2016

INTERIM FINANCIAL REPORT

Cassa depositi e prestiti

(Translation from the Italian original which remains the definitive version)

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cdp

1. Composition of CDP Group

CDP GROUP – ROLE AND MISSION

PRESENTATION OF THE CDP GROUP

Created in 1850 as a savings bank, a "place of public trust" for deposits, CDP has seen its mission transformed over the years, taking on a central role in Italian industry policy over the last decade.

From its beginnings as an institution for supporting the Italian economy, primarily through the financing of public entities, CDP has broadened its range of action to encompass the private sector, operating with a aim of promoting medium and long-term growth.

CDP plays a number of different roles in the economy, from financer to investor, adopting instruments of growing flexibility to respond suitably to the needs of investment.

These instruments range from the provision of loans for public investment, infrastructure and business growth, with the emphasis always placed on countercyclical investment of medium/long-term scope, to investment in equity capital and real estate.

CDP Group was created in 2012 following the acquisition by the MEF of SACE, Simest and Fintecna. This extended the scope of action of the Group to include support for the internationalisation of Italian business, working in synergy with the banking industry, and for international cooperation.

Notwithstanding the change, CDP remains committed to its public and social role of supporting public entities and the territory. CDP's public sector role includes the development of real estate assets through the resources and expertise of CDP Immobiliare, investment in social housing through the Fondo Investimenti per l'Abitare (FIA), the development of property owned by public entities through the FIV, and the management of cash advances for government trade payables.

In 2015, CDP was designated a "national promotional institution" by the Italian government and the European Union, thus becoming:

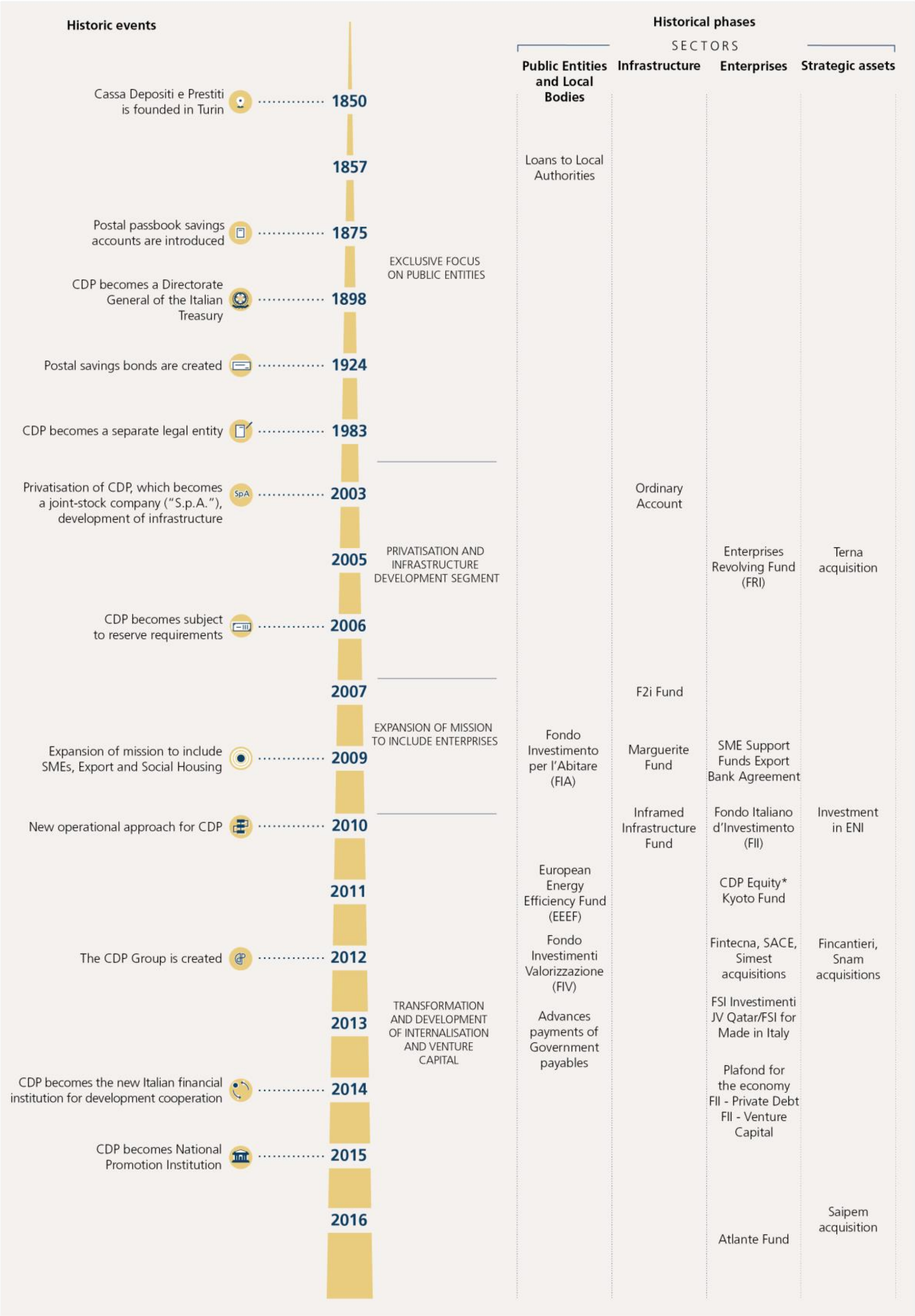
- the entry point for funding under the Juncker Plan for Italy;
- the financial advisor to government entities for improving the use of domestic and European funds.

This designation also transformed the economic role of CDP, which from patient, long-term investor can now also promote initiatives to drive economic growth.

In its capacity as the national promotional institution, CDP – as an entity and a group – rolled out many new initiatives and projects in the first half of 2016, aimed at promoting and supporting the country in a number of fields, including:

- energy efficiency
- internationalisation and innovation of businesses
- debt restructuring and support for local finances
- expansion of tourism
- shipbuilding and engineering
- social housing
- redevelopment of buildings
- sustainable development
- transport sector investments.

Historic events



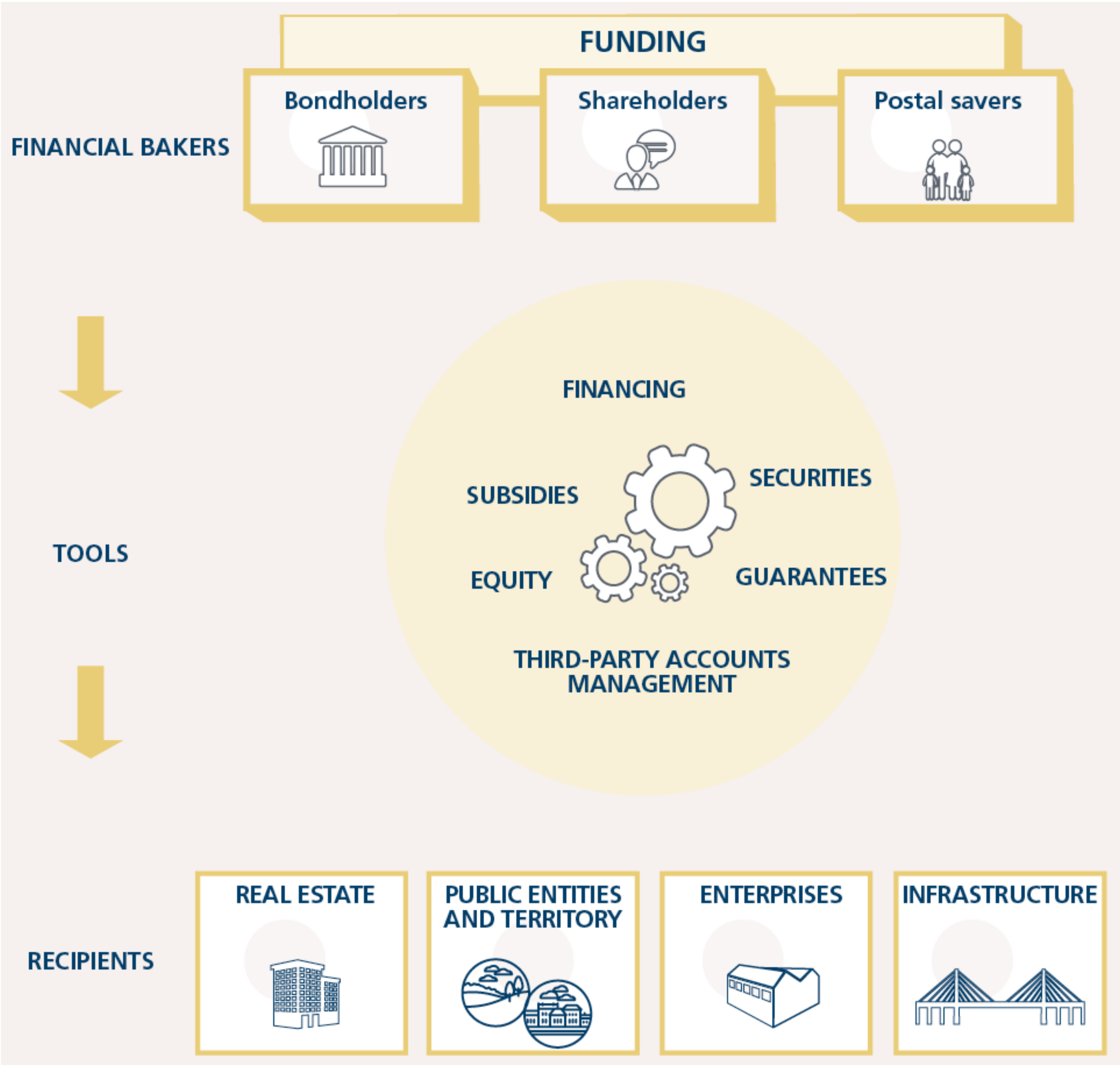
* The company changed its name on 31 March 2016

THE CDP BUSINESS MODEL

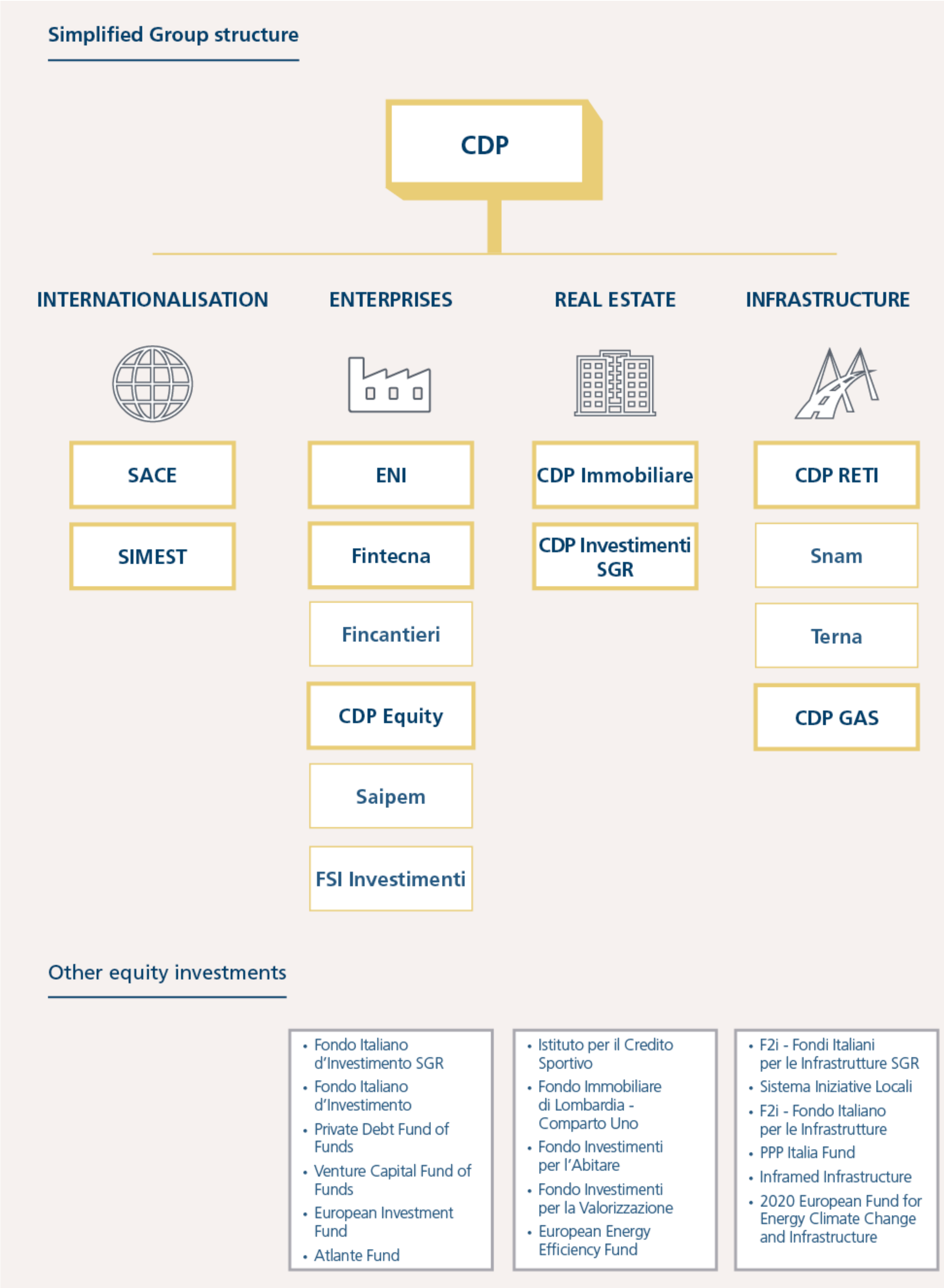
CDP Group works to support Italy's growth and employs its funds, consisting primarily of postal savings deposits, to promote the growth and development of the country, strategic national infrastructure and domestic firms, fostering their growth and international expansion.

Over the past ten years, CDP has taken on a pivotal role in Italian industry policy thanks to new operational methods that include traditional debt instruments, such as loans and security, as well as new equity instruments. Key investments have targeted the energy sector, transport networks and real estate, as well as the business sector, with a view to encouraging growth in scale and the international expansion of SMEs and strategic companies. These instruments are in addition to third-party fund management and subsidised instruments to promote research and the international expansion of companies.

Lenders and beneficiaries



CDP Group – organisational structure




cdp

2. Report on operations of the Group

1. COMPOSITION OF CDP GROUP

1.1. PARENT COMPANY

Cassa Depositi e Prestiti ("CDP") was established over 165 years ago (Law 1097 of 18 November 1850) as an agency for the protection and management of postal savings, investment in works of public utility and the financing of government and public entities.

CDP has always played an essential institutional role in supporting household savings and the Italian economy, adopting criteria of sustainable growth in the public interest.

Over its history, CDP's sphere of action has grown significantly, with the focus shifted from local authorities and postal savings (1850–2003), to infrastructure development (2003–2009), to the business sector, exports and internationalisation and equity instruments (2009–2016).

Since its privatisation in 2003, CDP has undergone radical transformation, creating the group it is today – a major player that invests, through debt and equity capital, in infrastructure, in the growth and international expansion of business, and in the acquisition of equity interests in Italian companies of national and international importance.

- In 2003, with its transformation into a joint-stock company, bank foundations became shareholders of CDP. The Ministry for the Economy and Finance ("MEF"), however, remains CDP's main shareholder, with 80.1% of the share capital.
- In 2006, CDP was required by the Bank of Italy to comply with the reserve requirement for banks.
- In 2009, CDP was authorised to finance initiatives of public interest, also in partnership with private-sector entities, without drawing on public finances, and to provide support for SMEs in the form of targeted funding through the banking industry.
- In 2011, CDP's sphere of operation was broadened further with the establishment of the "Fondo Strategico Italiano (FSI)", of which CDP is the pivotal investor.
- In 2012, CDP Group was established, comprising Cassa Depositi e Prestiti S.p.A. and companies subject to its management and coordination.
- In 2014, CDP's remit was extended again to encompass international cooperation, infrastructure financing and investments in research, drawing on both government-backed funding and unsecured funding (Decree Law 133/2014 – the "Unblock Italy" decree – and Law 125/2014). In particular, since 2014 CDP has been authorised to:
  - finance international development cooperation projects directed by public or private-sector entities;
  - draw on government-backed funding (postal savings funds) to finance initiatives in favour of private entities in sectors of "general interest", as identified by decree of the Minister for the Economy and Finance;
  - draw on non-government-backed funding to finance works, facilities, networks and equipment not only for the provision of public services, but as part of wider initiatives of public utility;
  - draw on non-government backed funding to finance investments in research, development, innovation, the protection and development of heritage assets, the promotion of tourism, the environment, energy efficiency and the green economy.

The progressive broadening of the CDP's sphere of action has led to a significant increase in new lending to promote economic growth in Italy. In the three years to 2015, new lending by CDP Group amounted to €87 billion. Over that period CDP enabled investments to be made by public entities (as virtually the sole lender available in a declining market), promoted the bankability of infrastructure works (playing a key role in the construction of major infrastructure for the country, providing some €8 billion), facilitated access to credit (approx. €18 billion in SME support funds) and the international expansion of businesses, and boosted the value of strategic assets for the country (public listing of Fincantieri, support for the growth of SNAM, scale-up of the Fondo Strategico Italiano).

The new macroeconomic context now requires the focus to be shifted firmly on growth and reforms, with action targeted at priority areas for development. CDP Group is in a position to contribute in a major way to supporting the country's growth by building on its unique mission and its new role as national promotional institution, as designated by Article 1.826 of Law 208 of 28 December 2015 (2016 Stability Law).

Thanks to its designation as national promotional institution under the provisions of the EU regulation concerning strategic investments and as an eligible implementer of the financial instruments receiving structural funds, CDP is authorised to engage in the activities contemplated by the regulation, also by drawing on Separate Account funds.[1] As such, CDP has become:

- the entry point for funding under the Juncker Plan for Italy;
- the financial advisor to government entities for a more efficient and effective use of domestic and European funds.

Thus the role of CDP has widened from that of medium/long-term investor to active promoter of initiatives supporting growth.

All of these activities are pursued by CDP in a manner that, within the context of the separate accounting and organisational system, preserves the long-term financial stability of the organisation while ensuring a return on investment for shareholders.

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

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

At the date of this report, CDP is structured as follows.

The following officers and organisational units report to the Chief Executive Officer and General Manager: Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Chief Legal Officer, Development Finance, Group Real Estate, Equity Investments, Public Affairs and Group Identity & Communications and Sustainability. The Chief Executive Officer and General Manager is assisted in his work by the CEO Staff & Business Plan Monitoring unit.

The Chief Audit Officer reports to the Board of Directors, which oversees and coordinates audit activities through the Chairman. The Chief Audit Officer coordinates the following organisational units: Law 231/01 Framework Methods & Governance; Audit Planning & Implementation.

The Chief Financial Officer coordinates the following organisational units: Administration, Accounting and Reporting; Finance; Funding; Tax; Investor Relations & Rating Agencies; Planning and Control.

The Chief Risk Officer coordinates the following organisational units: Compliance; Loans; Risk Management and Anti-Money Laundering.

The Chief Operating Officer coordinates the following organisational units: Purchasing; Back Office & Logistics; ICT; Organisation & Processes; Special Projects; Human Resources.

The Chief Legal Officer coordinates the following organisational units: Corporate Governance Support; Litigation & Credit Recovery; Legal Affairs.

Development Finance coordinates the following organisational units: Business Development; Research & Studies; Loan Management; Public Interest Lending; Loans; Public Entities; Economic Support; Relationship Management.

Equity Investments coordinates the following organisational units: Investment Funds, Infrastructure & International Development; Energy & Industrial.

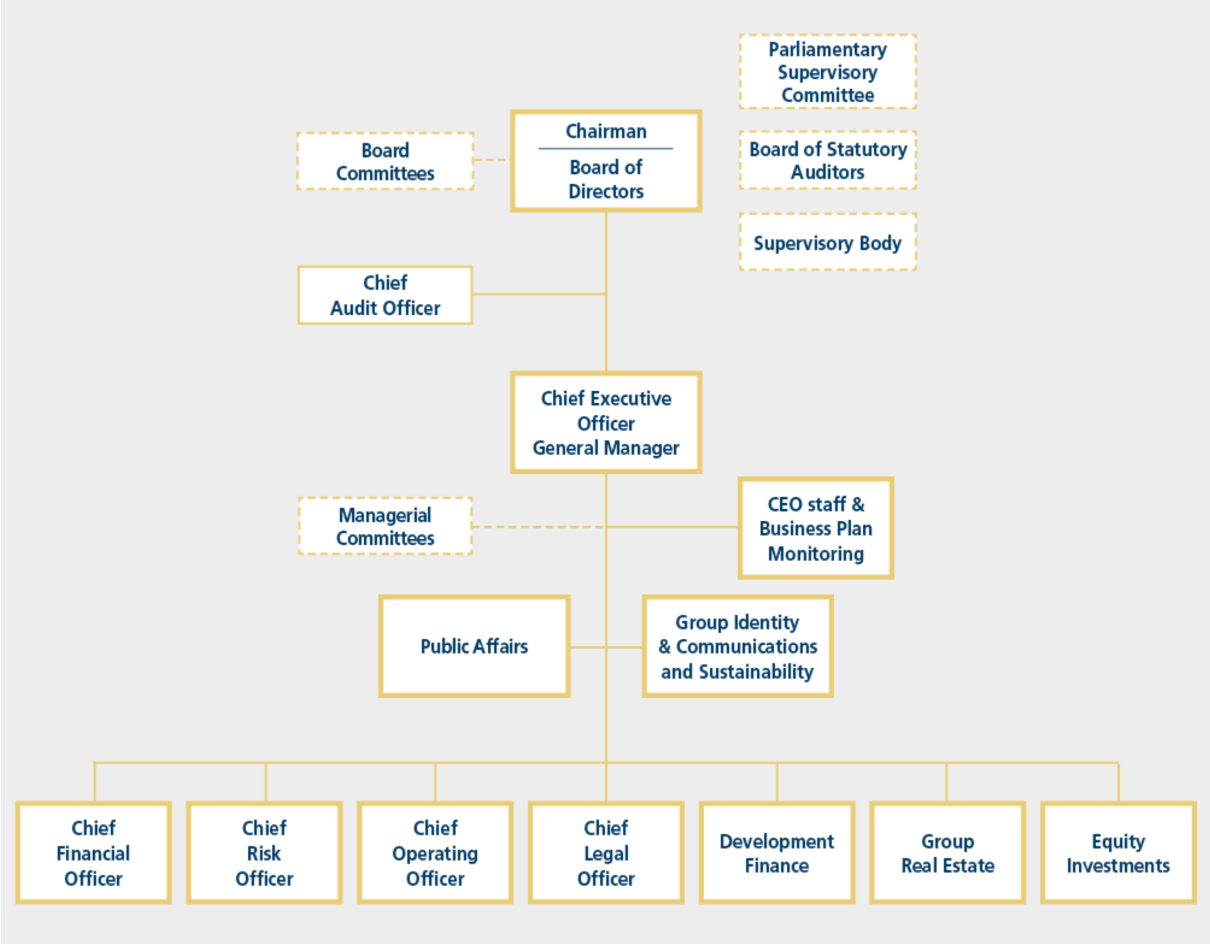
Public Affairs coordinates the following organisational units: Institutional Relations; International Relations.

Group Identity & Communications and Sustainability coordinates the following organisational units: Business Communications; Reputation Management.

The organisational chart of CDP at 30 June 2016 is as follows:

[1] The Separate Account, established under provisions of Article 5.8 of Legislative Decree 269 of 30 September 2003, converted, with amendments, into Law 326 of 24 November 2003, is reserved for the mission of pursuing the general economic interest assigned to CDP.

Organisational chart at 30 June 2016



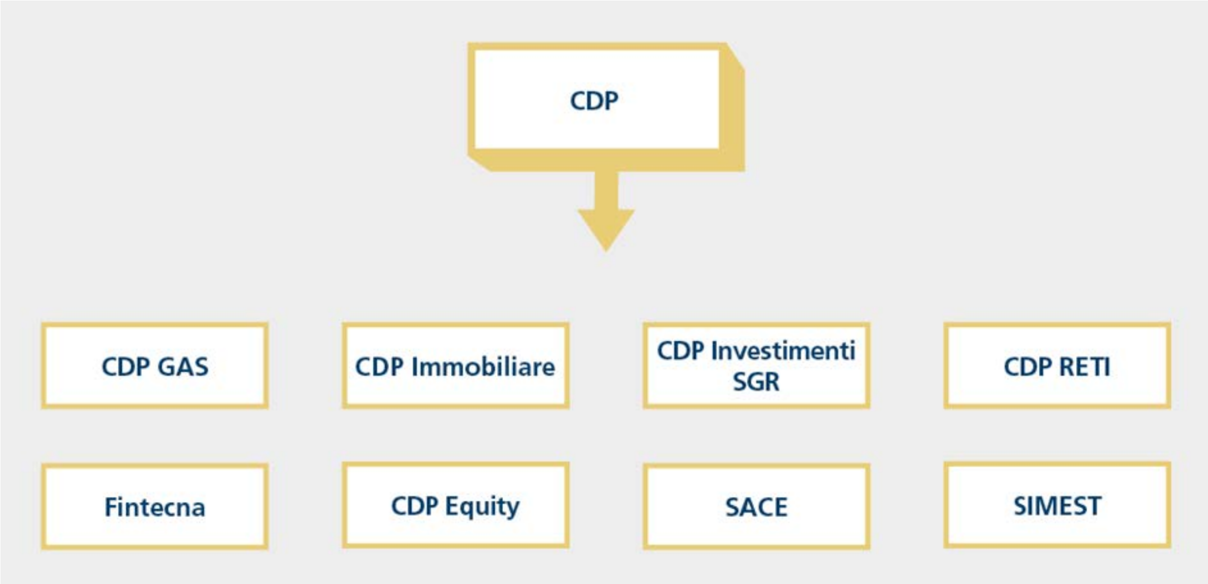
At 30 June 2016, CDP had 673 employees, of whom: 56 senior managers, 320 middle managers, 273 office staff, 18 persons in other types of contractual relationship (ongoing collaboration arrangements and interns) and 6 employees seconded from another organisation.

During the first half of 2016 staff numbers continued to grow both qualitatively and quantitatively, with 62 new hires taken on and 26 people leaving.

Compared to end 2015 figures, the average age of employees fell to 44 years, whereas the percentage of employees with a tertiary education (bachelor's degree, master's, doctorate or other postgraduate qualification) rose to 67%.

1.2. COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

Companies subject to management and coordination by CDP S.p.A.



CDP INVESTIMENTI SGR S.P.A.

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

CDPI SGR is a CDP Group company that operates in the real-estate investment sector, engaged specifically in promoting, establishing and managing closed-end funds reserved to qualified investors in specific real estate market segments: private social housing (PSH) and developing the property assets of central government and public entities.

CDPI manages two real estate funds: the Fondo Investimenti per l'Abitare (FIA) and the Fondo Investimenti per la Valorizzazione (FIV). The latter comprises two specific segments, Plus and Extra.

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

The FIV is an umbrella real estate investment fund whose main objective is to promote and foster the privatisation of real estate owned by the State and public entities, by purchasing, including through auctions or other competitive procedures, real estate with unexpressed potential value that can be leveraged through a change in use, upgrading or rental.

Unlike the FIA, which is a fund of funds, the FIV invests directly in real estate and its asset management operations are aimed at increasing the value of the purchased real estate through its active management and subsequent disposal, also in the light of market trends.

Another of the company's business lines is the management of a real estate fund reserved for the acquisition and management of tourist sector assets. The fund, named Fondo Investimenti per il Turismo (FIT), was established in July 2014 and became operational after 30 June 2016 with the subscription of units by the sole unit holder CDP.

At 30 June 2016, CDPI SGR had 42 employees, of whom: 7 senior managers, 22 middle managers and 13 office staff, including two people seconded from CDP. Compared to last 31 December, one senior manager left the company and was replaced by a person seconded from the parent company, three professionals were hired, two of whom were previously interns, and a new management role was created, filled by a person seconded from CDP.

CDP IMMOBILIARE S.R.L.

CDP Immobiliare (formerly Fintecna Immobiliare) was set up in 2007 by Fintecna Group as part of the restructuring of the Construction & Civil and System Engineering division of the former IRI Group, where it was responsible for real estate acquired through the portfolio and the management, development and sale of properties.

On 1 November 2013, following the demerger of Fintecna's real estate assets, all equity interests held by Fintecna in CDP Immobiliare and Quadrante were transferred to CDP.

CDP Immobiliare manages all aspects of its real estate operations either directly or in partnership. Its mission was expanded to integrate the company into a broader range of services geared toward leveraging public-owned real estate holdings, through the creation of synergies with other Group companies operating in the same sector. As part of this process, the company was tasked with the technical and administrative management and maintenance of a portfolio of properties in the FIV managed by CDPI SGR.

In particular, the company is active in three fundamental business areas:

- the acquisition, management and marketing of real estate portfolios;
- the execution of major redevelopment projects, also in partnership via the formation of investee companies;
- the performance of technical and management services in the real estate sector, both to support its own activities and as a supplier to other operators in the sector.

At 30 June 2016, CDP Immobiliare had 126 employees, of whom: 20 senior managers, 42 middle managers and 64 office staff. Compared to 31 December 2015, the total headcount fell by 2, following the hiring of one new office worker and the termination of 3 employees.

CDP EQUITY S.P.A.

Fondo Strategico Italiano S.p.A., established on 2 August 2011, changed its company name as of 31 March 2016 to CDP Equity S.p.A.

CDP Equity is a public-owned company with a share capital of €4.4 billion, of which CDP holds 77.702%, Fintecna 2.298% and Bank of Italy 20% of the share capital.

The company acquires equity holdings – usually non-controlling interests – in companies of "major national interest" that have a stable financial position and performance and are capable of generating value for investors.

On 2 July 2014, the MEF broadened the investment scope of CDP Equity via Ministerial Decree, identifying: (i) the tourism, hotel, agrifood, distribution, cultural and artistic heritage management segments among its "strategic segments"; and (ii) companies which – though not incorporated in Italy – operate in some of the aforementioned segments and have subsidiaries (or permanent establishments) in Italy with a total turnover of no less than €50 million and an average number of employees of no less than 250 in the last fiscal year among the companies of "major national interest".

CDP Equity recently entered into co-investment agreements with sovereign funds that have expressed an interest in investing in Italy and in cooperating with institutions. This had the following outcomes:

- In 2013 (i) the joint venture IQ Made in Italy Investment Company S.p.A. ("IQ") was formed with Qatar Holding LLC for investments in the "Made in Italy" sector and (ii) a cooperation agreement was signed with the Russian Direct Investment Fund ("RDIF") for investments of up to €500 million per transaction in enterprises and projects that promote economic cooperation between Italy and Russia and the growth of their respective economies;
- In 2014 (i) a new investment company called FSI Investimenti was formed, in which CDP Equity holds approximately 77% and KIA approximately 23%; (ii) a cooperation agreement was signed with China Investment Corporation ("CIC International") for joint investments of up to a maximum value of €500 million for each of the two institutions, in order to promote economic cooperation between Italy and China;
- in 2015, a cooperation agreement was signed with Korea Investment Corporation (KIC) for joint investments of up to a maximum value of €500 million each.

The new business plan for the Group provides for the overall rationalisation of the company's equity portfolio.

Specifically, the rationalisation plan envisages two areas of focus for investment: (i) investments identified as "stable", i.e., in companies of "systemic" interest for the national economy and with a long-term horizon, which will be undertaken by CDP Equity in strict coordination with CDP; and (ii) investments "promoting growth" in mid-sized companies, with a view to supporting business growth plans (geared towards public listing), drawing on a reserved, closed-end fund to be managed by an asset management company initially established by CDP and named FSI SGR, but subsequently opened to external investors, with CDP retaining a minority interest.

At 30 June 2016, CDP Equity had 40 employees, compared to a total of 41 at the end of 2015.

FINTECNA

Fintecna was formed in 1993 for the specific purpose of reorganising the recoverable businesses and performing transitional management activities connected with the liquidation of Iritecna, preparing the way for its privatisation. With effect from 1 December 2002, Fintecna and its residual assets were merged into IRI, which was in liquidation.

On 9 November 2012, CDP acquired the entire share capital of Fintecna from MEF.

Today, the main equity interests held by Fintecna consist of a controlling interest in Fincantieri, of which it holds 71.64% of the share capital. Following the listing of Fincantieri on the stock exchange, Fintecna no longer exercises the management and coordination of the company.

Fintecna's operations currently consist of the following key business lines:

- management of equity investments involving policy-setting, planning, coordination and control;
- management of liquidation processes;
- management of litigation mainly arising from acquired companies;
- other activities, including support for people affected by the earthquakes in Abruzzo in 2009 and Emilia, Lombardia and Veneto in 2012. Operations concerning the provision of professional assistance to the special commissioner in charge of overseeing the Roma Capitale debt reduction plan were brought to a close in the current period.

At 30 June 2016, Fintecna had 137 employees, including 16 senior managers, compared to 141 employees at 31 December 2015.

SACE GROUP

SACE was established in 1977 as a public entity under the supervision of the MEF. In 2004, it was transformed into a joint-stock company, wholly owned by the MEF. On 9 November 2012, CDP acquired the entire share capital of SACE from MEF.

SACE is an insurance and finance group operating in the areas of export credit, credit insurance, investment protection, financial guarantees, sureties and factoring.

Specifically, the corporate purpose of SACE is insurance, reinsurance, co-insurance and the provision of guarantees against risks relating to political events and natural catastrophes, economic, trade and exchange-rate risk, as well as any other risks to which Italian companies and companies associated with them or controlled by them, including foreign companies, are exposed in the performance of their activities outside Italy and or in the internationalisation of the Italian economy. SACE's corporate purpose also includes issuing guarantees and insurance for foreign companies in Italy for transactions of strategic importance for the internationalisation of the Italian economy and for the economic security of Italy.

At 30 June 2016, SACE group had 723 employees, of whom: 48 senior managers, 314 management-level staff and 361 office staff. The group recorded no change in staff numbers compared to 31 December 2015.

SIMEST

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

On 9 November 2012, CDP acquired 76% of the share capital of SIMEST from the Ministry for Economic Development ("MISE"); The other shareholders consist of a group of private-sector investors, including UniCredit S.p.A. (12.8%), Intesa Sanpaolo S.p.A. (5.3%), Banca Popolare di Vicenza S.c.p.A. (1.6%) and ENI S.p.A. (1.3%).

Its main activities are:

- investment in the equity of companies outside the EU by: (i) the direct acquisition of stakes of up to 49% of share capital; (ii) managing the venture capital fund established by the MISE;
- investment in the capital of companies in Italy and within the EU, through the direct acquisition of stakes, under arm's length conditions and without any advantages, of up to 49% of share capital, which develop investments in production and in innovation and research (bailouts are not permitted);
- financing the activities of Italian companies abroad by: (i) supporting export credits for investment goods produced in Italy; (ii) financing feasibility studies and technical assistance programmes connected with investment projects; (iii) financing programmes for entering foreign markets;

- providing Italian companies seeking to internationalise their businesses with technical assistance and advisory services.

At 30 June 2016, the company had 164 employees, of whom: 12 senior managers, 81 middle managers and 71 professionals. Compared to 31 December 2015, the headcount fell by 1, after 3 employees left during the half (of whom one was seconded from SIMEST to CDP) and 4 employees joined the company (of whom 3 people seconded from CDP to SIMEST).

OTHER COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

CDP GAS S.r.l.

CDP GAS is an investment vehicle formed in November 2011 and wholly owned by CDP, through which, on 22 December 2011, an 89% interest in TAG, the exclusive operator for the transport of gas in the Austrian segment of the gas pipeline linking Russia to Italy, was acquired from Eni International B.V.

As a result of the transfer to TAG by the Austrian partner Gas Connect Austria GmbH ("GCA") of a business unit including, inter alia, the physical ownership of the gas pipeline, as part of a corporate restructuring and reorganisation plan, the equity investment held by CDP GAS in TAG fell in 2014 to an 84.47% interest in the share capital, and an 89.22% interest in assets and profits.

Negotiations in 2014 between CDP GAS and SNAM resulted in the transfer of the equity investment held in TAG through a capital increase reserved to the company, through which at 31 December 2014, CDP GAS held a 3.4% equity interest in SNAM.

In 2015, in line with steering policy set by the parent company CDP, CDP GAS disposed a part of the shares it held in SNAM on the market through a premium-guaranteed dribble-out programme, which resulted in the sale of 79,799,362 SNAM shares, equal to 2.28% of the share capital. As a result of the partial divestment programme, CDP GAS now holds an equity investment in SNAM of 1.12%.

At 30 June 2016, CDP GAS did not have an employed workforce; administrative functions are outsourced by the company to the parent, CDP, under a service agreement made at arm's length conditions.

CDP RETI S.p.A.

CDP RETI is a company, formed in October 2012, through which CDP purchased a stake in SNAM from ENI on 15 October 2012. At 30 June 2016, CDP RETI held 28.98% of the share capital of SNAM.

On 27 October 2014, CDP transferred its entire stake in TERNA, equal to 29.85% of share capital, to CDP RETI. At 30 June 2016, no change was recorded in the equity investment.

Following the completion in November 2014 of the process to open CDP RETI's share capital to outside investors, its share capital of €161,514 is now owned 59.1% by CDP, 35.0% by State Grid Europe Limited, a company of the State Grid Corporation of China group, and the remainder (5.9%) by Italian institutional investors.

CDP RETI's mission is therefore to manage the equity investments held in SNAM and Terna.

At 30 June 2016, CDP RETI had 4 employees. In carrying on its business, the company relies on the support of the parent company, CDP, under service agreements made at arm's length conditions.

2. OVERVIEW OF THE FIRST HALF OF 2016

CDP S.p.A. – Financial aggregates[2] and performance indicators (€/m and %)

	30/06/2016	31/12/2015	30/06/2015	Change Absolute	Change %
Total assets	369,565	344,899		24,666	7.2%
Cash and cash equivalents	172,834	168,644		4,190	2.5%
Loans	102,688	103,736		(1,048)	-1.0%
Equity investments	29,967	29,570		397	1.3%
Funding	346,250	323,046		23,204	7.2%
Equity	19,880	19,461		419	2.2%
Net interest income	1,174		380	793	208.7%
Gross income	1,423		1,001	422	42.1%
Operating income	1,314		949	365	38.4%
Net income for the period	1,147		916	231	25.2%
Net interest income spread	0.8%		0.3%		
Cost/income ratio	4.9%		6.2%		
ROE	11.8%		9.4%		
Total bad debts and unlikely to pay/total exposure	0.3%	0.3%			

[2] Reclassified (see section 5.1)

CDP Group – Financial aggregates[3] and performance indicators (€/m and %)

	30/06/2016	31/12/2015 Restated	Change Absolute	Change %
Total assets	421,639	398,870	22,769	5.7%
Cash and cash equivalents	176,698	172,523	4,175	2.4%
Loans	108,341	110,540	(2,199)	-2.0%
Equity investments	18,072	18,172	(100)	-0.6%
Funding	368,787	345,409	23,378	6.8%
Equity	33,289	34,553	(1,264)	-3.7%
of which pertaining to shareholders of the parent company	19,315	20,199	(884)	-4.4%

	30/06/2016	30/06/2015 Restated	Change Absolute	Change %
Net interest income	1,023	208	815	391.8%
Gross income	(13)	204	(217)	n.s.
Operating income	2,113	2,579	(466)	-18.1%
Net income for the period	635	1,165	(530)	-45.5%

[3] Reclassified (see section 5.2)

3. MACROECONOMIC SCENARIO AND THE MARKET

3.1. MACROECONOMIC SCENARIO

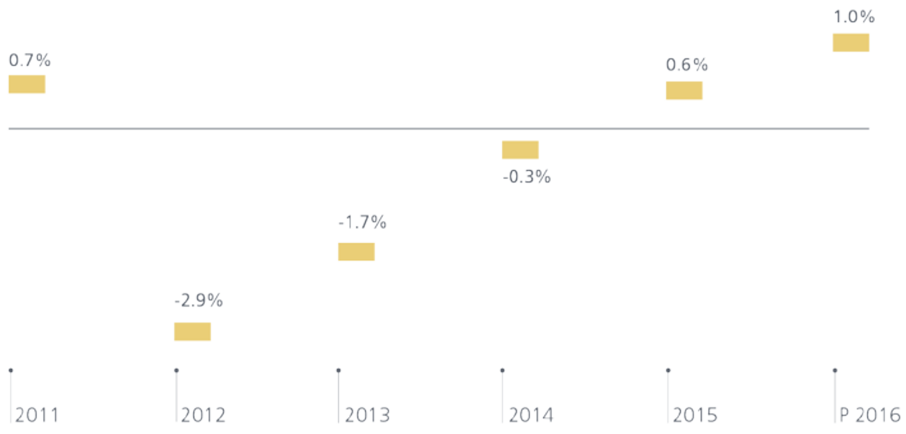
Recent International Monetary Fund estimates[4] forecast a recovery in the world economy in 2016. Nevertheless, GDP is expected to grow at comparatively lower rates than the past decade (2015: 3.1%; 2016F: 3.2%; ten-year average: 3.7%), in part because world trade is growing more slowly than in the past (2015: 2.8%; 2016F: 3.1%; ten-year average: 4.5%).

Advanced economies continue to be travelling at varying economic speeds. Positive signals have emerged from the USA, where GDP growth is expected to remain stable (2015: 2.4%; 2016F: 2.4%), while the recovery in the Eurozone is slowing down (2015: 1.6%; 2016F: 1.5%) and growth in Japan continues to be relatively stagnant (2015: 0.5%; 2016F: 0.5%). Emerging markets are also expected to post a slowdown in growth, held back by faltering growth in China (2015: 6.9%; 2016F: 6.5%) and the troubles that low oil prices represent for certain exporter countries, such as Brazil (2015: -3.8%; 2016F: -3.8%) and Russia (2015: -3.7%; 2016F: -1.8%)[5]. Weighing in on the estimates are the many uncertainties and risks connected with the world geopolitical situation, in particular the effects of the United Kingdom's decision to exit the European Union and tensions tied to terrorism and the refugee crisis, which in Europe risks undermining an equilibrium between countries that is already fragile.

As fears resurface for the Eurozone, forecasts released before the UK referendum put the monetary union on the path of recovery. In particular, the Eurozone has benefitted, and will continue to benefit, from a number of positive factors both exogenous and endogenous to the area, such as the depreciation of the euro against the US dollar, the stabilisation of oil prices at mid-2015 levels and a further easing in the ECB's monetary policy stance.

In this mixed European picture stands the Italian economy. Various forecasts appear to agree that the economy can expect a growth rate of 1.0% for the year underway, around 3 percentage points higher than the rate recorded for 2015. In the first quarter of 2016,[6] GDP rose by 0.3% on a quarterly basis. A breakdown of the components of growth confirms that household consumption (+0.2%) continued to be, as it was last year, the main driver of economic growth in Italy, while fixed investments remained stable (0.0%). Foreign demand posted negative growth (-0.2%), whereas imports grew faster than exports, driven by the recovery in domestic demand.[7]

Real GDP growth (% change year on year)



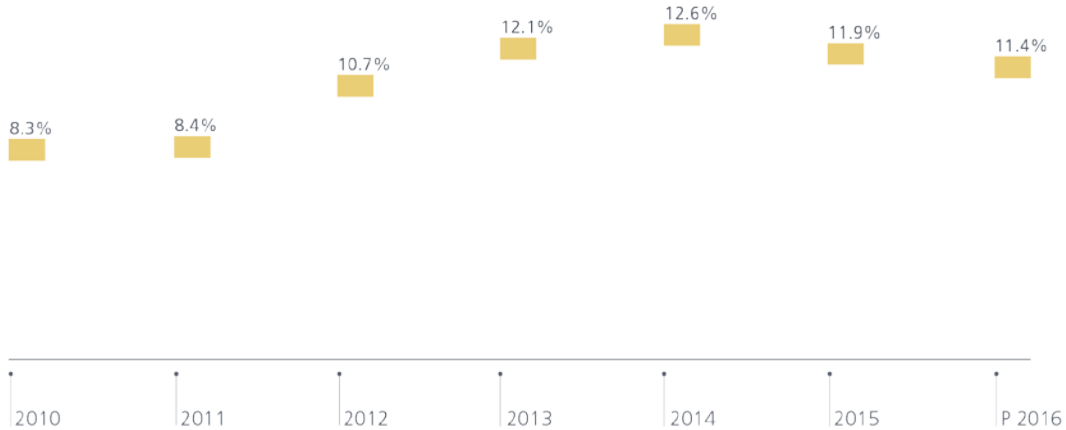
Source: Istat

[4] IMF, *World Economic Outlook*, April 2016.
[5] IMF, *World Economic Outlook*, April 2016.
[6] Latest figure available.
[7] Istat, *Conti economici trimestrali*, May 2016.

Among the positive signals to have emerged is a drop in the unemployment rate. The Bank of Italy estimates unemployment will average 11.4% over 2016, a drop of approximately 0.5 percentage points on the 2015 figure, driven in part by labour market reforms and associated tax relief introduced.

Average inflation for the year is expected to remain stagnant (around 0%), before rising again gradually over the next two years (0.9% in 2017 and 1.5% in 2018), reflecting growth in imports and domestic prices, driven above all by the cyclical recovery in profit margins.[8]

Unemployment rate



Source: Bank of Italy.

As concerns production output, improvements were recorded on a yearly basis. Average output over the first five months of the year rose by 1.3% year-on-year. Seasonally adjusted production indices, however, at May 2016 showed growth in only one segment on a yearly basis, posted by intermediate goods (+1.8%). Negative growth continued characterise the energy goods sector (-5.9%), held back by the drop in oil prices, capital goods (-1.5%) and consumption (-0.7%). The segments showing the strongest growth year-on-year were transport vehicle manufacturing (+5.6%), while the heaviest falls were recorded by the mining (-13.5%) and refined petroleum products (-9.7%) sectors.[9]

3.2 THE CREDIT SECTOR

3.2.1 MONETARY POLICY AND INTEREST RATES

In mid-March this year, the ECB announced the continuation of its expansive monetary policy stance with the decision to cut interest rates on deposits to -0.4% and the rate on main refinancing operations to 0.0%. In addition, the ECB raised its monthly purchases under the asset purchasing programme (APP) to a total of €80 billion and expanded the range of securities that may be purchased to include non-financial corporate sector securities issued in the Eurozone.

At June 2016, the stock of Italian bank loans under the Eurosystem dropped on an annual basis by approximately 3.2%, due to lower loan volumes borrowed through long-term refinancing operations, which fell by 5.2%. Borrowing under short-term refinancing operations instead showed growth (+35.7% year-on-year).

The ECB's open monetary policy stance has led to a progressive drop in market interests rates in 2016. The 3-month Euribor fell from -0.13% at the start of the year to -0.28% in June 2016, while the Eonia rate fell from -0.13% to -0.32% over the same period.[10]

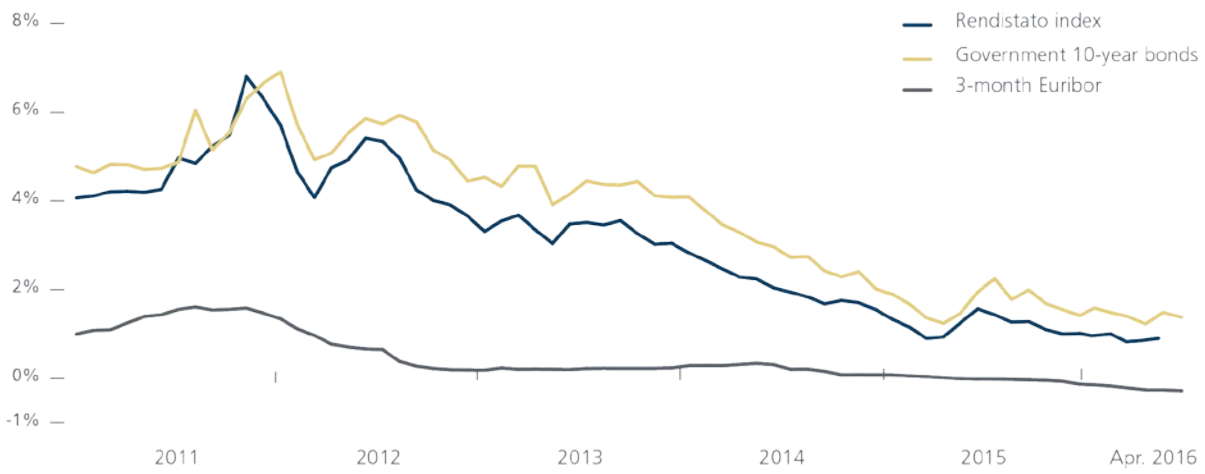
Tensions rose in sovereign debt security markets, after the minimum levels seen at the start of the year, fuelled by a mixture of the uncertainties over the future of the European Union, the difficulties faced by the Italian banking industry and the negative outlook for growth in emerging countries, which led investors to privilege safer assets, such as ten-year German bonds. After the minimum reached in mid-March, thanks to the ECB's announcement that it would be easing mone-

[8] Bank of Italy, *Proiezioni Macroeconomiche per l'Italia*, June 2016.
[9] Istat, *Produzione Industriale*, July 2016.
[10] Based on Thomson Reuters – Datastream data.

tary policy further, the spread between the yields on Italian and German ten-year government bonds began to widen again, rising to 150 basis points at the end of June, more than 50 basis points higher than at the start of the year.[11]

In this context, the Italian Rendistato index progressively fell due to lower yields on Italian public debt securities, dropping to a low of 0.9% in May, approximately 9 basis points lower than at the start of January.[12]

Key interest rates (%)



With reference to key bank interest rates, both the deposit rate applied to households and non-financial companies and bond yields remained substantially stable over the first quarter of the year (at around 0.5% and 2.9% respectively).

