. Initial balance	242,872	302,410
A.1 Total net impairments	(137,919)	(137,919)
A.2 Net initial balance	104,953	164,491
B. Increases	-	-
C. Decreases	58,653	59,538
C.1 Disposals	-	-
C.2 Value adjustments	58,653	59,538
- Amortisation	58,653	59,538
- Impairment	-	-
C.3 Negative changes in fair value	-	-
C.4 Transfers to non-current assets held for sale	-	-
C.5 Negative changes on currency	-	-
C.6 Other changes	-	-
D. Net final balance	**46,300**	**104,953**
D.1 Total net value adjustments	(137,919)	(137,919)
D.2 Gross final balance	184,219	242,872
E. Valuation at cost	-	-

II.1.4 Equity investments

The item "Equity investments" includes shareholdings in other companies, whether represented or not by securities that give rise to a relationship of control or association or a joint venture according to the combined provisions of IAS 28 and IFRS 10,11 and 12.

It is recognised that in the case of the equity investments held by CDP Equity, the exemption envisaged under IAS 28R §17 was applied in relation to the application of the equity method. The initial and subsequent recognition is carried at cost, net of any impairments, in line with accounting standards.

The following is a breakdown of the investments held by CDP Equity at 31 December 2019.

Breakdown of equity investments

	Company Name	Location	Type of company	% of shareholding
1.	Ansaldo Energia S.p.A.	Genoa	Subsidiary	59.9%
2.	FSI Investimenti S.p.A.	Milan	Subsidiary	77.1%
3.	CDP Venture Capital SGR S.p.A.	Rome	Subsidiary	70.0%
4.	SIA S.p.A.	Milan	Subsidiary	25.7%
5.	Fondo italiano di investimento SGR S.p.A.	Milan	Subsidiary	68.0%
6.	Open Fiber S.p.A.	Milan	Jointly controlled	50.0%
7.	Hotelturist S.p.A.	Padua	Jointly controlled	45.9%
8.	Salini Impregilo S.p.A.	Milan	Associated company	18.7%
9.	B.F. S.p.A.	Ferrara	Associated company	20.5% (*)
10.	FSI SGR S.p.A.	Milan	Associated company	39.0%
11.	QuattroR SGR S.p.A.	Milan	Associated company	40.0%

(*) % of shareholding at 31 December 2019. The shareholding amounts to 18.8% after completion of the capital increase transaction.

Equity investments: composition

	(Euro units) Company Name	31/12/2019	31/12/2018
1.	SIA S.p.A.	645,820,850	-
2.	Open Fiber S.p.A.	562,512,818	496,262,818
3.	FSI Investimenti S.p.A.	386,938,255	386,938,256
4.	Salini Impregilo S.p.A.	249,999,999	-
5.	Ansaldo Energia S.p.A.	195,878,795	494,747,903
6.	B.F. S.p.A.	79,947,898	79,947,898
7.	Hotelturist S.p.A.	20,400,000	20,400,000
8.	Fondo Italiano di Investimento SGR S.p.A.	10,298,000	-
9.	CDP Venture Capital SGR S.p.A.	6,912,500	-
10.	FSI SGR S.p.A.	1,170,000	-
11.	QuattroR SGR S.p.A.	800,000	-
12.	Saipem S.p.A.	-	592,641,839
Total		**2,160,679,115**	**2,070,938,714**

Equity investments: annual changes

(Euro units)	31/12/2019	31/12/2018
A. Initial balance	2,070,938,714	2,025,529,445
B. Increases	981,251,349	202,897,897
B.1 Acquisitions	981,251,349	202,897,897
B.2 Value recovery	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	891,510,948	157,488,628
C.1 Disposals	592,641,839	-
C.2 Value adjustments	298,869,109	157,488,628
C.3 Other changes	-	-
D. Final balance	**2,160,679,115**	**2,070,938,714**
E. Total revaluations	-	-
F. Total value adjustments	799,736,371	500,867,262

In 2019, item "Equity investments" recorded increases of Euro 981,251 thousand and decreases of Euro 891,511 thousand, resulting in an overall increase in the item by Euro 89,740 thousand. Specifically, the transactions that generated the variation were the following: (i) the acquisition of 25.7% of SIA capital, previously held by F2i, Hat and JP Morgan, with a total outlay of Euro 645,821 thousand, (ii) the acquisition of a 18.7% shareholding in Salini Impregilo S.p.A. through a capital increase with an investment of Euro 250,000 thousand and (iii) the capital increase in Open Fiber for Euro 66,250 thousand. In addition, the transfer of the SGR business from CDP to CDP Equity resulted in the transfer in continuity of the values of the equity investments held in five asset management companies, four of which are classified as equity investments, leading to an overall increase of Euro 19,181 thousand. Conversely, the decreases regarded the spin-off of Saipem in favour of CDP Industria for Euro 592,642 thousand and the impairment of the equity investment in Ansaldo Energia as a result of the impairment test for Euro 298,869 thousand.

It should be noted that the portfolio of equity investments held by CDP Equity was analysed to identify any possible impairment indicators. The analysis showed that the equity investments held directly, including Ansaldo Energia, Open Fiber, Hotelturist and Fondo Italiano d'Investimento, had indications of impairment. Therefore, these equity investments were subjected to impairment test and only the shareholding held in Ansaldo Energia needed to be adjusted.

The table below summarises the valuation method applied to each equity investment that showed impairment indicators.

Shareholding	Recoverable value	Method
Ansaldo Energia	Value in use	DCF
Open Fiber	Fair value	DDM
Hotelturist	Fair value	DCF
Fondo italiano di investimento SGR	Fair value	DDM (excess capital)

As for impairment which led to value adjustment, information relevant under IAS 36 are reported below.

Company	Recoverable value	Method	Motivations underlying trigger events (eg. AEN plan revised downward and negative economic-financial results)	Value loss (M/euro)	WACC/ke	Measured recoverable value	Sector of reference for the entity
Ansaldo Energia S.p.A.	Value in use	DCF	Shareholding already impaired in previous years	299	-	196	Industrial

II.1.5 Non-current financial assets

"Non-current financial assets" included:

- the financial receivable due from Ansaldo Energia S.p.A., generated in the first half of the year as a result of the shareholder loan granted on 13 May 2019 for a total amount of Euro 200 million at a variable six-monthly rate equal to the six-month Euribor plus a spread of 675 basis points per year, corresponding to 6.5% for the current period; this loan is subject and subordinated, comprised of the interest component, to the bank loans; the financial receivable due from Open Fiber S.p.A., consisting of the portion of the shareholder loan granted as part of the broader financial support transaction in favour of the investee company. This loan is interest-bearing and carries a fixed rate of 6.2% p.a., measured at each utilisation date. The repayment of principal and interest is due on maturity. This receivable increased during the year due to both the payment of an additional tranche totalling Euro 66,250 thousand and the accrual of interest; the value of the interest in the capital of F2i SGR S.p.A., which, following the transfer of the SGR business from CDP to CDP Equity, was classified as a financial asset measured at fair value.

Financial receivables due from Ansaldo Energia and Open Fiber are recognised at amortised cost, as required by IFRS 9.

Non-current financial assets

(Euro units)		31/12/2019	31/12/2018
a)	Receivable due to Open Fiber S.p.A.	200,776,956	125,683,601
b)	Receivable due to Ansaldo Energia S.p.A.	202,643,397	-
c)	F2i SGR capital stock	5,141,670	-
d)	Bonds	-	498,256,365
Total		**408,562,023**	**623,939,966**

Compared to 31 December 2018, this item, in addition to an increased exposure to Open Fiber, the granting of the shareholder loan in favour of Ansaldo Energia and the transfer of the equity investments in F2i, included the reclassification of the fair value of the government bonds (BTPs) from non-current to current financial assets as a result of their integral disposal completed at the beginning of July.

II.1.6 Deferred tax assets

The balance of "Deferred tax assets" refers to deferred tax assets relating to taxes calculated on temporary differences between statutory and tax values, which will be fiscally deductible in the financial years following that of their recognition in the financial statements.

Deferred tax assets have been fully recognised in Income Statement and do not relate to any changes against an entry under equity.