At the same time, interest rates on loans to non-financial companies dropped further, falling to 2.8% in May (versus 3.0% in December 2015).[13]

3.2.2 LENDING AND FUNDING IN CDP'S REFERENCE MARKET

At May 2016, total loans to the economy (including households, enterprises and general government) showed a negative change year-on-year (-0.5%). The volume of loans to businesses continued to decline from the start of the year, recording an annual drop of 2.9% in the month of May alone,[14] although key estimates continue to forecast a significant recovery in lending by the end of the year.[15]

Bank deposits by residents showed divergent trends in the main two components of the figure. While deposits continued to show strong growth (+3% year-on-year to May), medium/long-term funding, i.e., through bonds, declined further (-16% year-on-year to May). After weak signs of recovery at the end of 2015, the overall trend in funding (deposits from resident customers and bonds) recorded negative monthly growth year-on-year throughout the first half of 2016 (-1.6% year-on-year to May).[16]

In the first half of the year, total bad bank loans rose to new relative heights, although the rate of growth in impaired loans showed signs of abating. Bad loans rose by 3.2% in the year to May, amounting to €200 billion. The ratio of total bad loans to total loans reached 12.2%. Non-performing loans to enterprises rose by 2.9% year-on-year, while bad loans to households increased by 4.8%.[17]

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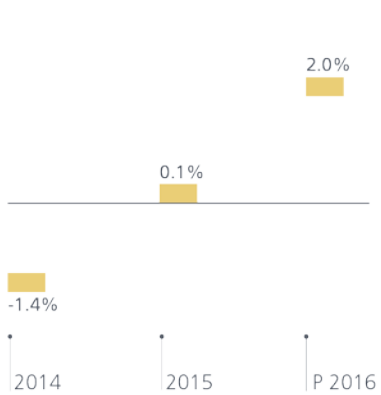
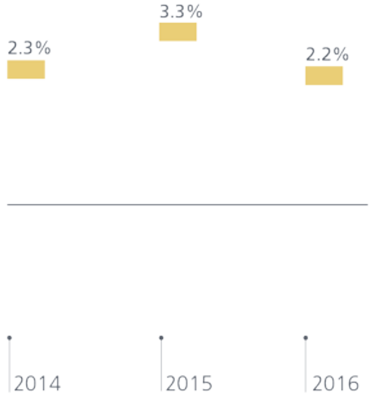
[11] Based on Thomson Reuters – Datastream data.
[12] Based on Bank of Italy figures.
[13] See Bank of Italy, *Moneta e Banche*, July 2016.
[14] See Bank of Italy, *Moneta e Banche*, July 2016.
[15] See ABI, *ABI Financial Outlook,* April 2016.
[16] See Bank of Italy, *Moneta e Banche*, July 2016.
[17] See Bank of Italy, *Moneta e Banche*, July 2016.

Banks loans to general government and enterprises (% change in stock)



Household financial assets (% change in stock)



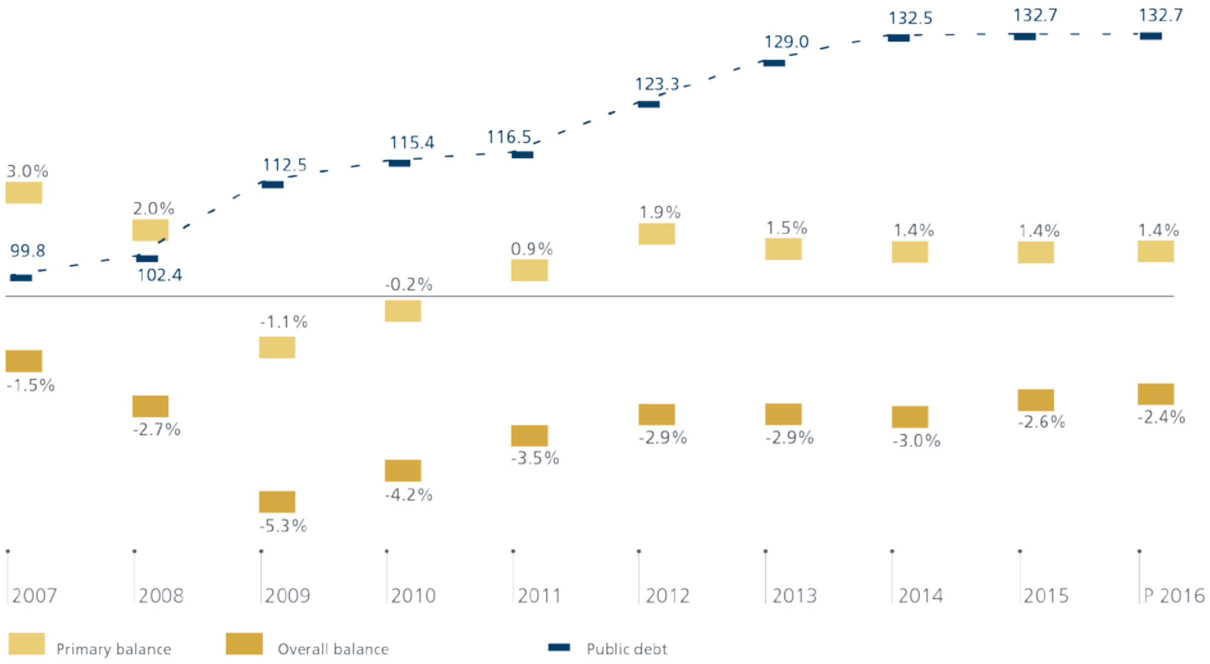
Based on Bank of Italy, ABI and Prometeia figures

3.3 PUBLIC FINANCES

Public finances improved slightly in the first half of the year, compared to the corresponding period of last year. In the first quarter of 2016, net general government debt amounted to 4.7% of GDP (down 0.5 percentage points on the corresponding quarter of 2015). The primary balance of general government finances was negative, with the deficit equal to 1.2% of GDP (-1.5% in the first quarter of 2015). The current account balance was also negative, equal to 2.1% of GDP (-2.2% in the first quarter of 2015). The tax revenue to GDP ratio amounted to 38.9%, down 0.2 percentage points compared to the same period of last year.

As concerns budget numbers, the European Commission granted Italy extra flexibility in meeting its budget deficit target, approving an additional €14 billion in deficit spending in the 2016 budget, equal to 0.9% of GDP, under rules admitting investments, reforms and expenditure for the management of migrant inflows. The budget deficit in 2016 is forecast to reach 2.4% of GDP, with a primary surplus expected at 1.6%. The arrangement reached with the European Commission has enabled the government to inject a positive stimulus for GDP growth. According to European Commission estimates, however, public debt in 2015 continued to be excessively high at 132.7% of GDP. The debt to GDP ratio is expected to fall slightly only as of 2017.

Trends in general government debt and the primary and overall budget balances (% GDP)



Source: AMECO.

3.4 REAL ESTATE SECTOR

After an extensive period of recession in the industry, which started 2007, in 2015 the real estate sector showed stable signs of a return to growth, consolidating the positive figure posted the previous year. A total of 964,000 transactions were recorded, up by 4.7% on 2014. The strongest growth was seen in the residential (+6.5%) and commercial (+1.9%) real estate segments, while the tertiary and manufacturing segments continued to remain in negative ground (-2.0% and -3.5% respectively).

First-quarter 2016 figures show further growth in the sector (+17.3% year on year), with the best performance posted by residential real estate (+20.6%), although general growth was seen across all segments.

Signs of general economic recovery underpinned stronger household confidence. The Future Climate index prepared by ISTAT rose from an average 108.7 points in 2014 to 120.7 points in 2015, reflecting a greater propensity to spend on items entailing major long-term exposure. The trend has been underpinned by two major factors:

- on the one hand, house prices in 2015 continued to decline, albeit at slower rates. In 2015, residential property prices recorded a drop of 2.4% (-4.4% in 2014). The first-quarter 2016 figure (-1.2% year on year), which confirms that the fall in prices is bottoming out, potentially represents a disincentive for postponing the decision to purchase, in the expectation that the return to growth will extend to prices;
- on the other, access to credit has continued to improve, with interest rates in decline and bank lending on the rise. In 2015, purchases funded by mortgage loans rose by 19.5% (lending to households rose by 71.4% compared to 2014 to reach €43.1 billion), with the average interest rate (calculated on the first loan instalment) falling by 0.65 percentage points to reach an average of 2.75%.

3.5 PRIVATE EQUITY SECTOR

BACKGROUND SCENARIO

Considering the economic potential of Italy, with its strong manufacturing sector and the dynamism of businesses, the domestic capital market has yet to match the markets of other European countries. The stock market is still quite small, although good signs of growth have emerged over the last two years. At the end of 2015, the Italian stock exchange officially had 356 listed companies in the country (282 on the main electronic equity market, of which 71 in the STAR segment), whereas over a thousand companies are listed in France. Nevertheless, encouraging signs exist for listings with a market cap of over €100 million, with 13 new IPOs on the main stock market run by the Milan stock exchange in 2014 and 2015. The figure is much higher than for the previous two-year period, when only 1 IPO was made in 2012 and 2 IPOs in 2013, compared to 5 in 2014 and 8 in 2015. A total of €5.7 billion in capital was raised through IPOs in 2015, compared to €2.9 billion in 2014. In the first half of 2016, 3 new IPOs were launched on the main stock market. Yet despite this newfound dynamism, in 2014 and 2015 an additional 9 IPOs of over €100 million were announced but were subsequently withdrawn.

The private equity market's penetration into the economy is still rather limited. In 2015, the private equity market was worth just 0.16% of GDP, compared to 0.48% in the United Kingdom, 0.38% in France and an average 0.30% across Europe. In 2015, private equity funds invested €4.6 billion in Italy through 342 deals, but although investments have grown by 13% per annum since 2010, private equity in Italy accounts for just 5% circa of all private equity investment in the 28 countries of the European Union, yet Italy's GDP represents more than 10% of the total GDP of the European Union.

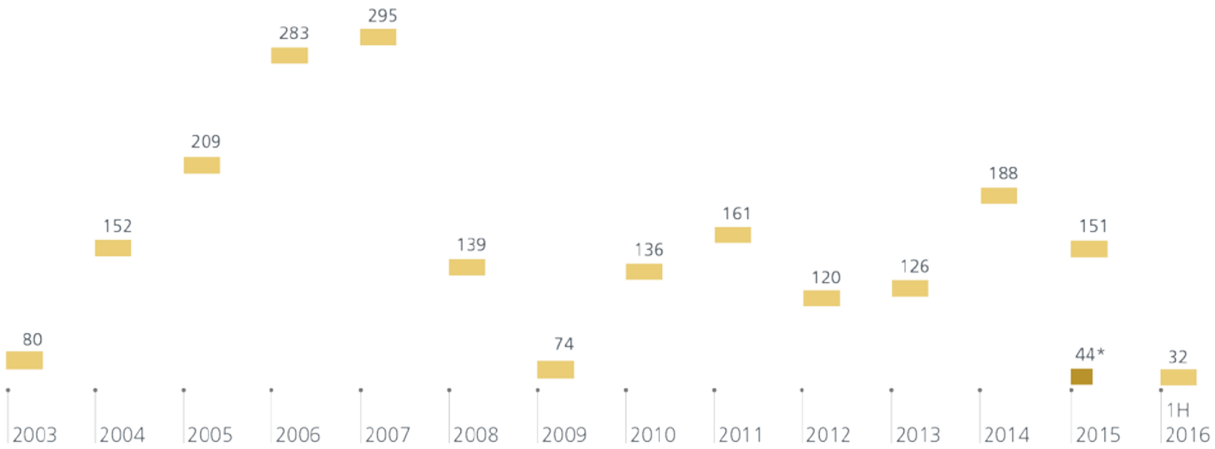
SCOPE OF OPERATIONS OF CDP EQUITY

Turning to the scope of CDP Equity's ("CDPE") operations, at the European level, in the first half of 2016 a total of 64 investments were made for a comprehensive amount of USD 32 billion, a drop in both number (79 investments in the first half of 2015) and total amount (USD 32 billion versus USD 44 billion in 2015).

Investments in the first half of 2016 focused primarily on the insurance, financial services and services sectors (19%) and the consumer goods sector (14%).

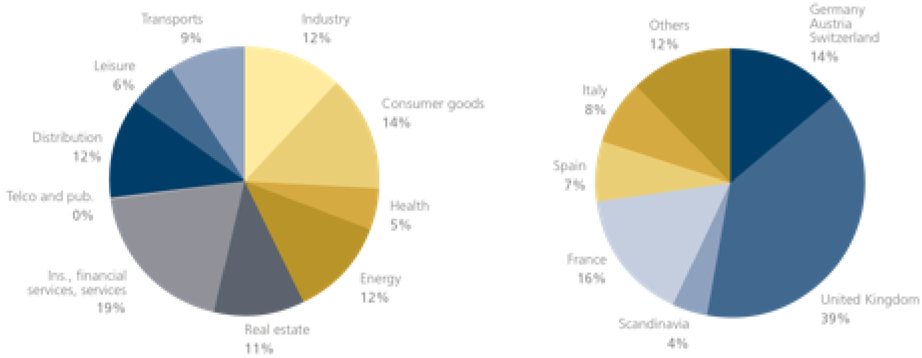
In geographical terms, investments were concentrated in the United Kingdom (39%) and France (16%). Investments made in Italy accounted for 8% of the European total.

Value of private equity investment in EMEA – 2003–1H2016 (USD million)



Note: Includes investments of over USD 100 million made outside the perimeter of reference.
* Value of investments made in the first quarter of 2015.
Source: Dealogic.

Breakdown of private equity investments in EMEA – 1H2016 (%)



Such limited investment in Italy is out of step with the size of the country's economy. Italy has Europe's second-biggest manufacturing industry, solid companies engaged in niche segments of excellence, a large percentage of family-owned companies faced with debt and succession issues, yet its private equity market is still in the development stage.

3.6 EXPORT SUPPORT AND CREDIT INSURANCE SECTORS

Emerging economies continue to represent a fragile point for growth in world financial markets. Recession persists in Brazil, weakened by institutional and political crisis, and in Russia, although signs of attenuation are showing. In China, fears of a hard-landing are abating, however the economy is slowing down, especially with regard to manufacturing. Only India is recording strong economic growth.

The negative performance of the emerging world is taking a toll on world trade, which in the first four months of 2016 remained stable with respect to the same period of 2015. The WTO has lowered its forecast for growth in world trade for the year underway to 2.8%.In the first four months of the year, Italian exports of goods fell by 0.5% compared to the corresponding period of 2015, while exports to non-EU countries recorded negative growth (-4.8%) in almost all world regions, including Central-South America (-13.8%), the Middle East (-6.5%) and Sub-Saharan Africa (-24.6%). Demand instead rose in the United States, Japan and EU countries, with growth rates ranging from 1.5% to 3.5%. In terms of sectors, foreign demand grew for furniture and wood products, electronic and optical equipment, rubber and plastic goods and transport vehicles. The weakest performance was posted by refined goods, mining and metals.

4. CDP GROUP PERFORMANCE

CDP Group works to support Italy's growth and employs its funds, consisting primarily of postal savings deposits, to promote the growth and development of the country, strategic national infrastructure and domestic firms, fostering their growth and international expansion.

Over the last decade, CDP has taken on a central role in supporting the country's industry policy, also thanks to the adoption of new operating procedures. In particular, in addition to traditional debt instruments such as special-purpose loans, corporate finance, project finance and guarantees, CDP now makes both direct and indirect equity investments (through investment funds and investment vehicles) mainly in the energy, transport networks and real estate sectors, as well as to support the dimensional growth and international development of SMEs and of companies of strategic importance. These instruments are in addition to third-party fund management and subsidised instruments to promote the research and international expansion of companies.

In 2016, CDP began operating as a "financial institutional for international development cooperation", in a complementary role to other cooperation players. Its operations draw on the "Revolving Fund, Law 277/77" for aid funding to Partner Country governments and financing to Italian companies involved in setting up mixed enterprises in those countries.

In the first half of 2016, new lending, investment and managed resources by the Group totalled approximately €13 billion, an increase of 14% compared to the same period of 2015. Operations were targeted at the segments "Enterprises" (48%), "Internationalisation" (43%) and "Government & PA and Infrastructure" (9%).

New lending, investment and managed resources by segment – CDP Group

(millions of euros and %)	1st Half 2016	1st Half 2015	Change (+ / -)	(%) change
Government & P.A. and Infrastructure	**1,207**	**2,264**	**(1,057)**	**-46.7%**
CDP S.p.A.	1,207	2,264	(1,057)	-46.7%
Enterprises	**6,276**	**4,498**	**1,778**	**39.5%**
CDP S.p.A.	3,598	2,960	638	21.6%
SACE Group	1,915	1,453	462	31.8%
CDP Equity	903	85	818	n/s
Intercompany transactions	(140)	-	(140)	n/s
International expansion	**5,674**	**4,662**	**1,012**	**21.7%**
CDP S.p.A.	2,069	22	2,047	n/s
SACE Group	3,400	4,257	(857)	-20.1%
SIMEST	3,810	1,139	2,671	n/s
Intercompany transactions	(3,604)	(756)	(2,848)	n/s
Real Estate	**19**	**107**	**(88)**	**-82.5%**
CDP S.p.A.	8	112	(104)	-92.7%
CDPI SGR	19	32	(13)	-40.0%
Intercompany transactions	(9)	(37)	28	-76.6%
Total new lending, investment and managed resources	**13,177**	**11,531**	**1,645**	**14.3%**

4.1. PARENT COMPANY PERFORMANCE

4.1.1. Lending

In the first half of 2016, new lending, investment and managed resources by CDP totalled almost €7 billion, with operations focused on the financing of enterprises and their international expansion.

New lending, investment and managed resources – CDP

(millions of euros and %)	1st Half 2016	1st Half 2015	Change (+ / -)	(%) change
Government & P.A. and Infrastructure	**1,207**	**2,264**	**(1,057)**	**-46.7%**
Public Entities	537	1,291	(754)	-58.4%
Public Interest Lending	254	151	103	68.0%
Financing	400	832	(432)	-51.9%
Economic Support	-	-	-	n/s
International Cooperation	-	-	-	n/s
Equity investments and funds	16	(11)	27	n/s
Enterprises	**3,598**	**2,960**	**638**	**21.6%**
Financing	717	630	87	13.7%
Economic Support	2,560	2,322	238	10.2%
Equity investments and funds	322	8	314	n/s
International expansion	**2,069**	**22**	**2,047**	**n/s**
Real Estate	**8**	**112**	**(104)**	**-92.7%**
Equity investments and funds	8	112	(104)	-92.7%
TOTAL new lending, investment and managed resources	**6,883**	**5,359**	**1,524**	**28.4%**

In detail, new lending, investment and managed resources in the first half of 2016 focused primarily on:

i) lending to public entities, mainly to finance investments by regions in the local territory and the purchase of bonds issued to finance projects in the motorway sector (amounting to €1.2 billion, or 18% of the total);

ii) funding targeted at enterprises to help support the economy and investment in research, development, innovation and energy efficiency (€3.6 billion, or 52% of the total);

iii) lending to support the international expansion of Italian companies, primarily in the shipbuilding sector (€2.1 billion, or 30% of the total).

Public Entities

The parent company's support for public entities and public-law bodies is primarily channelled through the Public Entities business area, which is responsible for lending to such entities using products offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination.

Key balance sheet (assets, liabilities and commitments) and income statement figures are reported below, reclassified according to operational criteria, together with a number of key indicators.

Public Entities – Highlights

(millions of euros and %)	2016	2015
BALANCE SHEET (balances at 30 June 2016 and 31 December 2015)		
Loans	78,445	79,389
Amounts to disburse	5,546	5,408
Commitments	10,779	10,726
RECLASSIFIED INCOME STATEMENT (accruing in 1st Half of 2016 and 2015)	-	-
Net interest income	145	154
Gross income	147	155
Operating income	143	152
INDICATORS		
Credit risk ratios (balances at 30 June 2016 and 31 December 2015)		
Gross bad debts and unlikely to pay/Gross exposure*	0.1%	0.1%
Net writedowns of loans/Net exposure*	0.001%	0.01%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread interest-bearing assets - liabilities	0.4%	0.4%
Cost/income ratio	1.6%	1.5%

*Exposure includes Loans to Banks and Customers and disbursement commitments

Initiatives promoted over the first half of 2016 included:

- the rescheduling of instalments due in 2016 on existing loans to local authorities in the regions of Emilia-Romagna, Lombardy and Veneto, affected by the May 2012 earthquake, in 20 half-yearly instalments due as of 2017, without the application of additional interest charges;
- a loan renegotiation programme for provinces and metropolitan cities, which 60 entities chose to take part in, resulting in the renegotiation of some €2.9 billion in loans (approximately 75% of all loans potentially eligible for the programme);
- arrangements enabling the reopening of applications for facilitated loans for energy efficiency renovations to public buildings used by schools/universities, as per decree of the Ministry for the Environment dated 22 February 2016 ("Kyoto Fund").

At 30 June 2016, the stock of loans totalled €78.4 billion, including adjustments for IAS/IFRS purposes, down compared with the end of 2015 (€79.4 million). Over the first half, the amount of repayments and early terminations exceeded the amount of disbursements of loans granted without a pre-repayment grace period and of loans granted that began their repayment plans.

Overall, the stock of loans disbursed or under repayment and commitments to lend amounted to €88 billion, showing a drop of 1% on the 2015 figure (€88.9 billion), due to principal repayments falling due in the first half of 2016 being higher than new loan volumes.

Public Entities – Stock of loans to customers and banks by beneficiary entity[18]

(millions of euros and %)	30/06/2016	31/12/2015	Change (+ / -)	Change %
Local authorities	30,319	30,348	(29)	-0.1%
Regions and autonomous provinces	12,902	13,037	(135)	-1.0%
Other public entities and public-law bodies.	2,298	2,283	15	0.6%
Status	31,729	32,477	(748)	-2.3%
Total amounts disbursed or in repayment	**77,248**	**78,145**	**(897)**	**-1.1%**
IAS/IFRS adjustments	1,197	1,245	(47)	-3.8%
Total loans	**78,445**	**79,389**	**(944)**	**-1.2%**
Total amounts disbursed or in repayment	**77,248**	**78,145**	**(897)**	**-1.1%**
Commitments	10,779	10,726	54	0.5%
Total loans (including commitments)	**88,027**	**88,870**	**(843)**	**-0.9%**

[18] IAS/IFRS adjustments consist of variations recognised after the application of the amortised cost criterion and any impairment losses.

With regard to amounts to disburse on loans, including commitments to lend, the 1% increase in the stock of loans was primarily due to new loan grants and adjustments to commitments, which were higher than the volume of amounts disbursed over the period.

Public Entities – Stock of amounts to disburse

(millions of euros and %)	30/06/2016	31/12/2015	Change (+ / -)	(%) change
Amounts to disburse	5,546	5,408	138	2.6%
Commitments	10,779	10,726	54	0.5%
Total amounts to disburse (including commitments)	**16,326**	**16,133**	**192**	**1.2%**

During the first half of 2016, a total of €0.5 billion in new loans was granted. The sharp decrease in the amount compared to the corresponding period of 2015 was primarily driven by lower volumes of new loan agreements with regions over the half year, compared to the significantly high figure for 2015.

Public Entities – New loan agreements

Type of Entity (millions of euros and %)	1st Half 2016	1st Half 2015	Change (+ / -)	(%) change
Local authorities	27	16	11	72.7%
Regions	387	1,152	(764)	-66.4%
Non-local public entities	115	52	63	n/s
Loans with repayment charged to state	6	11	(5)	-48.7%
Kyoto Fund	2	-	2	n/s
Public Interest Lending	-	61	(61)	-100.0%
Total Public Entities	**537**	**1,291**	**(754)**	**-58.4%**
of which Government & P.A. and Infrastructure	*537*	*1,291*	*(754)*	*-58.4%*

Disbursements totalled €0.7 billion, showing a sharp drop (-33.1%) on the first-half figure for 2015 (€1.1 billion). The decrease was driven by the drop in loans to regions (-97.2%) compared to the first half of 2015, when a high volume of disbursements was recorded, also thanks to new loans granted in that period, and by the drop in loans with costs borne by the central government (-33.7%), which was only partially offset by higher disbursements to non-territorial public entities (+55.3%) and local authorities (+3.1%).

Public Entities – New disbursements

(millions of euros and %)	1st Half 2016	1st Half 2015	Change (+ / -)	(%) change
Local authorities	483	469	15	3.1%
Regions	8	280	(272)	-97.2%
Non-local public entities	90	58	32	55.3%
Loans with repayment charged to state	135	203	(69)	-33.7%
Public Interest Lending	-	61	(61)	-100.0%
Total Public Entities	**716**	**1,071**	**(355)**	**-33.1%**
of which Government & P.A. and Infrastructure	*716*	*1,071*	*(355)*	*-33.1%*

Compared with the previous year, the contribution of the Public Entities area to CDP's performance in 2016 saw a fall in net interest income from €154 million in 2015 to €145 million, mainly due to the decline in assets under management. Negative growth was also seen in gross income (€147 million, down 5.6% from 2015) as commissions accrued in the two periods were comparable. Taking overheads into account, operating income for the area came to €143 million.

The spread between interest-bearing assets and liabilities in 2016 amounted to approx. 0.4%, remaining in line with last year.

Finally, the cost-to-income ratio was 1.6%, showing a slight increase on the 2015 figure.

The credit quality of the Public Entities area's loan portfolio showed virtually no problem positions and was essentially in line with the situation last year.

Public Interest Lending

The Public Interest Lending area operates under a separate account through CDP's direct involvement, alongside the banking system, in financing projects of general public interest sponsored by public entities, for which the financial sustainability of the related projects has been verified. Key balance sheet (including commitments) and income statement figures are reported below, reclassified according to operational criteria, together with a number of key indicators.

Public Interest Lending – Highlights

(millions of euros and %)	2016	2015
BALANCE SHEET (balances at 30 June 2016 and 31 December 2015)		
Loans	2,203	2,325
Commitments	2,854	2,847
RECLASSIFIED INCOME STATEMENT (accruing in 1st Half of 2016 and 2015)		
Net interest income	20	18
Gross income	27	30
Operating income	21	29
Normalised operating income*	26	30
INDICATORS		
Credit risk ratios (balances at 30 June 2016 and 31 December 2015)		
Gross bad debts and unlikely to pay/Gross exposure**	0.0%	0.0%
Net writedowns of loans/Net exposure**	0.01%	1.2%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread on interest-bearing assets - liabilities	1.8%	1.9%
Cost/income ratio*	1.9%	1.8%

*Figures net of the effect of the collective impairment of the portfolio of performing loans

**Exposure includes Loans to Banks and Customers and disbursement commitments

The stock of loans at 30 June 2016, including IAS/IFRS adjustments, came to €2.2 billion. The decrease compared to the end 2015 figure was due to the termination of loans, only partially offset by new disbursements recorded in the first half of the year. At the reporting date, loans plus commitments to lend amounted to €5.2 billion, a drop of around 2% on the end of 2015.

Public Interest Lending – Stock of loans to customers and banks

(millions of euros and %)	30/06/2016	31/12/2015	Change (+/-)	(%) change
Corporate/project finance	2,151	2,469	(318)	-12.9%
Securities	197	-	197	n/s
Total amounts disbursed or in repayment	**2,348**	**2,469**	**(121)**	**-4.9%**
IAS/IFRS adjustments	(145)	(144)	(1)	0.8%
Total loans	**2,203**	**2,325**	**(122)**	**-5.2%**
Total amounts disbursed or in repayment	**2,348**	**2,469**	**(121)**	**-4.9%**
Commitments to disburse funds and guarantees	2,854	2,847	8	0.3%
Total loans (including commitments)	**5,202**	**5,316**	**(113)**	**-2.1%**

In the first half of 2016, funding for projects of public interest involved a series of new loan agreements amounting to €0.3 billion, an increase compared to the volume recorded for the corresponding period of 2015. Project finance lending focused primarily on the motorway sector. CDP continued over the reporting period to assess the feasibility and loan structuring options for certain infrastructure projects of major national interest, with a view to enabling the start, or in some cases the continuation, of works in the short term.

Public Interest Lending – New loan agreements

(millions of euros and %)	1st Half 2016	1st Half 2015	Change (+/-)	(%) change
Corporate/project finance	-	36	(36)	-100.0%
Guarantees	54	115	(61)	-53.3%
Bond	200	-	200	n/s
Total continuing operations	**254**	**151**	**103**	**68.0%**
of which Government & P.A. and Infrastructure	*254*	*151*	*103*	*68.0%*

Disbursements in the first half of 2016 in respect of new loans and those from previous years totalled €0.2 billion, showing a decrease over the previous year, primarily due to the recognition last year of major disbursements relating to project finance loans in the motorway sector. Disbursements in 2016 were targeted primarily at the motorway sector.

Public Interest Lending – New disbursements

(millions of euros and %)	1st Half 2016	1st Half 2015	Change (+ / -)	(%) change
Corporate/project finance	15	469	(454)	-96.8%
Bond	200	-	200	n/s
Total Public Interest Lending	**215**	**469**	**(254)**	**-54.2%**
of which Government & P.A. and Infrastructure	*215*	*469*	*(254)*	*-54.2%*

The area's contribution to overall CDP performance amounted to €20 million in net interest income, an increase on the 2015 figure due to a higher loan stock compared with the corresponding period of last year. Higher net interest income was partially offset by lower commissions, which brought the contribution to operating income down to approximately €26 million (from €30 million in 2015), without considering the effects of the collective impairment of the performing loans portfolio.

Finally, the cost/income ratio for the area came to about 1.9%, showing a slight increase due mainly to the drop in revenues.

Financing

The Financing area operates under the ordinary account, providing corporate financing and project finance for investments in works for initiatives of public utility, and investments in research, development and innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and the green economy.

Key balance sheet (assets, liabilities and commitments) and income statement figures are reported below, reclassified according to operational criteria, together with a number of key indicators.

Financing – Highlights

(millions of euros and %)	2016	2015
BALANCE SHEET (balances at 30 June 2016 and 31 December 2015)		
Loans	5,510	4,939
Commitments	2,433	2,254
RECLASSIFIED INCOME STATEMENT (accruing in 1st Half of 2016 and 2015)		
Net interest income	32	27
Gross income	37	35
Operating income	29	34
INDICATORS		
Credit risk ratios (balances at 30 June 2016 and 31 December 2015)		
Gross bad debts and unlikely to pay/Gross exposure*	1.5%	1.7%
Net writedowns of loans/Net exposure*	0.1%	0.3%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread on interest-bearing assets - liabilities	1.3%	1.2%
Cost/income ratio	1.8%	1.6%

*Exposure includes Loans to Banks and Customers and disbursement commitments

In the first half of 2016, the Financing area concluded its first transactions under the new areas for financing identified by the CDP 2020 Plan (such as private placement RDI and energy efficiency).

At 30 June 2016, the stock of loans totalled €5.5 billion, including IAS/IFRS adjustments, recording an increase of 11.6% over the stock at the end of 2015 (€4.9 billion). Higher stock was driven by the purchase of securities, which more than offset the termination and repayment of existing loans.

Including commitments to disburse fund and IFRS adjustments, the total stock came to €8 billion, an increase of approximately 10.4% compared to 2015 (€7.2 billion). The change was attributable to higher volumes of new loan agreements compared to principal repayments due and loans terminated in the first half of 2016.

Financing – Stock of loans to customers and banks

(millions of euros and %)	30/06/2016	31/12/2015	Change (+ / -)	(%) change
Corporate/project finance	4,514	4,514	(0)	0.0%
Securities	1,058	480	578	120.5%
Total amounts disbursed or in repayment	**5,572**	**4,994**	**578**	**11.6%**
IAS/IFRS adjustments	(62)	(55)	(7)	11.8%
Total loans	**5,510**	**4,939**	**572**	**11.6%**
Total amounts disbursed or in repayment	**5,572**	**4,994**	**578**	**11.6%**
Commitments to disburse funds and guarantees	2,433	2,254	178	7.9%
Total loans (including commitments)	**8,005**	**7,248**	**757**	**10.4%**

In the first half of 2016, 10 loan transactions were processed, showing no change on 2015. New loan agreements in the first half totalled €1.1 billion, a drop on the first half of 2015 driven exclusively by the smaller average size of individual transactions (€112 million versus €146 million in 2015). New loan agreements made in 2016 focused primarily on financing for entities operating in the transport, energy efficiency and local multi-utility sectors.

Financing – New loan agreements

(millions of euros and %)	1st Half 2016	1st Half 2015	Change (+ / -)	(%) change
Corporate/project finance	519	915	(396)	-43.3%
Guarantees	-	247	(247)	-100.0%
Bond	200	-	200	n/s
Research, Development & Innovation	-	300	(300)	-100.0%
Total continuing operations	**719**	**1,462**	**(743)**	**-50.8%**
Private placement RDI	152	-	152	n/s
Securitisation of receivables - EE	246	-	246	n/s
Total new operations	**397**	**-**	**397**	**n/s**
Total Financing	**1,117**	**1,462**	**(346)**	**-23.6%**
of which Government & P.A. and Infrastructure	*400*	*832*	*(432)*	*-51.9%*
of which Enterprises	*717*	*630*	*87*	*13.7%*

Disbursements in the first half of 2016 in respect of new loans amounted to €0.9 billion, showing a sharp increase on the corresponding period of last year due to the introduction of the Private Placement fund.

Financing – New disbursements

(millions of euros and %)	1st Half 2016	1st Half 2015	Change (+ / -)	(%) change
Corporate/project finance	329	301	27	9.1%
Bond	200	-	200	n/s
Research, Development & Innovation	-	300	(300)	-100.0%
Total continuing operations	**529**	**601**	**(73)**	**-12.1%**
Private placement RDI	152	-	152	n/s
Securitisation of receivables - EE	238	-	238	n/s
Total new operations	**390**	**-**	**390**	**n/s**
Total Financing	**919**	**601**	**317**	**52.7%**
of which Government & P.A. and Infrastructure	*222*	*219*	*3*	*1.4%*
of which Enterprises	*697*	*383*	*314*	*82.1%*

The contribution to overall CDP performance in 2016 rose to €32 million in net interest income (€27 million in 2015), driven by higher assets under management. At the operating income level, higher interest income was, however, more than offset by net adjustments to loans (€29 million in 2016 versus €34 million in 2015).

Finally, the cost-to-income ratio was 1.8%, a slight increase on the 2015 figure.

Economic Support

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

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

Economic support measures include funding available to banks, i) for loans to Enterprises (SME, MID, Networks and Supply Chain funds), ii) to assist in the reconstruction and economic recovery of regions hit by natural disasters (earthquakes in Abruzzo in 2009 and parts of Emilia-Romagna, Veneto and Lombardy in 2012, flooding in Sardinia in 2013 and, in general, natural disasters across all of the country) and, since the end of 2013, iii) to support the residential real estate market.

Alongside this, CDP provides finance to Italian companies for internationalisation projects and to support export business through the Export Bank system, which involves financing by CDP, guarantees and risk hedging instruments provided by SACE or other export credit agencies (ECAs), national development banks or international financial institutions and the full participation of SIMEST and banks in the organisation of financing operations for Italian export companies.

Key balance sheet (assets, liabilities and commitments) and income statement figures are reported below, reclassified according to operational criteria, together with a number of key indicators.

Economic Support – Highlights

(millions of euros and %)	2016	2015
BALANCE SHEET (balances at 30 June 2016 and 31 December 2015)		
Loans	16,192	16,745
Amounts to disburse	28	28
Commitments	6,943	5,972
RECLASSIFIED INCOME STATEMENT (accruing in 1st Half of 2016 and 2015)		
Net interest income	29	31
Gross income	57	34
Operating income	23	40
Normalised operating income*	56	33
INDICATORS		
Credit risk ratios (balances at 30 June 2016 and 31 December 2015)		
Gross bad debts and unlikely to pay/Gross exposure**	0.6%	0.6%
Net writedowns of loans/Net exposure**	0.1%	0.02%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread on interest-bearing assets - liabilities	0.4%	0.4%
Cost/income ratio*	2.3%	4.0%

*Figures net of the effect of the collective impairment of the portfolio of performing loans

**Exposure includes Loans to Banks and Customers and disbursement commitments

Initiatives connected with the Revolving Fund for Enterprises (FRI) in the first half of 2016 included a framework agreement with the Ministry for Economic Development and the Italian Banking Association, signed on 17 February 2016, governing access to facilitated loans for measures under the Fund for Sustainable Growth.

With regard to the Capital Goods Fund, on 17 March 2016 an addendum to the CDP-ABI-MiSE agreement of 14 February 2014 was signed following the deregulation of funding sources approved by Article 8 of Decree Law 3/2015. The addendum introduces key improvements to processes and products, including the creation of a "zero-weighted" funding facility, thereby strengthening synergies with the SME Guarantee Fund.

On 7 April 2016, an addendum to the CDP-ABI agreement of 20 November 2013 was signed, increasing the Housing Fund from €2 billion to €3 billion and introducing major measures to simplify the public notary requirements connected with the transfer of secured loans. Also in relation to the residential sector, on 25 May 2016 CDP approved the refinancing of the programme to purchase covered bank bonds and residential mortgage-backed securities, raising earmarked funds from €3 billion to €5 billion.

Considering the consistent use of the Enterprise Platform Fund, on 31 March 2016 CDP earmarked additional funds for SMEs, raising the relative fund from €2 billion to €6 billion (of which approx. €1 billion from the transfer of residual amounts from the Export Fund, which was at the same time closed), and for MID-cap enterprises, raising the relative fund from €2 billion to €3.5 billion. As a result, the Enterprise Platform Fund now amounts to a total of €10 billion. Subsequently, on 17 May 2016, a specific addendum to the CDP-ABI agreement of 5 August 2014 was signed introducing a new ordinary term of 12 years for the SME and MID-cap enterprise funds and extending the scope of the SME Networks Fund (renamed Networks and Supply Chains) to include new entities and purposes.

Specifically, financing under the fund was extended to MID-cap enterprises and enterprises (both SMEs and MID-caps) that are part of "supply chains". The fund draws on a specific financing facility provided by the European Investment Bank.

On 25 May 2016, CDP approved the introduction of a specific programme for the purchase of securities backed by loans to SMEs, earmarking €1 billion in funding. The purpose of the programme is to support SMEs in accessing credit while at the same time assisting originator banks in minimising their capital requirements. As is the case for households through the programme to purchase covered bank bonds and residential mortgage-backed securities, under the new programme originator banks commit, through a specific side letter, to providing new credit for SMEs for an amount equal to the net revenues generated through the purchases made by CDP.

Following the introduction of reforms to Title V of the Consolidated Banking Law, under which non-bank financial intermediaries are now subject to the same supervisory requirements as credit institutions, on 30 May 2016 CDP approved amendments to its articles of association to include such entities among those eligible to draw on its funding under economic support programmes. Once the new Single Register is created, CDP and the ABI will adopt amendments to their existing agreements accordingly.

As part of measures to support areas affected by earthquakes, with reference to loans provided under the 2012 Earthquake Moratorium Fund, Article 6 of Decree Law 113/2016 provided for the rescheduling to 31 October 2016 of loan instalments due at 30 June 2016 and the subsequent restructuring of the relative repayment plans into seven half-yearly instalments falling due between 30 June 2017 and 30 June 2020.

Finally, in accordance with the provisions of Article 1.422–428 of the 2016 Stability Law, on 25 May 2016 CDP approved the creation of a new €1.5 billion fund to finance repairs to private property and businesses that have suffered damage due to natural disasters across all of the country.

Turning to the loan portfolio for the business area, at 30 June 2016 the stock of loans, including IAS/IFRS adjustments, amounted to €16.2 billion, down 3% on the end of 2015. The lower figure was due to the repayment of loan amounts and loans terminated at the end of the half-year period (consisting primarily of loans under the SME Fund and the Housing Fund), which were not offset by disbursements made over the first half. Specifically, the loan stock consists of:

- loans to enterprises (56% of total stock), amounting to €9.1 billion;
- reconstruction loans in connection with natural disasters (23% of total stock), amounting to €3.8 billion (up by 5% compared to 2015);
- export bank products (9% of total stock), consisting of loans amounting to €1.4 billion (in line with the end of last year).

The total stock of loans and commitments to lend, including IAS/IFRS adjustments, amounted to €23.2 billion, showing no change on the year-end 2015 figure as new loan agreements were essentially equivalent to principal repayments collected over the year.

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

(millions of euros and %)	30/06/2016	31/12/2015	Change (+ / -)	(%) change
Enterprises	**9,066**	**9,681**	**(615)**	**-6.4%**
SME Fund	5,810	6,959	(1,149)	-16.5%
Capital Goods fund	2,437	1,914	523	27.3%
MID enterprises fund	807	793	14	1.8%
Networks and Supply Chains fund	1	0.2	1	533.3%
Export fund	12	16	(4)	-22.4%
Residential real estate	**814**	**887**	**(72)**	**-8.1%**
Export Bank	**1,395**	**1,363**	**32**	**2.4%**
Natural disasters	**3,786**	**3,616**	**170**	**4.7%**
Post-earthquake reconstruction - Abruzzo	1,684	1,721	(36)	-2.1%
Post-earthquake reconstruction - Emilia	1,571	1,201	370	30.8%
Tax moratorium	531	695	(164)	-23.6%
Other products	**1,201**	**1,240**	**(39)**	**-3.1%**
FRI loans	1,062	1,093	(31)	-2.8%
Intermodal systems loans (art. 38.6, Law 166/02)	39	43	(3)	-8.2%
Equity investment loans	100	105	(5)	-4.7%
Total amounts disbursed or in repayment	**16,263**	**16,787**	**(524)**	**(0)**
IAS/IFRS adjustments	(71)	(42)	(29)	70.7%
Total loans	**16,192**	**16,745**	**(554)**	**-3.3%**
Total amounts disbursed or in repayment	**16,263**	**16,787**	**(524)**	**-3.1%**
Commitments to disburse funds and guarantees	6,943	5,972	971	16.3%
Total loans (including commitments)	**23,206**	**22,759**	**447**	**2.0%**

New lending, investment and managed resources in the first half of 2016 in connection with instruments designed to support economic growth totalled €4.6 billion, showing a sharp increase compared to the corresponding period of 2015 (+97%). Growth was driven primarily by an expansion in export bank operations and lending under the Capital Goods Fund.

Specifically, export bank operations accounted for approximately 45% of total volumes, thanks to the signing of a major new financing agreement in the shipbuilding sector (€2 billion). A major contribution to total volumes (approx. 34%) came from loans to enterprises (€0.8 billion) under the Capital Goods Fund (€0.8 billion), while products targeted at the residential real estate market accounted for 9% of loan stock, a slight drop on the figure for 2015.

Finally, as contemplated in the Business Plan, CDP has begun purchasing securities backed by loans to SMEs.

Economic Support – New loans by product

(millions of euros and %)	1st Half 2016	1st Half 2015	Change (+ / -)	(%) change
Enterprises	**1,573**	**1,393**	**180**	**12.9%**
SME Fund	536	651	(114)	-17.6%
Capital Goods fund	814	628	186	29.6%
MID enterprises fund	221	110	111	n/s
Export fund	-	4	(4)	-100.0%
Networks and Supply Chains fund	1	-	1	n/s
Residential real estate	**398**	**568**	**(170)**	**-29.9%**
Covered Bonds/RMBS	50	397	(347)	-87.4%
Housing Fund	348	171	177	n/s
Earthquake reconstruction	**391**	**293**	**98**	**33.5%**
Other products	**124**	**69**	**54**	**78.8%**
FRI loans	93	51	42	81.2%
Kyoto Fund	-	1	(1)	-100.0%
Disbursements/agreements third-party funds	31	17	14	83.6%
Total continuing operations	**2,485**	**2,322**	**163**	**7.0%**
Enterprises	**75**	**-**	**75**	**n/s**
ABS on loans to SMEs	75	-	75	n/s
Total new operations	**75**	**-**	**75**	**n/s**
Export bank	**2,069**	**22**	**2,047**	**n/s**
Total Economic Support	**4,629**	**2,345**	**2,285**	**97.4%**
of which International expansion	*2,069*	*22*	*2,047*	*n/s*
- of which Enterprises	*2,560*	*2,322*	*238*	*10.2%*

In the first half of 2016, €2.6 billion of these loans was disbursed, largely relating to loans to enterprises (around 63% of the total considering the Enterprise Platform Fund, the Capital Goods Fund and the purchase of securities backed by loans to SMEs), loans to the residential real estate sector (approx. 15%) and loans under the Earthquake Reconstruction Fund (15%). The volume of disbursements in 2016 showed a slight drop on the previous year (-11%), mainly due to lower export bank volumes and the purchase of covered bank bonds, which offset higher disbursements of loans under the Capital Goods Fund and the Housing Fund.

Economic Support – New disbursements

(millions of euros and %)	1st Half 2016	1st Half 2015	Change (+ / -)	(%) change
Enterprises	**1,557**	**1,367**	**190**	**13.9%**
SME Fund	536	658	(121)	-18.4%
Capital Goods fund	799	596	203	34.1%
MID enterprises fund	221	110	111	n/s
Export fund	-	4	(4)	-100.0%
Networks and Supply Chains fund	1	-	1	n/s
Residential real estate	**398**	**568**	**(170)**	**-29.9%**
Covered Bonds/RMBS	50	397	(347)	-87.4%
Housing Fund	348	171	177	n/s
Earthquake reconstruction	**391**	**293**	**98**	**33.5%**
Other products	**81**	**104**	**(23)**	**-21.9%**
FRI loans	52	85	(33)	-38.6%
Kyoto Fund	3	2	1	51.6%
Disbursements/agreements third-party funds	31	17	14	83.6%
Total continuing operations	**2,427**	**2,332**	**96**	**4.1%**
Enterprises	**75**	**-**	**75**	**n/s**
ABS on loans to SMEs	75	-	75	n/s
Total new operations	**75**	**-**	**75**	**n/s**
Export bank	**89**	**589**	**(500)**	**-84.9%**
Total Economic Support	**2,591**	**2,920**	**(329)**	**-11.3%**
of which International expansion	*89*	*589*	*(500)*	*-84.9%*
- of which Enterprises	*2,502*	*2,332*	*171*	*7.3%*

In terms of the contribution of the Economic Support area to CDP earnings in the first half of 2016, net interest income decreased slightly from €31 million in 2015 to €29 million. The trend was mainly driven by the drop in assets under management. Lower net interest income was offset by higher commission income, which brought the contribution to operating income normalised (determined without considering the effects of the collective impairment of the performing loans portfolio) up to approximately €56 million (from €33 million in the first half of 2015).

Finally, the cost/income ratio of the business area is equal to 2.3%, compared to the 4% in 2015, due to the performance of revenues earned by the Economic Support area.

The credit quality of the area's loan portfolio remained substantially stable.

4.1.2. Equity investment portfolio management

At 30 June 2016, equity investments and investments in investment funds totalled €29,967 million for CDP alone, up by approximately €397 million (1.34%) compared to 31 December 2015; the figure includes the portfolio of equity investments, equal to approximately €28,178 million, and investments in investment funds and other investment vehicles, which totalled approximately €1,790 million.

Equity investments, investment funds and investment vehicles

	31/12/2015	Changes		30/06/2016
(thousands of euros)	Carrying amount	from inv./disinv.	from measurement	Carrying amount
Equity investments in subsidiaries	**12,854,191**	**36,099**	**-**	**12,890,290**
Equity investments in enterprises subject to joint control	**-**	**6**	**-**	**6**
Equity investments in companies subject to significant influence	**15,283,981**	**2,914**	**486**	**15,287,381**
Total equity investments	**28,138,172**	**39,019**	**486**	**28,177,677**
Investee companies	12,565	(1,214)	-	11,351
Investment vehicles	187,473	18,986	4,347	210,806
Investment funds	1,231,541	321,527	14,291	1,567,359
AFS investments	**1,431,578**	**339,299**	**18,637**	**1,789,515**
Total equity investments and other investments	**29,569,751**	**378,318**	**19,123**	**29,967,192**

Subsidiaries and other shareholdings

At 30 June 2016, the carrying amount of the portfolio of equity investments showed growth of €40 million over 31 December 2015.

Equity investments

	31/12/2015		Changes		30/06/2016	
(thousands of euros)	% holding	Carrying amount	from inv./disinv.	from measurement	% holding	Carrying amount
A. Listed companies						
Equity investments in companies subject to significant influence		**15,281,632**	**-**	**-**		**15,281,632**
1. Eni S.p.A.	25.76%	15,281,632	-	-	25.76%	15,281,632
B. Unlisted companies						
Equity investments in subsidiaries		**12,854,191**	**36,099**	**-**		**12,890,290**
2. SACE S.p.A.	100.00%	4,351,574	-	-	100.00%	4,351,574
3. CDP Reti S.p.A.	59.10%	2,017,339	-	-	59.10%	2,017,339
4. CDP Equity S.p.A. (formerly Fondo Strategico Italiano S.p.A.)	77.70%	3,419,512	-	-	77.70%	3,419,512
5. Fintecna S.p.A.	100.00%	1,864,000	-	-	100.00%	1,864,000
6. CDP Immobiliare S.r.l.	100.00%	500,500	33,099	-	100.00%	533,599
7. CDP GAS S.r.l.	100.00%	467,366	-	-	100.00%	467,366
8. Simest S.p.A.	76.01%	232,500	-	-	76.01%	232,500
9. FSI SGR S.p.A. (in attesa di autorizzazione)		-	3,000	-	100.00%	3,000
10. CDP Investimenti SGR S.p.A.	70.00%	1,400	-	-	70.00%	1,400
Equity investments in enterprises subject to joint control		**-**	**6**	**-**		**6**
11. AcciaItalia S.p.A.	-	-	6	-	44.50%	6
Equity investments in companies subject to significant influence		**2,348**	**2,914**	**486**		**5,748**
12. Fondo Italiano d'Investimento SGR S.p.A.			2,914	486	25.00%	3,400
13. Galaxy S.àr.l SICAR	40.00%	2,348	-	-	40.00%	2,348
14. Europrogetti & Finanza S.p.A. in liquidazione	31.80%	-	-	-	31.80%	-
Total		**28,138,171**	**39,019**	**486**		**28,177,676**

Other corporate transactions conducted in the first half of 2016 which impacted the value of the portfolio are reported below:

- The equity contribution in AcciaItalia S.p.A., a company established on 27 June 2016 and 44.5%-owned by CDP;
- Capital increases subscribed by CDP in CDP Immobiliare S.r.l. for a total of around €33 million, to support the development of real estate projects by the company and its investees;
- The establishment of FSI SGR SpA, with a share capital of €3 million paid up in full by CDP, tasked with the launch and management of a new FIA focused on investment in mid-market companies with growth potential. On 20 June 2016, the company filed its application with the Bank of Italy for authorisation to engage in collective portfolio management services;
- The purchase of an additional 12.5% interest in the capital of the Fondo Italiano di Investimento SGR S.p.A., held by the MEF, for a total of €1.7 million. Following the transfer of the equity interests, at 30 June 2016 CDP holds 25% of the company's stock.

Dividends accruing in the first half of 2016 totalled €1,042 million and were connected mainly with the equity investments held in ENI (€374 million), SACE (€310 million), CDP RETI (€212 million), CDP Equity S.p.A. (€77 million), CDP GAS (€41 million) and Fintecna (€25 million).

Investment funds and investment vehicles

The commitment by CDP, as an investor, of capital to mutual funds and investment vehicles is mainly aimed at facilitating:

- investments in sustainable living and the development of public real estate;
- the development, internationalisation and concentration of Italian SMEs;
- investments in physical and social infrastructures:
    - at the local level, in collaboration with local authorities and with the shareholder foundations. In this context, CDP also promotes public-private partnership (PPP) projects;
    - at the national level, focusing on works of significant dimensions in collaboration with Italian and foreign institutional investors;
    - at the international level, in support of infrastructure and network projects involving several countries, not only within the European Union, in cooperation with European institutions and with comparable foreign organisations (such as CDC, KfW and EIB).

At 30 June 2016, the portfolio of investments in investment funds and corporate investment vehicles totalled almost €1,790 million, up by about €359 million (+25%) compared with 31 December 2015.

Investment funds, investment vehicles and investee companies

		31/12/2015		Changes			30/06/2016		
(thousands of euros)	Investment sector	% holding	Carrying amount	from inv./disinv.	Transfers	Adjustments	% holding	Carrying amount	Residual commitment
A. Investment vehicles			**187,473**	**18,986**	**-**	**4,347**		**210,806**	**125,734**
1. Inframed Infrastructure societè par actions simplifièe à capital variable (Inframed Fund)	Infrastructure								
- A units		38.92%	131,558	3,495		4,768	38.92%	139,821	37,379
- B units		0.01%	9	(9)		0	0.01%	-	-
2. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa (Marguerite Fund)	Infrastructure	14.08%	39,010	15,500		(421)	14.08%	54,089	45,350
3. European Energy Efficiency Fund SA, SICAV-SIF (Fondo EEEF)	Energy								
- A units		10.71%	14,602	-		-	10.71%	14,602	37,312
- B units		1.68%	2,294	-		-	1.68%	2,294	5,693
B. Investment funds			**1,231,541**	**321,523**	**-**	**14,294**		**1,567,358**	**1,859,541**
1. FIV Extra	Public housing	100.00%	732,900	-		(1,745)	100.00%	731,155	351,600
2. F2i - Fondi Italiani per le Infrastrutture	Infrastructure								
- A units		8.10%	109,084	3,087		3,837	8.10%	116,008	10,870
- C units		0.04%	599	17		21	0.04%	637	60
3. Fondo Investimenti per l'Abitare	Social Housing	49.31%	225,703	8,679		610	49.31%	234,992	706,302
4. Fondo Italiano d'Investimento	SME and export finance	20.83%	75,914	2,570	(27,805)	5,459	20.83%	56,138	57,933
5. Fondo Italiano d'Investimento - Fund of Funds**	SME and export finance		-	5,416	22,970	(1,758)	20.83%	26,628	35,385
6. Fondo Italiano d'Investimento - FII Venture**	Venture Capital		-	2,288	4,835	(405)	20.83%	6,718	10,745
7. F2i - Secondo Fondo Italiano per le Infrastrutture**	Infrastructure								
- A units		8.05%	27,696	(5,785)		5,153	8.05%	27,064	76,077
- C units		0.02%	72	(15)		13	0.02%	70	198
8. FIV Plus	Public housing	100.00%	18,500	-		(163)	100.00%	18,337	69,400
9. PPP Italia Fund	Infrastructure and project PPP	14.58%	9,373	(160)		2,059	14.58%	11,272	2,054
10. Fondo Immobiliare di Lombardia - Comparto Uno (formerly Abitare Sociale 1)	Social Housing	4.21%	8,138	(497)		554	4.21%	8,195	11,000
11. FoF Private Debt	SME and export finance	74.62%	471	7,645		-	65.80%	8,116	239,277
12. FoF Venture Capital	Venture Capital	83.33%	1,763	282		-	62.50%	2,045	46,635
13. European Investment Fund		1.17%	21,328	-		659	1.17%	21,987	40,000
14. Fondo Atlante	Banks and NPL		-	297,996		-	11.76%	297,996	202,004
C. Investees			**12,565**	**-**	**(1,214)**	**-**		**11,351**	
15. SINLOC S.p.A.		11.29%	5,986				11.29%	5,986	
16. F2i SGR S.p.A.		14.01%	3,299				14.01%	3,299	
17. Istituto per il Credito Sportivo		2.21%	2,066				2.21%	2,066	
18. Fondo Italiano d'Investimento SGR S.p.A.*		12.50%	1,214		(1,214)		-	-	
Total			**1,431,579**	**340,509**	**(1,214)**	**18,641**		**1,789,515**	**1,985,275**

* The amount shown in the transfers column refers to the reclassification of the investment at line item 100 "Equity investments" between the companies subject to significant influence, following the purchase of an additional percentage of share capital.
** Partial proportional split of FII into FII FoF and FII Venture, effective as of 1 June 2016

The carrying amount of the portfolio was amended in the light of:

- the commitment of 11.77% of the capital of the Fondo Atlante (fund promoted by Quaestio Capital Management SGR S.p.A.) for a total amount of €500 million, of which approximately €298 million was paid up at 30 June, with a view to investing in the capital of Italian banks and transactions involving non-performing loans originated by Italian banks;
- the net positive balance of around €42.5 million between capital called by investment vehicles and funds and payouts distributed by them to CDP;
- valuation differences of approximately €19 million.

During the half year, the Fondo Italiano di Investimenti was proportionally split into three FIAs, each specialised in a specific investment area: the Fondo Italiano di Investimento, dedicated to direct investment in the capital of small and medium enterprises, and two new FIAs entitled the Fondo Italiano di Investimento Fondo di Fondi, specialised in private equity fund investment, and FII Venture, specialised in venture capital fund investment. The demerger was approved by investors at the General Meeting held on 5 April 2016, effective as of 1 January 2016 on the basis of carrying amounts as at 31 December 2015. As a result of the demerger: (i) investors were assigned units in the three resulting funds in proportion to the units held in the Fondo Italiano di Investimento (demerged fund); (ii) the sum net asset value of the three resulting funds is equal to the net asset value of the Fondo Italiano di Investimento before its demerger.

4.1.3. Investment of the financial resources of the parent company

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

Stock of investments of financial resources

(millions of euros)	30/06/2016	31/12/2015	% change
Cash and cash equivalents and other treasury investments	**172,834**	**168,644**	**2.5%**
Treasury current account	148,431	151,962	-2.3%
Reserve requirement	3,916	3,949	-0.8%
Other treasury investments separate account	486	782	-37.9%
Repurchase agreements	18,561	10,509	76.6%
Deposits (assets) ordinary account	612	1,173	-47.8%
Deposits (assets) on Credit Support Annex transactions	828	270	n/s
Debt securities	**55,814**	**35,500**	**57.2%**
Separate Account	55,278	34,961	58.1%
Ordinary Account	536	539	-0.5%
Total	**228,648**	**204,144**	**12.0%**

At 30 June 2016, the balance on the current account with the Central State Treasury, where CDP surplus funding after loans through the Separate Account is deposited, stood at approximately €148 billion, up from year-end 2015 (approx. €152 billion), as envisaged in the Business Plan.

The liquidity deposited for the reserve requirement came to €3.9 billion at 30 June 2016, against a reserve requirement of around €3.0 billion, with the maintenance period expiring at the end of July. The liabilities of CDP that are subject to the reserve requirement are those that have a maturity of or are payable with notice of up to two years, with the exception of liabilities with credit institutions that are subject to the ECB's reserve requirements. The management of the reserve requirement is designed to ensure the accounting separation of the Separate Account and the Ordinary Account.

Investment activity in repurchase agreements with Italian government securities as collateral is almost entirely attributable to the investment of the liquidity funded via the OPTES funding channel. At 30 June 2016, the stock of this aggregate amounted to €18.6 billion, showing growth compared to the end of December 2015 (€10.5 billion) due to higher OPTES funding compared to the previous period.

With regard to short-term treasury management operations under the Ordinary Account, CDP uses money market instruments such as deposits and repurchase agreements in order to optimise the timing and cost of funding. To invest any excess liquidity, CDP uses deposits with banks with high credit ratings and short-term Italian government securities.

Regarding guarantee deposits pledged under Credit Support Annexes and Global Master Repurchase Agreements to limit the counterparty risk associated with transactions in derivative instruments and repurchase agreements, at 30 June 2016 there was a net creditor balance of €431 million, a turnaround compared with the balance posted at the end of 2015 (€-331 million). The turnaround was driven mainly by market trends over the period, in particular the performance of market interest rates. These deposits are also managed in a manner that ensures accounting separation between the two Accounts.

Net deposits on CSA transactions

(millions of euros)	30/06/2016	31/12/2015	% change
Total net deposits:	431	(331)	n/s
of which:			
- deposits (assets)	*828*	*270*	*n/s*
- deposits (liabilities)	*397*	*600*	*-33.9%*

At 30 June 2016, the securities portfolio posted a balance of €55.8 billion, showing growth on the end of 2015 (€35.5 billion). The higher figure was driven by new purchases, most of which were short-term. The securities portfolio mainly comprises Italian government securities, held for asset and liability management purposes and to help stabilise the net interest income of CDP.

4.1.4. Funding of the parent company

Funding from banks

The table below shows CDP's overall position in terms of funding from banks at 30 June 2016, compared with 31 December 2015.

Stock of funding from banks

(millions of euros)	30/06/2016	31/12/2015	% change
ECB refinancing	400	4,676	-91.4%
of which:			
- Separate Account	*-*	*3,824*	*-100.0%*
- Ordinary Account	*400*	*852*	*-53.0%*
Deposits and Repurchase agreements and other	13,210	7,108	85.8%
of which:			
- Separate Account	*12,638*	*7,025*	*79.9%*
- Ordinary Account	*572*	*83*	*n/s*
Deposits (liabilities) for CSA	397	600	-33.9%
EIB credit facilities	4,127	4,615	-10.6%
of which:			
- Separate Account	*1,892*	*2,237*	*-15.4%*
- Ordinary Account	*2,235*	*2,378*	*-6.0%*
KFW credit facilities	-	400	-100.0%
of which:			
- Separate Account	*-*	*400*	*-100.0%*
- Ordinary Account	*-*	*-*	*n/s*
Total	**18,134**	**17,399**	**4.2%**

At the end of the first half of 2016, recourse to funding through the institutional channel of the European Central Bank (ECB) declined by €4.3 billion, due to its replacement with cheaper funding currently available to CDP at negative interest rates (versus the ECB rate of 0% for standard transactions and 0.15% for TLTRO).

Short-term funding on the money market, consisting of deposits and reverse repurchase agreements, showed a sharp increase over the first half of 2016, thanks to particularly low market interest rates. At 30 June 2016, the stock of funding for the Separate Account amounted to approximately €12.6 billion, raised entirely through reverse repurchase transactions.

Funding through financing provided by the European Investment Bank (EIB) also declined over the first half of 2016, due to repayments made. During the period, an additional tranche was negotiated under a loan agreement to fund the 2012 Earthquake Reconstruction Fund for a total of €250 million (Separate Account).

At 30 June 2016, CDP repaid in full and in advance the credit facility earmarked to support Italian SMEs (Separate Account), provided by Kreditanstalt für Wiederaufbau (KfW) in 2014 and later increased.

EIB and KfW credit facilities

(millions of euros and %)	Repayment date	Nominal value
Early KFW repayment (due 16-Nov-2020)	30/06/2016	(400)
Total		**(400)**
of which:		
- under the Separate Account		*(400)*
- under the Ordinary Account		*-*

Funding from customers

The table below shows CDP's overall position in terms of funding from customers at 30 June 2016, compared with 31 December 2015.

Stock of funding from customers

(millions of euros)	30/06/2016	31/12/2015	% change
OPTES deposits (liabilities)	54,000	30,000	80.0%
Deposits of investees	4,259	3,699	15.1%
Amounts to disburse	5,575	5,437	2.5%
Government securities amortisation fund	1	513	-99.7%
Total	**63,835**	**39,648**	**61.0%**

As regards OPTES funding, in the first half of 2016 CDP, as recognised counterparty in the liquidity management operations of the MEF, carried out funding transactions for a total daily average of approximately €47 billion (with a balance of €54 billion at 30 June 2016 versus €30 billion at 31 December 2015). While maintaining financial equilibrium, the liquidity mainly was used as follows: i) to meet reserve requirements; ii) to purchase Italian government securities; and iii) to carry out repurchase transactions with Italian government securities as collateral.

As part of management and coordination activities, the parent company continued to conduct centralised treasury operations for liquidity, involving non-standard deposit arrangements between CDP and subsidiaries. As a result of the centralisation of liquidity management at group level, stock rose from approximately €3.7 billion at the end of 2015 to €4.3 billion at 30 June 2016.

Amounts to be disbursed constitute the part of the loans granted by CDP that have not yet been taken up by the beneficiaries, whose disbursement is subject to progress with the investments financed. Total amounts to be disbursed at 30 June 2016 amounted to approximately €5.6 billion, showing a slight rise on the year-end 2015 figure of €5.5 billion.

Finally, at 30 June 2016 the stock of the Amortisation Fund for government securities deposited by the MEF with CDP totalled around €1.4 billion. The liquidity of the fund is invested entirely in short-term government securities.

Bond funding

The table below shows CDP's overall position in terms of the stock of funding represented by bonds at 30 June 2016, compared with 31 December 2015.

Stock of funding represented by securities

(millions of euros)	30/06/2016	31/12/2015	% change
EMTN programme	**9,002**	**8,953**	**0.5%**
Securities issued	9,018	8,972	0.5%
of which:			
- Separate Account	*5,625*	*5,555*	*1.3%*
- Ordinary Account	*3,393*	*3,417*	*-0.7%*
- IAS/IFRS adjustment	(16)	(18)	-10.7%
Retail bond	**1,481**	**1,482**	**0.0%**
Securities issued	1,500	1,500	0.0%
IAS/IFRS adjustment	(19)	(18)	3.6%
"Stand-alone" issues guaranteed by the State	**1,500**	**1,500**	**0.0%**
Securities issued	1,500	1,500	0.0%
IAS/IFRS adjustment	-	-	n/s
Commercial paper	**869**	**1,965**	**-55.8%**
of which:			
- Separate Account	*551*	*1,620*	*-66.0%*
- Ordinary Account	*318*	*345*	*-7.8%*
Total stock of funding represented by securities	**12,852**	**13,901**	**-7.5%**

In the first half of 2016, the first issue of bonds under the new Debt Issuance Programme (DIP) was made to fund the Separate Account, for a nominal amount of €70 million. The financial features of the bond issue are reported in the table below.

As concerns short-term funding, and in line with strategies to optimise the mix of funding and loans, the stock of securities under the Multi-Currency Commercial Paper Programme at 30 June 2016 amounted to approximately €0.9 billion, showing a drop on the figure at 31 December 2015 (€2.0 billion).

Medium/long-term funding

(millions of euros)	Date of issue/ funding	Nominal value	Financial characteristics
EMTN programme			
Issue (maturity date 01-mar-2032)	22/02/2016	70	TF 2,180%
Total		**70**	
of which:			
- under the Separate Account		*70*	
- under the Ordinary Account		-	

With reference to the other two institutional CDP issues in place, consisting of retail bonds distributed through banks and government-guaranteed bonds distributed through Bancoposta, no changes were recorded over the first half of 2016 in the situation of the bonds at 31 December 2015.

As concerns short-term funding, and in line with strategies to optimise the mix of funding and loans, the stock of securities under the Multi-Currency Commercial Paper Programme at 30 June 2016 amounted to approximately €0.9 billion, showing a drop on the figure at 31 December 2015 (€1.9 billion).

Postal funding

At 30 June 2016, the total stock of postal savings, including passbook savings accounts and savings bonds pertaining to CDP, came to €251,429 million, showing a slight drop on the €252,097 million posted at 31 December 2015.

More specifically, the carrying amount of postal passbook savings accounts amounted to €118,120 million, while savings bonds, which are measured at amortised cost, came to €133,309 million.

Stock of postal savings

(millions of euros)	30/06/2016	31/12/2015	Change (+ /-)	% change
Passbook savings accounts	118,120	118,745	(625)	-0.5%
Postal savings bonds	133,309	133,352	(43)	-0.03%
Total	**251,429**	**252,097**	**(668)**	**-0.3%**

The drop in the total stock of postal savings was driven by negative net funding raised through savings bonds and passbook savings accounts, which was almost entirely offset by interest accruing for the half year.

In terms of net funding, in the first half of 2016 passbook savings accounts recorded a drop of €659 million, compared to the positive growth in net funding recorded in the first half of 2015 of €2,333 million. The sharpest fall was recorded by Smart passbook accounts, which recorded net negative growth, including transfers from ordinary passbook accounts, of €-725 million (versus positive growth of €6,742 million in the first half of 2015), which brought funding down to €42,883 million (36% of total stock of passbook savings account deposits). Ordinary registered passbook accounts continued to make up the largest share of the total stock of passbook savings accounts (61%), showing no change on December 2015.

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

Passbook savings accounts – Net funding

(millions of euros)	Deposits	Withdrawals	Net funding 1st half 2016	Net funding 1st half 2015
Registered passbook accounts	46,279	46,934	(655)	2,337
- Ordinary	*33,996*	*33,862*	*133*	*(4,492)*
- Ordinary SMART	*11,777*	*12,502*	*(725)*	*6,742*
- Time deposits	*-*	*4*	*(4)*	*(0.01)*
- Minors	*304*	*363*	*(59)*	*116*
- Judicial	*202*	*203*	*(1)*	*(29)*
Bearer passbook accounts	1	5	(4)	(4)
- Ordinary	*1*	*4*	*(3)*	*(4)*
- Time deposits	*-*	*0.5*	*(0.5)*	*(0.0)*
Total	**46,280**	**46,939**	**(659)**	**2,333**

Note: The net funding include transfers between Passbook Accounts.

Passbook savings accounts

(millions of euros)	31/12/2015	Net funding	Reclassification and adjustments	Interest 31/12/2015-30/06/2016	Withholdings	30/06/2016
Registered passbook accounts	118,699	(655)	(0)	35	(2)	118,078
- Ordinary	*71,352*	*634*	*(500)*	*6*	*(0)*	*71,491*
- Ordinary SMART	*43,580*	*(1,315)*	*591*	*29*	*(2)*	*42,883*
- Time deposits	*4*	*(4)*	*-*	*-*	*0*	*0.2*
- Minors	*3,205*	*32*	*(91)*	*-*	*(0)*	*3,146*
- Judicial	*559*	*(1)*	*-*	*-*	*(0)*	*557*
Bearer passbook accounts	46	(4)	-	-	(0)	42
- Ordinary	*45*	*(3)*	*-*	*-*	*(0)*	*42*
- Time deposits	*-*	*(0)*	*-*	*-*	*-*	*0.03*
Total	**118,745**	**(659)**	**-**	**35**	**(2)**	**118,120**

In the first half of 2016, €5,654 million was raised through the subscription of savings bonds, an increase of 12% on the first-half 2015 figure (€5,059 million). The types of savings bonds that posted the highest subscription volumes were the following: Ordinary Bonds (44% of total subscriptions), Europe Bonds (31%), and Italian Inflation-Linked Bonds (15%).

In an effort to simplify and rationalise the range of products offered, in the first half of 2016 the issue of all bonds was suspended with the exception of Ordinary Bonds and Minor Bonds.

Postal savings bonds – CDP net funding

(millions of euros)	Subscriptions	Repayments	Net funding 1st Half 2016	Net funding 1st Half 2015	Change (+ / -)
Ordinary bonds	2,496	(1,583)	913	(1,314)	2,227
Fixed-term bonds	-	(13)	(13)	(17)	4
Indexed bonds	-	(333)	(333)	(321)	(12)
BFPPremia bonds	-	(606)	(606)	(458)	(148)
Inflation indexed bonds	845	(994)	(149)	(172)	23
Bonds for minors	168	(142)	26	127	(101)
18-Month bonds	-	(353)	(353)	(131)	(223)
18-Month Plus bonds	-	(7)	(7)	(46)	39
BFP3x4 bonds	18	(449)	(432)	213	(644)
7Insieme bonds	-	(42)	(42)	(45)	3
3-year bonds	84	(227)	(143)	(2,337)	2,194
2-year Plus bonds	-	(8)	(8)	(419)	411
BFP Fedeltà bonds	-	(2,064)	(2,064)	(146)	(1,918)
BFP Fedeltà 3x4 bonds	212	(106)	107	250	(143)
BFP Renditalia bonds	-	(74)	(74)	(32)	(42)
BFP Europa bonds	1,764	(287)	1,477	705	772
BFP Impresa bonds	-	(7)	(7)	(18)	11
BFP RisparmiNuovi bonds	-	(110)	(110)	(45)	(65)
BFP Eredità Sicura bonds	0.3	(13)	(13)	5	(18)
BFP 3X4RisparmiNuovi bonds	-	(40)	(40)	334	(374)
BFP4x4 bonds	12	(14)	(2)	156	(158)
BFP4x4 Fedeltà bonds	29	(29)	0.2	341	(341)
BFP 4X4RisparmiNuovi bonds	26	(17)	9	181	(172)
Total	**5,654**	**(7,517)**	**(1,863)**	**(3,189)**	**1,326**

Net CDP funding from savings bonds in the first half of 2016 came to a negative €1,863 million, compared to net negative funding in the first half of 2015 of €3,189 million. The improvement was driven by strong subscription numbers, especially in the first two months of the year when an advertising campaign was underway, and by lower redemptions compared to 2015. For bonds pertaining to the MEF, redemptions came to €2,464 million, down compared with the first half of 2015 (€2,753 million). At 30 June 2016, total net funding (CDP+MEF) come to a negative €4,327 million, compared to a negative net funding figure of €5,943 million posted in the first half of 2015.

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

(millions of euros)	CDP net funding	MEF Repayments	Net funding 1st Half 2016	Net funding 1st Half 2015	Change (+ / -)
Ordinary bonds	913	(2,364)	(1,450)	(3,688)	2,237
Fixed-term bonds	(13)	(101)	(113)	(397)	283
Indexed bonds	(333)	-	(333)	(321)	(12)
BFPPremia bonds	(606)	-	(606)	(458)	(148)
Inflation indexed bonds	(149)	-	(149)	(172)	23
Bonds for minors	26	-	26	127	(101)
18-Month bonds	(353)	-	(353)	(131)	(223)
18-Month Plus bonds	(7)	-	(7)	(46)	39
BFP3x4 bonds	(432)	-	(432)	213	(644)
7Insieme bonds	(42)	-	(42)	(45)	3
3-year bonds	(143)	-	(143)	(2,337)	2,194
2-year Plus bonds	(8)	-	(8)	(419)	411
BFP Fedeltà bonds	(2,064)	-	(2,064)	(146)	(1,918)
BFP Fedeltà 3x4 bonds	107	-	107	250	(143)
BFP Renditalia bonds	(74)	-	(74)	(32)	(42)
BFP Europa bonds	1,477	-	1,477	705	772
BFP Impresa bonds	(7)	-	(7)	(18)	11
BFP RisparmiNuovi bonds	(110)	-	(110)	(45)	(65)
BFP Eredità Sicura bonds	(13)	-	(13)	5	(18)
BFP 3X4RisparmiNuovi bonds	(40)	-	(40)	334	(374)
BFP4x4 bonds	(2)	-	(2)	156	(158)
BFP4x4 Fedeltà bonds	0.2	-	0.2	341	(341)
BFP 4X4RisparmiNuovi bonds	9	-	9	181	(172)
Total	**(1,863)**	**(2,464)**	**(4,327)**	**(5,943)**	**1,615**

The stock of CDP postal savings bonds at 30 June 2016 amounted to €133,309, showing substantially no change on the figure at 31 December 2015 (€133,352).

The stock figures for bonds also include transaction costs resulting from the application of the IAS/IFRS, consisting of the distribution commissions for all types of bonds issued since 2007 until 31/12/2010. The item "premiums accrued on postal bonds" includes the stand alone value of the options embedded in bonds indexed to a basket of shares.

Postal savings bonds – CDP stock

(millions of euros)	31/12/2015	Net funding	Pertaining to	Withholdings	Transaction costs	Premiums accrued on postal bonds	30/06/2016
Ordinary bonds	67,555	913	1,182	(38)	5	-	69,617
Fixed-term bonds	215	(13)	0.0	(0.5)	-	-	202
Indexed bonds	450	(333)	3	(3)	-	4	121
BFPPremia bonds	2,655	(606)	25	(13)	-	(0.01)	2,062
Inflation indexed bonds	15,896	(149)	92	(10)	-	-	15,829
Bonds for minors	5,331	26	96	(3)	-	-	5,449
18-Month bonds	864	(353)	1	(0.3)	-	-	511
18-Month Plus bonds	31	(7)	-	(0.0)	-	-	24
BFP3x4 bonds	18,214	(432)	316	(3)	-	-	18,096
7Insieme bonds	1,299	(42)	22	-	-	-	1,279
3-year bonds	1,087	(143)	3	(2)	-	-	944
2-year Plus bonds	29	(8)	-	(0.0)	-	-	21
BFP Fedeltà bonds	6,215	(2,064)	61	(17)	-	-	4,195
BFP Fedeltà 3x4 bonds	4,215	107	57	(1)	-	-	4,378
BFP Renditalia bonds	413	(74)	0.3	(0.2)	-	-	340
BFP Europa bonds	3,855	1,477	16	(0.2)	-	(15)	5,332
BFP Impresa bonds	12	(7)	0.01	(0.0)	-	-	5
BFP RisparmiNuovi bonds	1,159	(110)	11	(1)	-	-	1,060
BFP Eredità Sicura bonds	40	(13)	0.1	(0.0)	-	-	28
BFP 3X4RisparmiNuovi bonds	1,979	(40)	20	-	-	-	1,959
BFP4x4 bonds	329	(2)	2	-	-	-	328
BFP4x4 Fedeltà bonds	1,107	0.2	8	-	-	-	1,116
BFP 4X4RisparmiNuovi bonds	399	9	3	-	-	-	411
Total	**133,352**	**(1,863)**	**1,919**	**(92)**	**5**	**(11)**	**133,309**

Note: "Transaction costs" include the amortisation of the adjustment of commissions for 2007-2010

Total net funding (CDP+MEF), including passbook savings accounts, came to a negative €4,986 million, driven down from the first half 2015 figure of €-3,610 million primarily by negative net funding from passbook savings accounts.

Total net postal savings funding (CDP+MEF)

(millions of euros)	Net funding 1st Half 2016	Net funding 1st Half 2015	Change (+ / -)
Postal savings bonds	**(4,327)**	**(5,943)**	**1,615**
of which:			
- pertaining to CDP	*(1,863)*	*(3,189)*	*1,326*
- pertaining to the MEF	*(2,464)*	*(2,753)*	*289*
Passbook savings accounts	**(659)**	**2,333**	**(2,992)**
CDP net funding	(2,522)	(857)	(1,665)
MEF net funding	(2,464)	(2,753)	289
Total	**(4,986)**	**(3,610)**	**(1,376)**

4.2. PERFORMANCE OF COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

REAL ESTATE – CDPI SGR

In the first half of 2016, investment decisions achieved the objective of investing the entire financial resources of the FIA. Management activities in the social housing segment were targeted at assessing investments approved but not yet concluded, in an effort to identify corrective action to eliminate the delay in the start of certain initiatives.

With regard to the planning of FIA operations, in March 2016 the Board of Directors of the asset management company approved the Fund Planning Document ("DPF") for 2016. Despite the great number of potential investments in the pipeline, the DPF identified delays throughout the life cycle of FIA operations, in part due to the inertia of the territorial public entities involved.

In the first half of 2016 the FIA increased its commitment in 3 funds for a total amount of around €44 million, raising the total value of capital committed at 30 June 2016 to approximately €1,240 million.

Turning to the management of real estate funds dedicated to the disposal and development of property owned by the state or other government agencies, on 28 June 2016 the Board of Directors of CDPI SGR approved a Fund Planning Document ("DPF") that updates the business plan for the entire life of each FIV segment and the management strategies contemplated, in accordance with the guidelines of the CDP Group Business Plan approved in December 2015.

Following the approval of business plan guidelines in January 2016, a CDP development plan for the real estate sector was prepared, focused on the areas: (i) Smart Housing, Smart Working, Education & Innovation for the mobility of people; (ii) Real Estate Infrastructure for General Government; (iii) Real Estate Infrastructure for Tourism.

The new plan led to: (i) the conversion of select development operations (formerly for sale by lot) into rental and management operations; (ii) greater focus on rentals to the tertiary and hospitality sectors; (iii) the continued urban development of areas for redevelopment; (iv) the sale of non-core assets; (v) new acquisitions.

Currently, the Plus sub-fund consists of 5 properties, while the Extra sub-fund consists of 71 properties. As no additional acquisitions are envisaged, and considering that all units are held by the one investor, under the 2016 DPF the two sub-funds will be merged in the fourth quarter of the year.

With regard to the start of sale operations of the FIT, on 13 April 2016, the Board of Directors of CDP approved the subscription of fund units for a total of €100 million, the purchase of which was concluded on 1 July 2016.

REAL ESTATE – CDP IMMOBILIARE

In the first half of 2016, the company pushed forward with the sale of its portfolio of real estate assets and with the development of major projects which will not be marketable in the short-medium term.

Specifically, assets were sold over the half year period, either directly or through investee companies, for a total value of €4.6 million.

Activities also continued in relation to major real estate complexes, including:

- Former ICMI complex in Naples;
- Former Tobacco Manufacturing complex in Naples;
- Residential area in Segrate.

Major progress was also made in relation to a number of properties in the FIV portfolio, managed by CDPI SGR and for which CDP Immobiliare is tasked with development operations.

In addition to its core operations, CDP Immobiliare is also involved in major urban redevelopment projects managed indirectly through partnerships.

The portfolio strategy adopted by CDP Immobiliare in those partnerships focuses on: (i) the continued development of projects that are not marketable in the short-medium term for which new investment is expected to enable development operations to continue; (ii) the sale of property units that are completed and assets whose development is close to finishing; (iii) the management of the remaining development initiatives, with a view to their liquidation.

Again with reference to partnerships, we report that for the subsidiary Residenziale Immobiliare 2004 S.p.A., the public contract for the construction of an underground parking lot in the State Printworks in Rome is close to completion.

With reference to the investee Alfiere S.p.A. (owner of the Torri dell'Eur complex in Rome, in partnership with Telecom Italia S.p.A.), work to strip-out the building and demolish and dig out the basements was completed in the first half of 2016.

Regarding instead the investee M.T. Manifattura Tabacchi S.p.A. (owner of the former tobacco manufacturing complex in Florence), on 9 June 2016 CDP Immobiliare signed an agreement with Earth Grafton (a wholly-owned subsidiary of the Perella-Weinberg investment fund) for the creation of a joint venture to relaunch the urban and commercial redevelopment project for the complex.

CDP EQUITY

During the first half of 2016, CDP Equity continued to analyse and monitor the market for potential investment opportunities, while consolidating its position as a leading player on the Italian equity market in terms of capital, pipeline and execution capacity.

Key developments in the company's operations are reported below.

- The Bank of Italy, following the sale of the equity investment in Generali (in June 2015) and the distribution of the special dividend contemplated in agreements, initiated the withdrawal procedure (currently underway) in accordance with the provisions of the articles of association and the agreement in place between CDP Equity, CDP and the Bank of Italy, signed on 19 December 2012.
- With regard to Kedrion, work continued on the construction of a new purification plant in Lucca, which is expected to begin operating in 2019. The plant was officially presented to the governor of the Tuscany Region and the media on 27 February 2015, when the installation of its technological systems was completed.
- CDP Equity and FSI Investimenti received non-binding proposals from Enel S.p.A. and Telecom Italia S.p.A. concerning potential projects involving the investee Metroweb Italia. The proposals received were duly assessed and on 24 May 2016 the respective Boards of CDP Equity and FSI Investimenti adopted the decision to negotiate exclusively with Enel for the joint development of a nationwide broadband network. Final agreements are expected to be reached and signed during the second half of 2016. Currently, Metroweb is pushing ahead with key investments in the optic fibre networks in the cities of Milan, Bologna and Turin.
- In February 2016, Ansaldo Energia completed its acquisition of a series of core assets from Alstom. The company also issued bonds to the value of €70 million, following up on the unsecured senior bonds issued on 28 April 2015, with a total nominal value of €350 million, which constituted the company's debut on bond market.
- In the first half of 2016, Valvitalia pushed ahead with major restructuring efforts begun in 2015 to strengthen its corporate staff and organisation to deal with the growing complexity of the company and planned future growth.
- In the first half of 2016, SIA concentrated on a series of strategic initiatives aimed at consolidating its leadership of the reference market. These included: (i) the signing of a letter of intent with EBA CLEARING for the creation of the first pan-European real-time settlement platform, whose launch is planned for the first quarter of 2017; (ii) an agreement with the Reserve Bank of New Zealand for the development of a real time settlement platform for major interbank transactions; (iii) increased penetration of the Jiffy platform, a peer-to-peer (P2P) service for sending and receiving money in real time from smartphones, and the launch in Milan and Bergamo of a pilot person-to-business (P2B) project enabling customers to make payments from their smartphones in retail outlets accredited with UBI Banca; (iv) the acquisition in January 2016 of a controlling interest in UBIQ S.r.l., a start-up company from a spin-off by the University of Parma which launched the T-Frutta app, a couponing enterprise enabling consumers to save money when they purchase products, with refunds received directly in a bank or PayPal account or by cheque; and (v) in April 2016, the exercise of the option to purchase all minority interests in Emmecom, as contemplated in the acquisition agreement made in 2013, bringing its equity investment in the company to 100%.
- In the first half of 2016, Trevi Finanziaria Industriale was awarded a number of major foreign contracts, confirming the group's leading international position. The company also posted positive growth in orders placed in the Construction sector, with major contracts acquired in various Middle Eastern countries, including a contract for maintenance and safety work on the Mosul Dam in Iraq.
- Despite challenging market conditions, Saipem posted positive results for the first quarter of 2016, thanks to the solid contribution of its offshore business and the improved profitability of the Offshore Engineering & Construction sector, which helped mitigate the downturn recorded in its Mining sector.

FINTECNA

Liquidation activities

Liquidation operations continued in the first half of 2016 for specific assets assigned by law (formerly Efim, Italtrade, dissolved public entities, Sir Committee and Cinecittà Luce S.p.A.), managed by the special-purpose entities Ligestra S.r.l., Ligestra Due S.r.l., Ligestra Tre S.r.l. and Ligestra Quattro S.r.l, in accordance with set guidelines and remaining within the financial limits of specific balance-sheet provisions.

Ligestra S.r.l. pushed ahead with the separate liquidation of former Efim assets, with operations currently focused on gradually overcoming issues connected with the remediation of former industrial sites scoped into the acquired assets. In the first half of 2016 a project was launched for the remediation of soil on the Portvesme site. The liquidation of former Italtrade assets was instead completed in 2015, with 70% (approx. €1.8 million) of the surplus realised from the liquidation procedure handed over to the MEF.

Ligestra Due S.r.l. continued with operations for the separate liquidation of assets formerly belonging to dissolved public entities, despite difficulties in the real estate market and issues typical of the real estate assets assigned. Nevertheless, the disposal of land formerly belonging to the Milan-Cremona-Po Canal Consortium has substantially been concluded.

With the objective of structural simplification achieved through targeted corporate transactions, Ligestra Tre is now focusing on the management of litigation and issues connected with the sale of land formerly belonging to the SIR Banking Consortium.

As concerns Ligestra Quattro S.r.l., in April 2015 MIBACT formally acknowledged its debts to Cinecittà Luce S.p.A., in liquidation, for a total of €21 million. In the first half of 2016, negotiations continued with MIBACT, which committed to reimbursing Ligestra Quattro S.r.l., drawing on the Fondo Unico per lo Spettacolo (FUS) and on a timing schedule, the funding advanced by Ligestra Quattro S.r.l. to cover the liquidation costs of Cinecittà Luce S.p.A. and complete the liquidation procedure in full.

As concerns the wholly-owned subsidiary XXI Aprile S.r.l., the company provided professional support and assistance to the special commissioner in charge of overseeing the Roma Capitale debt reduction plan. In November 2015, in the light of institutional developments, the right of withdrawal was exercised, as contemplated in the agreements made with the special commissioner; on March 2016 the agreement was formally terminated.

Dispute management

Efforts continued in the first half of 2016 to optimise the defence strategy adopted, involving the constant monitoring of litigation underway, with targeted, specific assessments made of risk profiles.

With regard to labour disputes, as has been seen in recent years, the number of claims received by Fintecna seeking biological damages for alleged job-related illnesses arising after a long latency period rose. Litigation over the claims, brought against Fintecna on various grounds and as a result of numerous corporate transactions, has been filed with various courts of jurisdiction by former employees or their heirs.

Litigation over civil, administrative and tax matters also showed little change with respect to previous years, as concerns matters of dispute and the limited number of new cases. Many of the law suits are still underway and generally relate to matters dating back many years, as an out-of-court settlement has not been possible.

Fintecna funding and treasury

At 30 June 2016, cash and cash equivalents of Fintecna, deposited with credit institutions and the parent company CDP, amounted to €1,151 million, compared with €1,150 million at 31 December 2015.

Cash and cash equivalents

	30/06/2016	31/12/2015
(millions of euros)	Balance	Balance
Total CDP cash and cash equivalents	866	866
Total Banking Institutions cash and cash equivalents	285	284
Total cash and cash equivalents	**1,151**	**1,150**

Other significant events

In January, Fintecna participated in the mandatory takeover offer by Hitachi Rail Italy on 60% of Ansaldo STS S.p.A. shares, selling its entire minority interest (1.7%) in the share capital of the company.

SACE GROUP

SACE continued to work in the first half of 2016 in support of exports and internationalisation, stepping up its commitment to businesses through the roll-out of a new business coverage model and expanding its geographical network with the opening of a tenth international office (in Dubai). SACE also works together with other CDP group companies to complete its range of products. Numerous missions were undertaken, with relations re-opened with Iran, Argentina and Cuba.

Keeping up with an increasingly digital world, SACE published a new Risk & Export Map on its website, featuring an Export Opportunity Index that measures the areas and sectors of greatest potential and an Investment Opportunity Index to help steer Italian companies in their investment strategies.

SACE also expanded its advisory services with the introduction of an Executive Export Programme, which offers training to companies to provide them with the strategic and operational skills needed to expanded their international presence.

The SACE group companies SACE FCT, SACE BT and SACE SRV, which all posted positive half-year results, expanded their corporate business focused on foreign trade, strengthening the group's offering.

The total exposure of SACE SpA, calculated on the basis of loans and guarantees issued (principal and interest) amounted to €39.8 billion, down 5.3% compared with the end of 2015.

The total exposure in the portfolio of SACE BT rose slightly by +1% to about €38.8 billion.

Total receivables of SACE FCT at 30 June 2016 amounted to €1.6 billion, down 19.5% compared with 31 December 2015.

Portfolio of loans and guarantees

(millions of euros)	30/06/2016	31/12/2015	Change (+ / -)	% change
SACE	**39,750**	**41,971**	**(2,221)**	**-5.3%**
Outstanding guarantees	38,687	40,715	(2,028)	-5.0%
- principal	33,497	35,063	(1,566)	-4.5%
- interest	5,191	5,652	(461)	-8.2%
Loans	1,063	1,256	(193)	-15.4%
SACE BT	**38,807**	**38,430**	**377**	**1.0%**
Short-term credit	7,968	7,792	176	2.3%
Surety Italy	6,441	6,564	(123)	-1.9%
Other property damage	24,398	24,074	324	1.3%
SACE FCT	**1,554**	**1,930**	**(376)**	**-19.5%**
Outstanding receivables	1,554	1,930	(376)	-19.5%

Treasury

The purpose of the financial operations of the SACE group is to manage a range of risks through the application of asset-liability management methods. In doing so, the group has successfully kept within the risk limits set for each of its subsidiaries and for each type of investment. Value-at-Risk models are used to measure capital requirements.

Stock of investments of financial resources

(millions of euros)	30/06/2016	31/12/2015	Change (+ / -)	% change
Cash and cash equivalents and other treasury investments	**3,705**	**3,459**	**246**	**7.1%**
Current Account	2,614	182	2,432	n/s
Deposits	554	2,666	(2,112)	-79.2%
Equity investments and shares	537	611	(74)	-12.2%
Debt securities	**2,360**	**2,345**	**15**	**0.6%**
Securities	1,491	1,421	70	4.9%
Bonds	869	924	(55)	-6.0%
Total	**6,064**	**5,804**	**260**	**4.5%**

At 30 June 2016, the balance of cash and cash equivalents and other treasury investments of SACE was approximately €3.7 billion, consisting mainly of: (i) bank current accounts of approximately €2,614 million, (ii) deposits of approximately €554 million, and (iii) equity investments and shares of approximately €537 million.

The main changes were driven by lower investments in fixed-term deposits and higher demand deposits, for the most part held with CDP and equal to €2,401 million (€12 million at 31 December 2015). The value of shares held dropped.

The overall balance of debt securities was approximately €2.4 billion. Compared with 31 December 2015, debt securities showed little to no change, with the drop in "bonds" due to redemptions of Carnival and General Electric notes over the half year.

SIMEST

In the first half of 2016, SIMEST, new lending, investment and managed resources by SIMEST totalled €3,810 million, more than three times the figure for 2015 (€1,139 million) and essentially connected with the Contributions Fund (Law 295/73, Art. 3).

New lending, investment and managed resources – SIMEST

Business lines (millions of euros)	1st Half 2016	1st Half 2015	Change (+ / -)	Change %
SIMEST direct equity investments (acquired)	13	33	(20)	-61%
Venture Capital Fund Equity Investments (acquired)	1	3	(1)	-33%
Total equity	**14**	**37**	**(22)**	**-59%**
Export support	3,795	1,102	2,693	244%
- of which in Fund 295/73	3,757	1,059	2,698	255%
- of which in Fund 394/81	38	43	(5)	-12%
Total export support operations (central government)	**3,795**	**1,102**	**2,693**	**244%**
Total new lending, investment and managed resources	**3,810**	**1,139**	**2,671**	**235%**

In the first half of 2016, lending and investment through the Contributions Fund totalled €3,757 million, focused on the following activities:

- export credits, which are aimed at supporting sectors involved in the production of capital goods, that offer deferred payments for medium-long term supplies.
- equity investments in foreign companies, through the granting of interest subsidies on loans obtained for investments in venture capital enterprises abroad.

With reference to export credit operations, new credit for a total deferred principal amount of €3,735 million was approved in the first half of 2016 (€1,034 million in the first half of 2015), of which €149 million through the supplier credit programme for medium-sized plant, machinery and parts. Of the remaining €3,587 million allocated to the buyer credit programme, around 79% was used for transactions involving large companies under major supply contracts involving large orders.

With reference to investments in foreign companies, in the first half of 2016 8 investments were approved for a total amount of €22 million eligible for facilitated loans (€25 million in the first half of 2015). Of that number, 7 investments, totalling €21 million, referred to initiatives involving SIMEST and 1 investment, totalling €1 million, referred to an initiative involving FINEST.

The Revolving Fund (Law 394/81 Fund) was established for the provision, on behalf of the Ministry for Economic Development, of facilitated loans for the internationalisation of Italian companies. In the first half of 2016, 72 loans were approved for a total amount of €38.3 million (72 loans totalling €43.3 million in the corresponding period of 2015).

As concerns the size of borrowers of loans funded through the Law 394/81 Fund, at 30 June 2016 SMEs accounted for 78% of existing loans, and large companies for 22%.

CDP GAS

In the first half of 2016, the investee SNAM paid out dividends totalling approximately €10 million. Over the same period, CDP GAS paid out all its profit for the year 2015 in dividends, amounting to approximately €41 million.

CDP RETI

In the first half of 2016, the company collected a total of €332 million in dividends from its subsidiaries, of which €254 million from SNAM (2015 dividend) and €78 million from TERNA (final 2015 dividend).

CDP Reti paid out almost all of its profit for the year 2015 to investors, for a total of €358 million in dividends (€323 million in January as an advance on the 2015 dividend, with the balance of €35 million paid in May), of which €212 million was paid to CDP and €125 million to State Grid Europe Limited.

On 28 June 2016, the Board of Directors of CDP RETI approved the Memorandum of Understanding between SNAM, CDP RETI and CDP GAS concerning the demerger of Italgas from SNAM. The move involves the partial proportional demerger of Italgas (presumably effective by 31 December 2016) and the consequent listing on the electronic equity market (MTA) of Milan of a new beneficiary company holding the equity investment in Italgas.

Through the industrial and corporate restructuring operation, the entire equity investment in Italgas currently held by SNAM, equal to 100% of the share capital of Italgas, will be transferred to a beneficiary company in order to separate gas distribution operations in Italy from its other operations.

After the demerger, SNAM will hold a 13.50% equity interest in the beneficiary company.

The demerger is subject to the terms and conditions of law, including the approval of the shareholders of SNAM at the General Meeting called for 1 August. Other requirements include admission to listing and trading on the MTA of the beneficiary company by Borsa Italiana, a declaration of equivalence by CONSOB and the approval of SNAM bondholders.

4.3 PERFORMANCE OF OTHER COMPANIES NOT SUBJECT TO MANAGEMENT AND COORDINATION

Eni S.p.A.

In the first half of 2016, Eni concentrated its efforts on the implementation of the 2016–2019 Strategic Plan, involving the restructuring and transformation of the business into an integrated oil & gas company.

Specifically over the period, ENI confirmed the importance of its Upstream business with a series of exploration breakthroughs and the start-up of new fields. Restructuring efforts instead continued in it Gas & Power and Refining & Marketing businesses.

Eni also effectively left the Engineering & Construction segment during the half year with the closing of the sale of 12.5% of the share capital of Saipem to CDP Equity and the entry into force of a shareholders' agreement between Eni and CDP Equity for their joint control of Saipem. Accordingly, Eni proceeded to deconsolidate the former subsidiary Saipem.

With regard to its Chemicals business, on 21 June 2016, Eni announced the discontinuation of negotiations with the U.S. fund SK Capital for the sale of its controlling interest in Versalis, due to the impossibility of an agreement being reached between the parties.

Key consolidated financial figures for the group at 30 June 2016 showed an operating income of €0.3 billion, a net loss of €1.2 billon, equity of €52.3 billion and net financial debt of €13.8 billion.

SNAM S.p.A.

Snam's earnings for the first half of 2016 reflect the drop in the weighted average cost of capital (WACC) for 2016 in the transport and distribution segments, where lower revenues were recorded with respect to the first half of 2015. This was partially absorbed by higher regulated revenues in the storage segment, which benefitted from an improved WACC for the year underway, compared to the WACC set for 2015.

Total revenues for the first half of 2016 amounted to €1,724 million, down €113 million (-6%) on the first half of 2015, primarily due to the factors stated above.

Other key consolidated financial figures at 30 June 2016 showed an operating income of €867 million (-14% on the first half of 2015, primarily due to the drop in revenues) and a net income of €526 million (-14% on the first half of 2015).