Deferred tax assets: composition

(Euro units)	31/12/2019	31/12/2018
Deferred tax assets	2,355,964	648,540
Total	**2,355,964**	**648,540**

Changes in deferred tax assets (with contra-entry to the income statement)

(Euro units)	31/12/2019	31/12/2018
1. Initial balance	648,540	247,290
Changes in opening balance	-	44,201
2. Increases	2,054,191	648,122
2.1 Deferred tax assets in the period:	2,054,191	648,122
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) value recovery	-	-
d) other	2,054,191	648,122
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	346,767	291,073
3.1 Deferred tax assets cancelled in the period:	346,767	291,073
a) reclassification	346,767	291,073
4. Final balance	**2,355,964**	**648,540**

Changes in deferred tax assets (with contra-entry to the income statement)

(Euro units)	31/12/2019	31/12/2018
1. Initial balance	14,795	37,232
2. Increases	-	-
3. Decreases	11,470	22,437
3.1 Deferred tax assets cancelled in the period	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	11,470	22,437
4. Final balance	**3,325**	**14,795**

II.1.7 Other non-current assets

“Other non-current assets" refer to the security deposit paid in favour of the lessor, i.e. in favour of the parent company CDP, in relation to the lease agreement relative to the Company's new offices and, to a lesser extent, security deposits paid in accordance with the lease agreements for private homes used by certain employees as benefits. The item amounted to Euro 124 thousand in line with the amount recognised at 31 December 2018.

Other non-current assets: composition

(Euro units)	31/12/2019	31/12/2018
a) Deposits and advance payments due from third parties	26,557	26,586
b) Deposits and advance payments due from parent companies	97,920	101,835
Total	**124,477**	**128,421**

II.2 Current assets

II.2.1 Receivables from investee companies

(Euro units)	31/12/2019	31/12/2018
Receivables from investee companies	11,180,721	5,668,146
Total	**11,180,721**	**5,668,146**

Receivables from investee companies, equal to approximately Euro 11,180 thousand, included:

- Euro 10,191 thousand in fees accrued by CDP Equity and not collected at 31 December 2019 in connection with: (i) services provided in favour of FSI Investimenti, based on the terms of the investment agreement signed between CDP Equity and KIA, and (ii) services provided in favour of IQ and FSIA in relation to business, budget, planning and control, corporate secretary services and basic IT services;
- Euro 209 thousand as compensation for the participation of a number of CDP Equity employees in the Boards of Directors of the investee companies and related receivables for the charging back of out-of-pocket expenses to the investee companies;
- Euro 780 thousand in receivables for commissions on guarantees provided to Ansaldo Energia by Leonardo S.p.A. and governed by a specific agreement arising from the settlement signed between CDP Equity and Leonardo S.p.A. at the end of 2016.

Compared to 31 December 2018, the item increased by Euro 5,513 thousand as a result of the non-collection of receivables in 2018 deriving from service agreements for a total of Euro 5,102 thousand and guarantees provided by Ansaldo Energia for Euro 382 thousand, and higher receivables for corporate appointments accrued in the period for Euro 29 thousand.

Receivables from investee companies: breakdown

(Euro units)	31/12/2019	31/12/2018
a) Receivables due from FSI Investimenti	10,000,000	5,000,000
b) Receivables due from other investee companies	209,232	180,503
c) Receivables due from IQ	131,424	59,200
d) Receivables due from FSIA Investimenti	60,000	30,000
e) Receivables due from Ansaldo	780,065	398,443
Total	**11,180,721**	**5,668,146**

II.2.2 Current financial assets

Current financial assets at 31 December 2019 were equal to zero. At 31 December 2018, this item included accrued interest on Government Bonds (BTPs) discussed in the previous section relating to item "Non-current financial assets".

Current financial assets: composition

(Euro units)	31/12/2019	31/12/2018
a) Accruals on debt securities	-	2,182,911
Total	**-**	**2,182,911**

II.2.3 Tax receivables

The balance of "Tax receivables" included current tax assets, as better detailed in the table below. The change compared to 31 December 2018, when the balance amounted to Euro 562 thousand, was mainly attributable to the increase in advance payments for IRAP and IRES of Euro 638 thousand and an increase in the advance payment for VAT of Euro 23 thousand, partly offset by the settlement of the receivable on IRAP and IRES related to the previous year.

Tax receivables: composition

(Euro units)		31/12/2019	31/12/2018
a)	Receivables due from the Revenue Office for IRAP/IRES	-	501,361
b)	Receivables due from the Revenue Office for TFR withholdings	511	923
c)	VAT advance payments	23,139	-
d)	Advance payments t/w the Revenue Office for IRAP/IRES	698,085	59,654
Total		**721,735**	**561,938**

II.2.4 Other current assets

"Other current assets" amounted to Euro 259 thousand and included sundry receivables totalling Euro 164 thousand, accrued income and prepaid expenses on operating costs for a total of Euro 82 thousand and other advances and minor receivables of Euro 13 thousand. In particular, "Other receivables" comprised receivables from CDP in the amount of Euro 78 thousand, due to CDP Equity employees who, at 31 December 2019, were seconded to the parent company, and receivables due from investee companies for corporate appointments in the amount of Euro 86 thousand. The significant decrease in the aggregate item was mainly attributable to the elimination of the receivable from CDP as a result of tax consolidation, which amounted to Euro 2,252 thousand at 31 December 2018.

Other current assets: composition

(Euro units)		31/12/2019	31/12/2018
a)	Other receivables due from social security institutions	6,484	7,927
b)	Receivables due from due diligence expenses	-	4,764
c)	Accrued income and prepaid expenses	81,958	78,108
d)	Other advance payments	6,697	13,642
e)	Receivables due from CDP for tax consolidation	-	2,252,547
f)	Sundry receivables	164,196	58,766
Total		**259,335**	**2,415,754**

II.2.5 Cash and cash equivalents

"Cash and cash equivalents" of CDP Equity included deposits with CDP and a major credit institute.

The table below summarises CDP Equity's "Cash and cash equivalents" at 31 December 2019 compared to 31 December 2018, showing a decrease by Euro 455,571 thousand due to cash outflows amounting to Euro 1,242,781 thousand and inflows totalling Euro 786,338 thousand. In detail, the Company used resources for a total of Euro 1,228,321 thousand in favour of some of its investee companies by way of capital increase transactions (Open Fiber and Salini Impregilo) and shareholder loans (Open Fiber and Ansaldo Energia) in addition to the acquisition of 25.7% of SIA's capital held by F2i, Hat and JP Morgan, and paid operating expenses and taxes for a total amount of Euro 14,461 thousand. On the revenue side, the Company collected (i) Euro 528,432 thousand resulting from the proceeds of the transfer of the Government Bonds (BTPs), (ii) Euro 250,000 thousand from CDP as capital contribution to provide the Company with the resources necessary to complete the transaction in Salini Impregilo, and (iii) Euro 5,449 thousand in interest income accrued on the Government Bonds (BTPs); in addition (iv) Euro 2,458 thousand resulted as income from tax consolidation and other minor collections of an operating and management

Cash and cash equivalents: composition

(Euro units)		31/12/2019	31/12/2018
a)	Banks	2,333,498	125,888,301
b)	Free deposits with CDP	106,729,433	438,644,942
c)	Cash	609	861
Total		**109,063,540**	**564,534,104**

II.3 Shareholders' equity

II.3.1 Share capital

Share capital: composition

(Euro units)	31/12/2019	31/12/2018
Share capital underwritten and paid-up	2,890,583,470	3,480,981,960
Total	**2,890,583,470**	**3,480,981,960**

In 2019, CDP Equity was involved in two transactions affecting its equity and portfolio. Specifically, in December 2019 the spin-off transaction of Saipem in favour of CDP Industria was completed, including the transfer of the equity investment to the subsidiary and a concurrent reduction in the share capital by the same amount and corresponding to Euro 593 million. Also, in December 2019, the contribution of the SGR business from CDP to CDP Equity was finalised; this transaction included the transfer in continuity of equity investment values held in 5 different SGR companies: Fondo Italiano d'Investimento, FSI SGR, CDP Venture Capital SGR, F2i and QuattroR SGR, resulting in an overall increase in assets and shareholders' equity of Euro 24 million.

CDP holds 289,058,347 ordinary shares, representing 100% of the share capital and voting rights of CDP Equity.

Share capital: breakdown

(Euro units) Items/Types	Ordinary	Privileged	%
A. Share capital	2,890,583,470	-	100.00%
CDP S.p.A.	2,890,583,470	-	100.00%
B. Paid-up capital	**2,890,583,470**	**-**	**100.00%**
C. Capital increases/decreases in the year	-	-	-
D. Capital to be paid-up in the year	-	-	-

At 31 December 2019, the Company does not hold any treasury shares, either directly or through third parties.