As concerns cash flows and borrowings, net cash flow from operating activities (€1,200 million) enabled full coverage of net investments for the period, totalling €692 million, thereby generating a free cash flow of €508 million. Following the payout to shareholders of €875 million in dividends for 2015, net financial debt at 30 June 2016 totalled €14,177 million, up €398 million on 31 December 2015 (+3%).

In relation to distribution operations, the Board of Directors approved the demerger of Italgas from Snam. The demerger is expected to be closed by 31 December 2016, subject to the approval of the shareholders and the fulfilment of other conditions precedent.

TERNA S.p.A.

Terna posted positive earnings figure among its key financial indicators for the first half of 2016. Revenues rose to €1,040 million, an increase of €38 million on the corresponding period of last year (+4%), of which €31 million was contributed by Regulated Activities and €7 million by Non-regulated Activities.

The increase in regulated revenues was driven by the inclusion in the first half of 2016 of Rete S.r.l., proprietor of the transmission grid acquired at the end of 2015 from Ferrovie dello Stato group, and the recognition of investments in works in progress for which incentives were received in 2015, all of which offset the effects of the new regulatory period, which has lowered prices for transmission and dispatching activities.

Non-regulated revenues were driven up by the expansion of the group's perimeter through the acquisition of TES – Transformer Electro Services (Tamini subsidiary) and new contracts for the use of infrastructure by TLC providers.

Other key consolidated financial figures at 30 June 2016 showed an operating income of €510 million (-3% on the first half of 2015, primarily due to higher operating costs, amortisation and depreciation, which outstripped the increase in revenues) and a (group) net income of €325 million (+5% on the first half of 2015 thanks to lower financial charges).

As concerns cash flows and borrowings, net cash flow from operating activities (€494 million) enabled full coverage of net investments for the period, totalling €347 million, thereby generating a free cash flow of €147 million. Following the payout to shareholders of €261 million in final dividends for 2015, net financial debt at 30 June 2016 totalled €8,172 million, up €170 million on 31 December 2015 (+2%).

Fincantieri S.p.A.

In the first half of 2016, Fincantieri launched the activities contemplated in the 2016–2020 Business Plan approved at 21 March 2016.

With reference to Vard, a Fincantieri group company, the closure of the Niterói shipyard in Brazil was brought to term and major synergies were developed with the cruise sector.

On 16 June 2016, Fincantieri signed an important agreement with the Qatar Ministry of Defence for the construction of seven next-generation naval vessels. Under the €4 billion contract, Fincantieri will supply seven surface ships and local support services in Qatar for 15 years following delivery of the ships. All the vessels will be built entirely in the group's Italian shipyards commencing as of 2018, ensuring 6 years of work and favourable effects for major Italian companies operating in the defence sector.

At 30 June 2016, the group had a backlog of orders worth €19,3 billion, with 103 ships in portfolio, and a soft backlog of around €2.5 billion, for a record high total workload of €21.8 billion.

Key financial figures for the group at 30 June 2016 showed total revenues for the half year at €2,266 million, gross operating income at €113 million (consolidated margin of 5%), a negative net financial position of €408 million and net income for the period at €5 million.

Saipem S.p.A.

Saipem is a corporate group engaged at the global level in the provision of engineering, procurement, project management and construction services. Its distinctive strength lies in the engineering and construction of high-tech offshore and onshore facilities for the natural gas and heavy oil industries, with major international expertise in operations in remote areas, deep waters and harsh environmental conditions. Compared to its main world competitors offering "turnkey" solutions in the oil and gas industry, Saipem is a particularly balanced group in terms of its core business areas (Engineering & Construction and Drilling), the broad geographical diversification of the markets it serves and the range of its customer base, including majors, national oil companies and international oil companies. Saipem's operations are divided between two key business areas: Engineering & Construction (E&C) and Drilling. In the E&C segment (Offshore and Onshore), the company enjoys a strong competitive position in the provision of EPCI and EPC services to the oil industry. In the Drilling segment, Saipem offers services in some of the most complex areas and segments for the oil industry, such as in the North Sea, Kazakhstan and Deepwater regions.

In 2015, the oil price began recovering, reaching USD 70 per barrel at the start of May, before collapsing sharply towards the end of the year to below USD 40 per barrel. The fall in the oil price adversely impacted the investments of oil companies and oil producing nations around the world, resulting in the placement of fewer new orders, delays and cancellations of orders in progress and tougher negotiating conditions with customers for the acceptance of changes and variations to projects arising in the implementation stage. In response to the sharp deterioration of market conditions, Saipem launched the "Fit for the Future" project, a major programme of initiatives to optimise operating costs and investments, and drew up a new strategic plan for the business. It also launched a major financing operation involving a share capital increase to raise €3.5 billion in new capital and a €3.2 billion refinancing package, in an effort to consolidate the company's financial position and become financially independent.

Despite the market downturn, Saipem in the first half of 2016 posted positive earnings figures, driven by the solid contribution of its E&C Offshore business and the improved profitability of its E&C Onshore business.

The company acquired over €3.3 billion in new orders over the first half of 2016. After the close of the period, additional orders worth over 2.5 billion were acquired in July, including a €1.5 billion contract for the development of the Zohr gas field, a "supergiant" located off the Egyptian coast in the Mediterranean Sea.

With the presentation of its half-year 2016 results, the company adjusted the guidance it had previously released for the year 2016, announcing forecast revenues of €10.5 billion, adjusted EBIT of €600 million, an adjusted net income of €250 million and a net financial position of around €1.5 billion.

In 2015 Saipem generated €11,507 million in revenues (€12,873 million in 2014), with EBITDA at €508 million (€1,212 million in 2014) and a loss of €806 million (loss of €230 million in 2014); the net financial position amounted to €5,390 million (€4,424 million in 2014).

At 30 June 2016, Saipem recorded total revenues of €5,275 million, EBITDA at €582 million and a net income of €53 million. The net financial position at 30 June 2016 came to €1,970 million, an improvement of €3,420 million compared to the end of 2015, driven primarily by new capital raised in the first quarter of 2016.

Sinloc

Sinloc is a leading company in the local development sector and in the construction of infrastructure under public-private partnerships (PPP). Alongside CDP, the company's main investors include ten major bank foundations. The company is currently working on guidelines for a new business plan, under which advisory operations are expected to be developed and the equity investment portfolio rationalised through the introduction of a more selective and focused investment strategy in terms of the sectors targeted and the size, type and percentage of shareholdings.

Istituto per il Credito Sportivo ("ICS")

At 30 June 2016, the Istituto per il Credito Sportivo was still subject to the extraordinary administration procedure begun in 2010. The procedure is managed by a special administrator together with three members of the supervisory committee, as required by the Ministry for the Economy at the proposal of the Bank of Italy.

With reference to the equity investment held in the Istituto per il Credito Sportivo ("ICS"), in 2013 the Prime Minister's Office cancelled the articles of association adopted in 2005, in implementation of the ICS Directive under Law 350 of 24 December 2003.

In December 2013, CDP S.p.A. signed an agreement with the ICS under which CDP was to refund profits received in surplus, in the proportion set forth in final civil court rulings applicable to the private shareholders of the company.

In 2014, new articles of association were adopted, under which the share capital of ICS was raised by approximately €9.6 million to a total of €835 million through the conversion of the endowment fund. The capital increase diluted the shareholdings of private investors in the ICS, raising the shareholding of the public shareholder, with the result that CDP's equity investment in ICS was reduced from 21.62% to 2.214%.

The ICS is engaged in the financing of sports facilities and plays a key role in the expansion and modernisation of the country's sports infrastructure, in particular school sports facilities.

F2i – Fondi italiani per le infrastrutture SGR

In the first half of 2016, the asset management company's operations continued to focus on the Primo Fondo F2i and the Secondo Fondo F2i, involving the active management of equity investments in portfolio and the identification of investment and divestment opportunities, as reported further on.

Europrogetti & Finanza S.p.A. in liquidation ("EPF")

The liquidation process is still ongoing in 2016, with the goal of completing all the subsidised lending related activities still in place in the shortest time possible.

AcciaItalia S.p.A.

AcciaItalia S.p.A. was established on 27 June 2016 by the industrial partner Acciaieria Arvedi (22.20%) and the financial partners CDP (44.50%) and DelFin S.à.r.l. (33.30%).

The business purpose of the company is to participate in the procedure initiated by the special commissioners of Ilva S.p.A., Ilvaform S.p.A., Taranto Energia S.r.l., Ilva Servizi Marittimi S.p.A., Tillet S.a.s. and Socova S.a.s. (companies placed under extraordinary administration by decrees of the Ministry for Economic Development, dated 21 January 2015, 20 February 2015 and 17 March 2015), in accordance with decree issued on 4 January 2016 by the Ministry of Economic Development in implementation of Decree law 191 of 4 December 2015 (the "Procedure").

Inframed Infrastructure SAS à capital variable (" Inframed Fund")

With a total capital commitment of €385 million, the fund's investment term came to an end on 31 December 2015. At 30 June 2016, the fund had a portfolio of 5 investments: 2 in Turkey, 2 in Egypt and 1 in Jordan. Of these, one was made in the first half of 2016, consisting of an investment in the El Gouna Project in Egypt for the development of a 62.6 MWp photovoltaic park. Approximately €250 million has been invested, out of a commitment of €385 million.

Since its launch, the fund has called around €296 million (approx. 77% of committed capital). At 30 June 2016, the net asset value of the fund was estimated at €359.2 million.

2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa ("Marguerite")

Established in 2009, the fund has a capital commitment of €710 million and an investment term that will come to an end in December 2016.

In the first half of 2016, the fund called €110 million from its investors (approx. €16 million from CDP on a pro-rata basis) for the acquisition of a 29% equity interest in Latvijas Gāz, a Latvian company operating in the gas transport, distribution and storage sectors.

Since its launch, the fund has called around €388 million, approximately 55% of committed capital.

At 30 June 2016, the net asset value of the fund was estimated at €384, of which €54 million pertaining to CDP.

European Energy Efficiency Fund SA, SICAV-SIF ("EEEF")

EEEF is a specialised open-end investment company registered in Luxembourg. Established in 2011, the fund has a total capital commitment of €265 million, of which €59.9 million is committed by CDP.

In December 2015, the drawdown ratio among the different categories of investors in the fund was changed, raising the amount requested from class C shares (European Commission) from 65% to 85% and lowering the amount requested from class A and class B shares (CDP, EIB and Deutsche Bank) from 35% to 15%.

In the first half of 2016, the fund did not call additional capital from its investors.

At 30 June 2016, the net asset value of the fund was estimated at €136 million, of which €17 million pertaining to CDP on a pro-rata basis.

F2i – Fondo italiano per le infrastrutture

Launched in 2007, the Primo Fondo F2i has a total capital commitment of €1,852 million. Its investment term came to an end in 2013, although add-ons to existing investments in portfolio may be called until February 2017.

In the first half of 2016, the fund called a total of €38 million (approx. €3 million from CDP on a pro-rata basis) for add-on investments in the photovoltaic sector. During the reporting period, the fund did not pay out returns to investors.

Since its launch, the fund has called around €1,718 million, approximately 93% of committed capital, and paid out €719 million in proceeds and capital redemptions.

At 30 June 2016, the net asset value of the fund was estimated at €1,432 million, of which €117 million pertaining to CDP on a pro-rata basis.

F2i – Secondo Fondo italiano per le infrastrutture

Established in 2012, the fund completed fund-raising in July 2015 with a total capital commitment of €1,242.5 million, which is higher than the target figure of €1,200 million. The investment term will come to an end in July 2018.

In the first half of 2016, the fund called a total of €26 million (approx. €2 million from CDP on a pro-rata basis) for investments in residential care facilities, and paid out a total of €98 million to investors (approx. €8 million to CDP on a pro-rata basis), consisting essentially of the proceeds from the sale of the equity investment held in TRM (Turin incinerator facility).

Since its launch, the fund has called around €367 million, approximately 30% of committed capital, and paid out €111 million in proceeds and capital redemptions.

At 30 June 2016, the net asset value of the fund was estimated at €336 million, of which €27 million pertaining to CDP on a pro-rata basis.

Fondo Atlante

Established in April 2016 with a total capital commitment of €4,249 million, the Fondo Atlante was promoted by Quaestio Capital Management SGR S.p.A. with a view to investing in the capital of Italian banks and transactions involving non-performing loans originated by Italian banks.

In the period ending 30 June 2016, the fund called around €2,532 million (approx. €298 million from CDP on a pro-rata basis) to fund equity investments in Banca popolare di Vicenza S.p.A. and Veneto Banca S.p.A.

Since its launch, the fund has called around €2,532 million, approximately 60% of committed capital, and has not paid out returns.

At 30 June 2016, the net asset value of the fund was estimated at €2,532 million, of which €298 million pertaining to CDP on a pro-rata basis.

PPP Italia Fund

Launched in 2006 with a total capital commitment of €120 million, the fund's investment term came to an end in December 2013, although add-ons to existing investments in portfolio may be called until December 2018.

In 2016, the fund paid out €1 million to its investors (€160,000 to CDP on a pro-rata basis) in dividends for 2015. The fund did not call capital from its investors during the reporting period.

Since its launch, the fund has called around €106 million, approximately 88% of committed capital, and has paid out around €24 million in returns.

At 30 June 2016, the net asset value of the fund was estimated at €77 million, of which €11 million pertaining to CDP on a pro-rata basis.

Fondo Immobiliare di Lombardia ("FIL") – Sub-fund One

Sub-fund One of the FIL has a total capital commitment of €474.8 million and is currently in the investment stage.

At 30 June 2016, the fund had invested in 21 initiatives for a total of around 2,997 housing units, of which 1,087 ready for use, and 931 places in university residences, of which 275 ready for use.

In the first half of 2016, the Board of Directors of InvestiRE, the fund manager, approved a partial capital redemption of €10.9 million, to be distributed on a pro-rata basis, due to divestments made. At 30 June 2016, around €223 million was called (47% of capital committed). The real estate portfolio is currently valued at approximately €194.8 million, with around €415.5 million in committed capital for investments.

Fondo Investimenti per l'Abitare ("FIA")

The fund has a total capital commitment of €2,028 million. Although the term for the approval of new investments came to an end at 31 December 2015, add-on investments may be approved until 31 December 2017.

In the first half of 2016, a total of around €159 million in investments in funds was approved. During the reporting period, payments totalling €16 million were made, drawn down from underlying funds.

At the end of the half-year, final approval had been given for a total of €1,773 million in investments (approx. 70% of the fund's committed capital) and €619 million in dynamic asset allocations in 32 local funds managed by 9 different asset management companies, promoting 264 projects in the funds' pipelines for the creation of around 21,350 social housing units and 7,251 places in temporary and student residences, as well as 1,067 housing units for the market, local services and neighbourhood shops. At 30 June 2016, approximately €518 million was called up (around 42% of capital committed).

Fondo Investimenti per la Valorizzazione ("FIV")

Extra sub-fund

At June 2016, the Extra sub-fund had a total capital commitment of €1,130 million, and is currently in the investment stage.

At 30 June 2016, the sub-fund's real estate portfolio was valued at approximately €695 million, including real estate purchased at the end of 2015, for which conditions precedent under Legislative Decree 42/2004 have been fulfilled.

In January 2016 the Extra sub-fund's sole B class share was assigned to CDP for a nominal value of €1, and can only be transferred to the MEF.

At the end of the half-year, around €778 million had been called up (approx. 69% of committed capital).

Plus sub-fund

The sub-fund has a total capital commitment of €100 million, and is currently in the investment stage.

At 30 June 2016, the Plus sub-fund's real estate portfolio consisted of six properties for a total value of approximately €19.8 million.

At the end of the half-year, CDP, which committed the entire capital of the Plus sub-fund, had paid in €30.6 million (approx. 30% of committed capital).

Fondo Italiano d'Investimento

The fund was established in 2010 with a total capital commitment of €1,200 million, with the objective of supporting small and medium enterprises in their growth and development through direct equity investments, mostly minority interests, in the capital of Italian companies, acting also as a fund of funds.

On 5 April 2016, the fund's investors approved a proposal to proportionally split the original fund into three investment funds, each specialised in a different area of investment: the Fondo Italiano di Investimento, the demerged fund, is specialised in direct investment in the capital of enterprises with a turnover of between €10 million and €250 million; and two new FIAs entitled the Fondo Italiano di Investimento Fondo di Fondi, specialised in private equity fund investment, and FII Venture, specialised in venture capital fund investment. Following the demerger, the investors of the Fondo Italiano di Investimento (the demerged fund) were assigned units in the beneficiary funds on a proportional basis to the capital committed in the demerged fund.

The post-demerger Fondo Italiano di Investimento has a capital commitment of €720 million.

At 30 June 2016, the fund had called approximately €440 million (62% of total committed capital), of which around €400 million is invested in 35 different companies (including follow-ons).

At 30 June 2016, the net asset value of the fund was estimated at €270 million.

Fondo Italiano d'Investimento – Fund of Funds

The fund was established with a capital commitment of €389 million following the demerger of the Fondo Italiano di Investimento, approved by the fund's investors on 5 April 2016.

At 30 June 2016, the fund had committed €358 million to 16 private equity funds, of which €217 million had been called from investors (62% of total committed capital).

Overall, the funds in portfolio have invested in over 50 companies.

At 30 June 2016, the net asset value of the fund was estimated at €128 million.

Fondo Italiano d'Investimento – FII Fund of Funds

The fund was established with a capital commitment of €91.2 million following the demerger of the Fondo Italiano di Investimento, approved by the fund's investors on 5 April 2016.

At 30 June 2016, the fund had committed €80 million in 5 venture capital funds, of which €40 million had been called from investors (50% of total committed capital).

Overall, the funds in portfolio have invested in over 60 start-up companies.

At 30 June 2016, the net asset value of the fund was estimated at €32 million.

Private Debt Fund of Funds

The fund was operative from 1 September 2014 to 30 June 2016 with a total committed capital of €380 million, of which €250 million was committed by CDP.

In the first half of 2016, the fourth and fifth Closing were held following the commitment of €45 million by a number of insurance companies and superannuation funds.

At 30 June 2016, the fund had committed €180 million in 6 private debt funds.

At 30 June 2016, the net asset value of the fund was estimated at €12 million.

Venture Capital Fund of Funds

The fund was operative from 1 September 2014 to 30 June 2016 with a total committed capital of €80 million, of which €50 million was committed by CDP.

In the first half of 2016 the third Closing was held following the commitment of €20 million by a number of superannuation funds.

At 30 June 2016, the fund had committed €28 million in 3 venture capital funds.

At 30 June 2016, the net asset value of the fund was estimated at €3 million.

European Investment Fund

The EIF is a public-private partnership under Luxembourg law between the EIB (61.2%), the European Commission (26.5%) and 30 public and private financial institutions (12.3%).

On 3 September 2014, CDP acquired 50 units of the European Investment Fund, purchased from the EIB, for a total nominal value of €50 million, equal to 1.2% of the fund. The fund has called 20% of its committed capital. At 30 June 2016, the residual commitment amounted to €40 million.

In May 2016, CDP collected a total of around €288,000 in dividends from the EIF for 2015.

During the half year, CDP and the EIF intensified their partnership in a number of areas targeted by the fund, in an effort to promote and incentivise investment in SMEs.

Galaxy S.àr.l. SICAR ("Galaxy")

The fund is currently in the divestment stage. During the year, fund operations focused on the management of its equity investments and pending disputes and on the sale of the remaining assets in portfolio. The fund was established with an original capital commitment of €250 million. From its launch to the close of the investment term in July 2009, Galaxy called a total of €64 million, equal to 26% of the capital committed by investors, and invested a total of approximately €56 million in 5 companies. To date, the fund has paid out approximately €99 million. Following the General Meeting of Aeroporti di Siena on 28 June 2016, which declared the sale of the equity interests held by Galaxy in the company unsuccessful and as such excluded the shareholder from its books, the company no longer holds assets in portfolio or assets to be liquidated.

4.4. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2016 FOR CDP GROUP

Various events affected CDP Group over the first half of 2016. Key events are reported below.

Investment in SAIPEM

On 27 October 2015, CDP Equity ("CDPE") signed a sale agreement with Eni S.p.A. ("Eni") involving CDPE acquiring a stake in the share capital of Saipem. Under the terms of the agreement, on 22 January 2016 CDPE acquired 55,176,364 Saipem shares from ENI (equivalent to an equity investment of 12.5% plus one share of the capital) at a price of €8.3956 per share (equal to the average official price for ordinary Saipem stock between 26 October 2015 and 2 November 2015), for a total cost of €463.2 million. In addition, also in accordance with the provisions of the agreement, on 11 February 2016, CDPE subscribed newly issued Saipem shares, on a pro-rata basis, resulting from the capital increase of €3.5 billion, for an additional consideration of €439.4 million. The overall investment for CPDE, and therefore for the Group, was €902.7 million.

Alongside the sale agreement, CDPE and Eni signed a three-year shareholders' agreement regarding a total amount of just over 25% of the share capital of Saipem (12.5% plus one share for each of the parties) involving specific governance powers in Saipem. In accordance with IFRS 11, the investment has been recognised as an equity interest subject to joint control.

The investment in Saipem, a leading player in the oil and gas industry at international level, is strategically important in terms of its economic and occupational impact in Italy. Moreover, Saipem is a major Italian company at global level, with strong technological know-how and key competencies. As a matter of fact, the company is one of the few global players that possess comprehensive engineering capabilities and know-how for the design and construction of complex facilities for the extraction of energy resources (oil and gas). The recognised engineering and project management competencies make Saipem the world leader in the Offshore Engineering & Construction sector.

The investment is in keeping with the Group's new guidelines to invest in strategic companies for the Italian economy over a medium/long-term period, in line with Saipem's prospects connected to trends in the oil and gas sector.

The acquisition by CDPE underscores the strategic importance for the Italian economy of the mechanics industry, which is the country's biggest exporter. The investment adds to and strengthens CDPE's existing portfolio of investments, which includes, in the mechanics and energy sectors, investments in Ansaldo Energia, Valvitalia and Trevi.

Saipem directly employs over 7,300 people around Italy, including 3,200 specialised engineers, and has ongoing partnerships with major Italian universities and research institutions, including the polytechnic universities of Milan and Turin. Alongside its headquarters, the company has 5 engineering, production and research and development centres across the country. In terms of its indirect impact on jobs in the country, Saipem spends some €1.8 billion on purchases from Italian suppliers and subcontracts work to companies.

At the beginning of 2016, Saipem's share price fell considerably as a result of the negative performance of equity markets, the dilution effect of the share capital increase and the oil price trend.

Against this backdrop, although the investment in Saipem is a long-term interest of strategic importance for CDPE, also considering the governance powers taken on with a view to supporting and leveraging the equity interest over time, the Company updated the factors at the basis of the valuation that supported the transaction price.

The results of this valuation, based on the estimated value of the future income and cash flows that Saipem can reasonably be expected to generate and the absence of any major events up to the closing date, as confirmed by the management of the counterparties involved, confirmed the sustainability of the purchase price as the initial carrying amount of the investment.

In addition to this, given the fall in the market price of the equity interest over the first half of 2016, which led to the capitalisation of the company being lower than its equity (an indicator of possible impairment), the equity investment was duly tested for impairment, based on the estimated value of the future income and cash flows that Saipem can reasonably be expected to generate. The outcome of the impairment test confirmed the sustainability of the carrying amount of the equity investment at 30 June 2016, for which no value adjustment was made.

Fondo Atlante

Established in April 2016 with a total capital commitment of €4,249 million, the Fondo Atlante was promoted by Quaestio Capital Management SGR S.p.A. with a view to investing in the capital of Italian banks and transactions involving non-performing loans originated by Italian banks.

CDP committed to the fund, subscribing units currently recognised in the financial statements as assets available for sale for a total amount of approximately €298 million.

Decision to raise the share capital and contribution of a part of the equity interest held by the MEF in Poste to CDP

At the Extraordinary General Meeting on 24 June 2016, the shareholders of CDP approved the proposal to raise the share capital through an issue reserved to the Ministry for the Economy and Finance, for a total amount, including premiums, of €2,930,257,785. The new share capital will be released through the contribution by the MEF of a 35% equity interest in the share capital of Poste Italiane S.p.A. (Poste) to CDP.

The move raises the share capital of CDP by €551,143,264, from the current €3,500,000,000 to €4,051,143,264 euro, through the issue of 45,980,912 ordinary shares with no par value to the MEF. Payment for the shares will be made by the MEF through the contribution of 457,138,500 ordinary Poste shares, representing 35% of the share capital. In addition to the capital increase, a share premium of €2,379,114,521 will be recognised.

As a result of the transaction, the MEF's equity interest in CDP will rise from 80.1% to 82.8% of the share capital.

The transaction is governed by the provisions of the decree issued by the Ministry for the Economy and Finance on 25 May 2016 (published in Italian Official Gazette No. 143 on 21 June 2016), adopted in accordance with Article 5.3b) of Decree Law 269/2003. The Poste shareholding will be assigned to CDP's Separate Account, while management and coordination activities in relation to the investment will continue to be exercised by the MEF.

The increase in the share capital and the contribution of the Poste investment will become effective by 31 December 2016, after the necessary authorisation process for the transfer of the equity investment is completed.

AcciaItalia

AcciaItalia S.p.A. was established on 27 June 2016 by the industrial partner Acciaieria Arvedi (22.20%) and the financial partners CDP (44.50%) and DelFin S.à.r.l. (33.30%).

The business purpose of the company is to participate in the procedure initiated by the special commissioners of Ilva S.p.A., Ilvaform S.p.A., Taranto Energia S.r.l., Ilva Servizi Marittimi S.p.A., Tillet S.a.s. and Socova S.a.s. (companies placed under extraordinary administration by decrees of the Ministry for Economic Development, dated 21 January 2015, 20 February 2015 and 17 March 2015), in accordance with decree issued on 4 January 2016 by the Ministry of Economic Development in implementation of Decree law 191 of 4 December 2015 (the "Procedure").

The investment in ILVA will step up CDP Group's capacity to achieve the objectives of the economic growth support plan for the country through the enhancement of a strategic industrial asset.

Separation of Italgas from Snam

In relation to the distribution sector, the Board of Directors of Snam approved the separation of Italgas from Snam by way of a single transaction involving the partial, proportional demerger of the company and the subsequent listing on the electronic equity market (MTA) of Milan of a new holding company, the beneficiary of the Italgas equity interests.

Under the industrial and corporate restructuring plan, the entire equity investment currently held by Snam in Italgas, equal to 100% of the share capital, will be transferred to a beneficiary company in order separate gas distribution in Italy – a very specific sector, distinct from the group's other business areas in terms of operational organisation, market competition, regulation and investment needs – from transport and dispatching, LNG and storage in Italy and abroad.

As a result of the transaction, Snam will hold 13.50% of the share capital of the beneficiary company, and Snam shareholders will be assigned shares in the beneficiary on a proportional basis to their interests in Snam at the effective date of the demerger, for a sum total of 86.50% of the share capital.

Once the conditions precedent to the transaction are fulfilled, the demerger will presumably become effective by 31 December 2016.

The Memorandum of Understanding in place between Snam, CDP Reti and CDP Gas also provides for a shareholders agreement between Snam, CDP Reti and CDP Gas concerning their equity holdings in the beneficiary company, respectively equal to 13.50%, 25.08% and 0.97%, to ensure the stability and transparency of ownership of the beneficiary company following the conclusion of the transaction. Specifically, the objective of the memorandum is to govern the main terms and conditions for the transaction to take place and the general governance arrangements subsequently applicable to the beneficiary company and Italgas.

5. FINANCIAL POSITION AND PERFORMANCE

5.1. PARENT COMPANY

Against a backdrop of a challenging playing field, CDP posted a strong improvement in all components of its financial position, which did not include any non-recurring revenues, thanks to the effective management of its surplus liquidity, assets and liabilities and all funding sources.

Net income for the period rose by €231 million compared to 2015 to reach €1,147 million, despite the absence of non-recurring income items (which in 2015 totalled €218 million in realised gains on securities), driven by higher net interest income.

5.1.1. RECLASSIFIED INCOME STATEMENT

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

Reclassified income statement

(millions of euros)	30/06/2016	30/06/2015	Change (+ / -)	(%) change
Net interest income	**1,174**	**380**	**793**	**208.7%**
Dividends	1,043	1,158	(115)	-9.9%
Gains (losses) on equity investments	-	-	-	n/s
Net commission income	(770)	(847)	77	-9.1%
Other net revenues	(23)	310	(334)	n/s
Gross income	**1,423**	**1,001**	**422**	**42.1%**
Net impairment	(46)	6	(52)	n/s
Overheads	(67)	(62)	(5)	8.4%
of which: administrative expenses	*(64)*	*(59)*	*(5)*	*8.7%*
Operating income	**1,314**	**949**	**365**	**38.4%**
Net provisions	(0)	2	(2)	n/s
Income taxes	(164)	(32)	(132)	411.0%
Net income (loss) for the period	**1,147**	**916**	**231**	**25.2%**

Net interest income amounted to €1,174 million, a rise of 209% on the €380 million recorded in the first half of 2015. Growth in the figure was driven by: (i) a higher average return on interest-bearing assets, with the mark-up rising by 22 basis points, raising interest income by 11%; and (ii) a lower average cost of interest-bearing liabilities, with a 27 basis-point improvement in the mark-down, which brought interest expense down by 19%.

In the first half of the year, by decree dated 12 May 2016, adopted in accordance with Article 17-quater of Decree Law 18 of 14 February 2016, converted into Law 49 of 8 April 2016, the MEF introduced changes to the way the Treasury current account is remunerated. Under the changes, as of 1 January 2016, the yield is calculated as the weighted average yield on six-month Italian treasury bills (BOTs) and ten-year Italian government bonds (BTPs), weighted respectively at 20% and 80%.

Net commission income totalled €-770 million, a 9% improvement on the €-847 million posted in the first half of 2015. Commission income was driven down by lower postal commissions, primarily due to lower average stock in the first half of 2016.

Dividends, amounting to €1,043 million, fell by 9.9% on the €1,158 million recorded in the first half of 2015. The drop was mainly due to the lower dividend payout by ENI (€-150 million), which was only partially offset by higher CDP Reti dividends.

Other net revenues posted a negative €23 million, driven by net losses on trading and hedging activities. In 2015 the item posted a strong positive figure of €310 million, thanks mainly to extraordinary revenues from the sale of government debt securities in the AFS portfolio.

Overheads, consisting of staff costs and other administrative expenses, as well as value adjustments to property, plant and equipment and intangible assets, rose by 8.4% over the corresponding period of 2015 to reach approximately €67 million. The higher figure was mainly due to the continuation of the staff hiring plan, designed to align the skills available in the company to the needs of new operational areas connected with the company's new role as national promotional institution.

As a result of these trends, net income for the period was equivalent to €1,147 million, showing growth on the €916 million posted in the first half of 2015.

5.1.2. RECLASSIFIED BALANCE SHEET

5.1.2.1 Assets

The assets of the parent company from the reclassified balance sheet at 30 June 2016 can be grouped into the following aggregates:

Reclassified balance sheet

(millions of euros)	30/06/2016	31/12/2015	Change (+ / -)	(%) change
Assets				
Cash and cash equivalents and other treasury investments	172,834	168,644	4,190	2.5%
Loans to customers and banks	102,688	103,736	(1,048)	-1.0%
Debt securities	55,814	35,500	20,314	57.2%
Equity investments and shares	29,967	29,570	397	1.3%
Assets held for trading and hedging derivatives	864	990	(126)	-12.7%
Property, plant and equipment and intangible assets	267	258	9	3.4%
Accrued income, prepaid expenses and other non-interest-bearing assets	6,220	5,157	1,063	20.6%
Other assets	910	1,044	(134)	-12.8%
Total assets	**369,565**	**344,899**	**24,666**	**7.2%**

At the end of the period, total assets came to about €370 billion, an increase of around 7.2% from the end of the previous year, when the total was about €345 billion. The higher asset figure was driven by greater investment in short-term securities and OPTES funding invested in repurchase agreements (for further details, see the sections "Investment of financial resources" and "Funding" of the parent company).

Cash and cash equivalents amounted to approximately €173 billion, showing a slight increase (+2%) on the end 2015 figure. The aggregate included €148 billion held in the Treasury current account, showing a drop, as forecast, of around €3.5 billion.

Loans to customers and banks amounted to approximately €103 billion, showing substantially no change on the year-end 2015 figure due to the combined effects of lower lending to public entities and higher lending to enterprises.

Debt securities totalled around €56 billion, showing a sharp increase (57.2%) on the year-end 2015 figure. Growth was driven by new purchases, primarily of short-term HTM securities, and the efficient management of liquidity, as well as by the strategy adopted to stabilise interest income as interest rates continue to fall.

At 30 June 2016, the carrying amount of equity investments and shares was equal to about €30.0 billion, an increase of around €400 million attributable primarily to the Fondo Atlante investment.

Assets held for trading and hedging derivatives decreased by 12.7% compared with the end of 2015. This aggregate reports the fair value (if positive) of derivative instruments used for hedging, which includes operational hedge positions that are not recognised as hedging derivatives for accounting purposes.

The total balance of property, plant and equipment and intangible assets came to €267 million, of which €260 million in property, plant and equipment and the remainder in intangible assets. The increase was attributable to a larger volume of investments made during the year compared with the depreciation and amortisation charge recognised during the period on existing assets. In this regard, there was a sharp increase in capital expenditure over the first half of 2016, mainly as a result of investments in renovations of owned buildings.

Accrued income, prepaid expenses and other non-interest-bearing assets rose compared with the end of 2015 to €6.2 billion (+20.6%). The higher figure was driven primarily by higher interest income accruing on cash and cash equivalents in the first half of 2016, which has yet to be collected.

Finally, other assets, which include current and deferred tax assets, withholding tax on interest paid on postal passbooks and other sundry assets, dropped slightly to €910 million, from €1,044 million at the end of 2015.

5.1.2.2. Liabilities and equity

The reclassified liabilities and equity of CDP at 30 June 2016 can be grouped into the following aggregates:

Reclassified balance sheet

(millions of euros)	30/06/2016	31/12/2015	Change (+ / -)	(%) change
Liabilities and equity				
Funding	346,250	323,046	23,204	7.2%
of which :				
- postal funding	*251,429*	*252,097*	*(668)*	*-0.3%*
- funding from banks	*18,134*	*17,399*	*734*	*4.2%*
- funding from customers	*63,835*	*39,648*	*24,187*	*61.0%*
- bond funding	*12,852*	*13,901*	*(1,049)*	*-7.5%*
Liabilities held for trading and hedging derivatives	1,468	748	720	96.2%
Accrued expenses, deferred income and other non-interest-bearing liabilities	816	516	300	58.1%
Other liabilities	780	946	(166)	-17.5%
Provisions for contingencies, taxes and staff severance pay	371	182	189	103.6%
Equity	19,880	19,461	419	2.2%
Total liabilities and equity	**369,565**	**344,899**	**24,666**	**7.2%**

Total funding at 30 June 2016 came to about €346 billion (+7.2% from the end of 2015). The aggregate showed substantial stability in postal funding, as interest expense accruing was offset by negative net funding, which fell by €2.5 billion; the associated stock, which comprises passbook savings accounts and postal savings bonds, totalled over €251 billion.

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

- Funding from banks rose slightly, from over €17 billion at the end of 2015 to over €18 billion at June 2016, driven by greater funding from reverse repurchase agreements (stock of approx. €13 billion) compared to 31 December 2015, which sought to take advantage of the low cost of funding connected with market interest rate trends, which more than offset the drop in ECB funding (approx. €-4.3 billion);
- Funding from customers amounted to approximately €64 billion, an increase of 61.0% on the figure at the end of 2015. The increase was driven primarily by higher OPTES funding (€54 billion versus €30 billion at the end of 2015), and to a lesser extent by intragroup deposits (€4.3 billion versus €3.7 billion at the end of 2015);
- Funding through bonds, amounting to approximately €13 billion, dropped by around 8% on the year-end 2015 figure, primarily due to the smaller stock of commercial papers (€-1.1 billion compared to the end of 2015).

Liabilities held for trading and hedging derivatives amounted to €1,468 million, up from the €748 million recorded at the end of 2015. This aggregate reports the fair value (if negative) of derivative instruments used for hedging, which includes operational hedge positions that are not recognised as hedging derivatives for accounting purposes.

Accrued expenses, deferred income and other non-interest-bearing liabilities, amounting to €816 million, rose by 58.1% compared with the figure at the end of 2015, due to the combined effect of the change in fair value of hedged bond funding and higher accrued expenses.

Developments in the other aggregates can be summarised as follows: (i) other liabilities (amounting to €780 million) fell by 17.5%, primarily due to lower taxes on postal savings; (ii) provisions for contingencies, taxes and staff severance pay rose by 103.6%, due to higher tax liabilities.

Finally, equity at 30 June 2016 rose to approximately €19.9 billion (+2.2% on the end 2015 figure), driven by net income for the period, which more than offset dividends paid out.

5.1.3. INDICATORS

Main indicators (reclassified data)

	30/06/2016	31/12/2015
STRUCTURE RATIOS (%)		
Loans/Total assets	27.8%	30.1%
Loans/Postal Funding	40.8%	41.1%
Equity investments/Final equity	151%	152.0%
Securities/Equity	280.8%	182.4%
Funding/Total liabilities	93.7%	93.7%
Equity/Total liabilities	5.4%	5.6%
Postal savings/Total funding	72.6%	78.0%
PERFORMANCE RATIOS (%)		
Net interest income/Gross income	82.5%	38.0%
Net commissions/Gross income	-54.1%	-84.6%
Dividends and gains (losses) on equity investments/Gross income	73.3%	115.7%
Commission expense/Gross income	-57.1%	-87.3%
Spread on interest-bearing assets and liabilities	0.8%	0.3%
Cost/income ratio	4.9%	6.2%
Cost/income ratio (including commission expense on postal funding)	40.1%	49.7%
Net income/Opening equity (ROE)	11.8%	9.4%
Net income/Average equity (ROAE)	11.7%	9.4%
RISK RATIOS (%)		
Gross bad debts and unlikely to pay/Gross exposurea [2, 3]	0.287%	0.289%
Net bad debts and unlikely to pay/Net exposure [2, 3]	0.155%	0.163%
Net writedowns of loans/Net exposure [2]	0.037%	0.077%
PRODUCTIVITY RATIOS (millions of euros)		
Loans/Employees	158	167
Funding/Employees	532	519
Operating income/Employees [1]	4	3

1) For the year 2015, the figures refer to 30/06/2015

2) Exposure includes Loans to Banks and Customers and disbursement commitments

3) Net exposure is calculated net of the provision for impaired loans

Structural indices remained substantially in line with those at the end of 2015. In terms of liabilities, postal savings continued to contribute most heavily to the aggregate, while for assets, investments in government securities rose, while core business assets (loans and equity investments) remained stable.

Profit indicators showed an increase in the spread between interest-bearing assets and liabilities, which rose from around 30 basis points in 2015 to about 79 basis points at 30 June 2016. The rise was mainly driven by higher returns on the Treasury current account (1.10% versus 0.62% for the corresponding period of 2015) and by the lower cost of interest-bearing liabilities, which dropped by around 27 basis points. Higher financial income helped lower the cost/income ratio even further (to 4.9%), which stands comfortably within set targets, notwithstanding higher overheads connected with the staff hiring plan. Return on equity (ROE) rose to 11.8% compared to the first half of 2015, thanks to higher net income for the year.

The credit quality of CDP’s loan portfolio remains very high and its risk profile moderate, as shown by the strong risk indices. Overall, net value adjustments to loans primarily reflect: (i) higher global provisions for performing loans due to the higher risk implicit in the sectors financed by CDP; and (ii) higher value adjustments on positions already classified as doubtful loans at the end of last year.

Productivity indices remained at very high levels, with the stock of loans and the stock deposits per employee at €157.7 million and €531.9 million respectively. Thanks to the stronger performance of the company, net income per employee amounted to approximately €4.0 million.

5.2. CDP GROUP

The financial position and reclassified income statement of the CDP Group at 30 June is presented below. For further information on the operating performance of companies scoped into the consolidation area, see the sections detailing the performance of companies subject and not subject to management and coordination.

For the purposes of full disclosure, a schedule reconciling reclassified accounts with the financial statements is provided in an annex.

5.2.1. RECLASSIFIED CONSOLIDATED INCOME STATEMENT

The consolidated income statement of the Group is shown below, with comparative data provided for the first half of last year.

Reclassified income statement

(millions of euros)	30/06/2016	30/06/2015 (*)	Change (+ / -)	(%) change
Net interest income	**1,023**	**208**	**815**	**391.8%**
Gains (losses) on equity investments	(350)	152	(502)	n/s
Net commission income	(766)	(853)	87	-10.2%
Other net revenues	80	697	(617)	-88.5%
Gross income	**(13)**	**204**	**(217)**	**n/s**
Net income from insurance operations	116	184	(68)	-37.0%
Net income from financial and insurance operations	**103**	**388**	**(285)**	**-73.5%**
Net impairment	(46)	9	(55)	n/s
Administrative expenses	(3,075)	(2,975)	(100)	3.4%
Other operating income (expenses)	5,131	5,157	(26)	-0.5%
Operating income	**2,113**	**2,579**	**(466)**	**-18.1%**
Net provisions	(12)	35	(47)	n/s
Net adjustments of PPE and intangible assets	(899)	(855)	(44)	5.1%
Income taxes	(567)	(594)	27	-4.5%
Net income (loss) for the period	**635**	**1,165**	**(530)**	**-45.5%**
Net income (loss) for the period pertaining to non-controlling interests	623	694	(71)	-10.2%
Net income (loss) for the period pertaining to shareholders of the Parent Company	**12**	**471**	**(459)**	**-97.5%**

* 2015 figures have been restated

Group net income at 30 June 2016 amounted to €635 million, showing a decrease on the corresponding period of 2015. Despite high interest income for the period, net profit from insurance operations and the stable contribution from companies not subject to management and coordination, in terms of other income, Group net income was affected in a major way by the net loss recorded by ENI group for the period.

(millions of euros and %)	30/06/2016	30/06/2015	Change (+ / -)	(%) change
Interest expense on payables to customers	(1,936)	(2,340)	404	-17.3%
Interest expense on payables to banks	(77)	(81)	4	-4.9%
Interest expense on securities issued	(412)	(424)	12	-2.8%
Interest income on debt securities	626	598	28	4.7%
Interest income on financing	2,732	2,461	271	11.0%
Interest on hedging derivatives:	78	(2)	80	n/s
Other net interest	12	(4)	16	n/s
Net interest income	**1,023**	**208**	**815**	**391.8%**

Net interest income amounted to €1,023 million, a sharp increase on the figure for the first half of 2015, referring mainly to the parent company. Growth in the figure for CDP was driven by: (i) a higher average return on interest-bearing assets, with the mark-up rising by 22 basis points, raising interest income by €313 million (+11%); and (ii) a lower average cost of interest-bearing liabilities, with a 27 basis-point improvement in the mark-down, which brought interest expense down by €480 million (-19%). As reported earlier, changes were introduced during the half year to the way the Treasury current account is remunerated, for which as of 1 January 2016 the yield is calculated as the weighted average yield on six-month Italian treasury bills (BOTs) and ten-year Italian government bonds (BTPs), weighted respectively at 20% and 80%.

The measurement at equity of investee companies subject to significant influence or joint control produced a negative €350 million, showing a turnaround compared to the first half of 2015 (€+152 million) but continuity with the year 2016 (€-2,342 million). The loss on equity investments was primarily due to the net effect of the measurement at equity of ENI (€-422 million) and gains on the measurement of the Snam group equity investment portfolio (€65 million).

Net commission income (referring essentially to the parent company) totalled €-766 million, driven down by lower postal commissions, primarily due to lower average stock in the first half of 2016.

(millions of euros and %)	30/06/2016	30/06/2015	Change (+ / -)	(%) change
Net gain (loss) on trading activities	62	288	(226)	-78.5%
Net gain (loss) on hedging activities	(14)	1	(15)	n/s
Gains (losses) on disposal or repurchase financial transactions:	29	377	(348)	-92.3%
Net gain (loss) on financial assets and liabilities carried at fair value	2	31	(29)	-93.5%
Other net revenues	**79**	**697**	**(618)**	**-88.7%**

Other net revenues dropped by approximately €618 million due to the absence of non-recurring income, which instead made a positive contribution to the first half of 2015, and due to lower trading activities by SACE group (€-218 million) for hedging and efficient management purposes, for which hedge accounting options were not applied. Specifically in the first half of 2015, other revenues were boosted by the sale of AFS assets by the parent company (€218 million) and CDP Equity (€136 million), which sold 2.57% of the Generali shares it holds in its portfolio.

(millions of euros and %)	30/06/2016	30/06/2015	Change (+ / -)	(%) change
Gross Premiums	282	253	29	11,5%
Change in premium reserve	(230)	(24)	(206)	n/s
Premiums paid in reinsurance	6	(6)	12	n/s
Effect of consolidation	(5)	(5)	-	-
Net premiums	**53**	**218**	**(165)**	**-75,7%**
Net other income (expense) from insurance operations	63	(34)	97	n/s
Profit (loss) on insurance operations	**116**	**184**	**(68)**	**-37,0%**

The net profit from insurance operations, equal to €116 million (€184 million in the first half of 2015), reports net premium income and other income and charges from insurance operations. Although total premiums posted growth, net premium income fell compared to 30 June 2015 due to higher allocations to technical provisions.

Banking operations and insurance operations together posted net income of €103 million, a drop on the €388 million recorded for the first half of last year.

(millions of euros and %)	30/06/2016	30/06/2015	Change (+ / -)	(%) change
Profit (loss) on banking and insurance operations	**103**	**388**	**(285)**	**-73.5%**
Net writedowns	(46)	9	(55)	n/s
Administrative expenses	(3,075)	(2,975)	(100)	3.4%
Other operating income (expenses)	5,131	5,157	(26)	-0.5%
Operating income before adjustments of PPE and intangible assets	**2,113**	**2,579**	**(466)**	**-18.1%**
Net adjustments of PPE and intangible assets	(899)	(855)	(44)	5.1%
Operating income after adjustments of PPE and intangible assets	**1,214**	**1,724**	**(510)**	**-29.6%**

Administrative expenses mostly include the expenses of the parent company (€65 million), Snam group (516 million), Terna group (€256 million) and Fincantieri group (€2,138 million). Fincantieri group expenses dropped by around €100 million due to lower costs for the purchase of raw materials and services.

Other net charges and income from operations remained largely stable at approximately €5.1 billion. The figure mainly includes revenues related to the core businesses of Snam, Terna and Fincantieri groups.

Adjustments to plant, property and equipment and intangible assets rose slightly and referred primarily to SNAM, Terna and Fincantieri groups.

Finally, the effective tax rate rose from 34.5% to 47.2%, driven up primarily by higher net interest income for the parent company and the increase in non-deductible negative components of a permanent nature referring to SACE.

A number of CDP Group companies are now working with the Revenue Agency to determine how and to what extent ACE (growth incentive) tax deductions may be applied.

5.2.2. RECLASSIFIED CONSOLIDATED BALANCE SHEET

The consolidated balance sheet of the Group is shown below, with comparative data provided for the end of 2015 (restated).

Reclassified consolidated balance sheet

(millions of euros)	30/06/2016	31/12/2015 (*)	Change (+ / -)	(%) change
Assets				
Cash and cash equivalents and other treasury investments	176,698	172,523	4,175	2.4%
Loans to customers and banks	108,341	110,540	(2,199)	-2.0%
Securities	61,955	40,417	21,538	53.3%
Equity investments	18,072	18,172	(100)	-0.6%
Trading and hedging derivatives	1,387	1,847	(460)	-24.9%
Property, plant and equipment and intangible assets	42,777	42,561	216	0.5%
Reinsurers' share of technical reserves	550	465	85	18.3%
Other assets	11,859	12,345	(486)	-3.9%
Total assets	**421,639**	**398,870**	**22,769**	**5.7%**

* 2015 figures have been restated

Total balance sheet assets amounted to over €421 billion, up approximately 5.7% on the end of last year. Growth in the figure was primarily driven by investments in securities by the parent company across all portfolios – assets held to maturity (HTM) loans (LOR) and assets available for sale (AFS). The AFS portfolio includes the Fondo Atlante investment of €298 million.

Cash and cash equivalents, including the parent company's Treasury current account, Group current accounts and repurchase agreements, amounted to 176 billion, showing growth of 2.4% on the year-end 2015 figure. Growth was essentially driven by the increase in repurchase agreements, which was only partially offset by the drop of around €3.5 billion, as forecast, in the balance of the Treasury current account, which totalled €149 billion.

Loans, totalling approximately €108 billion, showed a slight drop (-2%) on the year-end 2015 figure, driven down by lower lending to public entities, which was only partially offset by higher loans to enterprises by the parent company.

Securities totalled around €62 billion, showing a sharp increase (53.3%) on the year-end 2015 figure. Growth was driven by new purchases, primarily of short-term HTM securities, and the efficient management of liquidity, as well as by the strategy adopted to stabilise interest income as interest rates continue to fall.

Equity investments fell by approximately €100 million due to the net impact of additions, consisting of the entry into the perimeter of the Group of SAIPEM (equity interest subject to joint control), and decreases, relating to the measurement at equity of ENI and other minor equity investments (TAG, SIA and others). The measurement of these equity investments was affected in a major way for the period by the netting of dividends for all of last year and the contribution of net income for the half year alone. Trading and hedging derivatives decreased by 24.9% compared with the end of 2015. This aggregate reports the fair value (if positive) of derivative instruments used for trading and hedging, which includes operational hedge positions that are not recognised as hedging derivatives for accounting purposes.

The reinsurers' share of technical reserves includes provisions allocated to the premium reserve following the outward reinsurance agreement signed by SACE and the MEF in 2014, with the figure showing no substantial change.

Property, plant and equipment and intangible assets totalled approximately €42 billion, showing an increase on the end of 2015. Growth was mainly driven by development investments in transport lines by Snam and Terna groups.

Other assets amounted to almost €12 billion and comprised other assets of the parent company and major balances of other Group companies, including €3.9 billion in trade receivables, €2.1 billion in contract work in progress (construction contracts) and €2.5 billion in inventories.

Reclassified consolidated balance sheet

(millions of euros)	30/06/2016	31/12/2015 (*)	Change (+ / -)	(%) change
Liabilities and equity				
Funding	368,787	345,409	23,378	6.8%
- of which :				
- postal funding	*251,429*	*252,097*	*(668)*	*-0.3%*
- funding from banks	*27,286*	*26,793*	*493*	*1.8%*
- funding from customers	*60,065*	*36,433*	*23,632*	*64.9%*
- bond funding	*30,007*	*30,086*	*(79)*	*-0.3%*
Liabilities held for trading and hedging derivatives	1,771	1,243	528	42.5%
Technical reserves	2,954	2,807	147	5.2%
Other liabilities	7,946	8,083	(137)	-1.7%
Provisions for contingencies, taxes and staff severance pay	6,892	6,775	117	1.7%
Equity	33,289	34,553	(1,264)	-3.7%
Total liabilities and equity	**421,639**	**398,870**	**22,769**	**5.7%**

* 2015 figures have been restated

Total Group funding came to €369 billion (+6.8% from the end of 2015). The aggregate showed substantial stability in postal funding, as interest expense accruing was offset by negative net funding, which fell by over €2 billion; the associated stock, which comprises passbook savings accounts and postal savings bonds, totalled over €251 billion.

Postal funding refers exclusively to the parent company.

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

- Funding from banks rose slightly, as higher funding from reverse repurchase agreements more than offset the decrease in deposits and ECB funding;

(thousands of euros and %)	30/06/2016	31/12/2015	Change (+ / -)	(%) change
Due to central banks	**400**	**4,677**	**(4,277)**	**-91.4%**
Due to banks	**26,886**	**22,116**	**4,770**	**21.6%**
Current accounts and free deposits	1,796	1,505	291	19.3%
Term deposits	1,876	2,363	(487)	-20.6%
Repurchase agreements	12,928	6,680	6,248	93.5%
Other financing	10,109	11,344	(1,235)	-10.9%
Other	177	224	(47)	-21.0%
Funding from banks	**27,286**	**26,793**	**493**	**1.8%**

- Funding from customers amounted to approximately €60 billion, an increase of 64.9% on the figure at the end of 2015. Growth was mainly driven by (i) stock generated by OPTES funding totalling €54 billion (the balance was equivalent to €30 billion at the end of 2015);
- Funding through bonds showed a slight drop, as higher funding by Terna group (€90 million) was not sufficient to offset the drop in funding by Snam group (€-172 million).

Liabilities held for trading and hedging derivatives, amounting to €1.7 billion in June 2016, include the fair value (if negative) of derivatives used for hedging, including operational hedges that are not recognised as such for accounting purposes. The aggregate essentially refers to the parent company and residually to hedging derivatives held by Fincantieri Group (€205 million) and Terna group (€20 million) and to trading derivatives held by SACE group (€105), along with other minor contributions.

Other liabilities amounted to approximately €7.9 billion and included other liabilities of the parent company and major balances of other Group companies, including a total of €4.5 billion in trade payables and €658 million in contract work in progress (construction contracts).

Technical reserves, totalling around €2.9 billion, include reserves for contingent liabilities associated with commitments undertaken within the scope of Group insurance operations. At 30 June 2016, the figure was entirely attributable to SACE group.

Equity at 30 June 2016 amounted to approximately €33.3 billion. The tables below show equity as published at 31 December 2015 and the restated figures at the same date, highlighting the different trends between the two for equity attributable to the shareholders of the parent company (+89 million versus €-884 million).

The published figures for the year show growth in equity, as the increase of €972 million resulting from changes in the recognition and measurement criteria adopted by ENI group was not entirely absorbed, in the absence of other major changes, by the dividend payout of almost €853 million.

In the restated figures, the increase is included in the balance and changes for the period consisted only of the dividend payout and other minor changes.

Equity

Comparison of figures before restatement

(millions of euros)	30/06/2016	31/12/2015	Change (+ / -)	(%) change
Equity attributable to the shareholders of the parent company	19,315	19,226	89	0.5%
Non-controlling interests	13,974	14,354	(380)	-2.6%
Total Equity	**33,289**	**33,580**	**(291)**	**-0.9%**

Comparison of restated figures

(millions of euros)	30/06/2016	31/12/2015	Change (+ / -)	(%) change
Equity attributable to the shareholders of the parent company	19,315	20,199	(884)	-4.4%
Non-controlling interests	13,974	14,354	(380)	-2.6%
Total Equity	**33,289**	**34,553**	**(1,264)**	**-3.7%**

5.2.3. RECONCILIATIONS WITH CONSOLIDATED EQUITY AND NET INCOME

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

Reconciliation of equity and net income of the parent company and consolidated equity and net income

(millions of euros)	Net income	Capital and reserves	Total
Parent company financial statements	**1,147**	**18,733**	**19,880**
Balance from financial statements of fully consolidated companies	1,359	29,033	30,392
Consolidation adjustments:	-	-	-
- Carrying amount of directly consolidated equity investments	-	(20,808)	(20,808)
- Differences of purchase price allocation	(99)	7,307	7,208
- Dividends from fully consolidated companies	(1,012)	1,012	-
- Valuation of equity investments accounted for with equity method	(417)	2,817	2,400
- Dividends of companies accounted for with equity method	(407)	(2,991)	(3,398)
- Elimination of intercompany transactions	1	(16)	(15)
- Ddeferred tax assets and liabilities	62	(2,114)	(2,052)
- Other adjustments	1	(319)	(318)
- non-controlling interests	(623)	(13,351)	(13,974)
Consolidated Financial Statements	**12**	**19,303**	**19,315**

(millions of euros)	Net income	Capital and reserves	Total
Parent company	1,147	18,733	19,880
Reversal of dividends	(1,271)	(2,103)	(3,374)
ENI consolidation	(423)	2,662	2,239
CDP RETI consolidation	333	68	401
CDP Equity consolidation	35	199	234
SACE consolidation	140	(65)	75
FINTECNA consolidation	29	(179)	(150)
Other	22	(12)	10
Consolidated Financial Statements	**12**	**19,303**	**19,315**

6. SIGNIFICANT EVENTS AFTER 30 JUNE 2016 AND THE OUTLOOK

SIGNIFICANT EVENTS AFTER 30 JUNE 2016

In regard to significant events after 30 June 2016, there are no developments to report at the date of approval of this financial report concerning the events presented in section 4.4 "Significant events in the first half of 2016 for CDP Group" relating to the share capital increase and contribution of the equity interests held by the MEF in Poste.

OUTLOOK

Despite macroeconomic uncertainty and the persistent fall in interest rates, CDP earnings for 2016 are expected to build on the recovery signalled in the first half of the year.

CDP's performance is forecast to improve compared with 2015, thanks to contribution of net interest income, which is expected to benefit, as in the first half, from (i) efforts focused on the management of loans and the efficiency of the funding mix, and (ii) the positive impact of changes to how the Treasury current account is remunerated.

Operations will continue to focus on the four key "vectors" for economic recovery and growth identified in the recent business plan, enabling volumes of new lending, investment and managed resources by CDP Group to reach the targets set.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3. Condensed consolidated interim financial statements at 30 June 2016

FORM AND CONTENT OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements at 30 June 2016 have been prepared in compliance with the applicable regulations and are composed of:

- Consolidated balance sheet;
- Consolidated income statement;
- Consolidated statement of comprehensive income;
- Consolidated statement of changes in equity;
- Consolidated statement of cash flows;
- Notes to the consolidated financial statements.

The Notes to the consolidated financial statements consist of:

- Introduction
- Accounting policies
- Information on the consolidated balance sheet
- Information on the income statement
- Risk monitoring
- Business combinations
- Transactions with related parties
- Share-based payments
- Operating segments

Are also reported:

- Annexes
- Report of the Independent Auditors
- Certification pursuant to Article 154-bis Italian Legislative Decree 58/98

The Annexes to the Financial Statements form an integral part of the condensed consolidated interim financial statements and include a presentation of the scope of consolidation as well as reconciliation statements between the financial statements and the reclassified balance sheet and income statement of CDP S.p.A and CDP Group.

CONTENTS

FINANCIAL STATEMENTS AS AT 30 JUNE 2016

CONSOLIDATED BALANCE SHEET

(thousands of euros)

	Assets	30/06/2016	31/12/2015
10.	Cash and cash equivalents	635	781
20.	Financial assets held for trading	933,441	936,784
30.	Financial assets designated at fair value	220,250	219,713
40.	Financial assets available for sale	9,572,686	6,535,451
50.	Financial assets held to maturity	41,995,613	26,073,862
60.	Loans to banks	31,694,325	28,941,822
	- of which segregated asset pool	*384,766*	*406,692*
70.	Loans to customers	262,845,147	261,044,293
80.	Hedging derivatives	1,119,175	1,575,794
100.	Equity investments	18,071,543	18,172,243
110.	Reinsurers' share of technical reserves	550,392	465,015
120.	Property, plant and equipment	34,869,751	34,621,757
130.	Intangible assets	7,907,261	7,939,406
	of which:		
	- goodwill	*656,004*	*649,775*
140.	Tax assets	2,058,779	2,140,966
	a) current	668,609	769,965
	b) deferred	1,390,170	1,371,001
150.	Non-current assets and disposal groups held for sale	24,479	24,479
160.	Other assets	9,776,482	10,178,235
	Total assets	**421,639,959**	**398,870,601**

Figures at 31 December 2015 have been restated as described in the accounting policies, in the "Other issues" section

(thousands of euros)

	Liabilities and equity	30/06/2016	31/12/2015
10.	Due to banks	21,176,281	23,522,539
	- of which secured by segregated asset pool	-	*400,003*
20.	Due to customers	317,603,743	291,800,245
30.	Securities issued	30,006,757	30,086,359
40.	Financial liabilities held for trading	273,709	240,599
60.	Hedging derivatives	1,496,825	1,002,005
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	39,967	43,273
80.	Tax liabilities	3,906,990	3,924,096
	a) current	308,214	311,971
	b) deferred	3,598,776	3,612,125
90.	Liabilities associated with non-current assets and disposal groups held for sale	6,525	6,782
100.	Other liabilities	7,901,570	8,033,675
110.	Staff severance pay	231,460	227,602
120.	Provisions	2,753,253	2,623,115
	a) post-employment benefits	-	-
	b) other provisions	2,753,253	2,623,115
130.	Technical reserves	2,953,548	2,806,699
140.	Valuation reserves	2,110,748	2,157,614
170.	Reserves	13,749,768	16,845,229
190.	Share capital	3,500,000	3,500,000
200.	Treasury share (-)	(57,220)	(57,220)
210.	Non-controlling interests (+/-)	13,974,069	14,354,463
220.	Net profit (loss) for the period	11,966	(2,246,474)
	Total liabilities and equity	**421,639,959**	**398,870,601**

Figures at 31 December 2015 have been restated as described in the accounting policies, in the "Other issues" section

CONSOLIDATED INCOME STATEMENT

(thousands of euros)

	Items	30/06/2016	30/06/2015
10.	Interest income and similar income	3,509,576	3,067,573
20.	Interest expense and similar expenses	(2,486,361)	(2,859,097)
30.	**Net interest income**	**1,023,215**	**208,476**
40.	Commission income	63,532	41,692
50.	Commission expense	(829,891)	(894,664)
60.	**Net commission income**	**(766,359)**	**(852,972)**
70.	Dividends and similar revenues	542	2,970
80.	Net gain (loss) on trading activities	62,136	287,976
90.	Net gain (loss) on hedging activities	(13,638)	816
100.	Gains (losses) on disposal or repurchase of:	29,133	377,136
	a) loans	6,693	19,167
	b) financial assets available for sale	22,440	357,959
	c) financial assets held to maturity	-	10
	d) financial liabilities	-	-
110.	Net gain (loss) on financial assets and liabilities designated at fair value	2,043	31,631
120.	**Gross income**	**337,072**	**56,033**
130.	Net impairment of:	(46,111)	8,717
	a) loans	(35,378)	833
	b) financial assets available for sale	(3,092)	(162)
	c) financial assets held to maturity	-	-
	d) other financial transactions	(7,641)	8,046
140.	**Financial income (expense), net**	**290,961**	**64,750**
150.	Net premium income	52,642	217,713
160.	Net other income (expense) from insurance operations	63,752	(34,174)
170.	**Net income from financial and insurance operations**	**407,355**	**248,289**
180.	Administrative expenses	(3,074,598)	(2,975,012)
	a) staff costs	(850,068)	(855,735)
	b) other administrative expenses	(2,224,530)	(2,119,277)
190.	Net provisions	(11,560)	34,580
200.	Net adjustments of property, plant and equipment	(666,409)	(630,757)
210.	Net adjustments of intangible assets	(232,722)	(224,145)
220.	Other operating income (expenses)	5,131,320	5,156,986
230.	**Operating costs**	**1,146,031**	**1,361,652**
240.	Gains (losses) on equity investments	(350,118)	149,090
270.	Gains (losses) on disposal of investments	(932)	553
280.	**Income (loss) before tax from continuing operations**	**1,202,336**	**1,759,584**
290.	Income tax for the period on continuing operations	(567,305)	(594,206)
300.	**Income (loss) after tax on continuing operations**	**635,031**	**1,165,378**
320.	**Net income (loss) for the period**	**635,031**	**1,165,378**
330.	Net income (loss) for the period pertaining to non-controlling interests	623,065	694,117
340.	**Net income (loss) for the period pertaining to shareholders of the parent company**	**11,966**	**471,261**

Figures at 30 June 2015 have been restated as described in the accounting policies, in the "Other issues" section

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of euros)

	Items	30/06/2016	30/06/2015
10.	**Income (loss) for the period**	**635,031**	**1,165,378**
	Other comprehensive income net of taxes not transferred to income statement		
40.	Defined benefit plans	(3,413)	10,001
60.	Share of valuation reserves of equity investments accounted for using equity method	(4,638)	2,155
	Other comprehensive income net of taxes transferred to income statement		
80.	Exchange rate differences	(35,808)	64,448
90.	Cash flow hedges	(24,638)	5,918
100.	Financial assets available for sale	102,394	(351,904)
120.	Share of valuation reserves of equity investments accounted for using equity method	(134,633)	989,094
130.	**Total other comprehensive income net of taxes**	**(100,736)**	**719,712**
140.	**Comprehensive income (items 10+130)**	**534,295**	**1,885,090**
150.	Consolidated comprehensive income pertaining to non-controlling interests	569,333	728,134
160.	**Consolidated comprehensive income pertaining to shareholders of the parent company**	**(35,038)**	**1,156,956**

Figures at 30 June 2015 have been restated as described in the accounting policies, in the "Other issues" section

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY: CURRENT PERIOD

(thousands of euros)	Balance at 31.12.2015	Changes in opening balance	Balance at 01.01.2016	Allocation of net income for previous year		Changes for the period									Equity at 30.06.2016	Equity Group at 30.06.2016	Equity Non-controlling interests at 30.06.2016
							Equity transactions										
				Reserves	Dividends and other allocations	Changes in reserves	Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests	Comprehensive income at 30.06.2016			
Share capital:	7,818,813	-	7,818,813	-	-	-	2,286	-	-	-	-	-	-	-	7,821,099	3,500,000	4,321,099
a) ordinary shares	7,702,780	-	7,702,780	-	-	-	2,286	-	-	-	-	-	-	-	7,705,066	3,500,000	4,205,066
b) preference shares	116,033	-	116,033	-	-	-	-	-	-	-	-	-	-	-	116,033	-	116,033
Share premium reserve	2,061,579	-	2,061,579	-	(35,092)	1,674	-	-	-	-	-	-	-	-	2,028,161	-	2,028,161
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	22,685,229	892,208	23,577,437	(2,864,365)	(1,060)	141,762	-	-	-	-	-	-	-	-	20,853,774	13,749,768	7,104,006
a) income	21,778,799	892,208	22,671,007	(2,864,365)	(1,060)	251,010	-	-	-	-	-	-	-	-	20,056,592	13,730,535	6,326,057
b) other	906,430	-	906,430	-	-	(109,248)	-	-	-	-	-	-	-	-	797,182	19,233	777,949
Valuation reserves	2,033,553	78,770	2,112,323	-	-	228	-	-	-	-	-	-	-	(100,736)	2,011,815	2,110,748	(98,933)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends	(98,699)	-	(98,699)	98,699	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(60,549)	-	(60,549)	-	-	-	-	-	-	-	-	-	-	-	(60,549)	(57,220)	(3,329)
Income (loss) for the period	(858,592)	1,300	(857,292)	2,765,666	(1,908,374)	-	-	-	-	-	-	-	-	635,031	635,031	11,966	623,065
Total Equity	**33,581,334**	**972,278**	**34,553,612**	-	**(1,944,526)**	**143,664**	**2,286**	-	-	-	-	-	-	**534,295**	**33,289,331**	**19,315,262**	**13,974,069**
Equity Group	**19,226,871**	**972,278**	**20,199,149**	-	**(852,637)**	**3,788**	-	-	-	-	-	-	-	**(35,038)**	**19,315,262**	**19,315,262**	-
Equity Non-controlling interests	**14,354,463**	-	**14,354,463**	-	**(1,091,889)**	**139,876**	**2,286**	-	-	-	-	-	-	**569,333**	**13,974,069**	-	**13,974,069**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY: PREVIOUS PERIOD

(thousands of euros)	Balance at 31.12.2014	Changes in opening balance	Balance at 01.01.2015	Allocation of net income for previous year		Changes for the period									Equity at 30.06.2015	Equity Group at 30.06.2015	Equity Non-controlling interests at 30.06.2015
						Changes in reserves	Equity transactions							Comprehensive income at 30.06.2015			
				Reserves	Dividends and other allocations		Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests				
Share capital:	7,725,040	-	7,725,040	-	-	-	-	-	-	-	-	-	86,180	-	7,811,220	3,500,000	4,311,220
a) ordinary shares	7,609,007	-	7,609,007	-	-	-	-	-	-	-	-	-	86,180	-	7,695,187	3,500,000	4,195,187
b) preference shares	116,033	-	116,033	-	-	-	-	-	-	-	-	-	-	-	116,033	-	116,033
Share premium reserve	2,088,974	-	2,088,974	(67,122)	-	-	-	-	-	-	-	-	38,764	-	2,060,616	-	2,060,616
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	21,672,189	780,163	22,452,352	716,352	-	76,668	-	-	-	-	-	-	239,584	-	23,484,956	16,694,548	6,790,408
a) income	20,821,900	780,163	21,602,063	698,467	-	60,684	-	-	-	-	-	-	239,818	-	22,601,032	16,694,548	5,906,484
b) other	850,289	-	850,289	17,885	-	15,984	-	-	-	-	-	-	(234)	-	883,924	-	883,924
Valuation reserves	1,171,330	108,926	1,280,256	-	-	(23,700)	-	-	-	-	-	-	-	719,712	1,976,268	2,017,775	(41,507)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends	(98,699)	-	(98,699)	98,699	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(60,440)	-	(60,440)	-	-	-	-	(109)	-	-	-	-	-	-	(60,549)	(57,220)	(3,329)
Income (loss) for the period	2,658,967	3,120	2,662,087	(747,929)	(1,914,158)	-	-	-	-	-	-	-	-	1,165,378	1,165,378	471,261	694,117
Total Equity	**35,157,361**	**892,209**	**36,049,570**	**-**	**(1,914,158)**	**52,968**	**-**	**(109)**	**-**	**-**	**-**	**-**	**364,528**	**1,885,090**	**36,437,889**	**22,626,364**	**13,811,525**
Equity Group	**21,371,296**	**892,209**	**22,263,505**	**-**	**(852,636)**	**12,381**	**-**	**-**	**-**	**-**	**-**	**-**	**46,158**	**1,156,956**	**22,626,364**	**22,626,364**	**-**
Equity Non-controlling interests	**13,786,065**	**-**	**13,786,065**	**-**	**(1,061,522)**	**40,587**	**-**	**(109)**	**-**	**-**	**-**	**-**	**318,370**	**728,134**	**13,811,525**	**-**	**13,811,525**

Figures at 30 June 2015 have been restated as described in the accounting policies, in the "Other issues" section

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(thousands of euros)	30/06/2016	30/06/2015
A. OPERATING ACTIVITIES		
1. Operations	**2,778,668**	**1,050,588**
- net income for the year (+/-)	635,031	1,165,378
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value	124,330	(170,458)
- gains (losses) on hedging activities (-/+)	22,928	(1,832)
- net impairment (+/-)	43,046	22,950
- net value adjustments to property, plant and equipment and intangible assets (+/-)	899,104	854,325
- net provisions and other costs/revenues (+/-)	11,560	(34,580)
- net premiums not received (-)	(180,025)	(6,731)
- other insurance income not received/paid (-/+)	(135,184)	(91,343)
- unpaid charges, taxes and tax credits (+/-)	(32,518)	(78,990)
- net impairment of equity investments (+/-)	352,407	(169,750)
- other adjustments (+/-)	1,037,989	(438,381)
2. Cash generated by/used in financial assets	**(10,505,791)**	**(11,709,031)**
- financial assets held for trading	(122,994)	10,716
- financial assets designated at fair value	2,889	1,515
- financial assets available for sale	(2,929,604)	(1,307,316)
- loans to banks: on demand	-	-
- loans to banks: other	(4,122,120)	(2,470,422)
- loans to customers	(3,754,260)	(8,211,015)
- other assets	420,298	267,491
3. Cash generated by/used in financial liabilities	**22,324,451**	**22,738,458**
- due to banks: on demand	-	-
- due to banks: other	(2,642,090)	(265,002)
- due to customers	24,559,331	22,047,414
- securities issued	(202,400)	3,412,607
- financial liabilities held for trading	33,110	51,551
- financial liabilities designated at fair value	-	-
- other liabilities	576,500	(2,508,112)
Cash generated by/used in operating activities	**14,597,328**	**12,080,015**

	30/06/2016	30/06/2015
B. INVESTMENT ACTIVITIES		
1. Cash generated by	**6,309,418**	**19,966,679**
- sale of equity investments	2,050	156,608
- dividends from equity investments	509,744	652,996
- sale of financial instruments held to maturity	5,791,999	19,131,611
- sale of property plant and equipment	5,511	2,291
- sale of intangibles	114	102
- sales of subsidiaries and business units	-	23,071
2. Cash used in	**(23,719,474)**	**(23,710,431)**
- purchase of equity investments	(906,275)	(177,498)
- purchase of financial assets held to maturity	(21,741,723)	(22,455,752)
- purchase of property, plant and equipment	(866,832)	(905,275)
- purchase of intangible assets	(204,644)	(166,672)
- purchases of subsidiaries and business units	-	(5,234)
Cash generated by/used in investing activities	**(17,410,056)**	**(3,743,752)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares	-	(109)
- issue/purchase of equity instruments	-	-
- dividend distribution and other allocations	(1,944,526)	(1,914,158)
Cash generated by/used in financing activities	**(1,944,526)**	**(1,914,267)**
CASH GENERATED/USED DURING THE YEAR	**(4,757,254)**	**6,421,996**

RECONCILIATION

Items*	30/06/2016	30/06/2015
Cash and cash equivalents at beginning of period	**155,156,035**	**150,635,271**
Total cash generated/used during the period	(4,757,254)	6,421,996
Cash and cash equivalents at end of period	**150,398,781**	**157,057,267**

Figures at 30 June 2015 have been restated as described in the accounting policies, in the "Other issues" section

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Structure and content of the condensed consolidated interim financial statements

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

The condensed consolidated interim financial statements are expressed in thousands of euros and include the consolidated balance sheet, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement and these explanatory notes to the financial statements, as well as the directors' interim report on Group operations.

The condensed consolidated interim financial statements at 30 June 2016 present a clear, true and fair view of the performance and financial position for the period. The figures reported in the statements correspond with the company's accounting records and fully reflect the transactions conducted during the period.

Basis of presentation

The financial statements and the tables in the explanatory notes are expressed in thousands of euros unless otherwise specified.

Accounts with zero balances for both the current and prior period have been excluded. In the income statement, revenues are indicated as positive numbers, while costs are shown as negative numbers (in brackets).

Figures in the tables of the explanatory notes to the financial statements have been rounded to the nearest thousand. The rounded totals for the various figures are obtained by summing the rounded balances of the items making up such totals.

Comparison and disclosure

The financial statements comply with the provisions of Bank of Italy circular n. 262/2005 as updated with the version of 15 December 2015 and, in accordance with IAS 34, contain the following comparative information in addition to the accounting data at 30 June 2016:

- Consolidated balance sheet at 31 December 2015;
- Consolidated income statement at 30 June 2015;
- Consolidated statement of comprehensive income at 30 June 2015;
- Consolidated statement of changes in equity at 30 June 2015;
- Consolidated cash flow statement at 30 June 2015.

Comparative data have been restated, as explained in the section "Other Issues", relating to accounting policies.

CDP segregated asset pools

Separate asset pool KfW

On 29 October 2014, the Board of Directors approved the establishment of a separate account, called "KfW asset pool", exclusively intended to satisfy all current, potential and future rights and claims that Kreditanstalt für Wiederaufbau (KfW) has or will have with respect to CDP, in connection with the loan agreement entered into between CDP and KfW on 28 October 2014 involving a loan to CDP for a maximum amount of €300 million (Agreement).

By subsequent resolution of the Board of Directors on 29 October 2015, the increase was approved for a total amount of €100 million, bringing it to a total of €400 million, in addition to the extension to 18 December 2015 of the period within which CDP could use the loan. The related consequent addendum to the Agreement was signed by CDP and KfW on 16 November 2015.

This funding was earmarked to finance small and medium Italian enterprises (SMEs) through the banking system and as part of the Separate Account.

CDP has allocated to this separate asset pool certain loans due from banks, provided by CDP under the "Fourth Agreement" and the "Fifth Agreement" entered into by CDP and ABI on 1 March 2012 and 5 August 2014, respectively, in addition loans by these banks to SMEs, which were transferred to CDP as collateral of the original loans.

The total outstanding principal of loans to banks, and the related loans to SMEs transferred as collateral, included in the "KfW asset pool" cannot exceed €460 million.

The €400 million in funding, earmarked in accordance with the Agreement and fully disbursed, was repaid in full and in advance by CDP at 30 June 2016. The KfW asset pool was released in accordance with the provisions of the Agreement and subsequent arrangements between the parties.

The segregated asset pool and the funding guaranteed by it are presented in the financial statements by a specific "of which" indication.

Auditing of the condensed consolidated interim financial statements

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

ACCOUNTING POLICIES

General information

SECTION 1 - DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS

These condensed consolidated interim financial statements have been prepared in accordance with the IFRS issued by the IASB (including the interpretation documents SIC and IFRIC) endorsed by the European Commission that were applicable at 30 June 2016, specifically in compliance with the provisions of IAS 34 governing interim financial reporting. As permitted under this standard, CDP has elected to prepare a condensed report in place of the full reporting envisaged for the annual financial statements. The preparation of this report also took into consideration some of the formats contemplated by Bank of Italy circular of 22 December 2005 (and the subsequent versions dated 18 November 2009, 21 January 2014 and 15 December 2015).

The condensed interim financial statements adopt the same accounting policies and calculation methods used in the last annual financial statements.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

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

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

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

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

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

Pursuant to the provisions of joint Bank of Italy/Consob/Isvap document no. 2 of 6 February 2009 concerning disclosures on business continuity and in compliance with the requirements on the same issue contained in IAS 1, CDP Group has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon.

Based on an analysis of the information and the results achieved in previous years, the CDP Group feels that it is appropriate to prepare its financial statements on a going-concern basis.

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

Use of estimates

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

Changes in the conditions underlying the judgements, assumptions and estimates used could also have an impact on future results.

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

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

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

SECTION 3 – SCOPE AND METHODS OF CONSOLIDATION

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

The financial figures of the subsidiaries used for line-by-line consolidation are those at 30 June 2016, as approved by their competent corporate bodies, adjusted as necessary to harmonise them with the Group accounting policies and reclassified on the basis of the formats established by the Bank of Italy in circular no. 262 of 22 December 2005, updated to 15 December 2015.

Changes in the Group's scope of consolidation compared with 31 December 2015 included the acquisition by the subsidiary CDP Equity of Saipem, a world leader in the drilling, engineering, procurement, construction and installation of pipelines and major works on land and sea for the oil and gas sector.

On 27 October 2015, CDPE signed a sale agreement with ENI involving CDPE acquiring a stake in the share capital of Saipem. Under the terms of the agreement, on 22 January 2016 CDPE acquired 55,176,364 Saipem shares from ENI (equivalent to an equity investment of 12.5% plus one share of the capital) at a price of €8.3956 per share (equal to the average official price for ordinary Saipem stock between 26 October 2015 and 2 November 2015), for a total cost of €463.2 million. In addition, also in accordance with the provisions of the agreement, on 11 February 2016, CDPE subscribed newly issued Saipem shares, on a pro-rata basis, resulting from the capital increase of €3.5 billion, for an additional consideration of €439.4 million. The overall investment for CDPE amounted to €902.7 million, through which it gained an equity interest in the share capital of 12.55%. Alongside the sale agreement, CDPE and Eni signed a three-year shareholders' agreement regarding a total amount of just over 25% of the share capital of Saipem (12.5% plus one share for each of the parties) involving specific governance powers in Saipem. Under the provisions of IFRS 11, the investment represents for CDPE and for CDP an equity interest subject to joint control.

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

Equity investments in subsidiaries

ompany name	Headquarters	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
				Investor	% holding	
1. Aakre Eigendom AS	Alesund (Norway)	Alesund (Norway)	1	Vard Group AS	100,00%	100,00%
2. ACAM GAS S.p.A.	La Spezia	La Spezia	1	SNAM S.p.A.	100,00%	100,00%
3. ACE Marine LLC	Green Bay - WI (USA)	Green Bay - WI (USA)	1	FINCANTIERI MARINE GROUP LLC	100,00%	100,00%
4. Bacini di Palermo S.p.A.	Palermo	Palermo	1	Fincantieri S.p.A.	100,00%	100,00%
5. Brevik Elektro AS	Brevik (Norway)	Brevik (Norway)	1	Multifag AS	100,00%	100,00%
6. CDP AS	Alesund (Norway)	Alesund (Norway)	1	Seaonics AS	100,00%	100,00%
7. CDP Equity S.p.A.	Milan	Milan	1	Cassa depositi e prestiti S.p.A.	77,70%	77,70%
				Fintecna S.p.A.	2,30%	2,30%
8. CDP GAS S.r.l.	Rome	Rome	1	Cassa depositi e prestiti S.p.A.	100,00%	100,00%
9. CDP Immobiliare S.r.l.	Rome	Rome	1	Cassa depositi e prestiti S.p.A.	100,00%	100,00%
10. CDP Investimenti SGR S.p.A.	Rome	Rome	1	Cassa depositi e prestiti S.p.A.	70,00%	70,00%
11. CDP Reti S.p.A.	Rome	Rome	1	Cassa depositi e prestiti S.p.A.	59,10%	59,10%
12. Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Genoa	1	Fincantieri S.p.A.	71,10%	71,10%
				Seaf S.p.A.	15,00%	15,00%
13. Delfi S.r.l.	Follo (SP)	Follo (SP)	1	Fincantieri S.p.A.	100,00%	100,00%
14. Estaleiro Quissamã Ltda	Rio de Janeiro (Brazil)	Rio de Janeiro (Brazil)	1	Vard Group AS	50,50%	50,50%
15. FINCANTIERI MARINE GROUP LLC	Washington, DC (USA)	Washington, DC (USA)	1	Fincantieri Marine Group Holdings Inc.	100,00%	100,00%
16. FINCANTIERI OIL & GAS S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100,00%	100,00%
17. FIV Comparto Extra	Rome	Rome	4	Cassa depositi e prestiti S.p.A.	100,00%	100,00%
18. FIV Comparto Plus	Rome	Rome	4	Cassa depositi e prestiti S.p.A.	100,00%	100,00%
19. FMSNA YK	Nagasaki (Japan)	Nagasaki (Japan)	1	Fincantieri Marine Systems North America Inc.	100,00%	100,00%
20. FSI Investimenti S.p.A.	Milan	Milan	1	CDP Equity S.p.A.	77,12%	77,12%
21. FSI SGR S.p.A. (in attesa di autorizzazione)	Milan	Milan	1	Cassa depositi e prestiti S.p.A.	100,00%	100,00%
22. FSIA INVESTIMENTI Srl	Milan	Milan	1	FSI Investimenti S.p.A.	100,00%	100,00%
23. Fincantieri (Shanghai) Trading Co. Ltd	Shanghai (PRC)	Shanghai (PRC)	1	Fincantieri S.p.A.	100,00%	100,00%
24. Fincantieri Do Brasil Partecipacoes S.A.	Rio de Janeiro (Brazil)	Rio de Janeiro (Brazil)	1	Fincantieri S.p.A.	80,00%	80,00%
				Fincantieri Holding B.V.	20,00%	20,00%
25. Fincantieri Holding B.V.	Amsterdam (Netherlands)	Amsterdam (Netherlands)	1	Fincantieri S.p.A.	100,00%	100,00%
26. Fincantieri India Private Limited	New Delhi (India)	New Delhi (India)	1	Fincantieri Holding B.V.	99,00%	99,00%
				Fincantieri S.p.A.	1,00%	1,00%
27. Fincantieri Marine Group Holdings Inc.	Green Bay - WI (USA)	Green Bay - WI (USA)	1	Fincantieri USA Inc.	87,44%	87,44%
28. Fincantieri Marine Systems North America Inc.	Chesapeake - VI (USA)	Chesapeake - VI (USA)	1	Fincantieri Holding B.V.	100,00%	100,00%
29. Fincantieri S.p.A.	Trieste	Trieste	1	Fintecna S.p.A.	71,64%	71,64%
30. Fincantieri SI S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100,00%	100,00%
31. Fincantieri Sweden AB	Stoccolma (Sweden)	Stoccolma (Sweden)	1	Fincantieri S.p.A.	100,00%	100,00%
32. Fincantieri USA Inc.	Washington, DC (USA)	Washington, DC (USA)	1	Fincantieri S.p.A.	100,00%	100,00%
33. Fintecna S.p.A.	Rome	Rome	1	Cassa depositi e prestiti S.p.A.	100,00%	100,00%
34. GNL Italia S.p.A.	San Donato Milanese	San Donato Milanese	1	SNAM S.p.A.	100,00%	100,00%
35. Gasrule Insurance D.A.C.	Dublin	Dublin	1	SNAM S.p.A.	100,00%	100,00%
36. Gestione Bacini La Spezia S.p.A.	La Spezia	La Spezia	1	Fincantieri S.p.A.	99,89%	99,89%
37. ICD Industries Estonia OÜ	Tallinn (Estonia)	Tallinn (Estonia)	1	Seaonics AS	100,00%	100,00%
38. ICD Software AS	Alesund (Norway)	Alesund (Norway)	1	Seaonics AS	100,00%	100,00%
39. ITG HOLDING S.P.A.	San Donato Milanese	San Donato Milanese	1	SNAM S.p.A.	100,00%	100,00%
40. Industrial Control Design AS	Alesund (Norway)	Alesund (Norway)	1	Seaonics AS	100,00%	100,00%
41. Isotta Fraschini Motori S.p.A.	Bari	Bari	1	Fincantieri S.p.A.	100,00%	100,00%
42. Italgas S.p.A.	Turin	Turin	1	SNAM S.p.A.	100,00%	100,00%
43. MARINE INTERIORS S.p.A.	Trieste	Trieste	1	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	100,00%	100,00%
44. Marinette Marine Corporation	Marinette - WI (USA)	Marinette - WI (USA)	1	FINCANTIERI MARINE GROUP LLC	100,00%	100,00%
45. Monita Interconnector S.r.l.	Rome	Rome	1	TERNA RETE ITALIA S.p.A.	5,00%	5,00%
				Terna S.p.A.	95,00%	95,00%
46. Multifag AS	Skien (Norway)	Skien (Norway)	1	Vard Brevik Holding AS	100,00%	100,00%
47. Napoletanagas S.p.A.	Naples	Naples	1	Italgas S.p.A.	99,69%	99,69%
48. Piemonte Savoia S.r.l.	Rome	Rome	1	Terna Interconnector S.r.l.	100,00%	100,00%
49. Residenziale Immobiliare 2004 S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	74,47%	74,47%
50. Rete S.r.l.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
51. SACE BT	Rome	Rome	1	SACE S.p.A.	100,00%	100,00%
52. SACE FCT	Rome	Rome	1	SACE S.p.A.	100,00%	100,00%
53. SACE Servizi	Rome	Rome	1	SACE BT	100,00%	100,00%
54. SACE S.p.A.	Rome	Rome	1	Cassa depositi e prestiti S.p.A.	100,00%	100,00%
55. SIA ICD Industries Latvia	Riga (Latvia)	Riga (Latvia)	1	Seaonics AS	100,00%	100,00%
56. SNAM RETE GAS S.p.A.	San Donato Milanese	San Donato Milanese	1	SNAM S.p.A.	100,00%	100,00%
57. SNAM S.p.A.	San Donato Milanese	San Donato Milanese	1	CDP Reti S.p.A.	28,98%	28,98%
				CDP GAS S.r.l.	1,12%	1,12%
58. Sace do Brasil	San Paolo (Brazil)	San Paolo (Brazil)	1	SACE S.p.A.	100,00%	100,00%
59. Seaonics AS	Alesund (Norway)	Alesund (Norway)	1	Vard Group AS	51,00%	51,00%
60. Seaonics Polska SP.Z O.O.	Gdansk (Poland)	Gdansk (Poland)	1	Seaonics AS	100,00%	100,00%
61. Seastema S.p.A	Genoa	Genoa	1	Fincantieri S.p.A.	100,00%	100,00%
62. Simest S.p.A.	Rome	Rome	1	Cassa depositi e prestiti S.p.A.	76,01%	76,01%
63. Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100,00%	100,00%
64. Stogit S.p.A.	San Donato Milanese	San Donato Milanese	1	SNAM S.p.A.	100,00%	100,00%
65. T.E.S. TRANSFORMER ELECTRO SERVICE S.r.l.	Ospitaletto (BS)	Ospitaletto (BS)	1	Tamini Trasformatori S.r.l.	100,00%	100,00%

66. TERNA Crna Gora d.o.o.	Podgorica (Montenegro)	Podgorica (Montenegro)	1	Terna S.p.A.	100.00%	100.00%
67. TERNA PLUS S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
68. TERNA RETE ITALIA S.p.A.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
69. TERNA RETE ITALIA S.r.l. (ex TELAT)	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
70. Tamini Transformers USA L.L.C.	Chicago (USA)	Chicago (USA)	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
71. Tamini Trasformatori S.r.l.	Melegnano (MI)	Melegnano (MI)	1	TERNA PLUS S.r.l.	70.00%	70.00%
72. Terna Chile S.p.A.	Santiago del Cile (RCH)	Santiago del Cile (RCH)	1	TERNA PLUS S.r.l.	100.00%	100.00%
73. Terna Interconnector S.r.l.	Rome	Rome	1	TERNA RETE ITALIA S.p.A.	5.00%	5.00%
	Rome	Rome		Terna S.p.A.	65.00%	65.00%
74. Terna S.p.A.	Rome	Rome	1	CDP Reti S.p.A.	29.85%	29.85%
75. Terna Storage S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
76. Tes Transformer Electro Service Asia Private Limited	Magarpatta City, Hadapsar, Pune (India)	Magarpatta City, Hadapsar, Pune (India)	1	T.E.S. TRANSFORMER ELECTRO SERVICE S.r.l.	100.00%	100.00%
77. V.T.D. Trasformatori S.r.l.	Valdagno (VI)	Valdagno (VI)	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
78. Vard Accommodation AS	Tennfjord (Norway)	Tennfjord (Norway)	1	Vard Group AS	100.00%	100.00%
79. Vard Accommodation Tulcea SRL	Tulcea (Romania)	Tulcea (Romania)	1	Vard Accommodation AS	98.18%	98.18%
				Vard Electro Tulcea SRL	1.82%	1.82%
80. Vard Braila SA	Braila (Romania)	Braila (Romania)	1	Vard RO Holding SRL	94.12%	94.12%
				Vard Group AS	5.88%	5.88%
81. Vard Brevik Holding AS	Brevik (Norway)	Brevik (Norway)	1	Vard Group AS	100.00%	100.00%
82. Vard Contracting AS	Norway	Norway	1	Vard Group AS	100.00%	100.00%
83. Vard Design AS	Alesund (Norway)	Alesund (Norway)	1	Vard Group AS	100.00%	100.00%
84. Vard Design Liburna Ltd.	Rijeka (Croatia)	Rijeka (Croatia)	1	Vard Design AS	51.00%	51.00%
85. Vard Electrical Installation and Engineering (India) Private Limited	New Delhi (India)	New Delhi (India)	1	Vard Electro AS	99.00%	99.00%
				Vard Tulcea SA	1.00%	1.00%
86. Vard Electro AS	Sovik (Norway)	Sovik (Norway)	1	Vard Group AS	100.00%	100.00%
87. Vard Electro Braila SRL	Braila (Romania)	Braila (Romania)	1	Vard Electro AS	100.00%	100.00%
88. Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niteroi (Brazil)	Niteroi (Brazil)	1	Vard Group AS	1.00%	1.00%
				Vard Electro AS	99.00%	99.00%
89. Vard Electro Canada Inc	Vancouver (Canada)	Vancouver (Canada)	1	Vard Electro AS	100.00%	100.00%
90. Vard Electro Italy S.r.l.	Genoa	Genoa	1	Vard Electro AS	100.00%	100.00%
91. Vard Electro Tulcea SRL	Tulcea (Romania)	Tulcea (Romania)	1	Vard Electro AS	99.96%	99.96%
92. Vard Engeneering Constanta SRL	Costanza (Romania)	Costanza (Romania)	1	Vard Braila SA	30.00%	30.00%
				Vard RO Holding SRL	70.00%	70.00%
93. Vard Engineering Brevik AS	Brevik (Norway)	Brevik (Norway)	1	Vard Brevik Holding AS	70.00%	70.00%
94. Vard Engineering Gdansk sp. Z o. o.	Poland	Poland	1	Vard Engineering Brevik AS	100.00%	100.00%
95. Vard Group AS	Alesund (Norway)	Alesund (Norway)	1	Vard Holdings Limited	100.00%	100.00%
96. Vard Holdings Limited	Singapore	Singapore	1	FINCANTIERI OIL & GAS S.p.A.	55.63%	55.63%
97. Vard Marine Inc.	Vancouver (Canada)	Vancouver (Canada)	1	Vard Group AS	100.00%	100.00%
98. Vard Marine US Inc.	USA	USA	1	Vard Marine Inc.	100.00%	100.00%
99. Vard Niterói SA	Rio de Janeiro (Brazil)	Rio de Janeiro (Brazil)	1	Vard Electro Brazil (Instalacoes Eletricas) Ltda	0.01%	0.01%
				Vard Group AS	99.99%	99.99%
100. Vard Offshore Brevik AS	Porsgrunn (Norway)	Porsgrunn (Norway)	1	Vard Brevik Holding AS	100.00%	100.00%
101. Vard Piping AS	Tennfjord (Norway)	Tennfjord (Norway)	1	Vard Group AS	100.00%	100.00%
102. Vard Promar SA	Recife (Brazil)	Recife (Brazil)	1	Vard Group AS	50.50%	50.50%
103. Vard RO Holding SRL	Tulcea (Romania)	Tulcea (Romania)	1	Vard Group AS	100.00%	100.00%
104. Vard Seaonics Holding AS	Alesund (Norway)	Alesund (Norway)	1	Vard Group AS	100.00%	100.00%
105. Vard Ship Repair Braila SA	Braila (Romania)	Braila (Romania)	1	Vard Brevik Holding AS	31.42%	31.42%
				Vard Braila SA	68.58%	68.58%
106. Vard Singapore Pte. Ltd.	Singapore	Singapore	1	Vard Group AS	100.00%	100.00%
107. Vard Tulcea SA	Tulcea (Romania)	Tulcea (Romania)	1	Vard RO Holding SRL	100.00%	100.00%
				Vard Group AS	0.00%	0.00%
108. Vard Vung Tau Ltd	Vung Tau (Vietnam)	Vung Tau (Vietnam)	1	Vard Singapore Pte. Ltd.	100.00%	100.00%

Key

(1) Type of relationship:

1 = Majority of voting rights in ordinary shareholders' meeting

2 = Dominant influence in ordinary shareholders' meeting

3 = Agreements with other shareholders

4 = Companies subject to significant influence

5 = Unitary management pursuant to Article 26.1 of Legislative Decree 87/92

6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92

7 = Joint control

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

Significant assessments or assumptions made to determine the scope of consolidation

Full line-by-line consolidation

Full consolidation involves the line-by-line incorporation of the aggregates of the Balance sheets and Income statements of subsidiaries. After the allocation to non-controlling interests, reported as a separate item, of their share of equity and net income, the value of the equity investment is cancelled against the residual value of the equity of the subsidiary.

Acquisitions of companies are accounted for using the "acquisition method" provided for under IFRS 3, as modified by Regulation 495/2009, under which the identifiable assets acquired and the identifiable assets assumed (including contingent liabilities) are recognised at their respective fair values at the acquisition date.

For the newly acquired companies, the difference between the purchase price and the equity is provisionally allocated to goodwill if positive or to liabilities under item 100 "Other liabilities" if negative, net of any goodwill in the balance sheets of the acquirees. In accordance with IFRS 3, paragraph 45 *et seq.*, the difference resulting from the transaction must be allocated definitively within twelve months of the acquisition date. If positive, the difference is recognised – after any allocation to the assets and liabilities of the subsidiary – as goodwill or other intangible assets under intangible assets. If negative, it is recognised through profit or loss.

The acquisition method is applied as from the moment in which control of the acquiree is effectively acquired.

Accounting for companies using the equity method

Associates and joint ventures are accounted for using the equity method.

The equity method involves initial recognition of the equity interest at cost, which is subsequently adjusted on the basis of the share held in the equity of the investee.

The difference between the value of the equity interest and the share held of the equity of the investee is included in the carrying amount of the investee.

The share of profit or loss of the investee is recognised in a specific item of the consolidated income statement.

If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable value is less than the carrying amount resulting from the application of the equity method, the difference is recognised through profit or loss.

The consolidation of joint ventures and investments in associates was based on the most recent (annual or interim) financial figures approved by the companies. For some minor equity investments, in terms of their value, reference was made to the most recent figures available at 31 March of this year.

Significant assessments or assumptions made to determine whether there is joint control or significant influence

Subsidiaries

Subsidiaries are entities, included structured entities, which are directly or indirectly controlled by the company. Control over an entity is evidenced by the Group's capacity to exercise power in order to influence variable returns to which the Group is exposed as a result of its relationship with the aforementioned entity.

In order to verify the existence of control, the Group considers the following factors:

- the purpose and the structure of the investee, in order to identify the entity's objectives, the activities that determine its revenues and how such activities are governed;
- the power, in order to understand whether the Group has contractual rights enabling it to govern relevant activities; to this end, only substantial rights that confer effective governance are considered;
- the exposure in the investee, in order to assess whether the Group has business relationships with the investee whose returns vary as a result of variances in the investee's performance;
- the existence of potential principal-agent relationships.

Where significant activities are governed through voting rights, the following factors show evidence of control:

- direct or indirect ownership - through one's subsidiary - of over fifty per cent of voting rights of an entity, unless it can be demonstrated - in exceptional cases - that such ownership does not constitute control;
- ownership of fifty per cent or less of the votes that can be exercised in the Shareholders' Meeting and unilateral ability to govern main activities through:
    - control of over half of voting rights by virtue of an agreement with other investors;
    - power to determine financial and operational policies of the entity by virtue of a clause of the Articles of Association or an agreement;
    - power to appoint or remove the majority of the members of the Board of Directors or the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of body;

  - power to exercise the majority of voting rights in the meetings of the Board of Directors or those of the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of body. Presence of the aforementioned factors was verified for equity investments in SNAM and Terna, over which, therefore, de facto control was ascertained.

The presence and the effect of potential voting rights, where substantial, are taken into account when assessing whether the power of governing another entity's financial and operational policies exists.

Subsidiaries may include any "structured entities" in which voting rights are not significant with respect to control assessment, including special purpose vehicles and investment funds.

Structured entities are considered as subsidiaries where:

- the Group has power through contractual rights that enable governance of relevant activities;
- the Group is exposed to variable returns resulting from the aforementioned activities.

The book value of equity stakes in entities consolidated on a line-by-line basis held by the parent company or other Group Companies is offset – against the assets and the liabilities of the investees – as a counterparty of the relevant equity share pertaining to the Group.

Assets and liabilities, off-balance-sheet transactions, income and expenses, as well profits and loss between entities included into the scope of consolidation are fully eliminated, in line with the consolidation method adopted.