In 2019, the Company did not pay out dividends to its shareholders.

Capital - number of shares: changes

Item/Types	Ordinary	Other
A. Shares existing at the beginning of the year	348,098,196	-
- fully paid-up	348,098,196	-
A.2 Outstanding shares: initial balance	348,098,196	-
B. Increases	234,335	-
B.1 New issues:	234,335	-
- other	234,335	-
C. Decreases	59,274,184	-
C.3 Disposals of enterprises	59,274,184	
D. Outstanding shares: final balance	289,058,347	-
D.2 Outstanding shares at the beginning of the year:	289,058,347	-
- fully paid-up	289,058,347	-

II.3.2 Reserves

At 31 December 2019, the Company showed the following amounts under “Reserves”:

Reserves: other information

(Euro units) Items/Types	31/12/2019	31/12/2018
Profit reserves	**47,862,919**	**(107,379,787)**
Legal reserve	25,555,282	25,555,282
Other reserves	22,307,637	(132,935,069)

Revenue reserves comprised the legal reserve of Euro 25,555 thousand and other reserves amounting to Euro 22,308 thousand.

Other reserves included the capital contribution of Euro 250,000 thousand, losses and profits carried forward equal to Euro 249,531 thousand, the share premium reserve allocated as a result of the contribution of the SGR companies by the parent company for a total amount of Euro 21,979 thousand, and Euro 140 thousand allocated in a reserve that reflects the effects of the First Time Adoption of IFRS 9; this amount comprised the value adjustment made on the balance of cash and cash equivalents and the escrow account as of 1 January 2018 to reflect counterparty risk.

Below is the information required by Article 2427, point 7-*bis*, of the Italian Civil Code in relation to the analytical breakdown of equity items, specifying their origin, their possible use and distribution and their use in previous periods:

(Euro units) Items/Values	Balance at 31/12/2019	Possible uses (*)	Available quota
Share capital:	**2,890,583,470**		
Reserves	**47,862,919**		**25,884,099**
Legal reserve	25,555,282	B	25,555,282
Share premium reserve	21,978,820	(**)	
Other profit reserves	328,817	A, B, C	328,817
Total	**2,938,446,389**		**25,884,099**

(*) A = for capital increases; B = for loss coverage; C = for distribution to shareholders.
(**) Pursuant to Article 2431 of the Italian Civil Code, the share premium reserve cannot be distributed until the legal reserve has reached one-fifth of the share capital (cap established by Article 2430 of the Italian Civil Code).

II.4 Non-current liabilities

II.4.1 Provisions for risks and charges

At 31 December 2019 item "Provisions for risks and charges" amounted to Euro 1,285 thousand and included the provision for personnel bonuses; at 31 December 2018, this provision, of identical nature, was estimated at Euro 1,194 thousand.

Provisions for risks and charges: composition

(Euro units)	31/12/2019	31/12/2018
1. Company pension funds	-	-
2. Other provisions for risks and charges:	1,284,694	1,194,086
2.1 charges for personnel and directors	1,284,694	1,194,086
Total	**1,284,694**	**1,194,086**

Changes in the provisions for risks and charges during the year are shown below:

Provisions for risks and charges: Changes in the period

(Euro units)	31/12/2019	31/12/2018
A. Initial balance	1,194,086	1,194,086
B. Increases	1,284,694	1,284,694
B.1 Provisions for the year	1,284,694	1,284,694
C. Decreases	1,194,086	1,194,086
C.1 Utilization in the year	786,196	786,196
C.2 Variations due to changes in the discount rate	-	-
C.3 Other changes	407,890	407,890
D. Final balance	**1,284,694**	**1,284,694**

II.4.2 Staff Severance and Retirement

For companies with less than 50 employees, as there is no provision for the payment of accrued termination benefits to the Treasury Fund managed by INPS, termination benefits (TFR) are subject to actuarial valuation in accordance with paragraphs 64-66 of IAS 19, i.e. using the "accrued benefits" method using the "Projected Unit Credit" (PUC) criterion. However, considering that the effect of applying IAS 19 is not significant for the purposes of preparing the financial statements as at 31 December 2019, the valuation of the provision was determined in a simplified manner in accordance with Italian law.

Item "Employee severance indemnity" decreased compared to 31 December 2018 as a result of personnel leaving during the year.

Staff Severance and Retirement

(Euro units)	31/12/2019	31/12/2018
Staff severance and retirement	146,773	175,396
Total	**146,773**	**175,396**

Staff Severance and Retirement: annual changes

(Euro units)	31/12/2019	31/12/2018
A. Initial balance	175,396	139,041
B. Increases	40,372	36,355
B.1 Provisions for the year	38,206	36,355
B.2 Other increases	2,166	-
C. Decreases	68,995	-
C.1 Staff severance indemnities paid	68,995	-
C.2 Other Decreases	-	-
D. Final balance	**146,773**	**175,396**

II.4.3 Other financial liabilities

At 31 December 2019, item "Other financial liabilities" amounted to Euro 14,661 thousand and included the fair value of the earn-out liability generated by the investment in Open Fiber for Euro 12,102 thousand and lease payables for Euro 2,559 thousand, recognised for the first time as a result of the first-time application of IFRS 16. At 31 December 2018, this item totalled Euro 11,146 thousand and only included the fair value of the Open Fiber earn-out.

Other financial liabilities

(Euro units)	31/12/2019	31/12/2018
Earn out Open Fiber option	12,101,448	11,145,590
Payables on leases	2,559,520	-
Total	**14,660,968**	**11,145,590**

II.4.4 Deferred tax liabilities

The balance of "Deferred tax liabilities" refers to taxes calculated on temporary differences between book and tax values, which in future years will result in taxable amounts.

Deferred tax liabilities: composition

(Euro units)	31/12/2019	31/12/2018
Deferred tax liabilities with an impact to income statement	3,325	14,795
Total	**3,325**	**14,795**

Changes in deferred tax assets (with contra-entry to the income statement)

(Euro units)	31/12/2019	31/12/2018
1. Initial balance	14,795	37,232
2. Increases	-	-
3. Decreases	11,470	22,437
3.1 Deferred tax liabilities cancelled in the period	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	11,470	22,437
4. Final balance	**3,325**	**14,795**

II.5 Current liabilities

II.5.1 Tax payables

Item "Tax payables" refers to payables accrued at 31 December 2019 due to tax authorities and included VAT and withholding tax liabilities to be paid in the following month (January 2020). The change compared to 2018 mainly results from the recognition of the 2019 IRAP liability and higher liabilities for withholding taxes and VAT to be paid.

Other payables due to tax authorities include payables for withholdings on severance indemnities (TFR).

(Euro units)	31/12/2019	31/12/2018
a) Withholdings on employment income	120,565	144,326
b) Withholdings on self-employed personnel	16,474	2,411
c) Payables for IRAP	955,734	-
d) Payables for VAT	106,677	26,294
e) Other payables due to the Revenue Office	644	974
Total	**1,200,094**	**174,005**

II.5.2 Other current liabilities

"Other current liabilities" refer to short-term payables other than "Tax payables", still to be paid at year-end, details of which are given in the tables below.

Other current liabilities: composition

(Euro units)	31/12/2019	31/12/2018
a) Payables due to suppliers	1,402,336	774,575
b) Payables due to social security institutions	162,155	151,833
c) Payables due to parent company	5,351,015	519,255
d) Other payables	311,205	222,100
Total	**7,226,711**	**1,667,763**

Specifically:

Payables due to suppliers: composition

(Euro units)	31/12/2019	31/12/2018
a) Payables due to suppliers	204,765	175,907
b) Payables due to suppliers for invoices to collect	1,197,571	598,668
Total	**1,402,336**	**774,575**

Payables due to social security institutions: composition

(Euro units)	31/12/2019	31/12/2018
a) Payables due to social security institutions	117,809	119,170
b) Payables due to INPS for holidays accrued and not used	40,031	29,277
c) Payables due to INPS for solidarity contribution	4,315	3,386
Total	**162,155**	**151,833**

Payables due to parent company: composition

(Euro units)	31/12/2019	31/12/2018
Payables due to CDP	5,351,015	519,255
Total	**5,351,015**	**519,255**

The balance at 31 December 2019 relates to payables arising from tax consolidation and operating liabilities associated with the provision of outsourced services by CDP in favour of CDP Equity, sundry costs charged back in relation to seconded staff and employees performing corporate functions, and the payable on an sublease agreement for 2019. The higher amount recognised compared with 31 December 2018 relates to a tax consolidation liability of Euro 4,061 thousand and an increase in the liability for seconded personnel amounting to Euro 913 thousand, which was partly offset by the different payment timing of the amounts due.