A subsidiary's revenues and expenses are included into the consolidation starting from the date of control acquisition. Revenues and expenses of a divested subsidiary sold are included into the consolidated income statement up to the divestment date, that is to say until the time when there is no longer control over the investee. The difference between the sale price for the subsidiary and the book value of its net assets at the same date is recorded in the income statement under item 270. "Gains (Losses) on disposal of investments" for companies consolidated on a line-by-line basis.

Non-controlling interests are presented in the Balance Sheet under item 210. "Non-controlling interests", separately from liabilities and equity attributable to the Group. In the Income Statement, too, non-controlling interests are presented separately under item 330. "Net income (loss) for the year pertaining to non-controlling interests".

For companies included into the scope of consolidation for the first time, the fair value of the cost incurred to acquire control over the stake, including auxiliary charges, is measured at the acquisition date.

The difference between the disposal price of an interest held in a subsidiary and the relevant book value of net assets is recognised as a counter-party of Equity, when the disposal does not entail a loss of control.

Joint arrangements

A joint arrangement is a contractual agreement in which one or more counterparties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

According to IFRS 11, joint arrangements must be classed as joint operation or joint venture depending on the Group's contractual rights and obligations.

A joint operation is a joint arrangement in which the parties have rights on the assets and obligations on the liabilities of the arrangement.

A joint venture is a joint arrangement in which the parties have rights on the net assets of the agreement.

Equity investments in jointly controlled companies are valued at equity.

Associate companies

An associate is a company over which the owner exercises a significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed when the owner:

- owns, directly or indirectly, at least 20% of another company's share capital or
- can, also through shareholders' agreements, exercise significant influence through:
  - representation in the company's management body;
  - participation in the policy-setting process, including in decisions concerning dividends or other payouts;
  - existence of significant transactions;
  - exchange of managerial personnel;
  - provision of key know-how.

Equity investments in associate companies are valued at equity.

SECTION 4 – EVENTS SUBSEQUENT TO THE REPORTING DATE

During the period between the reporting date of the condensed consolidated interim financial statements and their approval by the Board of Directors, no events occurred that would affect the figures approved.

SECTION 5 – OTHER ISSUES

IFRS in force since 2016

As required by IAS 8 (accounting policies, changes in accounting estimates and errors), details of the new international accounting standards affecting or potentially affecting the Group, or amendments to standards already in force, whose application became mandatory from 1 January 2016, are provided below.

- European Commission Regulation (EU) 2015/2173 of 24 November 2015, published in the Italian Official Gazette as Law 307 of 25 November, adopting Amendments to IFRS 11 Accounting for acquisitions of interests in joint operations. The amendments provide guidance on the accounting treatment of an acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.
- European Commission Regulation (EU) 2015/2231 of 2 December 2015, published in the Italian Official Gazette as Law 317 of 3 December, adopting Amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible Assets. The amendment in question clarifies the appropriateness of a depreciation method based on revenues, i.e. on a depreciation plan for property, plant and equipment and intangible assets on the basis of the revenues generated by their use.
- Commission Regulation (EU) 2015/2343 of 15 December 2015, published in the Italian Official Gazette as Law 330 of 16 December, adopting the Annual Improvements to International Financial Reporting Standards 2012–2014 Cycle, whose main amendments related to:
  - IFRS 5 – Non-current assets held for sale and discontinued operations The amendment introduced a specific guidance to IFRS 5 for when an entity reclassifies an asset from the held-for-sale category to the held-for-distribution category (or vice versa), or when the requirements for classification of an asset as held-for-distribution are no longer satisfied. The amendments established that:
    - these reclassifications do not constitute a change to a plan (for sale or for distribution) and therefore the classification and measurement criteria remain valid;
    - assets that no longer than meet the requirements for classification as held-for-distribution must be treated in the same way as an asset that ceases to be classified as held for sale.
  - IFRS 7 – Financial instruments: disclosures. The amendment governs the introduction of further guidance to clarify whether a servicing contract constitutes continuing involvement in a transferred asset for the purposes of the disclosures required for transferred assets. It also clarifies that the disclosure on the offsetting of financial assets and financial liabilities is not strictly required for all interim financial reporting, however, this disclosure may be necessary to comply with the provisions of IAS 34, if the information is significant.
  - IAS 19 – Employee benefits This document clarifies that the rate used to discount post-employment benefits should be determined by reference to high quality corporate bonds issued in the currency used for the payment of the benefits and the depth of the related market must therefore be defined in terms of currency.
  - IAS 34 – Interim financial reporting This document introduces amendments clarifying that some required information must be included in the interim financial statements or, at a minimum, in other parts of the accounts such as the interim financial report, whilst making sure to include cross references to the other section in the interim financial statements. In such case, the interim financial report must be made available to readers of the financial statements in the same manner and with the same timing as the interim financial statements, otherwise the latter shall be considered incomplete.
- Commission Regulation (EU) 2015/2406 of 18 December 2015, published in the Italian Official Gazette as Law 333 of 19 December, adopting Amendments to IAS 1 Presentation of financial statements: Disclosure initiative. As part of the wider process of improvement of financial statement disclosure, this amendment makes certain changes to IAS 1 aimed at providing clarifications regarding elements that can be perceived as impediments to the clear and understandable preparation of financial statements.
- Commission Regulation (EU) 2015/2441 of 18 December 2015, published in the Italian Official Gazette as Law 336 of 23 December, adopting Amendments to IAS 27 Presentation of financial statements: Equity method in separate financial statements. This amendment introduces the possibility, within the separate financial statements of the investor, of measuring investments in subsidiaries, joint ventures or associates, using the equity method.

The consolidated taxation mechanism

The parent company CDP has adopted, as consolidator, the "consolidated taxation mechanism" introduced by Legislative Decree 344 of 12 December 2003, together with the subsidiaries: i) CDP Equity S.p.A. and CDP GAS S.r.l. (for the period 2015–2017); ii) CDP RETI S.p.A., Fincantieri S.p.A., Fincantieri Oil & Gas S.p.A. and Isotta Fraschini Motori S.p.A. (the consolidation option for the period 2016–2018 will be filed by the deadline for the submission of the 2016 tax return for limited companies; iii) Fintecna S.p.A. and CDP Immobiliare S.r.l. (for the period 2014–2016).

Assessments are currently underway on whether to extend the consolidated taxation mechanism to other Group companies.

Other information

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

Restatement of comparative data at 31 December 2015 and 30 June 2015

Comparative data for the periods ending 31 December and 30 June 2015 have been restated due to changes made by ENI S.p.A. to its financial statements, a company subject to the significant influence of the parent company CDP. The changes concerned:

- the adoption of the Successful Effort Method (SEM). As a result of the application of the SEM, exploration costs are no longer recognised as balance sheet assets and depreciated entirely in the year in which they are incurred, but instead are recognised in the balance sheet as "unproved assets" pending the outcome of the exploration activities and an evaluation of the area of reference. If the outcome is negative (no hydrocarbons found) or the resources found are not sufficient to warrant development, the relative exploration costs "suspended" in the balance sheet pending the outcome of activities will be written-off through profit or loss. If, on the contrary, certain reserves of oil or gas are found, the relative exploration costs recognised in the balance sheet as "unproved assets" will be reclassified as "proved assets". Exploration costs connected with geological and geophysical activities instead continue to be recognised through profit or loss in the year in which they are incurred;
- the restatement of figures for the subsidiary Versalis, as the related assets and liabilities can no longer be considered a disposal group and discontinued operation. As a result, the carrying amount of Versalis had to be re-measured accordingly on the basis of its recoverable amount, given by the higher of its fair value net of costs to sell and its value in use, and no longer on the basis of its measurement as a disposal group, given by the lower of its carrying amount and its fair value less costs to sell.

In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the adoption of SEM represents a voluntary change in accounting policy, in order to increase the comparability with the companies operating in the same industry and provide a reliable and more relevant financial information. SEM is applied retrospectively; therefore, comparative amounts have been restated.

The impact of the restated financial statement items is reported in the following tables.

Restated consolidated balance sheet at 31 December 2015

	(thousands of euros) Assets	31/12/2015	31/12/2015 Restated	Difference
10.	Cash and cash equivalents	781	781	-
20.	Financial assets held for trading	936,784	936,784	-
30.	Financial assets designated at fair value	219,713	219,713	-
40.	Financial assets available for sale	6,535,451	6,535,451	-
50.	Financial assets held to maturity	26,073,862	26,073,862	-
60.	Loans to banks	28,941,822	28,941,822	-
	- of which segregated asset pool	*406,692*	*406,692*	
70.	Loans to customers	261,044,293	261,044,293	-
80.	Hedging derivatives	1,575,794	1,575,794	-
100.	Equity investments	17,199,965	18,172,243	972,278
110.	Reinsurers' share of technical reserves	465,015	465,015	-
120.	Property, plant and equipment	34,621,757	34,621,757	-
130.	Intangible assets	7,939,406	7,939,406	-
	of which:			-
	- goodwill	*649,775*	*649,775*	-
140.	Tax assets	2,140,966	2,140,966	-
	a) current	769,965	769,965	-
	b) deferred	1,371,001	1,371,001	-
150.	Non-current assets and disposal groups held for sale	24,479	24,479	-
160.	Other assets	10,178,235	10,178,235	-
	Total assets	**397,898,323**	**398,870,601**	**972,278**

	(thousands of euros) **Liabilities and equity**	31/12/2015	31/12/2015 Restated	Difference
10.	Due to banks	23,522,539	23,522,539	-
20.	Due to customers	291,800,245	291,800,245	-
30.	Securities issued	30,086,359	30,086,359	-
40.	Financial liabilities held for trading	240,599	240,599	-
60.	Hedging derivatives	1,002,005	1,002,005	-
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	43,273	43,273	-
80.	Tax liabilities	3,924,096	3,924,096	-
	a) current	311,971	311,971	-
	b) deferred	3,612,125	3,612,125	-
90.	Liabilities associated with non-current assets and disposal groups	6,782	6,782	-
100.	Other liabilities	8,033,675	8,033,675	-
110.	Staff severance pay	227,602	227,602	-
120.	Provisions	2,623,115	2,623,115	-
	a) post-employment benefits	-	-	-
	b) other provisions	2,623,115	2,623,115	-
130.	Technical reserves	2,806,699	2,806,699	-
140.	Valuation reserves	2,078,844	2,157,614	78,770
170.	Reserves	15,953,021	16,845,229	892,208
190.	Share capital	3,500,000	3,500,000	-
200.	Treasury share (-)	(57,220)	(57,220)	-
210.	Non-controlling interests (+/-)	14,354,463	14,354,463	-
220.	Net profit (loss) for the period	(2,247,774)	(2,246,474)	1,300
	Total liabilities and equity	**397,898,323**	**398,870,601**	**972,278**

Restated consolidated income statement at 30 June 2015

(thousands of euros) Items	30/06/2015	30/06/2015 Restated	Difference
10. Interest income and similar income	3,067,573	3,067,573	
20. Interest expense and similar expenses	(2,859,097)	(2,859,097)	
30. Net interest income	**208,476**	**208,476**	
40. Commission income	41,692	41,692	
50. Commission expense	(894,664)	(894,664)	
60. Net commission income	**(852,972)**	**(852,972)**	
70. Dividends and similar revenues	2,970	2,970	
80. Net gain (loss) on trading activities	287,976	287,976	
90. Net gain (loss) on hedging activities	816	816	
100. Gains (losses) on disposal or repurchase of:	377,136	377,136	
a) loans	19,167	19,167	
b) financial assets available for sale	357,959	357,959	
c) financial assets held to maturity	10	10	
d) financial liabilities		-	
110. Net gain (loss) on financial assets and liabilities designated at fair value	31,631	31,631	
120. Gross income	**56,033**	**56,033**	
130. Net impairment of:	8,717	8,717	
a) loans	833	833	
b) financial assets available for sale	(162)	(162)	
c) financial assets held to maturity		-	
d) other financial transactions	8,046	8,046	
140. Financial income (expense), net	**64,750**	**64,750**	
150. Net premium income	217,713	217,713	
160. Net other income (expense) from insurance operations	(34,174)	(34,174)	
170. Net income from financial and insurance operations	**248,289**	**248,289**	
180. Administrative expenses	(2,975,012)	(2,975,012)	
a) staff costs	(855,735)	(855,735)	
b) other administrative expenses	(2,119,277)	(2,119,277)	
190. Net provisions	34,580	34,580	
200. Net adjustments of property, plant and equipment	(630,757)	(630,757)	
210. Net adjustments of intangible assets	(224,145)	(224,145)	
220. Other operating income (expenses)	5,156,986	5,156,986	
230. Operating costs	**1,361,652**	**1,361,652**	
240. Gains (losses) on equity investments	111,654	149,090	37,436
270. Gains (losses) on disposal of investments	553	553	
280. Income (loss) before tax from continuing operations	**1,722,148**	**1,759,584**	**37,436**
290. Income tax for the period on continuing operations	(594,206)	(594,206)	
300. Income (loss) after tax on continuing operations	**1,127,942**	**1,165,378**	**37,436**
320. Net income (loss) for the period	**1,127,942**	**1,165,378**	**37,436**
330. Net income (loss) for the period pertaining to non-controlling	694,117	694,117	
340. Net income (loss) for the period pertaining to shareholders of the parent company	**433,825**	**471,261**	**37,436**

The main financial statement accounts

The condensed consolidated interim financial statements at 30 June 2016 have been prepared by applying the same accounting standards as those used for the preparation of the financial statements for the previous year, plus the amendments endorsed and applicable with effect from 2016, as described above in Section 5 – Other issues.

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

1 – FINANCIAL ASSETS HELD FOR TRADING

"Financial assets held for trading" includes all financial assets, regardless of type (debt securities, equity securities, UCITS units, loans, derivatives, etc.), allocated to the trading portfolio and held for the purpose of generating profits over the short term as a result of changes in the price of the instruments.

The item also includes derivatives embedded in financial instruments or other contracts, which have been recognised separately because:

- they have financial and risk characteristics not strictly correlated to the host instrument;
- the embedded instruments, even when separated, meet the definition of derivative;
- the hybrid instruments that they belong to are not measured at fair value through profit or loss.

Financial assets held for trading meet the following prerequisites:

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

Initial recognition of the financial assets held for trading is carried out at the transaction date for derivative contracts and on the settlement date for debt and equity securities, with the exception of those for which delivery is not settled on the basis of the conventions on the market concerned, for which initial recognition is at the subscription date.

Upon initial recognition, financial assets held for trading are measured at fair value, which generally equals the transaction price, net of transaction costs or income. Any derivatives embedded in compound contracts that have the above characteristics are recognised separately at fair value, after having separated the embedded derivative from the host contract, which instead follows the accounting rules for its classification category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

Subsequent measurement is at fair value. The fair value is determined based on the official prices as of the reporting date if the financial instruments are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. If the fair value of a financial asset becomes negative, it is recognised as a financial liability held for trading.

Financial assets held for trading are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80) of the Income statement. The income components are recognised following the results of the measurement of the financial assets held for trading.

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

"Financial assets available for sale" are non-derivative financial assets (debt securities, equity, etc.) that are classified as being available for sale and not as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. In particular, in addition to the bonds that not traded and are not classified as assets held to maturity or carried at fair value or under Loans, this item also includes equity investments not held for trading and not qualifying as subsidiaries, associates and joint ventures, including private equity investments and investments in private equity funds.

Financial assets available for sale are initially recognised on the settlement date for debt securities and equities or on the disbursement date for loans.

The financial assets are initially recognised at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction. Where the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss.

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

Unrealised gains or losses on available-for-sale securities are recorded in a specific equity reserve (other comprehensive income – OCI), net of tax effects, until the financial asset is eliminated or an impairment loss is recognised. Interest on the debt securities and loans is recorded in the income statement on an at amortised cost basis.

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

Where an available-for-sale security is impaired, the cumulative, unrealised change in value recorded in the equity reserve is recognised in the income statement under "Net impairment adjustments of financial assets available for sale" (item 130.b of the Income statement).

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

Financial assets available for sale are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.

Where an available-for-sale security is disposed of or eliminated, the related cumulative unrealised change in value recorded in equity is recognised in the income statement under "Gains (losses) on the disposal or repurchase of financial assets available for sale" (item 100.b). In the event of a partial disposal, the valuation reserve is reversed to profit or loss on a FIFO basis.

3 – FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity include financial assets other than derivatives with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

If, following a change in such intention or ability, it is no longer appropriate to continue to classify an investment as held to maturity, it is reclassified under financial assets available for sale.

Initial recognition is at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is taken to the income statement.

After initial recognition, the relationships classified under financial assets held to maturity are measured at amortised cost, equal to the initial recognition amount, net of principal repayments and amortisation of the difference between the initial amount and the amount repayable on maturity calculated to using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future payment flows for the expected duration of the financial asset, in order to obtain the precise net carrying amount upon initial recognition, which includes directly attributable transaction costs, as well as the fees paid or received by the contracting parties.

Financial assets held to maturity are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.

4 – LOANS

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

Loans are recognised when the contract is executed, i.e. upon the unconditional acquisition of a right to payment of the amounts agreed, and are initially measured at fair value, which equals the amount disbursed including directly related transaction costs and commissions.

If the contract date and the disbursement date are not the same, a commitment to disburse funds is recognised which terminates when the disbursement is made. Where the net amount disbursed does not equal the loan's fair value because the interest rate is lower than the market rate or the rate normally applied for similar loans, initial measurement is effected by discounting the future cash flows using an appropriate rate.

The loans made to public entities and public-law bodies under CDP's Separate Account portfolio have a number of features that distinguish them from loans granted by banks, which normally disburse the entire amount of the loan to its beneficiary at the time the loan is granted. Such loans are special-purpose loans generally granted to public entities for public works and are disbursed to the beneficiaries only after verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the entities in respect of suppliers as the work is performed.

Upon signing the finance agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by CDP earn interest that can be treated as a reimbursement of the interest income earned by CDP on the non-disbursed portion. CDP's special-purpose loans normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. With certain exceptions, the loan repayment plan begins as from the 1 July or 1 January following the execution of the loan contract. CDP's accounting policy for special-purpose loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins, regardless of the amount actually disbursed.

Any disbursements requested by borrowers during the grace period effectively reduce the commitment and result in a "short-term" receivable for the amount actually disbursed, with this amount accruing interest at the rate agreed upon by contract. The short-term receivable for advances on loans in their grace period is measured at cost in accordance with international accounting standards.

When repayment begins on a loan that has not yet been disbursed, both a payable and a receivable are recognised for the same amount in respect of the party responsible for repaying the loan. In accordance with the IFRS, the receivable is measured at amortised cost (which, given the lack of transaction costs on the loans granted and with certain exceptions, equals cost), and the payable is a demand liability that decreases as the amounts are actually disbursed.

Loans granted by CDP to borrowers other than public entities or public-law bodies are treated in a manner analogous to that for loans granted by banks.

After initial recognition, the relationships classified under the loan portfolio are measured at amortised cost, equal to the initial recognition amount plus or minus principal repayments, write-downs and write-backs, and amortisation of the difference between the amount disbursed and the amount repayable on maturity calculated using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future payment flows for the expected duration of the loan, in order to obtain the precise net carrying amount upon initial recognition which includes both directly attributable transaction costs and fees paid or received by the contracting parties.

The amortised cost method is not used for loans whose short-term duration means that discounting is considered to have a negligible effect. These loans are measured at historical cost. This measurement criterion is also used for loans without a specific expiry date or demand loans.

The carrying amount of loans is subject to periodic testing for impairment that could reduce their expected realisable value. This reduction becomes material when it is deemed probable that the amount due will not be paid in full, based on the original terms of the agreement, or that an equivalent asset will not be received.

Non-performing loans (bad debts, unlikely to pay, and non-performing past-due and/or overdrawn positions) are measured individually. The amount of the writedowns to be made to the loans is determined as the difference between the carrying amount of the loan at the time of measurement and the present value of the expected future cash flows, net of collection costs, taking account of any guarantees securing the positions and any advances received, calculated by applying the original effective interest rate.

The writedown of problem loans is then written back only when the quality of the loan improves to the point that there is a reasonable certainty of a greater expected recovery and/or greater receipts have been recorded than the previously recorded carrying amount of the loan. Writebacks are made up to the amount of the amortised cost that the loan would have had in the absence of writedowns. In any event, given the method used to measure writedowns, as the due dates for credit collection approach with the passing of time, the value of the loan is "written back" (time value), given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans.

Recovery of all or a part of previously written down loans is recognised in the income statement as a reduction to “Net impairment adjustments of loans” (item 130.a).

Loans for which no evidence of individual impairment has been identified undergo collective impairment testing.

The method used for collective testing is based on the internal parameters used for pricing loans.

The estimate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the 1-year expected loss.

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

Loans are derecognised when payment is received, when the contractual rights to the cash flows expire, when they are considered definitively irrecoverable or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.

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

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

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

5 – FINANCIAL ASSETS AT FAIR VALUE

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

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

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

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

6 - HEDGING TRANSACTIONS

Based on the provisions of IAS 39, hedging instruments are either derivative financial instruments or, only for the hedging of exchange rate variance risk, a non-derivative financial assets or liabilities whose fair value or financial flow variances are expected to offset fair value or financial flow variances of a designated hedged item. A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that (a) exposes the organisation to the risk of a change in fair value or future cash flows and (b) is designated as being hedged. The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk are offset by the change in fair value or cash flows of the hedging instrument.

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

- the relationship between the hedging instrument and the position hedged, including the risk management objectives;
- the hedging strategy, which must be in line with established risk management policies;
- the methods to be used in order to verify the effectiveness of the hedge.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged position.

A hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the hedged position or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.

At each period end, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under trading instruments, while the hedged item is measured in accordance with the criteria of its original category. Hedge accounting also ceases in the event the hedging instrument expires, is sold or exercised or where the hedged item expires, is sold or is repaid.

Hedging derivatives are measured at fair value. The main items under this heading are:

- for fair value hedges, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is accounted for by recognising the changes in value through profit or loss, relating both to the hedged item (for the changes generated by the underlying risk factor) and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently represents the net profit or loss effect. The recognition through profit or loss of the change in fair value of the hedged item, attributable to the risk hedged, is also applied if the hedged item is an available-for-sale financial asset; if there was no hedging, this change would be recognised in equity.
- for cash flow hedges, the changes in fair value of the derivative are recognised in equity, for the effective portion of the hedge, and are only recognised through profit or loss when there is a change in the cash flows to be offset for the hedged item. The amount of the gain or loss of the hedging instrument considered ineffective is recognised through profit or loss. This amount is equal to the excess of the accumulated fair value of the hedging instrument with respect to the related fair value of the instrument hedged; in any event, the fluctuation of the hedged item and the related hedge must be kept within the range of 80%-125%;
- hedges of an investment in a foreign currency are accounted for in the same way as cash flow hedges.

If the hedge is not perfectly effective, the ineffective portion of the change in the fair value of the hedging instrument is recognised immediately in profit or loss.

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

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

For macro hedges, IAS 39 allows the object of a fair value hedge against interest rate risk to be not only an individual financial asset or liability, but also a monetary amount, containing multiple financial assets and liabilities (or their portions), so that a set of derivatives may be used to reduce the fair value fluctuations of the hedged items in response to changes in market interest rates. Net amounts resulting from the mismatch of assets and liabilities cannot be designated as subject to macro hedging. In the same way as for micro fair value hedges, a macro hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the monetary amount hedged are offset by changes in the fair value of the hedge derivatives and if the actual results are within a range of 80% to 125%. The positive or negative amount of the fair value changes, respectively, of the assets and liabilities hedged by fair-value macro hedges, measured with reference to the risk hedged, is recognised in Item 90 of Assets (for positive amounts) or Item 70 of Liabilities (for negative amounts), with a contra entry in Item 90. "Net gain (loss) on hedging activities" of the Income Statement.

The ineffectiveness of the hedge consists of the difference between the change in fair value of the hedging instruments and the change in fair value of the monetary amount hedged. The ineffective portion of the hedge is in any case included under Item 90 "Net gain (loss) on hedging activities" of the Income Statement.

If the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated writeback/writedown recognised in Item 90 of Assets or Item 70 of Liabilities is recognised through profit or loss under interest income or expense, along the remaining lifetime of the hedged financial asset or liability.

If these assets or liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately under Item 100 "Gains (Losses) on disposal/repurchase" of the Income Statement.

7 – EQUITY INVESTMENTS

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

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

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

Any positive difference between the value of equity interest in the investee and the cost of the investment is recognised through profit or loss.

In applying the equity method, account is also taken of treasury shares held by the investee.

Where there is evidence that the value of an equity investment can be impaired, its recoverable value is determined, taking account of both its market value and the present value of future cash flows.

If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss.

Where indicators exist that the value of the equity investment may be impaired, the recoverable amount of the investment is estimated in accordance with IAS 36.

The possible impairment indicators are:

- the posting of negative earnings or a significant divergence from budget targets or targets set in multi-year plans;
- the announcement/initiation of insolvency proceedings or restructuring plans;
- the receipt of a dividend that exceeds the overall earnings for the year or retained from previous years of the investee;
- a carrying amount of the equity investment in the separate financial statements that exceeds the amount, in the consolidated financial statements, of the corresponding portion of book equity, including any goodwill.

In addition, for equity investments in listed companies, CDP Group also considers the following as evidence of impairment:

- a book equity higher than the market capitalisation;
- a reduction in the market price with respect to the related carrying amount of more than 40% or for a period of more than 24 months.

The recoverable amount is determined by measuring the present value of estimated future cash flows from the equity investment, including the final disposal value of the investment. If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss.

Any losses of the investee attributed to the owner that exceed the carrying value of the investment are recorded in a specific provision to the extent to which the owner is required to respond to the legal or implicit obligations of the investee, or in any case to cover its losses.

8 – PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment" includes all non-current tangible assets used in operations governed by IAS 16 and investment property (land and buildings) governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases (for the lessor). In order to determine whether a contract contains a lease, the provisions of IFRIC 4 are applied. The item includes the leasehold improvement costs, which can be separated from the assets and have their own functionality and utility.

Property, plant and equipment is recognised at purchase cost including incidental expenses, non-deductible VAT and costs for bringing the asset to working condition, increased by revaluations carried out under the provisions of specific laws. Maintenance and repair costs, incurred after initial recognition, which result in an increase in the future economic benefits, are recognised as an increase in the value of the assets. If there is no increase in future economic benefits, these costs are recognised through profit or loss.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation pursuant to IAS 23 are capitalised on the asset as part of its cost.

The carrying amount represents the book value of the assets net of depreciation. The depreciation rates used are felt to reflect the remaining useful economic lives of the assets.

Newly acquired assets are depreciated as from the period in which they enter service and are, therefore, ready for use.

Each item of property, plant and equipment that has a significant value compared to the overall value of the asset it belongs to is recognised and depreciated separately.

Material assets held under finance leases that substantially transfer all the risks and rewards of ownership are recognised as assets at the lower of their fair value or the present value of the minimum lease payments due under the lease, including any amounts payable to exercise the final purchase option. The corresponding liability to lessor is recognised under financial debt. The assets are depreciated using the same criteria as those used for assets owned.

Leases in which the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Costs in respect of operating leases are recognised on a straight-line basis over the term of the lease.

In the presence of obligations to dismantle and remove assets and reclaim sites, the carrying value includes the estimated costs (discounted) that will be incurred when the structures are decommissioned are recognised in a specific provision. The accounting treatment of revisions to these estimated costs, the passage of time and the discount rate are set out in the section "Provisions".

Assets to be relinquished free of charge are recognised at cost, including any disposal and removal costs that will be incurred under contractual obligations to restore the assets to their original condition, net of depreciation calculated over the lesser of the estimated useful life of the asset and the term of the concession, net of dismantling and removal costs.

Land and buildings are treated as separate assets for accounting purposes, even if purchased together. Land is considered to have an indefinite life and, as such, is not depreciated.

Buildings are depreciated over a 33-year period, which is considered to be the useful life of the buildings themselves.

Assets whose use or nature classifies them as capital equipment are depreciated on a straight-line basis over their remaining useful lives.

In the event an asset should suffer a lasting impairment of value, independently of depreciation, it is written down. The original value is restored where the conditions that had prompted the writedown no longer apply.

"Assets under construction and advances" are composed of advances or expenses incurred in respect of assets and materials that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, depreciation is suspended.

The carrying amount of a capital tangible asset is eliminated from the Balance Sheet upon disposal or when no future economic benefits are expected from its use or disposal.

9 – INTANGIBLE ASSETS

Pursuant to IAS 38, "Intangible assets" are identifiable non-monetary assets without physical substance, consisting mainly of concessions, licenses and trademarks, contractual relationships with customers, research and development costs and industrial patent and intellectual property rights. Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a business combination and the fair value of identifiable net assets acquired.

Goodwill is not amortised, but is subject to a periodical impairment test.

An intangible asset is recognised if the following conditions are satisfied:

- the asset is identifiable, i.e. it is separable from the rest of the enterprise;
- the asset is controlled, i.e. it is subject to the control of the enterprise;
- the asset generates future economic benefits.

Concessions, licenses, trademarks and similar rights arising from an acquisition are recognised at fair value as of the date of acquisition and are amortised over the expected life of the asset. More specifically, trademarks are not amortised but they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. The value of the storage concessions, determined as indicated by the Ministry for Productive Activities in the decree of 3 November 2005, is recorded under "Concessions, licenses, trademarks and similar rights" and is not subject to amortisation.

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

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

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

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

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

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

An intangible asset is only recognised under the following conditions:

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

In the event an asset should suffer a lasting impairment of value, independently of depreciation, it is written down. The original value is restored where the conditions that had prompted the writedown no longer apply.

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

An impairment test on the goodwill is carried out on a yearly basis (or each time there is evidence of impairment). To this end, the cash generating unit to which the goodwill is to be allocated is identified. Within CDP Group, cash generating units correspond to the individual legal entities. The amount of any impairment is determined based on the difference between the carrying amount of goodwill and its recoverable amount, where lower. The aforementioned recoverable amount is the greater between the fair value of the Unit generating financial flows, net of any sales costs, and the relevant value in use. Relevant writedowns are recorded in the income statement.

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

10 – NON-CURRENT ASSETS HELD FOR SALE

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

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

11 – CURRENT AND DEFERRED TAXATION

Tax assets and liabilities are recognised in the balance sheet respectively under Asset Item 140 "Tax assets" and Liability Item 80 "Tax liabilities".

The accounting entries current and deferred taxation include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of temporarily deductible differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences.

Current taxation, consisting of corporate income tax (IRES) and regional tax on business activities (IRAP), is recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year and is calculated on the basis of applicable tax rates.

Deferred tax assets and liabilities are recognised based on the tax rate that, under tax legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

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

Specifically, deferred taxes are recognised: i) as tax assets, if they relate to "deductible temporary differences", which means the differences between statutory and tax values that will give rise to deductible amounts in future periods, to the extent that they are likely to be recovered; and ii) as tax liabilities, if they relate to "taxable temporary differences" representing liabilities because they are related to profit or loss entries that will become taxable in future tax periods.

If the deferred tax items regard operations that directly affected equity, they are recognised in equity.

Some of the Group's Italian companies joined the so-called tax consolidation regulated by Articles 117- 129 of TUIR, introduced into tax law by Italian Legislative Decree no. 344/2003. It consists of an optional tax regime based on which overall net tax income or loss and other items (e.g., excess interest expense/GOP) of each subsidiary scoped into tax consolidation – inclusive of any withholdings, deductions and tax credits – is transferred to the parent company, for which a single taxable income or a single tax loss is carried forward (resulting from the algebraic sum of its income/losses and those of the subsidiaries) and, as a result, a single tax payable/receivable.

12 – PROVISIONS

"Provisions" are recognised solely under the following conditions:

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

When the financial impact of the time factor is significant and the dates of payment of the obligation can be estimated reliably, the provision is measured as the present value (discounted at market rates as of the reporting date) of the charges that are expected to be incurred in order to settle the obligation.

The provisions are only used when the charges for which they were originally established are incurred. When the outlay to fulfil the obligation is no longer deemed to be probable, the provision is reversed through the income statement.

Provisions include liabilities for defined benefit plans, other than staff severance pay (e.g., payment of seniority bonuses after a specific length of service or medical care after retirement), through which the Group undertakes to provide the agreed benefits to the current workforce and to former employees and to incur the actuarial and investment risks associated with the plan. Therefore, the cost of this plan is not defined in terms of contributions due for the year, but is recalculated on the basis of demographic and statistical assumptions and on wage trends. The methodology used is the "projected unit credit method."

13 – DEBT AND SECURITIES ISSUED

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

These are initially measured at fair value including the costs incurred to issue the securities. Subsequent measurement is at amortised cost. The payables are eliminated when they mature or are extinguished.

"Amounts due to banks" and "Amounts due to customers" include postal savings bonds issued by the parent company, including bonds which at the reporting date have matured but have not yet been redeemed. These instruments are zero-coupon securities (where the interest accrued is paid when the principal is redeemed) with a step-up interest structure (the interest rate increases as the period for which the bond is held increases) and with principal and interest redeemed in a single payment upon maturity, although the bonds can be redeemed at any time prior to their contractual maturity, with principal and interest paid in accordance with the period for which the bond was held. For financial instruments such as postal savings bonds, IAS 39 calls for the adoption of the amortised cost method and states that the effective interest rate to be used in calculating amortised cost must be equal to the internal rate of return of the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. The parent company has therefore developed a statistical model for forecasting early redemption of postal savings bonds based on a time series of redemptions, which is used to price new issues. The forecasting model used at the time of the bond issue is also used to determine the initial estimated amortisation plan for each series of postal savings bonds. Based on these estimated flows, the effective interest rate and the amortised cost to be recognised in the balance sheet are then calculated. Differences between the actual early redemptions and these estimates result in an adjustment to the remaining amortisation schedule. In such cases, IFRS state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

14 – FINANCIAL LIABILITIES HELD FOR TRADING

This item includes all forms of financial liabilities (debt securities, loans, etc.) designated as being held for trading purposes. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.

This liability category includes, in particular, the negative value of trading derivatives, as well as derivatives embedded in other financial instruments or contracts, which have financial and risk characteristics that are not strictly correlated with the host instrument or which meet the requirements to be classified themselves as derivatives. They are, therefore, recognised separately, after the embedded derivative has been separated from the host contract, which instead follows the accounting rules for its classification category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transactions costs or revenues. In cases in which the amount paid differs from the fair value, the financial liability is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is effected at the contract date for derivative contracts and at the settlement date for debt securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Subsequent measurement is at fair value, with recognition of the measurement results through profit or loss. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the asset remains on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80) of the income statement. The income components are recognised following the results of the measurement of the financial liability held for trading.

15 – FOREIGN CURRENCY TRANSACTIONS

Transactions in a foreign currency are initially recognised in euros by translating the amount in the foreign currency into euros at the spot exchange rate prevailing on the date of the transaction.

In preparing the financial statements, assets denominated in a foreign currency are accounted for as follows:

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

Exchange rate differences in respect of non-monetary items are treated using the same rules for gains and losses on the original instruments.

The effects of foreign exchange differences relating to the equity of investments measured using the equity method are recognised in an equity reserve.

The financial statements of companies denominated in currencies other than the euro are converted in accordance with the following rules:

- assets and liabilities are converted using the exchange rates prevailing at the balance-sheet date;
- costs and revenues are converted using the average exchange rate for the period;
- the "translation reserve" comprises exchange rate differences generated by the conversion of financial variables at a different rate from the closing rate and those generated by the translation of opening shareholders' equity at a different rate from the closing rate of the reporting period;
- goodwill and fair value adjustments relating to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at year-end.

16 – INSURANCE ASSETS AND LIABILITIES

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

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

- the unearned premium reserve, which comprises two sub-items: the provision for premium instalments, determined on a pro rata basis, pursuant to art. 45 of Legislative Decree no. 173 of 26 May 1997; the reserve for unexpired risks, composed of the amounts to be set aside to cover claims and expenses that exceed the provision for premium instalments on existing contracts for which no claims arose at year-end, to meet the liability adequacy test requirements imposed by IFRS 4;
- the provision for claims outstanding, which includes provisions for claims reported but not yet paid on the basis of the forecast cost of the claim, including settlement and management expenses. Claims provisions are determined on the basis of an estimate of the ultimate cost of covering charges relating to the indemnity paid, direct costs and payment for each individual claim.

17 – STAFF SEVERANCE PAY

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, in conformity with the provisions of law (Article 2120 of the Italian Civil Code) and applicable employment contracts. In accordance with IAS 19, TFR is considered a defined-benefit plan and, therefore, is recognised as the present value of the accumulating obligation (both the present value of the expected future payments related to benefits accrued during the current year and the present value of future payments resulting from amounts accrued in previous years).

For a limited number of companies in the Group, with a limited number of employees and whose liability for staff severance pay is not material for the purposes of IAS 19, that liability continued to be reported as calculated on the basis of Italian statutory provisions (pursuant to Art. 2120 of the Italian Civil Code).

18 – OTHER INFORMATION

Other assets

Inventories

Inventories, including compulsory stock, are stated at the lesser of their cost and their net realisable value, represented by the amount that the business expects to obtain from their sale in the normal course of its activities. Cost is measured as the weighted average cost. The net realisable value is the selling price in the ordinary course of business less the estimated completion costs and those necessary to sell the good. Work in progress and semi-finished goods are valued at production cost, excluding financial charges and overheads. Sales and purchases of strategic gas do not generate an actual transfer of the risks and rewards associated with ownership and, therefore, do not result in changes in inventory.

Contract work in progress (construction contracts)

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

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

Capitalised borrowing costs

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

Where funds are borrowed specifically, costs eligible for capitalisation are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where funds are part of a general pool, the eligible amount is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate will be the weighted average of the borrowing costs applicable to the general pool, excluding any specifically borrowed funds. The amount of borrowing costs capitalised during a year shall in any case not exceed the amount of borrowing costs incurred during that year.

Capitalisation commences as from the date all the following conditions have been met: (a) expenditures have been incurred for the asset; (b) borrowing costs are being incurred; and (c) activities to prepare the asset for its intended use or sale are in progress.

Capitalisation ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

Income statement items

Share-based payments

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

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

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

Grants

The revenues are recognised when it is probable that the economic benefits of the operation will flow to the entity. However, where the recoverability of an amount already included in the revenues is uncertain, the unrecoverable amount or the amount whose recovery is no longer probable is recognised as a cost.

Grants received in relation to specific assets whose value is recognised under non-current assets are, for plants already in operation before 31 December 2002, recognised under other liabilities and taken to the income statement over the depreciation period of the related assets. Since 2003, grants for new plants entering service are recognised as a direct reduction of the value of the related asset.

Grants for operating expenses are recognised in full in the income statement when the conditions for recognition are satisfied.

Revenues

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

- revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- revenues from services are recognised with reference to the stage of completion of the service. If revenues cannot be reliably measured, they are recognised to the extent of recoverable costs;
- revenues from fees for the use of the National Transmission Grid (NTG) are determined on the basis of the rates set by the Authority for Electricity, Gas and the Water System.

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

Net premium income

This macro-item includes accrued premiums in respect of contracts classified as insurance contracts pursuant to IFRS 4 and investment contracts with discretionary participation in profits considered equivalent to insurance contracts by IFRS 4.

Insurance contracts comprise all contracts under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the other party (the policyholder or other beneficiary) if a specified uncertain future event adversely affects the policyholder or the other beneficiary.

All contracts written by the Group can be classified as insurance contracts pursuant to IFRS 4. Premiums are reported net of cessions in reinsurance.

Interest income and expense

Interest income and expense is recognised in the income statement, pro rata temporis, for all instruments based on amortised cost using the effective interest rate method, when amortised cost is applied.

Interest also includes the net positive or negative balance of the differences and margins related to financial hedging derivative.

Commissions

Commissions for revenues from services are recognised, based on the existence of contractual agreements, in the periods in which the services are provided. These commissions considered when calculating amortised cost for the purpose of determining the effective interest rate, are recognised under interest.

Dividends

Dividends are recognised as income in the period in which they are approved for distribution.

Dividends form equity investments accounted for using the equity method are deducted from the carrying amount of the investments.

Emission rights

Costs relating to emission rights, determined on the basis of market prices, are recorded solely for the amount of carbon dioxide emissions exceeding the allocated emission rights; costs relating to the purchase of emission rights are capitalised and recorded among intangible assets net of any negative balance between emissions and allocated rights. Proceeds relating to emission rights are recorded at the moment of their realisation through the sale of rights. In the event of sale, any purchased rights are understood to have been sold first. Cash credits allocated instead of the free allocation of emission rights are recorded in "Other income" in the income statement.

Business combinations

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

For newly acquired companies, if the initial values for a business combination are incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the item for which the accounting is incomplete.

In accordance with IFRS 3, paragraph 45 *et seq.*, within 12 months of the acquisition date, the difference resulting from the transaction must be allocated definitively, recognising the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. The following items are exceptions, being measured as provided for in the relevant standard governing their treatment:

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

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

Non-controlling interests are measured as a proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

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

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

Disclosures on fair value measurement

QUALITATIVE DISCLOSURES

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

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

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

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

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

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

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

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

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

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

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

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

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;

- valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and integrated into the corporate systems of the Group's companies.

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

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

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

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified Credit Value Adjustment (CVA) methodology. In view of the use of framework netting arrangements that provide for the exchange of collateral, of the frequency of exchange of the collateral and the fact that it is established in the form of cash, as well as the minimum ratings required from the counterparties, at 30 June 2016 no adjustments of this kind have been made. With regard to the embedded derivatives in postal savings bonds which are separated out, the adjustment for the joint credit risk of CDP and the Italian Government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

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

- the valuation of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- certain inflation-linked derivatives, which call for parameters determined using "expert-based" assessments owing to the low liquidity of some market segments;
- certain bonds whose valuation depends on the conditions of use established from time to time and/or spreads that are not directly observable or representative of the creditworthiness of the issuer/debtor;
- equity interests and other unquoted equity instruments that are measured using non-market parameters.

2. Valuation processes and sensitivity

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

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

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

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

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

For fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of possible and reasonable alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

Redemption profiles

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

The sensitivity analysis considered changes of 10% in the remaining principal, applied to the relevant expected percentage for the expiry of each option. If redemptions are lower than estimated, a condition has been established that the current level of remaining principal cannot be exceeded, and so the results of the analysis are asymmetric.

Term structure of expected inflation

The term structure of expected inflation used to value derivatives in certain indexes that do not have a liquid market, refers to rates for indexes that have a liquid market. Given that the input is nevertheless observable in the market, even though it does not refer to the indexes to which the derivatives are linked, no sensitivity analysis is presented.

Equity multiple

Equity investments in unlisted companies are valued by applying a multiplication factor to the equity in line with what is estimated would be applied for a market transaction. At 30 June 2016, all the multiples, based on expert appraisal, were 100%. Given that this parameter acts directly on the final fair value on the final fair value in a proportional manner, no sensitivity analysis has been reported.

Adjustment to NAV

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

At 30 June 2016, adjustments of this kind were made to the NAVs of the collective investment undertakings held in the portfolio at the standard rate of 15%, set on the basis of expert appraisal, taking into account the characteristics of limited liquidity of the units. Given that this parameter acts directly on the final fair value on the final fair value in a proportional manner, no sensitivity analysis has been reported.

3. Hierarchy of fair value inputs

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

For all classes of assets and liabilities, under the policy adopted by CDP Group the transfer from one level to another takes place at the end of the reporting period. The transfers are motivated by whether it becomes possible or impossible to reliably measure fair value, respectively, at Level 1, Level 2 or Level 3: For example, if the measurement of an instrument is classified as "Level 3" due to the non-observability of a significant input, if that input becomes observable in the market or if it becomes common to use a model that requires only observable inputs, then the measurement is transferred to Level 2, and the transfer occurs at the end of the reporting period.

QUANTITATIVE DISCLOSURES

Hierarchy of fair value inputs

Assets and liabilities carried at fair value on a recurring basis: breakdown by level of fair value inputs

	30/06/2016			31/12/2015		
(thousands of euros)	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	659,032	241,975	32,434	658,501	256,765	21,518
2. Financial assets at fair value	-	-	220,250	-	-	219,713
3. Financial assets available for sale	8,519,736	5,390	1,047,560	5,842,436	5,390	687,625
4. Hedging derivatives	-	1,119,175	-	-	1,575,794	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**9,178,768**	**1,366,540**	**1,300,244**	**6,500,937**	**1,837,949**	**928,856**
1. Financial liabilities held for trading	-	204,368	69,341	-	136,777	103,822
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	1,457,645	39,180	-	960,045	41,960
Total	**-**	**1,662,013**	**108,521**	**-**	**1,096,822**	**145,782**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Change for the year in financial assets carried at fair value on a recurring basis (Level 3)

(thousands of euros)	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**21,518**	**219,713**	**687,625**	**-**	**-**	**-**
2. Increases	**11,474**	**3,541**	**379,308**	**-**	**-**	**-**
2.1 Purchases	-	-	357,956	-	-	-
2.2 Profits taken to:	11,474	2,043	21,297	-	-	-
2.2.1 Income statement	11,474	2,043	-	-	-	-
- of which capital gains	*11,474*	*2,043*	-	-	-	-
2.2.2 Equity	X	X	21,297	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	1,498	55	-	-	-
3. Decreases	**558**	**3,004**	**19,373**	**-**	**-**	**-**
3.1 Sales	83	-	-	-	-	-
3.2 Repayments	-	3,004	14,685	-	-	-
3.3 Losses taken to:	475	-	1,288	-	-	-
3.3.1 Income statement	475	-	-	-	-	-
- of which capital losses	*158*	-	-	-	-	-
3.3.2 Equity	X	X	1,288	-	-	-
3.4 Transfers from other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	3,400	-	-	-
4. Closing balance	**32,434**	**220,250**	**1,047,560**	**-**	**-**	**-**

Change for the year in financial liabilities carried at fair value on a recurring basis (Level 3)

(thousands of euros)	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
1. Opening balance	**103,822**	**-**	**41,960**
2. Increases	**16,648**	**-**	**1,956**
2.1 Purchases	15,222		
2.2 Losses taken to:	1,425	-	1,956
2.2.1 Income statement	1,425	-	1,956
- of which: capital losses	*1,425*	-	*1,956*
2.2.2 Equity	X	X	
2.3 Transfers from other levels	-	-	-
2.4 Other increases	1	-	-
3. Decreases	**51,129**	**-**	**4,736**
3.1 Sales	-	-	-
3.2 Repayments	4,241	-	2,579
3.3 Profits taken to:	46,888	-	2,157
3.3.1 Income statement	46,888	-	-
- of which: capital gains	*5,185*	-	-
3.3.2 Equity	X	X	2,157
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	**69,341**	**-**	**39,180**

Disclosures on “day one profit/loss”

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

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

In the case of financial instruments at fair value through profit or loss classified as Level 3, any difference with respect to the amount received or paid could in principle be recognised through profit or loss under the appropriate items, generating a “Day one profit/loss” (DOP).

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

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

CDP Group has not recognised any Day one profit/loss on financial instruments in accordance with the provisions of paragraph 28 of IFRS 7 and other related provisions of the IFRS.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

Assets

CASH AND CASH EQUIVALENTS – ITEM 10

Cash and cash equivalents: composition

(thousands of euros)	30/06/2016	31/12/2015
a) Cash	635	781
b) Free deposits with central banks	-	
Total	**635**	**781**

FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

Financial assets held for trading: composition by type

(thousands of euros) Items	Banking group	Insurance group	Other entities	30/06/2016	31/12/2015
A On-balance-sheet assets					
1. Debt securities	-	128,643	-	128,643	53,747
1.1 Structured securities	-	-	-	-	-
1.2 Other debt securities	-	128,643	-	128,643	53,747
2. Equity securities	-	3,947	-	3,947	35,675
3. Units in collective investment undertakings	-	532,811	-	532,811	575,687
4. Loans	-	-	-		-
4.1 Repurchase agreements	-	-	-		-
4.2 Other	-	-	-		-
Total A	**-**	**665,401**	**-**	**665,401**	**665,109**
B Derivatives					
1. Financial derivatives	183,300	52,709	32,031	268,040	271,675
1.1 trading	-	52,709	22,979	75,688	56,715
1.2 associated with fair value option	-	-	-	-	-
1.3 other	183,300	-	9,052	192,352	214,960
2. Credit derivatives	-	-	-		-
2.1 trading	-	-	-		-
2.2 associated with fair value option	-	-	-		-
2.3 other	-	-	-		-
Total B	**183,300**	**52,709**	**32,031**	**268,040**	**271,675**
Total (A+B)	**183,300**	**718,110**	**32,031**	**933,441**	**936,784**

FINANCIAL ASSETS AT FAIR VALUE – ITEM 30

Financial assets at fair value: composition by type

(thousands of euros)	30/06/2016	31/12/2015
1. Debt securities	220,250	219,713
1.1 Structured securities	220,250	219,713
1.2 Other debt securities	-	-
2. Equity securities	-	-
3. Units in collective investment undertakings	-	-
4. Loans	-	-
4.1 Structured	-	-
4.2 Other	-	-
Total	**220,250**	**219,713**

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

This convertible bond has a duration of 7 years. It can be fully converted at any time and at FSI Investimenti's sole discretion (or compulsorily in the case of an IPO or other liquidity event) and has a coupon of at least 2%. This instrument has been measured at fair value, which amounted to €220,250 thousand at 30 June 2016.

FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

Financial assets available for sale: composition by type

(thousands of euros) Items	Banking Group	Insurance Group	Other Entites	30/06/2016	31/12/2015
1. Debt securities	**8,519,642**	**-**	**-**	**8,519,642**	**5,805,795**
1.1 Structured securities	-	-	-	-	-
1.2 Other debt securities	8,519,642	-	-	8,519,642	5,805,795
2. Equity securities	**11,397**	**-**	**7,584**	**18,981**	**56,653**
2.1 At fair value	9,285	-	1,040	10,325	48,055
2.2 At cost	2,112	-	6,544	8,656	8,598
3. Units in collective investment undertakings	**1,028,673**	**-**	**5,390**	**1,034,063**	**673,003**
4. Loans	**-**	**-**	**-**	**-**	**-**
Total	**9,559,712**	**-**	**12,974**	**9,572,686**	**6,535,451**

The balance of this item was essentially consisted of the debt securities (around €8.5 billion) and units in collective investment undertakings (around €1.03 billion) held by the parent company. The increase compared with the end of 2015 (approx. €+3 billion) was mainly driven by higher debt securities (approx. €+2.7 billion) as a result of purchases of Italian government securities and, to a lesser extent, by units in collective investment undertakings (€+0.4 billion).

FINANCIAL ASSETS HELD TO MATURITY – ITEM 50

Financial assets held to maturity: composition by type

(thousands of euros)	Banking Group	Insurance Group	30/06/2016	31/12/2015
1. Debt securities	40,501,994	1,493,619	41,995,613	26,073,862
- structured	-	-	-	-
- other	40,501,994	1,493,619	41,995,613	26,073,862
2. Loans	-	-	-	-
Total	**40,501,994**	**1,493,619**	**41,995,613**	**26,073,862**

The item mostly consists of parent company investments in government securities totalling approximately €40.5 billion, showing growth on the year-end 2015 figure (€+15.9 billion).

LOANS TO BANKS – ITEM 60

Loans to banks: composition by type

(thousands of euros) Type of operations	Banking Group	Insurance Group	Other Entites	30/06/2016	31/12/2015
A. Claims on central banks	**3,916,175**	**-**	**-**	**3,916,175**	**3,949,073**
1. Fixed-term deposits	-	-	-	-	-
2. Reserve requirement	3,916,175	-	-	3,916,175	3,949,073
3. Repurchase agreements	-	-	-	-	-
4. Other	-	-	-	-	-
B. Loans to banks	**24,748,120**	**424,796**	**2,605,234**	**27,778,150**	**24,992,749**
1. Loans	24,598,472	424,796	2,605,234	27,628,502	24,992,749
1.1 Current accounts and free deposits	618,081	212,397	2,085,439	2,915,917	4,262,174
1.2 Fixed-term deposits	804,587	212,349	519,795	1,536,731	922,214
1.3 Other financing	23,175,804	50	-	23,175,854	19,808,361
- Repurchase agreements	9,222,653	-	-	9,222,653	5,343,153
- Finance leasing	-	-	-	-	-
- Other	13,953,151	50	-	13,953,201	14,465,208
2. Debt securities	149,648	-	-	149,648	-
2.1 Structured	-	-	-	-	-
2.2 Other debt securities	149,648	-	-	149,648	-
Total	**28,664,295**	**424,796**	**2,605,234**	**31,694,325**	**28,941,822**

Loans to banks are primarily composed of:

- the balance on the parent company's management account for the reserve requirement of about €3,916 million;
- loans amounting to about €27,628 million; the figure shows an increase compared to the end of 2015 of about €2,636 million, mainly attributable to new repurchase agreements;
- fixed-term deposits amounting to around €1,537 million, of which approximately €805 million referred to guarantee deposits held under Credit Support Annexes and Global Master Repurchase Agreements to limit the counterparty risk associated with trading in derivative instruments and repurchase agreements;
- debt securities totalling €149.6 million, relating to a new subscription made over the half year (the item was nil at the end of 2015).

LOANS TO CUSTOMERS – ITEM 70

Loans to customers mainly regard lending operations under the Separate Account and Ordinary Account of CDP. The item also reports liquidity held with the Central State Treasury.

The following table provides a breakdown of the positions by technical form.

Loans to customers: composition by type

(thousands of euros)	30/06/2016			31/12/2015		
	Performing	Non performing		Performing	Non performing	
Type of operations		Acquired	Other		Acquired	Other
Loans	**253,117,186**	**-**	**376,861**	**253,744,913**	**-**	**376,108**
1. Current accounts	490,842	-	-	483,220	-	-
1.1 Liquidity held with Central State Treasury	149,278,553	-	-	152,397,757	-	-
2. Repurchase agreements	9,336,681	-	-	5,165,503	-	-
3. Loans	88,743,555	-	219,596	89,484,804	-	243,062
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	479	-	-	470	-	-
5. Finance leasing	-	-	-	-	-	-
6. Factoring	1,246,012	-	136,093	1,599,517	-	106,764
7. Other	4,021,064	-	21,172	4,613,642	-	26,282
Debt securities	**9,351,100**	**-**	**-**	**6,923,272**	**-**	**-**
8 Structured	-	-	-	-	-	-
9 Other debt securities	9,351,100	-	-	6,923,272	-	-
Total	**262,468,286**	**-**	**376,861**	**260,668,185**	**-**	**376,108**

As of 1 January 2016, cash and cash equivalents in State Treasury current account no. 29814, named "Cassa DP SPA – Separate Account", in which CDP holds liquidity connected with Separate Account operations, are remunerated by the Ministry for the Economy and Finance on a half-yearly basis, earning a yield calculated as the weighted average yield on six-month Italian treasury bills (BOTs) and ten-year Italian government bonds (BTPs), weighted respectively at 20% and 80%.

The item rose from €261 billion at the end of 2015 to €262.8 billion in the first half of 2016. The increase was driven primarily by the higher volume of repurchase agreements (€+4.2 billion from the end of 2015) and higher purchases of debt securities (€+2.4 billion from the end of 2015), which was only partially offset by the (forecast) reduction in cash and cash equivalents held in the Treasury current account (€-3.1 billion from the end of 2015).

Non-performing loans totalled €376.8 million, of which €222 million referred to the parent company CDP, which posted a drop in the item compared to the end of 2015 (€249 million). The following table reports total non-performing loans held by CDP, the relative impairment losses recognised and the resulting net value of the loans.

Banking group – Non-performing loans to customers

(thousands of euros)	30/06/2016			31/12/2015		
Quality/Values	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Specific adjustments	Net exposure
Bad debts	89,109	(59,375)	29,734	88,208	(57,837)	30,371
Unlikely to pay	249,307	(102,260)	147,047	251,988	(97,996)	153,992
- of which: forbearance exposures	*68,573*	*(40,421)*	*28,152*	*74,930*	*(39,034)*	*35,896*
Impaired past-due exposures	44,878	-	44,878	64,686	-	64,686
Total	**383,294**	**(161,635)**	**221,659**	**404,882**	**(155,833)**	**249,049**

The remaining amount of non-performing loans referred to factoring operations by the subsidiary SACE FCT (€136 million) and loans provided by the subsidiary SIMEST.

HEDGING DERIVATIVES – ITEM 80

Hedging derivatives: composition by type of hedge

(thousands of euros)	Banking Group	Insurance Group	Other Entites	30/06/2016	31/12/2015
A. Financial derivatives:	**664,639**	**-**	**454,536**	**1,119,175**	**1,575,794**
1) Fair value	608,343	-	450,073	1,058,416	1,449,542
2) Cash flow	56,296	-	4,463	60,759	126,252
3) Investment in foreign operation	-	-	-		
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-
2) Cash flow	-	-	-	-	-
Total	**664,639**	**-**	**454,536**	**1,119,175**	**1,575,794**

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

EQUITY INVESTMENTS – ITEM 100

Investments in joint ventures and companies subject to significant influence: information on investments

(thousands of euros)

Company name	Registered office	Operational headquarters	Type of relationship (1)	Equity investment: Investor	Equity investment: % holding	% of votes (2)	Consolidated carrying amount
A. Jointly-controlled enterprises							
1. AcciaItalia S.p.A.	Milan	Milan	7	Cassa depositi e prestiti S.p.A.	44.50%	44.50%	6
2. Alfiere S.p.A	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	20,869
3. Ansaldo Energia	Genoa	Genoa	7	FSI Investimenti S.p.A.	44.55%	44.55%	442,897
			7	CDP Equity S.p.A.	0.29%	0.29%	
4. Bonafous S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	-
5. Camper and Nicholsons International S.A.	Luxembourg	Luxembourg	7	Fincantieri S.p.A.	17.63%	17.63%	4,013
6. Cinque Cerchi S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	-
7. ELMED Etudes S.a.r.l.	Tunis (Tunisia)	Tunis (Tunisia)	7	Terna S.p.A.	50.00%	50.00%	-
8. ETIHAD SHIP BUILDING LLC	Abu Dhabi (UAE)	Abu Dhabi (UAE)	7	Fincantieri S.p.A.	35.00%	35.00%	-
9. GasBridge 1 B.V.	Rotterdam	Rotterdam	7	SNAM S.p.A.	50.00%	50.00%	52,326
10. GasBridge 2 B.V.	Rotterdam	Rotterdam	7	SNAM S.p.A.	50.00%	50.00%	52,339
11. IQ Made in Italy Investment Company S.p.A.	Milan	Milan	7	FSI Investimenti S.p.A.	50.00%	50.00%	149,652
12. M.T. Manifattura Tabacchi S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	-
13. Manifatture Milano S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	3,194
14. Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	Sant'Angelo Lodigiano	7	SNAM S.p.A.	50.00%	50.00%	2,042
15. Metroweb Italia SpA	Milan	Milan	7	FSI Investimenti S.p.A.	46.17%	46.17%	200,427
16. Orizzonte Sistemi Navali S.p.A.	Genoa	Genoa	7	Fincantieri S.p.A.	51.00%	51.00%	17,510
17. Pentagramma Perugia S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	60
18. Pentagramma Piemonte S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	1,350
19. Pentagramma Romagna S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	-
20. Quadrifoglio Brescia S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	-
21. Quadrifoglio Genova S.p.A.in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	-
22. Quadrifoglio Piacenza S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	-
23. Quadrifoglio Verona S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	-
24. Quadrifolgio Modena S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%	-
25. Saipem S.p.A.	San Donato Milanese	San Donato Milanese	7	CDP Equity S.p.A.	12.55%	12.55%	920,657
26. SIA S.p.A.	Milan	Milan	7	FSIA INVESTIMENTI S.r.l.	49.48%	49.48%	322,856
27. TIGF Holding S.A.S.	Pau (France)	Pau (France)	7	SNAM S.p.A.	40.50%	40.50%	454,533
28. Toscana Energia S.p.A.	Florence	Florence	7	SNAM S.p.A.	48.08%	48.08%	245,899
29. Trans Austria Gasleitung GmbH (4)	Vienna	Vienna	7	SNAM S.p.A.	84.47%	89.20%	457,724
30. Umbria Distribuzione GAS S.p.A.	Terni	Terni	7	SNAM S.p.A.	45.00%	45.00%	13,322
31. Valvitalia Finanziaria S.p.A.	Milan	Milan	7	FSI Investimenti S.p.A.	0.50%	0.50%	1,182

(thousands of euros)

Company name	Registered office	Operational headquarters	Type of relationship (1)	Equity investment: Investor	% holding	% of votes (2)	Consolidated carrying amount
B. Companies subject to significant influence							
1. African Trade Insurance Company	Nairobi (Kenya)	Nairobi (Kenya)	4	SACE S.p.A.	5.51%	5.51%	7,954
2. Brevik Technology AS	Brevik (Norway)	Brevik (Norway)	4	Vard Brevik Holding AS	34.00%	34.00%	74
3. Bridge Eiendom AS	Brevik (Norway)	Brevik (Norway)	4	Vard Brevik Holding AS	50.00%	50.00%	287
4. Canadian Subsea Shipping Company AS	Bergen (Norway)	Bergen (Norway)	4	Vard Group AS	45.00%	45.00%	43
5. Castor Drilling Solution AS	Kristiansand S (Norway)	Kristiansand S (Norway)	4	Seaonics AS	34.07%	34.07%	1,333
6. CESI S.p.A.	Milan	Milan	4	Terna S.p.A.	42.70%	42.70%	43,124
7. CGES A.D.	Podgorica	Podgorica	4	Terna S.p.A.	22.09%	22.09%	34,961
8. CORESO S.A.	Bruxelles (Belgium)	Bruxelles (Belgium)	4	Terna S.p.A.	20.00%	20.00%	401
9. CSS Design Limited	Virgin Island	Virgin Island	4	Vard Marine Inc.	31.00%	31.00%	1,184
10. Dameco AS	Skien (Norway)	Skien (Norway)	4	Vard Offshore Brevik AS	34.00%	34.00%	10
11. DOF Iceman AS	Norway	Norway	4	Vard Group AS	50.00%	50.00%	-
12. Eni S.p.A.	Rome	Rome	4	Cassa depositi e prestiti S.p.A.	25.76%	25.76%	14,188,148
13. Europrogetti & Finanza S.p.A. in liquidazione	Milan	Milan	4	Cassa depositi e prestiti S.p.A.	31.80%	31.80%	-
14. Fondo Italiano di Investimento SGR S.p.A.	Milan	Milan	4	Cassa depositi e prestiti S.p.A.	25.00%	25.00%	3,400
15. Galaxy S.àr.l. SICAR	Luxembourg	Luxembourg	4	Cassa depositi e prestiti S.p.A.	40.00%	40.00%	2,348
16. Kedrion S.p.A.	Castelvecchio Pascoli	Castelvecchio Pascoli	4	FSI Investimenti S.p.A.	25.06%	25.06%	111,161
17. Ligestra DUE S.r.l. (5)	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%	697
18. Ligestra S.r.l. (5)	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%	1,730
19. Ligestra TRE S.r.l. (5)	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%	15,766
20. Møkster Supply AS	Stavanger (Norway)	Stavanger (Norway)	4	Vard Group AS	40.00%	40.00%	634
21. Møkster Supply KS	Stavanger (Norway)	Stavanger (Norway)	4	Vard Group AS	36.00%	36.00%	4,254
22. Olympic Challenger KS	Fosnavåg (Norway)	Fosnavåg (Norway)	4	Vard Group AS	35.00%	35.00%	15,514
23. Olympic Green Energy KS	Fosnavåg (Norway)	Fosnavåg (Norway)	4	Vard Group AS	30.00%	30.00%	1,886
24. Rem Supply AS	Fosnavåg (Norway)	Fosnavåg (Norway)	4	Vard Group AS	26.66%	26.66%	7,907
25. Rocco Forte Hotels Limited	London	London	4	FSI Investimenti S.p.A.	11.50%	11.50%	72,644
			4	CDP Equity S.p.A.	11.50%	11.50%	
26. Taklift AS	Skien (Norway)	Skien (Norway)	4	Vard Brevik Holding AS	25.47%	25.47%	365
27. Trans Adriatic Pipeline AG	Baar (Swiss)	Baar (Swiss)	4	SNAM S.p.A.	20.00%	20.00%	154,230
28. Trevi Finanziaria Industriale S.p.A	Cesena	Cesena	4	FSI Investimenti S.p.A.	8.43%	8.43%	38,034
			4	CDP Equity S.p.A.	8.43%	8.43%	
29. Unifer Navale S.r.l.	Finale Emilia (MO)	Finale Emilia (MO)	4	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	20.00%	20.00%	30
C. Other companies (3)							566
Total equity investments							18,071,543

Key

(1) Type of relationship:

1 = Majority of voting rights in ordinary shareholders' meeting

2 = Dominant influence in ordinary shareholders' meeting

3 = Agreements with other shareholders

4 = Companies subject to significant influence

5 = Unitary management pursuant to Article 26.1of Legislative Decree 87/92

6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92

7 = Joint control

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

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

(4) Participation in financial rights is equal to 89,2%

(5) It concerns companies estabilished to run some separate accounts whose revenues belong, for their majority, to Ministry for the Economy and Finance. For this reason these companies, even if are totally owned, are consolidated with the equity method

Equity investments – affected by the restatement of comparative data, as explained in section 5 "Other issues" –" Restatement of comparative data at 31 December 2015 and 30 June 2015" – dropped by €100.7 million. The decrease was due to:

- the purchase of equity interests in Saipem by the subsidiary CDP Equity. The transaction, whose terms were established at the end of last year, involved the purchase by CDP Equity, on 22 January of this year, after all conditions precedent to the transaction were fulfilled, of 12.5% plus one share of the share capital of the company from Eni. Saipem is a world leader in the drilling, engineering, procurement, construction and installation of pipelines and major works on land and sea for the oil and gas sector. Under the sale agreement, CDP Equity subscribed to a subsequent increase in the share capital, which raise its interests in the company to 12.55%. On the basis of arrangements in place with ENI, the investment has been recognised as a joint venture;[19]
- the measurement of Eni S.p.A. at equity, which was adversely affected by changes in reserves and the negative performance of the company over the period.

[19] For further information, see "Section 3 – Scope and methods of consolidation".

Impairment testing

In compliance with the provisions of the accounting standards of reference, at every reporting date the company checks the presence of objective evidence that may give it reason to believe that the carrying amount of consolidated companies and equity investments is no longer fully recoverable.

The identification of this evidence, based on the existence of qualitative and quantitative indicators, as described in the accounting policies, and set out in detail in the internal policies, differs according to whether or not they are companies whose shares are listed in active markets.

If the above-mentioned indicators are identified, impairment testing is conducted in accordance with the provisions of IAS 36 to estimate the recoverable amount of the equity investment and compare it against its carrying amount to determine whether an impairment loss needs to be recognised.

At the reporting date, indicators were identified requiring impairment testing to be performed. The tests did not lead to the recognition of any impairment losses.

In general, if testing requires the use of expected cash flows, the information contained in the most up-to-date Business Plans approved by the relevant Board of Directors is used. If Business Plans are still being developed for any reason, the best possible estimates carried out by the management of the relevant companies are used, considering the accounts closed at 30 June 2016, the strategic guidelines already agreed with the parent company and the current market scenario.

For equity investments for which impairments were recorded in previous financial years, the presence of any impairment reversals to be recorded following changes to the estimates used to determine previous impairment losses was verified. The assessment did not give rise to any reversals.

Equity interests in ENI make up a large share of CDP’s equity investment portfolio, so CDP’s risk profile is closely linked to the major factors that determine ENI’s value and profitability. One of these factors is the oil price trend.

In view of the volatility of oil prices and the presence of a market capitalisation below the carrying amount of the associate’s equity (considered an indicator of impairment), the equity investment was tested for impairment.

Specifically, value in use was determined in accordance with IAS 36 by using the Discounted Cash Flow (DCF) method, as provided for by the accounting standard.

The plan used to construct the cash flows and the other information needed to calculate the DCF was based on public sources. The impairment test identified that the value in use was higher than the carrying amount of reference and, consequently, the carrying amount of the associate was confirmed.

During the half year, CDP, through its subsidiary CDP Equity, acquired equity interests in Saipem group, as reported in the 2015 Annual Financial Report and the report on operations in this report. The initial investment totalled €902.7 million, considering both the initial interest acquired (463.2 million) and the subscription of new shares issued (€439.4 million). At the beginning of 2016, Saipem's share price fell considerably as a result of the negative performance of equity markets, the dilution effect of the share capital increase and the oil price trend. Against this backdrop, although the investment in Saipem is a long-term interest of strategic importance for CDPE, also considering the governance powers taken on with a view to supporting and leveraging the equity interest over time, the Company updated the factors at the basis of the valuation that supported the transaction price.

In addition to this, given the fall in the market price of the equity interest over the first half of 2016, which led to the capitalisation of the company being lower than its equity (an indicator of possible impairment), the equity investment was duly tested for impairment, based on the estimated value of the future income and cash flows that Saipem can reasonably be expected to generate. The outcome of the impairment test confirmed the sustainability of the carrying amount of the equity investment at 30 June 2016, for which no value adjustment was made.

REINSURERS' SHARE OF TECHNICAL PROVISIONS – ITEM 110

Reinsurers' share of technical provisions: composition

(thousands of euros)	30/06/2016	31/12/2015
A. Non-life insurance	**550,392**	**465,015**
A1. Provision for unearned premiums	411,794	354,394
A2. Provision for claims outstanding	94,187	63,472
A3. Other	44,411	47,149
B. Life insurance	**-**	**-**
B1. Mathematical reserves	-	-
B2. Provision for claims outstanding	-	-
B3. Other	-	-
C. Technical provisions where the investment risk is borne by the insured	**-**	**-**
C1. Reserves for contracts whose benefits are linked to investment funds and market indices		-
C2. Reserves from the operation of pension funds		-
D. Total reinsurers' share of technical provisions	**550,392**	**465,015**

PROPERTY, PLANT AND EQUIPMENT – ITEM 120

Property, plant and equipment, for business use and held for investment, includes all the movable property and real estate held by the Group, net of depreciation, and breaks down as follows:

Operating property, plant and equipment: composition of assets measured at cost

(thousands of euros) Items	Banking group	Insurance group	Other entities	30/06/2016	31/12/2015
1. owned	**260,446**	**88,353**	**34,467,554**	**34,816,353**	**34,566,952**
a) land	117,406	55,510	425,108	598,024	601,696
b) buildings	60,955	31,326	2,127,166	2,219,447	2,034,324
c) movables	1,937	1,342	7,363	10,642	11,256
d) electrical plant	953	127	373,078	374,158	386,573
e) other	79,195	48	31,534,839	31,614,082	31,533,103
2. acquired under finance leases	**-**	**-**	**8,617**	**8,617**	**9,139**
a) land	-	-	-	-	-
b) buildings	-	-	964	964	1,179
c) movables	-	-	-	-	-
d) electrical plant	-	-	-	-	-
e) other	-	-	7,653	7,653	7,960
Total	**260,446**	**88,353**	**34,476,171**	**34,824,970**	**34,576,091**

The item mainly regards the Terna group's investments in electricity transmission lines and transformation stations, and the SNAM group's investments in gas transportation, storage, distribution and regasification infrastructure.

Investment property: composition of assets measured at cost

(thousands of euros) Items	30/06/2016	31/12/2015
1. owned	**44,781**	**45,666**
a) land	4,185	4,185
b) buildings	40,596	41,481
2. acquired under finance leases	**-**	**-**
a) land	-	-
b) buildings		
Total	**44,781**	**45,666**

INTANGIBLE ASSETS – ITEM 130

Intangible assets break down as follows:

Intangible assets: composition by category

	30/06/2016		31/12/2015	
(thousands of euros)	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	**x**	**656,004**	**x**	**649,775**
A.1.1 pertaining to Group	x	656,004	x	649,775
A.1.2 non-controlling interests	x	-	x	
A.2 Other intangible assets	**7,234,593**	**16,664**	**7,272,638**	**16,993**
A.2.1 Assets carried at cost	7,234,593	16,664	7,272,638	16,993
a) internally-generated intangible assets	97,406	-	81,600	-
b) other assets	7,137,187	16,664	7,191,038	16,993
A.2.2 Assets carried at fair value	-	-	-	-
a) internally-generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**7,234,593**	**672,668**	**7,272,638**	**666,768**

Goodwill recognised in the balance sheet in the amount of about €656 million, consists of:

- €216 million for Terna;
- €299 million for SNAM;
- €141 million for the companies of the Fincantieri group.

In relation to Terna and SNAM, the CGUs to which goodwill was allocated coincide with the individual legal entities and the recoverable value is equivalent to the market value of the companies, determined on the basis of average stock market prices over the last month.

Both companies' fair values were higher than the value of their respective net assets, inclusive of the results of the purchase price allocation and goodwill.

As concerns goodwill attributable to Fincantieri group companies, the carrying amount of the goodwill was confirmed as no indicators of impairment emerged.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES – ITEM 150 OF THE ASSETS AND ITEM 90 OF THE LIABILITIES

Non-current assets and disposal groups held for sale and associated liabilities: composition by category

(thousands of euros)	30/06/2016	31/12/2015
A. Individual assets		
A.1 Financial assets	-	
A.2 Equity investments	-	
A3 Property, plant and equipment	24,479	24,479
A4 Intangible assets	-	
A.5 Other non-current assets	-	
Total A	**24,479**	**24,479**
B. Groups of assets (discontinued operations)		
B.1 Financial assets held for trading	-	
B.2 Financial assets at fair value	-	
B.3 Financial assets available for sale	-	
B.4 Financial assets held to maturity	-	
B.5 Loans to banks	-	
B.6 Loans to customers	-	
B.7 Equity investments	-	
B.8 Property, plant and equipment	-	
B.9 Intangible assets	-	
B.10 Other assets	-	
Total B		
C. Liabilities associated with individual assets held for sale		
C.1 Payables	-	
C.2 Securities	-	
C.3 Other liabilities	6,525	6,782
Total C	**6,525**	**6,782**
D. Liabilities associated with disposal groups held for sale		
D.1 Due to banks	-	
D.2 Due to customers	-	
D.3 Securities issued	-	
D.4 Financial liabilities held for trading	-	
D.5 Financial liabilities at fair value	-	
D.6 Provisions	-	
D.7 Other liabilities	-	
Total D		

Assets held for sale, amounting to €24 million (the same as at 31 December 2015), relate to a property complex, owned by Italgas, for which the negotiations for sale are being finalised based on the commitments arising from the agreement for the purchase of Italgas by Eni.

Liabilities directly associated with assets held for sale, amounting to around €7 million, relate to the environmental provisions for renovation work on the above-mentioned property complex.

OTHER ASSETS – ITEM 160

Other assets: composition

(thousands of euros)	Banking group	Insurance group	Other entities	30/06/2016	31/12/2015
Payments on account for withholding tax on postal passbooks	119,434	-	-	119,434	205,550
Other tax receivables	2	5,012	98,592	103,606	207,604
Leasehold improvements	-	-	7,062	7,062	7,445
Receivables due from investees	67	-	129,428	129,495	146,324
Trade receivables and advances to public entities	4,975	-	32,054	37,029	39,369
Construction contracts	-	-	2,098,217	2,098,217	2,601,435
Advances to suppliers	550	509	161,888	162,947	146,754
Inventories	-	21	2,508,681	2,508,702	2,378,406
Advances to personnel	11	1,057	17,268	18,336	15,495
Other trade receivables	5	120,887	3,768,985	3,889,877	3,732,664
Other items	5,346	2,663	492,039	500,048	474,095
Accrued income and prepaid expenses	189	6,032	195,508	201,729	223,094
Total	**130,579**	**136,181**	**9,509,722**	**9,776,482**	**10,178,235**

The item reports assets not otherwise classified under the previous items.

The main items under this heading are:

- the trade receivables of Terna group (about €2,111 million) in respect of electricity dispatching operations and the remuneration paid by distributors for use of the National Transmission Grid;
- trade receivables of SNAM group, of about €1,247 million, mainly relating to the natural gas transport, distribution and storage sectors;
- the trade receivables of Fincantieri group, of about €314 million;
- construction contracts (about €2,098 million), mainly regarding the shipbuilding activities of Fincantieri;
- inventories of semi-finished goods and products being manufactured, of about €2,509 million, mainly relating to the assets of the real estate sector (in accordance with IAS 2, the item also includes assets represented by land and buildings held by the Group companies that operate in the real estate sector), of about €1,577 million, and the inventories relating to the SNAM group companies, which mainly include compulsory stock of €538 million;
- advances to suppliers in the amount of about €162 million, mainly attributable to the Fincantieri group;
- payments on account in respect of withholding tax on interest earned on postal passbook savings accounts issued by the parent company in the amount of about €119 million.

Liabilities

DUE TO BANKS – ITEM 10

Due to banks: composition by type

(thousands of euros)

Type of operations	30/06/2016	31/12/2015
1. Due to central banks	**400,000**	**4,677,343**
2. Due to banks	**20,776,281**	**18,845,196**
2.1 Current accounts and demand deposits	1,796,325	1,504,677
2.2 Fixed-term deposits	1,875,689	2,362,513
2.3 Loans	16,926,981	14,753,833
2.3.1 Repurchase agreements	5,652,928	2,270,553
2.3.2 Other	11,274,053	12,483,280
2.4 Liabilities in respect of commitments to repurchase own equity instruments	-	-
2.6 Other payables	177,286	224,173
Total	**21,176,281**	**23,522,539**

The drop in the item was primarily driven by lower funding, for the parent company, sourced from the European Central Bank (€-4.3 billion versus the end of 2015). Lower funding was only partially offset by an increase in reverse repurchase agreements, which at 30 June 2016 amounted to approximately €5.7 billion, an increase of around €3.4 billion compared to 31 December 2015.

The parent company also repaid in full and in advance the credit facility of €400 million earmarked to support Italian SMEs (Separate Account), as widely described in the previous paragraph pertaining the Separate Asset Pool KfW.

Amounts due to banks include €4,535 million referring to SNAM, of which €1,617 million in funding from the European Investment Bank (EIB).

Fixed-term deposits amounted to around €1.9 billion and consisted mainly of:

- the balance of Passbook savings accounts and postal savings bonds held by banks (approx. €1.2 billion);
- guarantee deposits received by the parent company under Credit Support Annexes and Global Master Repurchase Agreements to limit the counterparty risk associated with trading in derivative instruments and repurchase agreements (approx. €362 million);
- CDP liabilities to banks (approx. €276 million).

DUE TO CUSTOMERS – ITEM 20

Due to customers: composition by type

(thousands of euros)

Type of operations	30/06/2016	31/12/2015
1. Current accounts and demand deposits	-	6,405
2. Fixed-term deposits	304,051,923	281,160,407
3. Loans	7,544,682	4,857,573
3.1 Repurchase agreements	7,275,010	4,409,596
3.2 Other	269,672	447,977
4. Liabilities in respect of commitments to repurchase own equity instruments	-	-
5. Other payables	6,007,138	5,775,860
Total	**317,603,743**	**291,800,245**

This items mainly consists of the balance at 30 June 2016 of passbook savings accounts and postal savings bonds of around €250 billion, and the parent company's short-term funding, associated with its management of MEF (OPTES) liquidity, amounting to €54 billion. CDP, as recognised counterparty in the liquidity management operations of the MEF, carried out funding transactions for a total daily average of approximately €47 billion over the first half of 2016. While maintaining financial equilibrium, the liquidity mainly was used as follows: i) to meet reserve requirements; ii) to purchase Italian government securities; and iii) to carry out repurchase transactions with Italian government securities as collateral.

The item also includes around €7.3 billion in reverse repurchase agreements centralised with the Cassa di Compensazione e Garanzia, and around €5.5 billion in amounts not yet disbursed on loans under repayment, granted to public entities and public-law bodies, recognised under "5. Other payables".

SECURITIES ISSUED – ITEM 30

Securities issued: composition by type

(thousands of euros) Type of securities	Banking Group	Insurance Group	Other Entities	30/06/2016	31/12/2015
A. Securities					
1. Bonds	12,518,646	522,195	16,965,916	30,006,757	29,906,440
1.1 structured	52,910	-	-	52,910	51,212
1.2 other	12,465,736	522,195	16,965,916	29,953,847	29,855,228
2. Other securities	-	-	-	-	179,919
2.1 structured	-	-	-	-	-
2.2 other	-	-	-	-	179,919
Total	**12,518,646**	**522,195**	**16,965,916**	**30,006,757**	**30,086,359**

For the Banking Group, the figure for securities issued at 30 June 2016, amounting to €12.5 billion, mainly relates to bonds issued by the parent company under the Euro Medium Term Notes programme, with a stock of around €9.5 billion.

The figure for the Banking Group also includes:

- the first retail bonds issued by the parent company in March 2015 for €1.5 billion;
- two bonds issued in December 2015, guaranteed by the Italian State and fully underwritten by Poste Italiane S.p.A., for a total amount of €1.5 billion (part of the Separate Account);
- the first issue of bonds, in February 2016, under the new Debt Issuance Programme (DIP) to fund the Separate Account, for a nominal amount of €70 million.

Securities issued by the Insurance Group relate to perpetual subordinated bonds, amounting to €500 million, issued by SACE in 2015. This is a perpetual issue that can be redeemed by the issuer after 10 years and subsequently at each coupon date. The issue was reserved to institutional investors.

Securities issued by other entities, amounting to around €17 billion, relate to the bond placements of SNAM (around €9.6 billion) and Terna (around €6.6 billion).

FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

Financial liabilities held for trading: composition by type

(thousands of euros)

Type of operations	30/06/2016	31/12/2015
A. On-balance-sheet liabilities		
1. Due to banks	-	-
2. Due to customers	-	-
3. Debt securities	-	-
3.1 Bonds	-	-
3.1.1 Structured	-	-
3.1.2 Other	-	-
3.2 Other securities	-	-
3.2.1 Structured	-	-
3.2.2 Other	-	-
Total A	**-**	**-**
B. Derivatives		
1. Financial derivatives	273,709	240,599
1.1 Trading	117,825	68,409
1.2 Associated with fair value option	-	-
1.3 Other	155,884	172,190
2. Credit derivatives	-	-
2.1 Trading	-	-
2.2 Associated with fair value option	-	-
2.3 Other	-	-
Total B	**273,709**	**240,599**
Total (A+B)	**273,709**	**240,599**

The item is mainly composed of derivatives held by SACE and the parent company, with the latter relating to the option component of bonds indexed to baskets of shares, which was separated from the host contract (€62 million), and to the negative fair value of interest rate derivatives (€87 million).

HEDGING DERIVATIVES – ITEM 60

Hedging derivatives: composition by type of hedge

(thousands of euros)	30/06/2016	31/12/2015
A. Financial derivatives	**1,496,825**	**1,002,005**
1) Fair value	1,423,915	877,690
2) Cash flow	72,910	124,315
3) Investment in foreign operation	-	-
B. Credit derivatives	**-**	**-**
1) Fair value	-	-
2) Cash flow	-	-
Total	**1,496,825**	**1,002,005**

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

ADJUSTMENT OF FINANCIAL LIABILITIES HEDGED GENERICALLY - ITEM 70

Value adjustments of hedged financial liabilities

(thousands of euros)	30/06/2016	31/12/2015
1. Positive adjustments of financial liabilities	39,967	43,273
2. Negative adjustments of financial liabilities	-	-
Total	**39,967**	**43,273**

This item reports the net change in the value of the postal savings bonds issued by the parent company, which have been portfolio hedged generically against interest rate risk. The hedging relationship was interrupted in 2009 in view of the closure of the hedging derivatives. The change in the fair value of the hedged bonds, determined up to the date of the validity of the hedging relationship, was subsequently accounted for on the basis of the amortised cost of the bonds.

OTHER LIABILITIES – ITEM 100

Other liabilities: composition

(thousands of euros) Type of operations	Banking group	Insurance group	Other entities	30/06/2016	31/12/2015
Items being processed	104,510	12,909	-	117,419	18,837
Amounts due to employees	6,102	1,935	91,226	99,263	125,446
Charges for postal funding service	403,231	-	-	403,231	396,696
Tax payables	95,365	4,325	117,480	217,170	444,578
Construction contracts	-	-	658,788	658,788	699,054
Trade payables	13,799	66,932	4,415,992	4,496,723	4,212,771
Due to social security institutions	3,623	2,512	103,297	109,432	100,479
Writedowns of commitments to disburse funds	93,952	-	-	93,952	64,851
Accrued expenses and deferred income	5,032	1,173	362,501	368,706	370,553
Other items of insurance companies	-	31,225	-	31,225	90,780
- due to insured for recovered amounts	-	-	-	-	8
- liabilities for premiums to be reimbursed	-	7,650	-	7,650	18,272
- processing expenses	-	333	-	333	33
- collections from factoring being processed	-	23,242	-	23,242	72,467
Other	54,583	20,609	1,230,469	1,305,661	1,509,630
Total	**780,197**	**141,620**	**6,979,753**	**7,901,570**	**8,033,675**

For the banking group, and the parent company in particular, the main items under this heading are:

- payables to Poste Italiane S.p.A. of €403 million, in respect of the unpaid portion at 30 June 2016 of commissions for funding with postal savings products;
- tax payables totalling about €95 million, mainly regarding the tax on interest paid on postal savings products;
- other payables for suspense accounts in progress totalling around €104 million, referring primarily to amounts to be settled for the purchase of securities.

With regard to other Group entities, the item mainly regards trade payables of Terna group of €2,577 million, SNAM group of €608 million and Fincantieri group of €1,170 million. Liabilities in respect of construction contracts, equal to about €659 million, included €617.7 million referring to Fincantieri group, showing the excess of advances received over the value of the contracts completed.

PROVISIONS – ITEM 120

Provisions: composition

(thousands of euros) Items	Banking group	Insurance group	Other entities	30/06/2016	31/12/2015
1. Company pension plans	-	-	-	-	-
2. Other provisions	**38,480**	**198,119**	**2,516,654**	**2,753,253**	**2,623,115**
2.1 legal disputes	22,295	4,923	279,196	306,414	742,958
2.2 staff costs	13,401	-	161,123	174,524	195,640
2.3 other	2,784	193,196	2,076,335	2,272,315	1,684,517
Total	**38,480**	**198,119**	**2,516,654**	**2,753,253**	**2,623,115**

Item 2.3 "Other" provisions, amounting to approximately €2,272 million at 30 June 2016, mainly include:

- approx. €670 million to the provision for the dismantling and reclamation of sites, recorded mainly for liabilities that are likely to be incurred to remove the structures and reclaim natural gas storage and transportation sites;
- about €318 for the reclamation and conservation of property sites, as well as provisions for commitments in respect of contracts. The estimate of the liabilities recognised is based both on technical assessments (relating to the determination of works to be carried out or actions to be taken) and on legal assessments, bearing in mind contractual provisions in force;
- for about €55 million for potential liabilities for contractual guarantees issued to customers in line with market practices and terms and conditions;
- for approximately €46 million to tax disputes.

For further information, see the section "Risk Monitoring".

TECHNICAL PROVISIONS – ITEM 130

Technical provisions: composition

(thousands of euros)	Direct business	Indirect business	Total 30/06/2016	Total 31/12/2015
A. Non-life insurance	**2,852,890**	**100,658**	**2,953,548**	**2,806,699**
A1. Provision for unearned premiums	2,144,238	97,118	2,241,356	2,096,492
A2. Provision for outstanding claims	707,609	3,540	711,149	709,202
A3. Other	1,043	-	1,043	1,005
B. Life insurance				
B1. Mathematical reserves				
B2. Provision for claims outstanding				
B3. Other				
C. Technical provisions where the investment risk is borne by the insured				
C1. Reserves for contracts whose benefits are linked to investment funds and market indices				
C2. Reserves from the operation of pension funds				
D. Total technical provisions	**2,852,890**	**100,658**	**2,953,548**	**2,806,699**

GROUP EQUITY – ITEMS 140, 170, 180, 190, 210 AND 220

The share capital of €3,500,000,000 at 30 June 2016 is fully paid up and composed of 296,450,000 ordinary shares with no par value.

At 30 June 2016, the parent company held 4,451,160 treasury shares with a value of €57,220,116.

Share capital – Number of shares of the parent company: change for the year

Items	Ordinary	Other
A. Shares at start of the year	**296,450,000**	**-**
- fully paid	296,450,000	-
- partly paid	-	-
A.1 Treasury shares (-)	(4,451,160)	-
A.2 Shares in circulation: opening balance	291,998,840	-
B. Increases	**-**	**-**
B.1 New issues	-	-
- for consideration:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**291,998,840**	**-**
D.1 Treasury shares (+)	4,451,160	-
D.2 Shares at end of the year	296,450,000	-
- fully paid	296,450,000	-
- partly paid	-	-

Group equity at 30 June 2016 amounted to about €19,315.2 million, while non-controlling interests stood at about €13,974 million.

Group equity: composition

(thousands of euros)	30/06/2016	31/12/2015
1. Share capital	3,500,000	3,500,000
2. Share premium reserve	-	
3. Reserves	13,749,768	16,845,229
4. Treasury shares (-)	(57,220)	(57,220)
5. Valuation reserves	2,110,748	2,157,614
6. Equity instruments	-	-
7. Profit (loss) for the period	11,966	(2,246,474)
Total group equity	**19,315,262**	**20,199,149**

At the Extraordinary General Meeting on 24 June 2016, the shareholders of CDP approved the proposal to raise the share capital through an issue reserved to the Ministry for the Economy and Finance, for a total amount, including premiums, of €2,930,257,785. The new share capital will be released through the contribution by the MEF of a 35% equity interest in the share capital of Poste Italiane S.p.A. (Poste) to CDP.

The move raises the share capital of CDP by €551,143,264, from the current €3,500,000,000 to €4,051,143,264 euro, through the issue of 45,980,912 ordinary shares with no par value to the MEF. Payment for the shares will be made by the MEF through the contribution of 457,138,500 ordinary Poste shares, representing 35% of the share capital. In addition to the capital increase, a share premium of €2,379,114,521 will be recognised.

As a result of the transaction, the MEF's equity interest in CDP will rise from 80.1% to 82.8% of the share capital.

The transaction is governed by the provisions of the decree issued by the Ministry for the Economy and Finance on 25 May 2016 (published in Italian Official Gazette No. 143 on 21 June 2016), adopted in accordance with Article 5.3b) of Decree Law 269/2003. The Poste shareholding will be assigned to CDP's Separate Account, while management and coordination activities in relation to the investment will continue to be exercised by the MEF.

The increase in the share capital and the contribution of the Poste investment will become effective by 31 December 2016, after the necessary authorisation process for the transfer of the equity investment is completed.

INFORMATION ON THE INCOME STATEMENT

INTEREST – ITEMS 10 AND 20

Interest income and similar revenues: composition

(thousands of euros)

Items/Type		Debt securities	Loans	Other	30/06/2016	30/06/2015
1	Financial assets held for trading	2,196	-	-	2,196	1,713
2	Financial assets at fair value	1,498	-	-	1,498	1,490
3	Financial assets available for sale	45,188	-	-	45,188	47,517
4	Financial assets held to maturity	488,846	-	-	488,846	476,976
5	Loans to banks	51	146,136	-	146,187	157,338
6	Loans to customers	88,481	2,585,533	2	2,674,016	2,374,495
7	Hedging derivatives	x	x	77,991	77,991	-
8	Other assets	x	x	73,654	73,654	8,044
Total		**626,260**	**2,731,669**	**151,647**	**3,509,576**	**3,067,573**

Interest income and similar revenues at 30 June 2016 amounted to €3,510 million (€3,068 million at 30 June 2015), attributable primarily to the parent company and earned mainly on:

- loans to banks and customers amounting to approximately €1,767 million;
- liquidity held by the parent company with the Central State Treasury, c/a no. 29814, in the amount of about €848 million;
- debt securities amounting to about €583 million;
- positive differentials accruing on derivatives, amounting to approximately €26 million;
- financial liabilities with negative remuneration, giving rise to a positive component (interest income of approx. €67 million).

Interest expense and similar charges: composition

(thousands of euros)

Items/Type		Payables	Securities	Other	30/06/2016	30/06/2015
1.	Due to central banks	870	X	-	870	1,770
2.	Due to banks	76,415	X	-	76,415	78,997
3.	Due to customers	1,935,701	X	-	1,935,701	2,339,964
4.	Securities issued	X	412,031	-	412,031	423,954
5.	Financial liabilities held for trading	-	-	-	-	-
6.	Financial liabilities at fair value	-	-	-	-	-
7.	Other liabilities and provisions	X	X	61,344	61,344	12,207
8.	Hedging derivatives	X	X	-	-	2,205
Total		**2,012,986**	**412,031**	**61,344**	**2,486,361**	**2,859,097**

Interest expense and similar charges accruing in the first half of 2016 amounted to €2,486 million (€2,859 million in the corresponding period of 2015) and refer primarily to charges on postal funding held by the parent company totalling around 1,955 million.

Interest on securities issued amounted to about €412 million, consisting essentially of interest on bonds (approx. €403 million).

COMMISSIONS – ITEMS 40 AND 50

Commission income: composition

(thousands of euros)

Type of services	30/06/2016	30/06/2015
a) guarantees issued	20,882	4,031
b) credit derivatives	-	-
c) management, intermediation and advisory services:	4,266	1,025
1. trading of financial instruments	-	-
2. trading of currencies	-	-
3. management of portfolios	4,266	1,025
3.1. individual	-	-
3.2. collective	4,266	1,025
4. custody and administration of securities	-	-
5. custodian bank	-	-
6. placement of securities	-	-
7. receipt and transmission of orders	-	-
8. advisory services	-	-
8.1. for investments	-	-
8.2. for structured finance	-	-
9. distribution of third party services	-	-
9.1. management of portfolios	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2 insurance products	-	-
9.3. other products	-	-
d) collection and payment services	-	-
e) servicing for securitisations	-	-
f) factoring services	7,943	4,272
g) collection services	-	-
h) management multilateral trading systems	-	-
i) maintenance and management of current accounts	-	-
j) other services	30,441	32,364
Total	**63,532**	**41,692**

Commission income earned during the first half of 2016 amounted to about €63.5 million (€41.7 million at 30 June 2015).

Commission income earned by the parent company totalled €42 million and included €21 million in income from guarantees provided (€16 million on the guarantee provided for the National Resolution Fund), with the remainder referring to:

- lending amounting to about €19 million;
- commission income from agreements with the Ministry for the Economy and Finance for the management of MEF assets and liabilities, amounting to €1.8 million;
- commission income from the management of the Revolving Fund to support enterprises and investment in research (FRI) and other services rendered, for a total of €0.3 million.

Commission income earned by other Group companies amounted to about €21.5 million and mainly related to the management of financial support funds and venture capital funds (SIMEST), the management of portfolios (CDPI SGR), and factoring services (SACE Fct).

Commission expense: composition

(thousands of euros)

Services	30/06/2016	30/06/2015
a) guarantees received	7,252	6,922
b) credit derivatives		
c) management and intermediation services:	**816,686**	880,611
1. trading of financial instruments		
2. trading of currencies		
3. management of portfolios		
3.1 Own portfolio		
3.2 Third-party portfolio		
4. custody and administration of securities		
5. placement of financial instruments	816,686	880,611
6. door-to-door selling of financial instruments, products and services		
d) collection and payment services	**2,154**	978
e) other services	**3,799**	6,153
Total	**829,891**	**894,664**

Commission expense incurred during the first half of 2016 amounted to about €829.9 million (€894.7 million in the first half of 2015).

The item consists chiefly of €810 million in service fees accruing to the half year, due from the parent company to Poste Italiane S.p.A. for postal savings funding, which fell due to the lower average stock of funding.

The agreement between CDP and Poste Italiane S.p.A. modifies the fee structure and no longer provides for a commission directly attributable to the issue of new postal bonds, but rather a comprehensive fee for the activities involved in providing the service, which is fully expensed in the year in which it accrues. The fee structure is consistent with the developments in the service provided by Poste Italiane S.p.A., which now emphasises the overall management of postal savings rather than merely providing placement services. In December 2014 the new Agreement was signed which will remain in force for the period 2014-2018.

DIVIDENDS AND SIMILAR REVENUES – ITEM 70

At 30 June 2016 the item totalled €0.5 million (€3 million at 30 June 2015) and consisted primarily of revenue from units in collective investment undertakings.

NET GAIN (LOSS) ON TRADING ACTIVITIES – ITEM 80

The net gain (loss) on trading activities was a gain of about €62.1 million (€288 million at 30 June 2015).

The figure was the combined resulted of the net gain of €171.5 million on trading derivatives and a net loss of €91 million on financial assets held for trading, referring in particular to units in collective investment undertakings.

NET GAIN (LOSS) ON HEDGING ACTIVITIES – ITEM 90

The net gain (loss) on hedging activities showed a loss of about €13.6 million (gain of €0.8 million at 30 June 2015). The evaluation component produced a net loss of €23 million, whereas the realised component produced a net gain of €9.4 million.

GAINS (LOSSES) ON DISPOSAL OR REPURCHASE - ITEM 100

At 30 June 2016, the item showed a gain of approximately €29.1 million (€377 million at 30 June 2015), consisting mainly of gains posted by the subsidiary Fintecna from the sale of equity securities classified as assets available for sale. In the first half of 2015, the figure included €136 million in gains from the sale of Assicurazioni Generali shares by the subsidiary CDP Equity and €218 million in gains posted by the parent company from the sale of debt securities classified as assets available for sale.

NET IMPAIRMENT ADJUSTMENTS – ITEM 130

Net impairment adjustments, totalling a negative €46.1 million (positive €8.7 million at 30 June 2015), refers to the net balance between writedowns and writebacks on loans, financial assets available for sale and other financial transactions, both specific and general.

Writebacks from interest concern writebacks connected with the passage of time, arising from the accrual of interest during the year based on the original effective interest rate used in calculating the writedown.