Other payables: composition

(Euro units)	31/12/2019	31/12/2018
a) Payables due to corporate bodies	13,196	12,016
b) Payables due to employees	203,034	154,866
c) Payables due to supplementary pension fund	42,997	38,247
d) Other payables	51,978	16,971
Total	**311,205**	**222,100**

The balance relates mainly to amounts accrued at the reporting date and not yet paid to employees and other corporate bodies.

The item showed an increase by Euro 89 thousand compared to the value of Euro 222 thousand registered at 31 December 2018. In fact, following the increase in the workforce discussed in the Directors' report on operations, an increase equal to Euro 53 thousand was recognised for payables to employees and related social security liabilities.

Other payables increased by Euro 35 thousand due to the payable due to a group company for staff on secondment to CDP Equity for a total of Euro 50 thousand, as well as the payable for the use of company credit cards amounting to Euro 1 thousand, partly offset by the settlement of the payable accrued in 2018 due to the Ministry of the Economy and Finance for a total of Euro 16 thousand.

Payables due to corporate bodies are in line with the amount recognised at the end of 2018.

II.6. Information relevant for IAS/IFRS purposes on financial instruments

Assets and liabilities at fair value on recurring basis: breakdown by fair value levels

(Euro units)	31/12/2019			31/12/2018		
Financial assets/liabilities measured at fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non-current financial assets	-	-	5,141,670	-	-	-
Financial assets at fair value	-	-	-	-	-	-
Non-current financial assets	-	-	5,141,670	-	-	-
Current financial assets	-	-	-	-	-	-
Current financial assets	-	-	-	-	-	-
Total	**-**	**-**	**5,141,670**	**-**	**-**	**-**
Non-current financial liabilities	-	-	12,101,448	-	-	11,145,590
Other financial liabilities	-	-	12,101,448	-	-	11,145,590
Current financial liabilities	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
Total	**-**	**-**	**12,101,448**	**-**		**11,145,590**

Annual changes in financial liabilities valued at fair value (level 3)

(Euro units)	Non-current financial assets
1. Initial balance	-
2. Increases	5,141,670
2.1 Purchases	5,141,670
3. Decreases	-
4. Final balance	5,141,670

Annual changes in financial liabilities valued at fair value on recurring basis (level 3)

(Euro units)	Non-current financial assets
1. Initial balance	11,145,590
2. Increases	955,858
2.1 Issues	-
2.2 Losses attributed to:	955,858
2.2.1 Income statement	955,858
- *of which: capital loss*	*955,858*
3. Decreases	-
4. Final balance	12,101,448

Assets and liabilities not valued at fair value or valued at fair value on a non-recurring basis: breakdown by fair value levels

(Euro units) Assets/Liabilities not valued at fair value or valued at fair value on a non-recurring basis: Breakdown by fair value levels	31/12/2019				31/12/2018			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
Non-current assets	403,544,830	-	-	403,544,830	624,068,387	507,281,077	-	125,812,021
Non-current financial assets	-	-	-	-	-	-	-	-
Other non-current assets	403,544,830	-	-	403,544,830	624,068,387	507,281,077	-	125,812,021
Current assets	109,064,465	-	-	109,064,465	566,722,441	-	-	566,722,441
Current financial assets	-	-	-	-	2,182,911	-	-	2,182,911
Cash and cash equivalents	109,064,465	-	-	109,064,465	564,539,531	-	-	564,539,531
Total	**512,609,295**	**-**	**-**	**512,609,295**	**1,190,790,828**	**507,281,077**	**-**	**692,534,463**
Non-current liabilities	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-
Current liabilities	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

Fair value measurement of optional components of equity investments

At 31 December 2019, the Company valued the earn out relative to the Open Fiber investment at fair value.

According to IFRS13, fair value is the price that would be received for the sale of an asset, or that would be paid to transfer a liability in an arm's length transaction at the measurement date:
a) in the main market of the asset or liability; or
b) in the absence of a main market, in the most advantageous market for the asset or liability.

All assets and liabilities for which the fair value is measured or recorded in the financial statements, are categorized according to the fair value hierarchy, as described below:
- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than the quoted prices included in Level 1, directly or indirectly observable for the asset or liability;
- Level 3 - valuation techniques for which the input data is not observable for the asset or liability.

The fair value is entirely classified in the same level of the fair value hierarchy in which the input of the lowest level of hierarchy used for the valuation is classified.

According to the fair value hierarchy, the valuations of said instrument fall within the Level 3 category.

In order to estimate the fair value of the Open Fiber earn-out, the Company applied a probabilistic valuation model using (i) a probability distribution calculated based on the expectations of the management to achieve the investment return targets (triggers) provided for in the contract and from which the earn-out payment is expected, and (ii) a pay-off discount rate associated with the occurrence of the assumed probabilistic scenarios, determined on a risk-adjusted basis.

Therefore, a sensitivity analysis of the earn-out was carried out in relation to an increase/decrease by 100 basis points in the pay-off discount rate associated with the occurrence of the assumed probabilistic scenarios:

(Euro units) Open Fiber Earn-out Sensitivity: +/-1% discount rate variation	Target/variation yield -1%	Target/variation yield -0.5%	Target yield	Target/variation yield +0.5%	Target/variation yield +1%
	(12,745,371)	(12,417,825)	(12,101,448)	(11,795,784)	(11,500,399)

II.7 Other information

II.7.1. Guarantees issued and commitments

As to the guarantees and commitments issued by the company, it should be noted that CDP Equity pledged its shares in Open Fiber in favour of the lending banks. The pool of lending banks includes BNP Paribas, Société Générale and UniCredit, as Underwriters, Global Coordinators, Global Bookrunners and Initial Mandated Lead Arrangers, Cassa Depositi e Prestiti, the European Investment Bank, as well as - among Italian institutions - Banca IMI, Banco BPM, MPS Capital Services and UBI Banca, and - among international institutions - Crédit Agricole, ING, Caixa Bank, MUFG Bank, Natwest and Banco Santander, as Lenders. UniCredit also acts as Agent.

CDP Equity resolved on a binding commitment to set up a Green technology company with ENI with a maximum equity commitment of Euro 41 million from CDP Equity.

III. Information on Income Statement

In 2019, the "Result from operations" was negative for Euro 304,855 thousand, due to the value adjustment following the impairment test on Ansaldo Energia and operating costs which were not offset by dividend payout.

III.1 Result from operations

III.1.1 Dividends

Item "Dividends" included the amount distributed by FSI Investimenti in the period and was equal to zero. The 2018 dividend was distributed following the collection of the deferred component of the acquisition price of 30% of FSIA Investimenti from Poste and the dividend collected from FSIA Investimenti.

Dividends: composition

(Euro units)	2019	2018
FSI Investimenti	-	31,617,765
Total	**-**	**31,617,765**

III.1.2 Investment costs

Investment costs: composition

(Euro units)	2019	2018
a) Due - diligence and consultancy for investments	3,479,515	340,095
b) Tobin TAX	1,291,642	-
c) Other investment costs	259,705	31,720
Total	**5,030,862**	**371,815**

In 2019, capital expenditure totalled Euro 5,031 thousand of which: (i) Euro 3,480 thousand from due diligence and advisory activities regarding investment transactions, (ii) Euro 1,292 thousand related to the payment of the Tobin Tax on the purchase of SIA shares and (iii) Euro 260 thousand relating to other accessory expenses on investment activities. Compared to 2018, when these expenses amounted to Euro 372 thousand, this item increased by Euro 4,659 thousand as a result of the increased equity investments portfolio management and improvement activity, which reflected higher expenses for due diligence and advisory services for investments equal to Euro 3,139 thousand, Tobin Tax of Euro 1,292 thousand and higher ancillary expenses of Euro 228 thousand.

III.1.3 Capital losses on investments

At 31 December 2019, the Company carried out an analysis of its portfolio to check for impairment indicators in accordance with the provisions of the applicable international accounting standards and, in case of occurrence, performed an impairment test. The result of the impairment test revealed an impairment loss totalling Euro 298,869 thousand resulting from the investment in Ansaldo Energia. At 31 December 2018, the impairment test carried out on the investee companies included in the portfolio revealed an impairment loss of Euro 157,489 thousand resulting from the investment in Ansaldo Energia.

Capital losses on investments: composition

(Euro units)	2019	2018
Capital losses on investments	298,869,109	157,488,628
Total	**298,869,109**	**157,488,628**

III.1.4 Decreases in the value of financial instruments

This item includes the change in fair value resulting from the Open Fiber earn-out for Euro 956 thousand. At 31 December 2018, the negative change amounted to Euro 1,870 thousand and referred to the change in the fair value of the same instrument.

Decreases in the value of financial instruments

	2019			2018		
(Euro units)	Capital loss	Loss from negotiation	Net result	Capital loss	Loss from negotiation	Net result
Financial derivatives:						
a) on debt securities	-	-	-	-	-	-
b) on stock securities	955,858	-	955,858	1,869,735	-	1,869,735
c) other	-	-	-	-	-	-
Total	**955,858**	**-**	**955,858**	**1,869,735**	**-**	**1,869,735**

III.2 Result from operations

III.2.1 Financial income

Financial income: composition

(Euro units)	2019	2018
a) Interest accrued on restricted deposits	8,175,000	7,939,726
b) interest accrued on bank current accounts	6,260	49,598
c) Profit from negotiation on debt securities	27,400,760	-
d) Interest accrued on securities	5,664,741	3,357,441
e) Interest on loans	10,265,090	1,937,500
Total	**51,511,851**	**13,284,265**

Financial income mainly related to the capital gain generated from the transfer of government bonds, interest accrued on the same government bonds and on unrestricted and restricted deposits and shareholder loans granted to the investee companies Ansaldo Energia and Open Fiber, as better detailed in the sections regarding the corresponding asset items.

III.2.2 Financial expenses

Financial charges: composition

(Euro units)	2019	2018
a) Other interest due	13	31
b) Interest due on payables on leases	73,168	-
Total	**73,181**	**31**

This item included financial expenses related to operations and interest expense accrued on the leasing payable substituting the lease payments previously reported under administrative costs.

III.2.3 Administrative costs

Administrative costs: composition

(Euro units)	2019	2018
Administrative costs:		
a) Personnel costs	6,758,871	5,285,807
b) Other administrative expenses	2,443,570	2,409,241
Total	**9,202,441**	**7,695,048**

"Personnel costs" amounted to Euro 6,759 thousand and included costs for salaries and services provided to employees, seconded staff and other operating staff for a total of Euro 6,428 thousand and remuneration paid to directors and statutory auditors amounting to Euro 331 thousand. The increase by Euro 1,473 thousand recorded over the previous year, when personnel costs totalled Euro 5,286 thousand, was mainly due to the increase in headcount resulting from the new organisation implemented as of 1 August 2019 and the recognition of the economic effects following the consensual termination of the employment relationship with the former General Manager.

Personnel costs: composition

(Euro units) Type of costs/values	2019	2018
1) Employees	5,310,765	4,638,229
a) Salaries and wages	3,971,267	3,440,228
b) Social charges	20,181	4,833
c) Staff severance	-	-
d) Social security contributions	593,709	554,614
e) Provision for staff severance	38,210	35,675
f) Provision for retirement and similar obligations	-	-
g) Payments to external supplementary pension funds:	230,759	197,834
- *defined contribution*	*230,759*	*197,834*
h) Costs deriving from payment agreements based on own financial instruments	-	-
i) Other employee benefits	252,883	303,052
j) Travel costs, boarding and accommodation for seconded personnel	203,756	101,993
2) Other personnel in operation	46,571	70,972
3) Directors and Statutory Auditors	331,530	343,065
4) Laid-off personnel	-	-
5) Cost recovery for personnel seconded to other companies	(44,020)	(54,868)
6) Cost recovery for third party personnel seconded to the Company	1,114,025	288,409
Total	**6,758,871**	**5,285,807**

Number of employees and other workforce by category: composition

As the Company has a limited number of employees, it was deemed more representative to show the number of employees as at 31 December 2019 comparing the number with the corresponding headcount of the previous year, rather than comparing the average values.

Type of cost/values	2019	2018
Employees:	30	27
a) Executive managers	6	5
b) Total middle managers	12	10
- *of which: 3° and 4° level*	*10*	*7*
c) Other employees	12	12
Other personnel	**9**	**5**

Other employee benefits

(Euro units) Type of costs/values	2019	2018
a) Meal vouchers	53,671	47,277
b) Health policies for personnel members	59,724	71,577
c) Other benefits	139,488	184,198
Total	**252,883**	**303,052**

"Other administrative expenses" amounted to Euro 2,444 thousand, in line with 2018, but with a different composition: lower costs for rents as a result of the adjustments adopted in accordance with IFRS 16 against higher expenses for professional and financial services, utilities and taxes mainly due to the transformation of the organisational structure completed in 2019.

Other administrative costs: composition

(Euro units) Type of costs/values	2019	2018
a) Professional and financial services	1,267,435	812,344
b) CDP outsourcing	251,606	256,092
c) Information resources and database	113,323	87,875
d) Advertising and marketing costs	76,579	53,952
e) IT services	102,225	74,046
f) General services and insurances	462,578	1,046,817
g) Utilities, taxes and other costs	134,697	25,051
h) Costs for other corporate bodies	35,127	53,064
Total	**2,443,570**	**2,409,241**

The table below shows the fees paid to the independent auditors as required by specific provisions of the Italian Civil Code. It should be noted that this amount also included the Consob contribution charged by PwC with reference to the fees of previous years, emerging only in 2019 following the updated regulatory provisions. The fees include the annual ISTAT update, calculated at the rate of 5% of the fees and VAT.

(Euro units)	Service provider	Fees paid in the period
Auditing and financial statements	PwC S.p.A.	189,057
Total		**189,057**

III.2.4 Amortisation and depreciation of intangible and tangible assets

This item mainly included depreciation and amortisation of tangible and intangible fixed assets. The decrease in value between the two financial years was essentially due to charges related to the amortisation of the right of use of lease contracts recognised following the application of IFRS16.

Amortisation and depreciation of fixed assets: composition

(Euro units)	2019	2018
a) Depreciation of tangible assets	390,487	34,063
b) Amortisation of intangible assets	58,653	59,538
Total	**449,140**	**93,601**

Amortisation and depreciation of intangible and tangible assets: composition

(Euro units) Assets/income components	Amortisation and depreciation (A)	Impairments (B)	Value recovery (C)	Net result (A + B + C)
A. Tangible assets	390,487	-	-	390,487
A.1 Functional use:	390,487	-	-	390,487
- owned	35,554	-	-	35,554
- rights of use acquired through leases	354,933	-	-	354,933
B. Intangible assets	58,653	-	-	58,653
B.1 Owned assets:				
- generated by the company	58,653	-	-	58,653
Total	**449,140**	**-**	**-**	**449,140**

III.2.5 Impairment of non-current assets

This item included value adjustments made following the adoption of IFRS 9 and relating to non-current financial assets recognised in the balance sheet and shown net of these adjustments.

At 31 December 2019, this item was equal to zero. At 31 December 2018, this item included the value adjustment of Euro 1,254 thousand referring to the shareholder loan granted to Open Fiber and the value adjustment of Euro 377 thousand relating to the Government Bonds (BTP) held in portfolio at the same date.

Amortisation, depreciation and impairment of non-current assets: composition

(Euro units) Transactions/income components	Impairments			Value recovery			
	First and second level	Third level		First and second level	Third level	31/12/2019	31/12/2018
		Write-off	Other				
A. Receivables due from banks	-	-	-	-	-	-	-
B. Receivables due from customers	-	-	-	-	-	-	(1,630,567)
- Loans	-	-	-	-	-	-	(1,253,900)
- Debt securities	-	-	-	-	-	-	(376,667)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**(1,630,567)**

III.2.6 Amortisation, depreciation and impairment of current assets

This item included the value adjustments made following the adoption of IFRS 9 and relating to current financial receivables recognised in the financial statements and shown net of the adjustments; the adjustments concern cash and cash equivalents as well as shareholder loans granted to Open Fiber and Ansaldo Energia and Government Bonds following the reclassification from non-current to current assets.

Amortisation, depreciation and impairment of current assets: composition

(Euro units) Transactions/income components	Impairments			Value recovery			
	First and second level	Third level		First and second level	Third level	31/12/2019	31/12/2018
		Write-off	Other				
A. Receivables due from banks	-	-	-	1,697	-	1,697	8,730
- Loans	-	-	-	1,697	-	1,697	8,730
B. Receivables due from customers	(6,951,506)	-	-	377,863	-	(6,573,643)	169,056
- Loans	(6,951,506)	-	-	1,196	-	(6,950,310)	169,056
- Debt securities	-	-	-	376,667	-	376,667	-
Total	**(6,951,506)**	**-**	**-**	**379,560**		**(6,571,946)**	**177,786**

III.3 Other operating income/expenses

"Other operating income and expenses" were positive for Euro 5,654 thousand and included mainly income from service contracts between CDP Equity and FSI Investimenti, FSIA Investimenti and IQ for Euro 5,089 thousand and commissions on guarantees provided to Ansaldo Energia; the value of this aggregate item was in line with 31 December 2018.

Other operating income/charges: breakdown

(Euro units)	2019	2018
a) Income for corporate offices recognised to employees	165,898	237,413
b) Income for services provided to investee companies	5,089,200	5,089,200
c) Other income	417,801	417,280
d) Other charges	(18,820)	(9,149)
Total	**5,654,079**	**5,734,744**

III.4 Income tax for the year

The estimated tax burden for 2019 amounted to Euro 3,290 thousand and is detailed in the following table:

Income tax: composition

(Euro units)	2019	2018
1. Current taxes (-)	5,013,955	(1,466,066)
of which:		
- *IRAP for the period*	*955,735*	*698,085*
- *income/charges resulting from tax consolidation*	*4,058,220*	*(2,164,151)*
2. Variations in current taxes of previous years (+/-)	(4,615)	246,800
3. Reduction in current taxes in the period (+)	-	-
4. Variation of anticipated taxes (+/-)	(1,707,424)	(357,049)
5. Variation of deferred taxes (+/-)	(11,470)	(22,437)
6. Income tax for the period (-) (-1+/-2+3+/-4+/-5)	**3,290,446**	**(1,598,752)**

"Current taxes" were negative for Euro 5,014 thousand and included IRES charges classified as charges resulting from tax consolidation equal to Euro 4,058 thousand and IRAP totalling Euro 956 thousand.

Taxes also included prepaid and deferred taxes with net revenues of Euro 1,718 thousand.

The following tables show the reconciliation between the actual and theoretical tax charge for IRES and IRAP:

(Euro units)	2019	Tax rate
Profit (loss) before taxes	(263,986,607)	-
IRES theoretical tax charge (24%)	63,356,786	-24.00%
Increases		
- temporary variations	(1,983,460)	-5.69%
- permanent variations	(607,917)	-1.74%
Tax decreases		
- other variations	288,509	0.83%
- ACE benefit	6,616,448	18.97%
IRES tax and actual budget charge	67,670,366	-11.63%

(Euro units)	31/12/2019	Tax rate
Difference between value and cost of production	(3,787,498)	
IRAP theoretical tax charge (5.57%)	210,964	-5.57%
Tax increases	(1,487,448)	39.27%
Tax decreases	320,751	-8.47%
IRAP tax and actual budget charge	(955,734)	25.23%

IV. Information on risks and hedging policies

CDP Equity risk management is based on the Risk Management Policy approved by the Board of Directors. The document defines the basic principles of operation and related guidelines, in order to identify, measure and manage the various types of risk the CDP Equity may be subject to in carrying out its activities. These principles define, among other things, limits to risk-taking for CDP Equity also in the process of approval of the investments.

With regard to the spread of Covid-19, it is difficult in this moment in time to make a reliable estimate of the extent and duration of the phenomenon, both in general terms and on CDP Equity S.p.A. assets as well as the related impacts.

That said, although the context is still fluid, it is already clear that already in the first quarter of 2020 the epidemic generated significant volatility in the financial markets. Currently, the Company is considering a wide range of factors, including the expected impact on liquidity and prospective profitability also based on the analysis of the measures adopted by governments and banks to provide assistance to the companies involved. The Company does not reasonably expect an increase in operating costs, at least in the short term.

In consideration of the above, however, it cannot be excluded that the possible continuation of the health crisis may have negative effects on the Company's equity investment portfolio, the impact of which cannot be estimated at present on the basis of the available information.

In FY 2019, the CDP Equity Risk Management carried out its activities in compliance with the aforementioned principles, summarised along three lines: (i) assessment of the risks in the process of approval of the investments and divestments; (ii) monitoring of the investments portfolio; (iii) preparation of quarterly update notes on risk management activities to be submitted to the Board of Directors.

Specifically, in the period, CDP Equity resolved and completed investment transactions in some portfolio companies. In addition to periodic reporting submitted by the companies included in the portfolio, equity investments are monitored also through specific in-depth analyses in order to update and verify company risk profiles. The main findings were brought to the attention of the Board of Directors through the quarterly reports on risk management activities.

CDP Equity's liquidity profile is solid, also because it is part of the CDP Group. The company has no borrowings and available liquidity is substantial even with respect to its financial commitments.

Risk Management also completed work on updating the Operational Risk Assessment, in coordination with the parent company CDP, based on CDP Equity's regulatory framework and internal processes, as well as targeted interviews with the heads of all business functions.

In the period and in compliance with the existing risk policy, Risk Management also conducted audits on the accounting valuations of the optional components associated with portfolio investments. The valuations of such optional components were carried out in the fair value perspective with the support of an independent expert consultant.

V. Transactions with related parties

V.1 Information on the fees due to executives holding strategic responsibilities

Compensation to directors and statutory auditors

(Euro units)	2019	2018
a) Directors	245,505	250,111
b) Statutory Auditors	86,025	92,953
Total	**331,530**	**343,065**

Compensation to other executive managers holding strategic responsibilities

(Euro units)	2019
a) Short-term benefits	482,713
b) Benefits after the termination of the employment relationship	44,391
Total	**527,104**

Compensation to directors and statutory auditors

(Euro units) First and last name	Office	Office period	Office expiry (*)	Emoluments for the office and bonuses	Notes
Directors					
Mario Nuzzo	Chairman	29/04/2019 - 31/12/2019	2021	70,000	
Pier Paolo Di Stefano	Chief Executive Officer	29/04/2019 - 31/12/2019	2021	150,000	
Pier Paolo Di Stefano	Director	29/04/2019 - 31/12/2019	2021	35,000	(**)
Ilaria Bertizzolo	Director	17/12/2019 - 31/12/2019	2021	1,342	(**)
Directors no longer in office					
Fabrizio Palermo	Chairman	01/01/2019-29/04/2019	2019	23,333	(**)
Guido Rivolta	Chief Executive Officer	01/01/2019-29/04/2019	2019	8,333	
Emanuela Bono	Director	01/01/2019-17/12/2019	2019	33,658	(***)
Board of Statutory Auditors					
Roberto Capone	Chairman	01/01/2019 - 31/12/2019	2019	27,000	
Paolo Golia	Standing Auditor	01/01/2019 - 31/12/2019	2019	20,000	
Ines Gandini	Standing Auditor	01/01/2019 - 31/12/2019	2019	20,000	

(*) Date of reference of the last financial statements approved.
(**) Compensation paid to Cassa Depositi e Prestiti S.p.A.
(***) Compensation partially paid to CDP Equity.

V.2 Information on transactions with related parties

The Company is a wholly-owned subsidiary of CDP and, at the reporting date, the Chief Executive Officer was the Chief Equity Officer of CDP. In addition, Mrs Bono served as Head of Business Development of CDP until 31 July 2019 and was then appointed Chief Financial Officer of CDP Equity based on a permanent employment contract. Mrs Bono resigned as a member of the Board of Directors on the date in which Mrs Bertizzolo was co-opted.

It should be noted that no atypical or unusual transactions were carried out with related parties, which, due to their significance, could impact the financial and economic position of the Company. All transactions carried out with related parties, in fact, are implemented at arm's length and fall within the scope of CDP Equity core operations.

Transactions with parent company

Transactions with CDP

In 2019, transactions with CDP mainly concerned:
- the irregular deposit agreement;
- the securities deposit agreement;
- directors' fees to be charged to CDP;
- costs for outsourced services provided by CDP to CDP Equity;
- the tax consolidation agreement with CDP;
- costs and security deposits related to the sublease of the company's headquarters;
- agreements for the partial secondment of CDP personnel to CDP Equity;
- agreements for the partial secondment of CDP Equity staff to CDP.

The transactions, on an arm's length basis, at 31 December 2019 and the related effects on the balance sheet and income statement (including VAT where applicable) are summarised below:

Transactions with CDP

(Euro units) Financial data	31/12/2019	31/12/2018
Non-current assets	**101,835**	**101,835**
Other non-current assets	101,835	101,835
Non-current liabilities	**2,549,675**	**-**
Other non-current liabilities	2,549,675	-
Current assets	**106,730,923**	**438,649,490**
Cash and cash equivalents	106,730,923	438,649,490
Current liabilities	**(5,662,220)**	**(519,255)**
Other current liabilities	(5,662,220)	(519,255)

(Euro units) Economic data	31/12/2019	31/12/2018
Financial income	-	7,939,726
Income (charges) resulting from tax consolidation	-	2,164,151
Agreement with CDP - Service agreement	(251,606)	(256,092)
Rebilling of seconded personnel costs	(950,419)	(304,863)
Compensation for company offices rebilled to CDP	(68,522)	(107,151)
Other costs	-	(502,030)

Transactions with subsidiary companies

(Euro units) Financial data	FSI Investimenti S.p.A.	Total
Current assets		
Receivables for services provided to investee companies	10,000,000	10,000,000
Total	**10,000,000**	**10,000,000**

(Euro units) Income statement	FSI Investimenti S.p.A.	Total
Other expenses/ income		
Profit from S.A. agreement	28,667	28,667
Total	**28,667**	**28,667**

Transactions with other related parties

The following table summarises the transactions with other related parties outstanding at 31 December 2019 and related valuation.

	Balance Sheet					
		Current assets			Non-current liabilities	Current liabilities
	Non-current assets	Receivables from investee companies				
Legal entity	Non-current financial assets	Receivables for activities related to service agreement	Receivables for income generated by corporate offices	Other receivables	Non-current financial liabilities	Current liabilities
IQ MIIC	-	131,424	-	-	-	-
FSI Investimenti	-	10,000,000	-	-	-	-
FSIA Investimenti		60,000	-	-	-	-
Kedrion	-	-	11,191	-	-	-
Kedrion BioPharma	-	-	18,979	-	-	-
Valvitalia Finanziaria	-	-	-	-	-	-
Ansaldo Energia	208,175,000	-	-	796,886	-	9,087
Hotelturist						
Rocco Forte Hotels	-	-	-	-	-	2,936
Trevi	-	-	143,500	-	-	-
Inalca	-	-	-	-	-	-
SIA	-	-	-	-	-	-
Open Fiber	203,452,590	-	17,500	-	12,101,448	-
Saipem	-	-	-	-	-	-
Ministry for the Economy and Finance	-	-	-	-	-	-
Bonifiche Ferraresi S.p.A.	-	-	10,562		-	-
Total	**411,627,590**	**10,191,424**	**201,732**	**796,886**	**12,101,448**	**12,023**

Income Statement					
Dividends	Increases (Decreases) in financial instruments	Financial income	Income generated by corporate offices	Other income	Income generated by service agreement
-	-	-	-	-	131,424
	-	-	-	-	10,000,000
-	-	-	-	-	60,000
-	-	-	34,034	-	-
-	-	-	9,605	-	-
-	-	-	16,440	-	-
-	-	8,175,000	7,500	796,886	-
			18,488		
-	-	-		-	-
-	-	-	20,000	-	-
-	-	-	11,667	-	-
-	-	-	16,021	-	-
-	(955,858)	10,265,090	22,143	-	-
-	-	-		-	-
-	-	-		-	-
-	-	-	10,000	-	-
-	**(955,858)**	**18,440,090**	**165,898**	**796,886**	**10,191,424**

VI. Information on public funding

In compliance with the provisions of Article 1, paragraph 125, of Italian Law No. 124 of 4 August 2017, we inform you that during the 2019 financial year the Company did not receive any amounts by way of grants, contributions, paid assignments and in any case economic advantages of any kind received from public administrations and other subjects specified in Article 1, paragraph 125 of the aforementioned law.

Annexes

Cassa Depositi e Prestiti S.p.A. Separate financial statements at 31 December 2018
- Balance sheet
- Income statement
- Statement of comprehensive income

BALANCE SHEET

Assets (euro)		at 31/12/2018	31/12/2017
10.	Cash and cash equivalents	4.968	6.741
20.	Financial assets measured at fair value through profit or loss:	2,764,648,580	2,301,185,709
	a) financial assets held for trading	71,025,547	93,568,293
	b) financial assets designated at fair value		
	c) other financial assets mandatorily measured at fair value	2,693,623,033	2,207,617,416
30.	Financial assets measured at fair value through other comprehensive income	11,463,816,657	9,828,836,888
40.	Financial assets measured at amortised cost:	323,523,877,889	322,763,078,281
	a) loans to banks	20,179,064,614	38,599,568,670
	b) loans to customers	303,344,813,275	284,163,509,611
50.	Hedging derivatives	679,154,031	842,595,854
60.	Fair value change of financial assets in hedged portfolios (+/-)	131,580,898	(41,503,409)
70.	Equity investments	30,316,282,467	30,411,137,574
80.	Property, plant and equipment	322,660,563	305,538,163
90.	Intangible assets	20,946,199	11,882,566
	- *of which: goodwill*		
100.	Tax assets:	480,439,453	630,739,071
	a) current	1,044,283	331,378,247
	b) deferred	479,395,170	299,360,824
110.	Non-current assets and disposal groups held for sale		
120.	Other assets.	312,075,968	211,771,045
	Total assets	**370,015,487,673**	**367,265,268,483**

Liabilities and equity (euro)		at 31/12/2018	31/12/2017
10.	Financial assets measured at amortised cost:	342,568,459,670	340,490,853,327
	a) due to banks	30,429,338,747	16,626,997,896
	b) due to customers	293,196,243,128	306,499,360,318
	c) securities issued	18,942,877,795	17,364,495,113
20.	Financial liabilities held for trading	70,980,902	127,596,066
30.	Financial liabilities designated at fair value	500,023,869	501,551,155
40.	Hedging derivatives	656,432,622	586,743,149
50.	Adjustment of financial liabilities in hedged portfolios (+/-)	26,033,402	32,400,026
60.	Tax liabilities:	394,012,110	213,992,947
	a) current tax liabilities	284,550,223	56,735,458
	b) deferred tax liabilities	109,461,887	157,257,489
70.	Liabilities associated with non-current assets and disposal groups held for sale		
80.	Other liabilities	753,397,724	736,892,593
90.	Staff severance indemnity	1,035,773	1,019,223
100.	Provisions for risks and charges:	250,773,280	139,147,235
	a) guarantees issued and commitments	120,441,569	97,783,581
	b) pensions and other post-retirement benefit obligations		
	c) other provisions	130,331,711	41,363,654
110.	Valuation reserves	539,854,697	950,928,999
120.	Redeemable shares		
130.	Equity instruments		
140.	Reserves	15,341,579,796	14,908,258,103
150.	Share premium reserve	2,378,517,244	2,378,517,244
160.	Share capital	4,051,143,264	4,051,143,264
170.	Treasury shares (-)	(57,220,116)	(57,220,116)
180.	Net income (loss) for the year (+/-)	2,540,463,436	2,203,445,268
	Total liabilities and equity	**370,015,487,673**	**367,265,268,483**

INCOME STATEMENT

	Items (euro)	31/12/2018	31/12/2017
10.	Interest income and similar income	7,849,429,210	7,275,809,784
	- *of which: interest income calculated using the effective interest rate method*	*8,074,651,562*	*7,463,708,043*
20.	Interest expense and similar expense	(4,266,256,100)	(4,311,124,029)
30.	Net interest income	3,583,173,110	2,964,685,755
40.	Commission income	396,384,656	108,116,186
50.	Commission expense	(1,537,340,203)	(1,579,499,602)
60.	Net commission income (expense)	(1,140,955,547)	(1,471,383,416)
70.	Dividends and similar revenues	1,362,386,971	1,354,720,829
80.	Profits (losses) on trading activities	2,852,174	(8,803,370)
90.	Fair value adjustments in hedge accounting	(16,694,547)	13,170,610
100.	Gains (losses) on disposal or repurchase of:	16,977,220	18,994,713
	a) financial assets measured at amortised cost	53,948,941	21,035,155
	b) financial assets measured at fair value through other comprehensive income	(36,952,465)	(2,040,442)
	c) financial liabilities	(19.256)	
110.	Profits (losses) on financial assets and liabilities measured at fair value through profit or loss:	(30,007,376)	(161,972,799)
	a) financial assets and liabilities designated at fair value	1,527,286	(1,551,155)
	b) other financial assets mandatorily measured at fair value	(31,534,662)	(160,421,644)
120.	Gross income	3,777,732,005	2,709,412,322
130.	Net adjustments/recoveries for credit risk relating to:	(65,137,062)	(5,715,973)
	a) financial assets measured at amortised cost	(64,114,115)	(5,715,973)
	b) financial assets at fair value through other comprehensive income	(1,022,947)	
140.	Gains/losses from changes in contracts without derecognition	(2,199,115)	
150.	Financial income (expense), net	3,710,395,828	2,703,696,349
160.	Administrative expenses:	(216,233,304)	(144,969,654)
	a) staff costs	(153,068,946)	(85,135,767)
	b) other administrative expenses	(63,164,358)	(59,833,887)
170.	Net accruals to the provisions for risks and charges:	(42,286,102)	80,228,853
	a) guarantees issued and commitments	(8,505,950)	80,145,632
	b) other net accruals	(33,780,152)	83.221
180.	Net adjustments to/recoveries on property, plant and equipment	(4,352,487)	(4,374,801)
190.	Net adjustments to/recoveries on intangible assets	(3,198,155)	(2,526,902)
200.	Other operating income (costs)	6,303,373	5,515,436
210.	Operating costs	(259,766,675)	(66,127,068)
220.	Gains (losses) on equity investments	(172,032,794)	28,631,108
230.	Gains (losses) on tangible and intangible assets measured at fair value		
240.	Gains (losses) on equity investments		
250.	Gains (losses) on disposal of investments	(4.042)	(5.181)
260.	Income (loss) before tax from continuing operations	3,278,592,317	2,666,195,208
270.	Income tax for the year on continuing operations	(738,128,881)	(462,749,940)
280.	Income (loss) after tax on continuing operations	2,540,463,436	2,203,445,268
270.	Income (loss) after tax on discontinued operations		
300.	**Net income (loss) for the year**	2,540,463,436	2,203,445,268

STATEMENT OF COMPREHENSIVE INCOME

	Items (euro)	31/12/2018	31/12/2017
10.	Net income (loss) for the year	2,540,463,436	2,203,445,268
	Other comprehensive income net of tax not transferred to income statement	(270,092,787)	(411.225)
20.	Equity securities designated at fair value through other comprehensive income	(270,092,787)	(411.225)
	Other comprehensive income net of taxes transferred to income statement	(243,914,971)	4,803,232
120.	Cash flow hedges	(11,922,482)	(3,708,169)
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(231,992,489)	8,511,401
170.	Total other comprehensive income net of tax	(514,007,758)	4,392,007
180.	**Comprehensive income (items 10 + 170)**	**2,026,455,678**	**2,207,837,275**

Independent Auditors' Report

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the shareholders of
CDP Equity SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CDP Equity SpA (the Company), which comprise the balance sheet as of 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of CDP Equity SpA are responsible for preparing a report on operations of CDP Equity SpA as of 31 December 2019, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of CDP Equity SpA as of 31 December 2019 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of CDP Equity SpA as of 31 December 2019 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 20 April 2020

PricewaterhouseCoopers SpA

Signed by

Fabrizio De Dominicis
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.

Report of the Board of Statutory Auditors

To the Shareholders' Meeting of CDP Equity S.p.A.

During the financial year ended 31 December 2019, our activities were inspired by the law provisions and the Rules of Conduct applicable to the Board of Statutory Auditors issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Council of Certified Public Accountants and Accounting Experts) and in compliance with the same we have performed a self-assessment for each member of the Board of Statutory Auditors with a positive outcome.

1) Supervisory activities pursuant to Article 2403 et seq. of the Italian Civil Code

We have monitored compliance with the law and the By-Laws and compliance with the principles of proper administration.

We have attended the Shareholders' Meetings and the meetings of the Board of Directors, in relation to which, based on the available information, we did not find any breaches of the law or the By-Laws, nor any transactions that were manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the company's assets.

During the meetings held, we have obtained information from the Directors on the general performance of operations and foreseeable evolution, as well as on the most significant transactions, by size or characteristics, carried out by the company and its subsidiaries and, based on the information obtained, we have no observations to report.

We have obtained information from the independent auditors PricewaterhouseCoopers S.p.A. during the meetings held, and based on their report, no relevant data and information emerged that would need to be highlighted in this report.

We have had meetings with the main corporate internal control functions, in particular Internal Auditing, Compliance and Risk Management, and no relevant data or information emerged that would need to be highlighted in this report.

We also had meetings with the Supervisory Board pursuant to Italian Legislative Decree 231/2001 and no critical issues emerged regarding the proper implementation of the organisational model that would need to be highlighted in this report.

We have acquired knowledge of and supervised, to the extent of our competence, the adequacy and functioning of the Company's organisational structure, also by collecting information from the heads of departments, and in this regard we have no observations to report.

We have acquired knowledge of and supervised, to the extent of our competence, the adequacy and functioning of the administrative and accounting system, as well as the reliability of the latter in correctly representing management events, by obtaining information from the heads of functions and examining company documents, and in this regard, we have no observations to report.

No reports were received from the shareholders pursuant to Article 2408 of the Italian Civil Code.

In the period, the Board of Statutory Auditors did not issue any opinions as required by law, with the exception of the favourable opinion expressed pursuant to Article 2389-ter, paragraph three of the Italian Civil Code concerning the remuneration of the Chief Executive Officer during the meeting of the Board of Directors on 24 September 2019.

During the supervisory activities, as described above, no other significant events have emerged that would need to be reported.

2) Observations on the financial statements

We have examined the draft financial statements for the year ended 31 December 2019, submitted to us in accordance with Article 2429 of the Italian Civil Code, which posted a loss of Euro 267,277,052.54 and shareholders' equity at Euro 2,671,169,336.14 and we report the following:

As we are not responsible for the legal auditing of the financial statements, we have supervised the general layout and compliance with the law as regards the form and structure, and have no observations to report.

We have verified compliance with the legal provisions relating to the preparation of the directors' report on operations and have no observations to report.

To the best of our knowledge, the Directors, in preparing the financial statements, have not made exceptions from the law pursuant to Article 2423, paragraph 4, of the Italian Civil Code.

3) Consolidated financial statements

The Company is not required to prepare consolidated financial statements pursuant to IFRS 10, as it qualifies for one of the exemptions IFRS 10, paragraph 4. It should be noted that CDP Equity S.p.A. is a subsidiary of Cassa Depositi e Prestiti S.p.A., which prepares the Group's consolidated financial statements.

4) Observations and proposals regarding the approval of the financial statements

With reference to the difficult situation generated in Italy as a consequence of the Covid-19 pandemic, the Board of Statutory Auditors has verified that the Company has implemented the appropriate measures to protect employee health and safety and complied with the specific measures issued by the relevant authorities.

The Board of Statutory Auditors, in agreement with the Board of Directors and the Company's management, will carefully monitor the evolution of the situation, in order to continuously control the possible economic/financial impacts that may affect the Company during the current financial year.

Considering also the findings identified by the independent auditors, contained in the relevant report on the financial statements, the Board of Statutory Auditors proposes that the Shareholders' Meeting approves the financial statements and the report on operations as at 31 December 2019, as prepared by the Directors.

As our office has come to an end, we would like to thank you for the trust placed in us and invite you to proceed with the appointment of the Board of Auditors for the next term of office.

Milan, 21 April 2020

Board of Statutory Auditors

Dr. Roberto Capone
Prof. Paolo Golia
Dr. Ines Gandini

CDP Equity S.p.A.

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Milan Register of Companies
Registered with the Milan Register of Companies under no. 07532930968
Registered with the Milan Chamber of Commerce (CCIAA) under
Economic Administrative Register (REA) no. 1965330
Share capital of Euro 2,890,583,470.00-entirely paid up
Fiscal Code and VAT no.
07532930968

Company managed and coordinated by Cassa Depositi e Prestiti S.p.A.
Via Goito, 4 - I-00185 Rome
Share capital Euro 4,051,143,264.00 fully paid-in
Rome Chamber of Commerce REA 1053767
Fiscal code and Company Registrar no. 80199230584
VAT no. 07756511007

cdp

Investing in tomorrow