Net impairment adjustments of loans: composition

(thousands of euros) Type of operations/P&L items	Writedowns			Writebacks				30/06/2016	30/06/2015
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to banks	**-**	**-**	**(31,672)**	**-**	**-**	**-**	**-**	**(31,672)**	**7,208**
- Loans	-	-	(31,672)	-	-	-	-	(31,672)	7,208
- Debt securities	-	-	-	-	-	-	-	-	
B. Loans to customers	**-**	**(11,785)**	**(8,158)**	**436**	**10,508**	**-**	**5,293**	**(3,706)**	**(6,375)**
Impaired loans acquired	-	-	-	-	-	-	-		-
- Loans	-	-	X	-	-	X	X	-	-
- Debt securities	-	-	X	-	-	X	X	-	-
Other receivables	-	(11,785)	(8,158)	436	10,508	-	5,293	(3,706)	(6,375)
- Loans	-	(11,785)	(7,811)	436	10,508	-	5,293	(3,359)	(5,161)
- Debt securities	-	-	(347)	-	-	-	-	(347)	(1,214)
C. Total	**-**	**(11,785)**	**(39,830)**	**436**	**10,508**	**-**	**5,293**	**(35,378)**	**833**

Key

A = From interest

B = Other writebacks

Net impairment losses on financial assets available for sale: composition

(thousands of euros) Type of operations/P&L items	Writedowns		Writebacks		30/06/2016	30/06/2015
	Specific		Specific			
	Writeoffs	Other	A	B		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	-	X	X	-	(27)
C. Units in collective investment	-	(3,092)	X	-	(3,092)	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	(135)
F. Total		**(3,092)**	**-**	**-**	**(3,092)**	**(162)**

Key

A = From interest

B = Other writebacks

Net impairment adjustments of other financial transactions: composition

(thousands of euro) Type of operations/P&L items	Writedowns			Writebacks				30/06/2016	30/06/2015
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees issued	-	(1,114)	(3,362)	-	-	-	-	(4,476)	96
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	(2,429)	(2,069)	-	143	-	1,190	(3,165)	7,950
D. Other	-	-	-	-	-	-	-	-	-
E. Total		**(3,543)**	**(5,431)**		**143**		**1,190**	**(7,641)**	**8,046**

Key

A = from interest

B = other writebacks

NET PREMIUM INCOME – ITEM 150

At 30 June 2016, net premium income posted a positive €52.6 million (€217.7 million at 30 June 2015) and referred exclusively to funding raised by insurance companies in SACE group.

Net premium income: composition

(thousands of euros)	Direct work	Indirect work	Total 30/06/2016	Total 30/06/2015
A. Life insurance				
A.1 Gross premium income recognised (+)	-	-	-	-
A.2 Premiums transferred to reinsurance (-)	-	X	-	-
A.3 Total	-	-	-	-
B. Non-life insurance				
B.1 Gross premium income recognised (+)	186,631	17,094	203,725	243,494
B.2 Premiums transferred to reinsurance (-)	(51,256)	X	(51,256)	(19,601)
B.3 Change in gross amount of provision for unearned premiums (+/-)	(149,865)	(7,830)	(157,695)	(19,878)
B.4 Change in reinsurer's share of provision for unearned reserves (-/+)	57,872	(4)	57,868	13,698
B.5 Total	43,382	9,260	52,642	217,713
C. Total net premium income	**43,382**	**9,260**	**52,642**	**217,713**

NET OTHER INCOME (EXPENSE) FROM INSURANCE OPERATIONS – ITEM 160

At 30 June 2016, the item posted a positive €63.8 million (negative €34.2 million at 30 June 2015) and included the change in technical reserves, excluding the premium reserve, and other income and expense strictly connected with the insurance operations of insurance companies in SACE group.

Net other income on insurance operations: composition

(thousands of euros)	30/06/2016	30/06/2015
1. Net change in technical provisions	(3,165)	(2,902)
2. Claims accrued and paid during the year	68,354	(21,928)
3. Other net profit (loss) on insurance operations	(1,437)	(9,344)
Total	**63,752**	**(34,174)**

STAFF COSTS – ITEM 180A

Staff costs: composition

(thousands of euros) Type of expenses	Banking group	Insurance group	Other entities	30/06/2016	30/06/2015
1) Employees	**45,670**	**31,486**	**755,678**	**832,834**	**842,340**
a) wages and salaries	32,935	20,489	520,233	573,657	580,861
b) social security costs	159	3,854	64,894	68,907	74,837
c) staff severence pay	418	-	16,580	16,998	25,117
d) pension costs	7,900	2,364	108,765	119,029	118,346
e) allocation to staff severance pay	29	485	1,918	2,432	3,982
f) allocation to provision for post-employment benefits	-			-	131
- defined contribution	-	-	-		131
- defined benefit	-	-	-		-
g) payments to external supplementary pensions funds:	1,421	1,078	17,895	20,394	13,013
- defined contribution	1,421	1,078	16,777	19,276	11,838
- defined benefit	-	-	1,118	1,118	1,175
h) costs arising from share-based payment arrangements	-	-	-		-
i) other employee benefits	2,808	3,216	25,393	31,417	26,053
2) Other personnel in service	**201**	**256**	**3,547**	**4,004**	**3,130**
3) Board of Directors and Board of Auditors	**775**	**298**	**12,157**	**13,230**	**10,265**
4) Retired personnel	**-**	**-**	**-**	**-**	
Total	**46,646**	**32,040**	**771,382**	**850,068**	**855,735**

OTHER ADMINISTRATIVE EXPENSES – ITEM 180B

Other administrative expenses: composition

(thousands of euros) Type of expenses/Figures	Banking group	Insurance group	Other entities	30/06/2016	30/06/2015
IT costs	9,224	2,829	46,510	58,563	56,232
General services	3,481	959	1,836,235	1,840,675	1,772,304
Professional and financial services	4,223	3,606	181,550	189,379	166,501
Publicity and marketing expenses	705	571	8,005	9,281	17,309
Other personnel-related expenses	666	1,005	14,311	15,982	14,296
Utilities, duties and other expenses	2,588	3,369	100,888	106,845	89,552
Information resources and databases	683	2,477	254	3,414	2,577
Corporate bodies	197	-	194	391	506
Total	**21,767**	**14,816**	**2,187,947**	**2,224,530**	**2,119,277**

NET PROVISIONS – ITEM 190

Net provisions: composition

(thousands of euros) Type	Accruals	Reversal of excess	30/06/2016
Net provisions for legal disputes	(11,802)	1,356	(10,446)
Net provisions for sundry expenses for personnel	(2,206)	1,405	(801)
Net provisions for tax disputes	(224)	32	(192)
Net sundry provisions	(43,269)	43,148	(121)
Total	**(57,501)**	**45,941**	**(11,560)**

At 30 June 2016, net provisions posted a negative €11.6 million (positive €34.6 million at 30 June 2015).

NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT – ITEM 200

Net adjustments of property, plant and equipment: composition

(thousands of euros) Assets/P&L items	Banking Group	Insurance Group	Other Entities	30/06/2016
A. Property, plant and equipment				
A.1 Owned	(2,205)	(1,116)	(662,893)	(666,214)
- For operations	(2,205)	(1,116)	(662,893)	(666,214)
- For investment	-	-	-	-
A.2 Acquired under finance leases	-	-	(195)	(195)
- For operations	-	-	(195)	(195)
- For investment	-	-	-	-
Total	**(2,205)**	**(1,116)**	**(663,088)**	**(666,409)**

Amounting to €666.4 million at 30 June 2016 (€630.8 million at 30 June 2015), the item mainly consists of depreciation expense on property, plant and equipment posted by Terna group (€261.9 million) and SNAM group (€361.6 million).

NET ADJUSTMENTS OF INTANGIBLE ASSETS – ITEM 210

Net adjustments of intangible assets: composition

(thousands of euros) Assets/P&L items	Banking Group	Insurance Group	Other Entities	30/06/2016
A. Intangible assets				
A.1 Owned	(1,177)	(995)	(230,550)	(232,722)
- Internally generated by the company	-	(911)	(10,989)	(11,900)
- Other	(1,177)	(84)	(219,561)	(220,822)
A.2 Acquired under finance leases	-	-	-	-
Total	**(1,177)**	**(995)**	**(230,550)**	**(232,722)**

Adjustments to intangible assets, totalling €232.7 million (€224.1 million at 30 June 2015) consisted entirely of amortisation expense, referring primarily to Terna group (approx. €26.4 million) and SNAM group (approx. €188.9 million).

OTHER OPERATING INCOME (COSTS) – ITEM 220

Other operating costs: composition

(thousands of euros) Type of expenses/Figures	Banking group	Insurance group	Other entities	30/06/2016	30/06/2015
Depreciation of leasehold improvements	-	-	541	541	569
Other	963	1,359	69,320	71,642	44,131
Total	**963**	**1,359**	**69,861**	**72,183**	**44,700**

Other operating income: composition

(thousands of euros) Type of expenses/Figures	Banking group	Insurance group	Other entities	30/06/2016	30/06/2015
Income for company engagements to employees	94	-	237	331	426
Recovery of expenses	60	91	11,271	11,422	1,410
Rental income and other income from property	-	530	38,434	38,964	13,647
Revenues from industrial management	-	-	5,132,258	5,132,258	5,139,545
Other	214	2,766	17,548	20,528	46,658
Total	**368**	**3,387**	**5,199,748**	**5,203,503**	**5,201,686**

At 30 June 2016, other operating income (costs) posted a positive €5,131.3 million (€5,157 million at 30 June 2015) and consisted chiefly of income earned by Terna group (€1,039.1 million), SNAM group (€1,858.7 million) and Fincantieri group (€2,234.5 million).

GAINS (LOSSES) ON EQUITY INVESTMENTS – ITEM 240

The item posted a negative figure of approximately €350 million (positive €149 million at 30 June 2015, including the effects of the restatement of ENI accounts), resulting from the measurement at equity of companies subject to significant influence or joint control.

The item consists of the valuation for the period of the following companies:

- ENI, in the amount of €-422.8 million;
- Trans Austria Gasleitung, in the amount of €37.1 million;
- TIGF Holding, in the amount of €15.7 million;
- Toscana Energia, in the amount of €9.7 million;
- SIA, in the amount of €9.3 million.

RISK MONITORING

Within CDP's organizational structure, the Chief Risk Officer, who reports directly to the CEO, is responsible for the governance of all types of risk and the clear representation to the top management and to the Board of Directors of CDP's overall risk profile and solidity. As part of this mandate, the CRO coordinates the activities of the Risk Management and Anti-Money Laundering (RMA) Area, of the Compliance Service and of the Credit Area. RMA is responsible for supporting the CRO with the governance and monitoring of all types of risks, rendering transparent CDP's overall risk profile and the capital requirements associated with each category of risk.

These risk categories are defined in the Risk Policy approved by the Board of Directors in 2010, as subsequently updated according to needs, and comprise market risks (which includes equity risk, interest rate risk, inflation risk and exchange rate risk), liquidity risk, credit risk (which includes concentration risk and counterparty risk), operational risks and reputational risk. The Risk Policy is updated semi-annually and includes the Risk Management Rules and the related documents, each of which focuses on a specific category of risks (e.g. interest rate risk) or area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy is the key tool used by the Board of Directors to set CDP's risk appetite, the thresholds of tolerance, the risk limits, the risk governance policies and the overall framework of organizational processes.

The guidelines governing CDP's risk management policies are summarised in the Risk Management Rules and they envisage:

- the separation of roles and responsibilities in the assumption and control of risks;
- organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

The Risk Management and Anti-Money Laundering area is structured into the following Services:

- Credit and Counterparty Risk
- Financial Engineering and Fair Value Measurement
- Market and Liquidity Risks (ALM)
- Operational Risks
- Equity Investment Risks
- Loan monitoring and control
- Anti-Money Laundering.

The Head of the Equity Investments Risk Service is also attributed the role of coordinating risk management at group level.

The Board Risk Committee is set up within the Board of Directors and has control and guidance functions with respect to risk management and the assessment of the adoption of new products. The Chief Executive Officer, instead, is supported by the Internal Risk Committee, which is a technical-advisory collegial body that provides opinions on issues concerning CDP's overall risk policy, as well as operational assessment of particularly significant risks.

The RMA verifies compliance with the limits set by the Board of Directors and the operational limits established by the Chief Executive Officer, recommending correction actions to the Risk Committee that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and participating in capital management activities. The Financial Engineering and Fair Value Measurement unit is also responsible for providing the company with certified calculation models.

1. CREDIT RISK

In the first half of 2016, measures were stepped up for the monitoring of credit risk exposure at Group level, in line with policy identified in the Business Plan. Specifically, the Board of Directors approved guidelines for subsidiaries scoped into the "banking group",[20] which set forth a specific governance process for major transactions with significant risk levels. Risk management policies for the parent company's loan portfolio are based on a modular framework, involving a top-down approach to measures adopted. Criteria for escalating decisions on major transactions with significant risk levels, for which the non-binding opinion of the parent company is needed, are based on the framework itself..

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

20 The CDP banking group consists of CDP S.p.A., SACE S.p.A., SACE FCT S.p.A., SACE BT S.p.A. and Simest S.p.A.

The Separate Account, which is primarily exposed to central government and local authorities, has in recent years seen steady growth in exposures to banking groups operating in Italy (for business support programmes, mainly for SMEs, and the residential real estate market). These exposures are generally secured by the disposal by the bank of loans originated through CDP funding and a system of limits is in place, based on the total exposure of the bank (or the relative banking group) as a ratio of CDP equity and of the bank's (or the relative banking group's) regulatory capital.

Exposures to private-sector parties involved in public interest projects promoted by public entities are still limited, even if this segment of the portfolio includes a number of important operations in the infrastructure sector. The Separate Account may also have a role in energy efficiency projects and in loans granted to support international development cooperation activities. For exposures to the banking system, CDP can benefit from specific forms of State guarantee, as in the case of the fund for the post-earthquake reconstruction in Abruzzo, Emilia Romagna, Veneto and Lombardy, and following the flood in Sardinia. However, the Ordinary Account mainly grants corporate and project financing for initiatives involving the delivery of public services. The Ordinary Account can also finance investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and green economy.

The changes in the economic and financial environment have influenced the granting of credit by CDP. In particular, public finance restrictions have reduced demand for new loans by Public Entities and programmes for the renegotiation of the debts of regional and local authorities have been implemented. Under the Separate Account, activities to support the economy continued, provided primarily through the banking system to channel postal savings to stimulate and sustain medium-long term lending to small and medium enterprises and residential property buyers.

Partly as a result of monetary policy changes and market performance, in the Ordinary Account the larger enterprises showed greater ease in accessing capital markets and bank loans at favourable conditions, resulting in a drop in market credit spreads for higher quality borrowers.

CDP uses a validated proprietary model to calculate portfolio credit risk. Using the same system, the "Credit and Counterparty Risk" Service has also calculated the economic capital associated with the entire loan portfolio, with the sole exception of positions associated with Country Risk.

Within the RMA Area, the "Loan Monitoring and Control" Service is responsible for second-level loan monitoring on individual transactions/positions and supervising the internal ratings system.

In the first half of 2016, the Watch List tool enabled closer monitoring of a group of performing exposures to banks, public entities and corporate enterprises, whose creditworthiness required specific attention. In some cases, measures were adopted to mitigate critical positions.

RMA's monitoring of credit risk includes stress tests on the loan portfolio, based on assumptions of generalised downgrades of the counterparties in the portfolio, increased probability of default, decreased recovery rates and increased correlation parameters.

In the internal rating assignment process, CDP makes use of rating models developed by specialised external providers, which are applied as benchmark instruments and are broken down by CDP's major customer types on the basis of size, legal form and industry. The rating scale adopted by CDP, in line with those of the rating agencies, is divided into 21 classes, of which 10 refer to "investment grade" positions and 11 to "speculative grade" positions; there is one class for counterparties in default. Default is defined in accordance with supervisory regulations issued by the Bank of Italy for banks.

The internal estimates of Loss Given Default take into account the different types of guarantees, as well as recovery times, and are differentiated by category of customer.

The internal rating system is used in the loan approval process (for private individuals also in the setting of risk-adjusted prices), for monitoring loan performance, to calculate general provisions, within the limits framework and to measure the use of capital. The risk assessment assigned to the counterparty is updated at least annually, and in any case is reviewed during the year whenever events occur or information is acquired that significantly affect the credit rating.

2. COUNTERPARTY RISK

In order to mitigate counterparty risk in derivatives transactions, new transactions are only permitted with counterparties with whom a master netting agreement is in place (compliant with the ISDA 2002 standard) supported by Credit Support Annexes ("CSA"), which provide for the exchange of collateral.

During the first half of 2016, amendments to certain existing CSAs continued to be negotiated, increasing the frequency of calculation and settlement and thereby enhancing their effectiveness in limiting the exposure.

To mitigate the risk in respect of securities financing activities, the majority of the repurchase transactions were carried out by the central counterparty Cassa di Compensazione e Garanzia, backed by solid counterparty risk protection mechanisms. For transactions not conducted through central counterparties, framework netting arrangements are in place that require the exchange of collateral (Global Master Repurchase Agreements), in accordance with the ISMA 2000 standard).

3. INTEREST RATE RISK

The interest rate risk profile that CDP is exposed to is not immediately comparable to that normally found in the banking world, mainly because of the early repayment option embedded in postal savings bonds (BFP). The issue of postal savings bonds indexed to consumer prices also exposes CDP to inflation risk, which is measured and managed in the same manner as interest rate risk.

This complex risk profile is monitored using models and methodologies that CDP has developed over time, also leveraging the significant knowledge base of historical data on trends in repayments and subscriptions, which involve a multi-layered measurement approach.

This approach has three different dimensions:

- the different manifestations of interest rate risk, economic value (in its various components) and interest income risk.
- the use of different levels of resolution analysis, translated into a daily horizon to have a passable level of backtesting and to provide prompt operational guidelines, and on an annual horizon to quantify economic capital; the two levels of resolution analysis are interconnected and reflect a single methodological approach in terms of risk factors and assessment systems;
- accompanying static analysis (on current financial statement amounts) with a dynamic analysis that looks at the prospective funding and lending volumes.

Developments in the macroeconomic framework and financial markets in the first half of 2016 saw the consistent decline of IRS rates and government bond yields (at 30 June, IRS rates were negative for maturities up to six years and bond yields were negative for maturities up to two years).

Although market conditions are putting pressure on CDP's profitability for 2016, a positive impact has been felt by changes introduced by the Ministry for the Economy and Finance in its decree of 24 May 2016, which change the way the Treasury current account is remunerated.

The interest rate exposure[21] of the portfolio (PV01) fell from €+6.7 million at the end of 2015 to €-1.1 million at the end of the first half of 2016. The decrease was driven by the purchase of medium/long-term government securities, the non-parallel downward shift in the IRS curve (which was much sharper for tenors beyond 15 years, and so of significance for CDP' portfolio of fixed-rate loans) and changes in how the Treasury current account is remunerated. The decline in PV01 was mitigated by the impact of hedging transactions on fixed-rate loans, which lowered exposure to slope sensitivity, or spreads between interest rates at different maturities. The exposure is affected by longer asset maturities resulting from the renegotiation of loans in past periods, while the renegotiation of loans to provinces and metropolitan cities in the first half of 2016 instead had less of an impact on the interest rate risk profile.

Exposure to inflation[22] remained stable (€-3.0 million at the end of 2015 versus €-2.7 million at the end of the first half of 2016).

The impact of interest rates and inflation is also monitored by measuring the impact of movements of 100 basis points in the forward curves of these two risk factors on CDP's economic value. These effects are reported in the following table, correct to the end of the first half of 2016:

(billions of euros)

Change	Effect of interest rate change	Effect of inflation rate change
+100 bps	(0.20)	-0.25
-100 bps	+1.94	+0.16

Measures of exposure to negative movements of 100 basis points on the curves therefore take into account the current very low rates, since the starting value – below 1% for many significant maturities – limits the change effectively applied in this scenario.

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

22 Defined in the same way as exposure to interest rates; see previous note.

As well as the effects of parallel movements in the interest rate and inflation forward curves, CDP monitors a series of measures of exposure and risk, including the VaR of balance sheet items whose economic value is affected by the rates. In the first half of 2016, the VaR of interest rate and inflation exposure,[23] measured across the entire portfolio of items sensitive to interest rate risk and including floating-rate exposures, rose from €604 million at the end of 2015 to €644 million at the end of the first half of 2016.

Lastly, CDP performs stress tests that show the effect, in terms of the economic value of items of the banking portfolio, of different movements in interest rates and of volatility.

4. LIQUIDITY RISK

The liquidity buffer on the Treasury current account was well above the required limits at the end of the first half of 2016.

The maturity transformation limits adopted by CDP for the Ordinary Account (without retail funding) were satisfied.

In general, in the immediate term there are no tensions on the liquidity front, given the abundant liquidity on the market thanks to the expansionary monetary policy stance of the European Central Bank.

At the end of the first half of 2016, approximately €700 million in TLTRO funding from the ECB[24] was repaid in advance and replaced, in part, by MRO funding from the ECB.

CDP has a Contingency Funding Plan (CFP) that sets out the processes and strategies used to manage possible liquidity crises, whether of systemic origin – caused by an unexpected deterioration in monetary and financial market conditions – or due to idiosyncratic difficulties at CDP itself. The monitoring of CFP indicators carried out during the first half of 2016 did not reveal any problem issues.

5. OPERATIONAL RISKS

During the first half of 2016, loss data collection and measurement of the level of exposure to operational risk continued for the ongoing monitoring of the company risk profile. The results of the assessment are used in operations to prevent and mitigate operational risk. Loss data collection also includes near-miss events in which operational risk occurs but does not lead to any loss.

Audits were conducted on a number of processes and operating areas considered most critical in order to identify suitable mitigation measures. These measures were reviewed by the operational risk work group and their implementation monitored.

6. MONEY LAUNDERING AND TERRORIST FINANCING RISK

In the first half of 2016, audits conducted by Anti-Money Laundering on the adequacy and effectiveness of the organisation and control framework did not produce any findings of note.

Active collaboration with the Financial Information Unit also continued over the half-year period, which resulted in CDP reporting a number of transactions deemed “suspicious” for money laundering or misuse of publicly relevant resources. Anti-Money Laundering also took part in various projects over the period, designed to ensure the effective implementation by Group companies of guidelines issued in 2015 for the assessment of counterparties and the management of reputational risk.

7. RISKS CONNECTED WITH EQUITY INVESTMENTS

CDP possesses a sizeable portfolio of equity investments (listed and unlisted) and units in investments funds. The Risk Policy establishes the criteria for measuring and managing the risks associated with equity investments and investment funds, also providing for specific stress tests, with a specific focus on the larger investments in listed companies.

In the first half of 2016, no major changes were seen in the composition of CDP’s equity investment portfolio, with the exception of the establishment of the Fondo Atlante, to which CDP committed a total of €500 million.

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[23] Ten-day VaR calculated using the filtered historical simulation method.
[24] Targeted Long-Term Refinancing Operations launched by the European Central Bank in September 2014.

8. COMPLIANCE RISK

The Compliance Function operates according to a risk-based approach across the company's operations, above all ensuring an effective preventive system, in view of a proactive and dynamic management of risk.

During the first half of 2016, Compliance provided daily monitoring of new national and international regulations, assessing any impacts on company processes.

In operational terms, Compliance also provided advisory and assistance on governance issues, personal data processing, conflicts of interest and related parties, and international sanctions, and also pre-approved all procedures issued during the half year in order to ensure compliance with the relevant regulations.

Also with a view to ex-ante controls, in the first half of 2016 Compliance participated in Risk Committee meetings to assess the compliance of new products with the regulatory framework of reference and, more generally, worked with the Supervisory Authority and financial intermediaries on specific operational aspects (e.g. MiFID, FATCA, Sanctions Compliance, etc.).

Compliance also performed some ex-post controls, assessing the adequacy of existing organisational systems and the proper application of procedures for the prevention of compliance risk, identifying the relevant corrective actions. As concerns management and coordination activities and reporting to corporate boards on the overall risk of CDP Group, as in past years Compliance coordinated all local CDP Group Compliance units in the first half of 2016, playing an advisory role and providing operational and methodological support and work tools to assist in regular reporting activities. Finally, in the first half of 2016, Compliance assisted CDP Group companies in assuring compliance by performing compliance tasks directly under specific service agreements.

9. REPUTATIONAL RISK

Given CDP's unique nature, great emphasis is placed on the ex-ante management of reputational risk. During the half-year period, Compliance and Anti-Money Laundering consolidated the application of methods introduced in 2015 for assessing reputational risk associated with lending operations on the basis of specific "risk indices", namely Country Risk, Counterparty Risk and Sector Risk.

On the basis of assessments of lending operations analysed during the half year and Business Area reports to the Credit Committee, reputational risk was found to be medium-to-low in the majority of cases.

During the half year, implementation was completed of new internal rules introduced in 2015, which extend key customer due diligence activities to all CDP counterparties, with particular focus placed on suppliers.

10. LEGAL DISPUTES

With regard to disputes concerning the Separate Account, at 30 June 2016 a total of 71 cases were pending, for total estimated claims of around €28,000. Of these, 3 regard disputes with suppliers.

There are no situations that concern serial disputes that could suggest the presence of critical issues in procedures or with respect to laws and regulations.

Concerning the conversion of preference shares into CDP ordinary stock, after exercising the right to withdrawal in June 2013 Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona filed a law suit seeking a claim of around €432 million. Legal counsel engaged by CDP has advised that the risk of losing the suit in the court of first instance, initially considered possible, should today be considered likely. Counsel believes that the likelihood of a favourable outcome is reasonable (considering the various levels of appeal), given the pleading is well-grounded.

Legal counsel also advised that, considering the specificity and complexity of the case, the level of ruling and the extreme uncertainty concerning the assessment criteria that will be adopted, today no reliable estimate can be made of the contingent liability for CDP.

Concerning the Separate Account, provisions of €19.2 million have been allocated for contingent liabilities, considered likely to arise, in connection with a claim brought by an investee company. Under an agreement with the investee, CDP was to refund surplus dividends received in the proportion established by final judgement of the civil court, applicable to the private shareholders of the company.

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

Finally, with respect to labour disputes, at 30 June 2016 25 suits were pending, whose overall claims were estimated at about €3 million; potential estimated costs, therefore, both in absolute and relative terms, are totally negligible with respect to the volumes in CDP's Financial Statements.

11. OTHER MATERIAL RISKS

As part of its operations CDP is exposed to market risk other than the equity risk linked to the equity investment portfolio and interest rate and inflation risk related to the banking portfolio.

Specifically, CDP is exposed to equity risk deriving from the issuance of postal savings bonds indexed to the EuroStoxx 50. This risk is covered by purchasing options that match those embedded in the bonds, bearing in mind the expected repayment profile and the amount expected at maturity at the moment of issue, calculated using estimates from the proprietary model based on the customer's repayment performance.

The notional amount of hedging estimated at issue is subject to periodic review on at least a quarterly basis, in order to ensure that it matches the expected profile, recalibrated to reflect the effective repayments made over time. Given the option of early repayment granted to subscribers, it is in fact possible that the notional amount covered at inception results in overhedging at a given moment in the life of the bond. The hedging strategy targets the portfolio of written options by monitoring the net position of options with similar financial characteristics (in terms of payoff, strike, and the fixing dates of the underlying index), so as to ensure that cash flows payable in the event that the implicit options mature in the money are fully hedged.

The net exposure is also measured and monitored through stress testing, considering a scenario in which the EuroStoxx 50 index drops by 8% on spot volumes and the volatility surface decreases by 25% proportionally across the entire surface. The results of the monitoring and stress tests are used, among other things, in decisions over any existing hedge unwind programmes and to verify the effectiveness of the operational hedges defined as such for EMIR purposes.

CDP is potentially exposed to exchange rate risk through the provision of loans and the issue or purchase of bonds denominated in foreign currencies.

In general, CDP undertakes such activities if covered by appropriate forms of hedging of the exchange rate risk. Hedges are normally established through Cross Currency Swaps (CCS), through which foreign currency cash flows are converted into euros. Instead of specific hedging, an alternative is to refinance the amounts loaned through funding in the same currency, involving a strategy aimed at minimising open risks.

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

Risk management activities for the subsidiaries are supervised by the RMA area of the parent company.

The Management and Coordination Rules require the parent company to identify:

- principles and guidelines for the assumption of material risks (credit, market, operational, etc.) and processes, systems and risk models, in accordance with the imperative rules applicable to supervised companies;
- the risk appetite framework;
- guidelines for the identification and control of risks, determining the adequacy of the relative procedures;
- plans for the monitoring of developments in company risks in relation to operational limits.

Under the Management and Coordination Rules, subsidiaries are required to:

- submit rules for the assumption of risk to the parent company prior to their approval or amendment;
- prepare risk reports with a frequency suitable for the specific type of risk reported, ensuring compliance with the functional requirements set by the parent company;
- report on key risk profiles and their development on a regular basis.

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

Regarding CDPI SGR, the Risk Management and Anti-Money Laundering Area of the parent company provided risk management support under co-sourcing arrangements for risk management services. In the first half of the year, alongside advisory services provided in the analysis of counterparties variously involved in some transactions affecting funds managed, the parent company continued to support follow-up activities on the implementation of mitigation actions targeting major operational risks identified by risk assessments. At the same time, a project was launched to reinforce the Loss Data Collection process in the company, in line with the principles and methods adopted by the parent company. Finally, information flows were set up, both periodic and event based, with the Anti-Money Laundering and Compliance Organisational Unit of CDPI SGR, in accordance with the guidelines "Anti-Money Laundering Safeguards Structure" issued by the parent company and adopted by the Board of Directors of the company.

Regarding CDP Immobiliare, CDP began providing risk management services under outsourcing arrangements, while risk analysis and monitoring activities continued on the real estate portfolio of CDP Immobiliare group. Two other specific projects concerning operational risks were also launched, with the assistance of external consultants.

Regarding CDP Equity, despite the change in company name in March 2016, risk management services continued to be provided under outsourcing arrangements for the assessment of the risk profiles of individual transactions during the investment stage. Activities performed with CDP Equity also involved the monitoring of the risk profile of equity investments in portfolio and checks on the fair-value measurement of options, with the support of an independent expert.

Regarding Fintecna, the local risk management department, in close coordination with the parent company, completed its risk assessment of the company's operational segments, identifying suitable mitigation actions for the biggest risks found. Follow-ups on the implementation of the mitigation actions will be performed on a half-yearly basis. The department also monitors key risk areas for Fintecna group (e.g., provisions for risks and charges, litigation, equity investments, loans, financial management, key subsidiaries and operational risks), producing specific quarterly reports.

Regarding SACE, in March 2016 the new risk appetite framework for 2016 was approved. On the basis of information and reports provided by the company, the Risk Management and Anti-Money Laundering Area of the parent company also monitors:

- on a regular basis, the risk profile of the underwriting portfolio and the financial investments portfolio;
- shared customers, focusing on both single counterparties and groups of associated counterparties;
- the securities and liquidity position and the details of securities purchased and sold.

Regarding SIMEST, risk management activities (outsourced to the parent company) led to the preparation of new Risk Management Rules, approved by the Board of Directors of SIMEST in the first half of the year. The main purpose of the rules is to ensure that SIMEST, in coordination with the parent company, is able to cover its risk exposures with its own funds. The rules adopt the same risk management principles set forth by the parent company, taking into consideration the specific business and size of the company. A new Rating and Recovery Rate Policy and a Rates and Conditions Operating Policy were also issued during the half year.

Finally, the parent company also supports CDP Reti in conducting risk management activities.

BUSINESS COMBINATIONS

BUSINESS COMBINATIONS CARRIED OUT DURING THE PERIOD

Business combinations

No business combinations were completed in the first half of 2016.

TRANSACTIONS WITH RELATED PARTIES

1. INFORMATION ON THE COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

The following table reports the compensation accrued in the first half of 2016 paid to members of the Board of Directors, Board of Auditors and key management personnel of the parent company and the wholly-owned consolidated subsidiaries.

Remuneration of directors and statutory auditors

(thousands of euros)	Directors	Board of Statutory Auditors	Key management personnel
(a) short-term benefits	6,523	1,126	7,678
(b) post-employment benefits	164		260
(c) other long-term benefits			711
(d) severance benefits	5,417		
(e) share-based payments			
Total	**12,104**	**1,126**	**8,649**

The remuneration shown in the table below, for the period 1 January 2016 to 30 June 2016, refers to the directors and statutory auditors of the parent company.

Remuneration of directors and statutory auditors of the parent company

(thousands of euros) Name	Position		Period in office	End of term (*)	Compensation and bonuses
Directors					
Claudio Costamagna	Chairman		01/01/2016-30/06/2016	2017	147
Mario Nuzzo	Vice Chairman		01/01/2016-30/06/2016	2017	18
Fabio Gallia	Chief Executive Officer and General Manager		01/01/2016-30/06/2016	2017	169
Maria Cannata	Director		01/01/2016-30/06/2016	2017	(**)
Carla Patrizia Ferrari	Director		01/01/2016-30/06/2016	2017	18
Stefano Micossi	Director		01/01/2016-30/06/2016	2017	18
Alessandro Rivera	Director		01/01/2016-30/06/2016	2017	(**)
Alessandra Ruzzu	Director		01/01/2016-30/06/2016	2017	18
Giuseppe Sala	Director	(3)	01/01/2016-20/06/2016	-	17
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003)					
Roberto Ferranti	Director	(1)	01/01/2016-30/06/2016	2017	18
Vincenzo La Via	Director	(2)	01/01/2016-30/06/2016	2017	(**)
Piero Fassino	Director		01/01/2016-30/06/2016	2017	18
Massimo Garavaglia	Director		01/01/2016-30/06/2016	2017	18
Outgoing auditors in 2016					
Angelo Provasoli	Chairman	(4)	01/01/16-29/05/2016	-	11
Andrea Landi	Auditor	(4)	01/01/16-29/05/2016	-	8
Giuseppe Vincenzo Suppa	Auditor	(4)	01/01/16-29/05/2016	-	8
Board of Statutory Auditors in office as at 30 June 2016					
Carlo Corradini	Chairman	(4)	30/05/2016-30/06/2016	2018	3
Alessandra Dal Verme	Auditor	(4)	30/05/2016-30/06/2016	2018	(**)
Giusella Finocchiaro	Auditor	(4)	30/05/2016-30/06/2016	2018	3
Luciano Barsotti	Auditor	(4)	01/01/2016-30/06/2016	2018	11
Ines Russo	Auditor	(4)	01/01/2016-30/06/2016	2018	(**)

(*) Date of Shareholders' Meeting called to approve financial statements for the year

(**) The remuneration is paid to the Ministry for the Economy and Finance

(1) Delegate of the State Accountant General.

(2) Director General of the Treasury

(3) Resigned as director on 20 June 2016 due to new professional commitments following election as Mayor of Milan.

(4) On 30 May 2016, the Ordinary Shareholders' Meeting of CDP appointed the new members of the Board of Auditors, whose term in office will end at the date of the Shareholders' Meeting called to approve the financial statements at 31 December 2018. The new standing auditors are: Carlo Corradini (Chairman), Luciano Barsotti, Alessandra Dal Verme, Giusella Finocchiaro and Ines Russo. For the auditors Luciano Barsotti and Ines Russo, compensation also refers to the activities performed as members of the previous Board of Auditors.

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Certain transactions between the CDP Group and related parties, notably those with the Ministry for the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative mandates.

In any event, CDP Group did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the Group. All transactions with related parties were carried out on an arm's length basis and form part of the CDP Group's ordinary operations.

The following table reports assets, liabilities, revenues and costs in respect of CDP Group's transactions in the first half of 2016 with:

- companies subject to significant influence or joint control;
- the Ministry for the Economy and Finance;
- subsidiaries and direct and indirect affiliates of the Ministry for the Economy and Finance.

Information on transactions with related parties

(thousands of euros) Name	Assets	Liabilities	Off balance sheet	Costs/Revenues
Agenzia Giornalistica Italia S.P.A.		14		(26)
AGUSTAWESTLAND SPA	23,171			920
ALENIA AERMACCHI S.p.A.	193,448		3,671	6,284
Alfiere S.p.A.	14,765	22		410
Alitalia Servizi S.p.A. in amm.ne straordinaria	1			
AMUNDI (*)		24		
ANAS S.p.A.	695	4,262		(427)
Ansaldo Energia S.p.A.	58,667	243	28,750	1,260
Ansaldo Sviluppo Energia S.r.l.	20			2
ANSALDOBREDA SpA	406		1,264	1
Banca del Mezzogiorno - MedioCredito Centrale S.p.A.	102,146	20,000		417
Bonafous S.p.A.	2,293			24
Brevik Technology AS	378			9
Bridge Eiendom AS	462			
Cagliari 89 S.c.r.l. in liquidazione	1,166	1,063		(765)
Camper and Nicholsons International S.A.	176			
CESI - Centro Elettrotecnico Sperimentale Italiano Giacinto Motta	5,893	4,160	7,800	(693)
Cinecittà Luce S.p.A. in liquidazione	1,785			326
Cinque Cerchi S.p.A.	72			51
COMETA Fondo per Quadri e Impiegati (*)		1,759		(4,367)
Concessioni Autostradali Venete S.p.A.	197,010			3,316
Consorzio Aerest in liquidazione	11			2
Consorzio Codelsa in liquidazione	246	261		6
Consorzio Condif in liquidazione		12		
Consorzio Edinca in liquidazione	1,097		42	5
Consorzio Edinsud in liquidazione	787			5
Consorzio G1 in liquidazione	5	12		(2)
Consorzio I.MA.FI.D. in liquidazione	139	33		
Consorzio INCOMIR in liquidazione	45		623	
Consorzio Italtecnasud in liquidazione	3,956	89		6
Consorzio MED.IN. in liquidazione	154			6
CSS Design Limited	708			
DOF Iceman AS	6,863			106
ELETTRONICA S.p.A.		7		179
Enel Distribuzione S.p.A.	1,116,719			10,741
Enel Green Power	2,930			7
Enel Produzione				315
ENEL S.p.A.	392,697	40,630	642,700	977,337
ENI Fuel Centrosud S.p.A.				(19)
ENI S.p.A.	331,163	65,859		970,418
EniPower S.p.A.	901	16	21,600	2,031
ETIHAD SHIP BUILDING LLC	22,374	2,751		1,111
Europrogetti & Finanza S.p.A. in liquidazione	4,049		161	
Expo 2015 S.p.A.		66		(108)
FONDENEL (*)				(184)
Fondo Italiano d'Investimento SGR S.p.A.	26			26
Fondo Pensione Complementare per i dirigenti della società FINCANTIERI - CANTIERI NAVALI ITALIANI S.p.A. (*)		566		(471)
Fondo Pensione Complementare per il personale direttivo di FINTECNA S.P.A. (*)		282		(114)
FOPEN (*)		1,461		(926)

Information of transaction with related parties

(thousands of euros) Name	Assets	Liabilities	Off balance sheet	Costs/Revenues
FS - Ferrovie dello Stato Italiane S.p.A.	398,693	9,984	186,667	(13,290)
Galaxy S.àr.l. SICAR	32			30
Grandi Stazioni S.p.A.	603		40,833	91
GSE - Gestore dei Servizi Energetici S.p.A.	4,071	326		13,207
Horizon S.A.S.		1		11
Inalca S.p.A.	10			10
IQ Made in Italy Investment Company S.p.A.	69			26
Istituto per il Credito Sportivo	318,383			6,251
IVECO - OTO MELARA Societa` Consortile a responsabilita` limitata	321	1		3
Kedrion Biopharma Inc.	3			3
Kedrion S.p.A.	2,737	6,092	51,936	2,429
Leonardo - Finmeccanica S.p.A.	46	57		(53)
Ligestra DUE S.r.l.	156,308	8		1,441
Ligestra QUATTRO S.r.l.	5,181	3		21
Ligestra S.r.l.	80,159	8		1,069
Ligestra TRE S.r.l.	228,671	5		709
M.T. – Manifattura Tabacchi S.p.A.	4,459			71
Manifatture Milano Emporium S.r.l.	25			3
Manifatture Milano S.p.A.	13,029			388
Metano S.Angelo Lodigiano S.p.A.	153			196
Metroweb Italia S.p.A.	6			4,446
Metroweb S.p.A.	21			21
Ministry for the Economy and Finance	237,395,027	55,703,268	7,768,890	2,303,023
Olympic Challenger KS (formerly Olympic Subsea KS)	48			
Olympic Green Energy KS	1,362			28
OMSAV S.p.A. in fallimento		80		
Orizzonte Sistemi Navali S.p.A.	70,973	565		162,501
Pentagramma Perugia S.p.A.	865			15
Pentagramma Piemonte S.p.A.	5,530			101
Pentagramma Romagna S.p.A.		6		14
Poste Italiane S.p.A.	11,084	603,728		(810,047)
Quadrifoglio Brescia S.p.A. in liquidazione				9
Quadrifoglio Genova S.p.A. in liquidazione				9
Quadrifoglio Modena S.p.A.				26
Quadrifoglio Piacenza S.p.A. in liquidazione				8
Quadrifoglio Verona S.p.A. in liquidazione				8
RAI - Radio Televisione Italiana S.p.A.				(2)
Rai Way S.p.A.	501			1
RAM - Rete Autostrade Mediterranee S.p.A.	149		208	
Rem Supply AS	585			12

Information of transaction with related parties

(thousands of euros) Name	Assets	Liabilities	Off balance sheet	Costs/Revenues
Rete Ferroviaria Italiana - Società per Azioni (RFI)	78			
Rocco Forte & Family (Rome) S.p.A.				2
Rocco Forte Hotels Limited	4			4
ROSETTI MARINO S.p.A.		74		(19)
Saipem S.p.A.	180	29,893		905
SDA Express Courier S.p.A.				(1)
SELEX ELSAG Ltd		1,898		
SELEX ES S.P.A.	13,484	1,544	12,283	97
SELEX Sistemi Integrati S.p.A.	45	123		
SHIP RECYCLING Società consortile a responsabilità limitata	25			
SIA S.p.A.	21			21
SOGEI - Società Generale di Informatica S.p.A.	32,652			70
SOLIDARIETA' VENETO FONDO PENSIONE (*)		30		(54)
STMICROELECTRONICS N.V.	61			61
TIGF Holding S.A.S.	88			45
TIGF Investissements S.A.S.	901			11
TIGF S.A.	144	278		(140)
Tirrenia di Navigazione S.p.A. in amm.ne straordinaria.	10,760		516	
Toscana Energia S.p.A.	15,066	98	15,750	969
Trans Adriatic Pipeline AG		26,318		(7)
Trans Austria Gasleitung GmbH	365	363		557
Trenitalia S.p.A.				(45)
Trevi - Finanziaria Industriale S.p.A.	41	34		434
Umbria Distribuzione GAS S.p.A.	442			275
Valvitalia Finanziaria S.p.A.	220,250			3,541
Valvitalia S.p.A.	30			30
XXI Aprile S.r.l.	553	5		23

(*) These are pension funds that collect contributions for severance benefit plans for CDP Group employees.

The main transactions conducted with the Ministry for the Economy and Finance regarded the liquidity of the parent company held on an account with the Treasury, lending transactions, government securities recorded under financial assets available for sale and financial assets held to maturity, and management of the MEF's liquidity (OPTES).

As of 1 January 2016, under the provisions of the ministerial decree dated 12 May 2016, issued in accordance with article 17-quater of Decree Law 18 of 14 February 2016, converted into Law 49 of 8 April 2016, the liquidity deposited by CDP in the interest-bearing current account, no. 29814, held with the State Treasury, is remunerated at the weighted average yield of six-month Italian treasury bills (BOTs) and ten-year Italian government bonds (BTPs), weighted respectively at 20% and 80%.

SHARE-BASED PAYMENTS

No share-based payment compensation plans were signed during the half year and there were no plans in place in previous years.

CONSOLIDATED OPERATING SEGMENTS

This section of the notes to the consolidated financial statements has been prepared in accordance with the provisions of IFRS 8 Operating Segments.

Operating segment disclosures are presented by separating the contribution of the two Group's operations: "Affairs and Finance area of the parent company" and "Group Companies, other equity investments and other".

"Business and Finance Areas of the parent company" include operations carried out by the Public Entities, Finance, Funding, Lending, Public Interest Lending and Economic Support areas of the parent company.

Lending to public entities and public-law bodies is mainly conducted by the Public Entities area using standardised products, offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination, in implementation of the statutory mission of the Separate Account.

Treasury operations and funding activities are managed by the Finance and Funding Area, which is responsible for meeting CDP's funding needs, as well as sourcing, investing and monitoring liquidity. The area also structures products and funding and lending operations, setting the financial terms and conditions and ensuring the balance of the cost of funding and yields on lending. It also contributes to strategic Asset Liability Management and manages financial risk at the operational level, including through access to the market and use of hedging instruments.

The Public Interest Lending area intervenes directly in general public interest projects sponsored by public entities or public-law bodies for which the financial sustainability has been verified.

The Financing area is involved in lending (using funding not guaranteed by the state or with EIB funds), on a project or corporate finance basis, for investments in works, plant, infrastructure and networks to be used to deliver public services or in reclamation projects (energy, multi-utilities, local public transport, health care).

The Economic Support area is responsible for managing subsidised credit instruments, established by specific legislation, and economic support instruments.

"Group Companies, other equity investments and other" includes, above all, accounts relating to the "Equity investments and other" area of the parent company. This Area includes the activities related to investment and divestment of shareholdings and investment fund units, extraordinary transactions and transactions for the rationalisation of the investment portfolio, in addition to all aspects related to the management of companies and investment funds in which CDP holds equity interests. This aggregate also includes costs related to Areas of the parent company that carry out governance, management, control and support activities, as well as costs and revenues not otherwise attributable. Lastly, this aggregate includes the contribution of all the other companies of the CDP Group, in order to present all the operating costs and revenues connected to the investment portfolio of the parent company in a single aggregate.

As a result, the reclassified balance sheet and income statement at 30 June 2016 have been constructed on the basis of their separate financial statements (for CDP, CDPI SGR, SIMEST, CDP Equity, FSI Investimenti, Fintecna, FSIA, CDP RETI, CDP GAS, FIS SGR and FIV) or consolidated financial statements (Terna group, SACE group, Fincantieri group, CDP Immobiliare group and SNAM group), aggregating their accounts as indicated above and reporting the effects of consolidation for CDP in the column "Eliminations/adjustments".

Reclassified balance sheet

(thousands of euros)	Parent Company Business and Finance Areas	Group entities, other equity investments and other		Eliminations/ Adjustments	Total CDP Group
Cash and cash equivalents	173,174,040	7,132,961		(3,609,399)	176,697,602
Loans	105,827,169	4,319,794		(1,805,841)	108,341,122
Debt securities	58,218,005	417,497		1,729,394	60,364,896
Equity investments	-	41,362,119	(1)	(21,700,774)	19,661,345
Funding	318,069,550	57,385,907		(6,668,676)	368,786,781
- of which: postal funding	*223,042,803*	*28,386,063*		*-*	*251,428,865*
- of which: funding from banks	*18,166,444*	*9,119,958*		*-*	*27,286,402*
- of which: funding from customers	*63,989,049*	*1,444,466*		*(5,368,758)*	*60,064,757*
- of which: bond funding	*12,871,255*	*18,435,420*		*(1,299,918)*	*30,006,757*

(1) The item also includes equity securities e units of collective investment undertakings (UCITs) totalling €2,649 million.

Reclassified income statement

(thousands of euros)	Parent Company Business and Finance Areas	Group entities, other equity investments and other	Total CDP Group
Net interest income	**1,414,913**	**(391,698)**	**1,023,215**
Dividends	-	(349,576)	(349,576)
Net commission income	(680,608)	(85,751)	(766,359)
Other net revenues	(23,911)	103,585	79,674
Gross income	**710,394**	**(723,440)**	**(13,046)**
Profit (loss) on insurance operations	-	116,394	116,394
Profit (loss) on banking and insurance operations	**710,394**	**(607,046)**	**103,348**
Net writedowns	(45,955)	(156)	(46,111)
Overheads	(8,078)	(3,965,651)	(3,973,729)
Other operating income (expenses)		5,131,320	5,131,320
Operating income	**656,361**	**558,467**	**1,214,828**
Net income for the period	**1,146,922**		**635,031**
Net income (loss) for the period pertaining to non-controlling interests			623,065
Net income (loss) for the period pertaining to shareholders of the parent company			**11,966**

ANNEXES

ANNEX 1 – SCOPE OF CONSOLIDATION

Company name	Registered office	Investor	% holding	Consolidation method
PARENT COMPANY				
Cassa depositi e prestiti S.p.A	Rome			
Consolidated companies				
Aakre Eigendom AS	Alesund (Norway)	Vard Group AS	100.00%	Line-by-line
ACAM GAS S.p.A.	La Spezia	SNAM S.p.A.	100.00%	Line-by-line
AcciaItalia S.p.A.	Milan	CDP S.p.A.	44.50%	Unconsolidated subsidiary
ACE Marine LLC	Green Bay - WI (USA)	FINCANTIERI MARINE GROUP	100.00%	Line-by-line
African Trade Insurance Company	Nairobi (Kenya)	SACE Spa	5.51%	Equity
Alfiere S.p.A	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Alitalia Servizi S.p.A. in amm.ne straordinaria	Fiumicino (RM)	Fintecna S.p.A.	68.85%	Unconsolidated subsidiary
Altiforni Ferriere Servola S.p.A. in amm.ne straordinaria	Udine	Fintecna S.p.A.	24.10%	Unconsolidated subsidiary
Ansaldo Energia	Genoa	FSI Investimenti SpA	44.55%	Equity
		CDP Equity S.p.A.	0.29%	Equity
ASSET COMPANY 1 S.r.L.	San Donato Milanese	SNAM S.p.A.	100.00%	Unconsolidated subsidiary
ASSET COMPANY 2 S.r.L.	San Donato Milanese	SNAM S.p.A.	100.00%	Unconsolidated subsidiary
Bacini di Palermo S.p.A.	Palermo	Fincantieri S.p.A.	100.00%	Line-by-line
Bonafous S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Brevik Elektro AS	Brevik (Norway)	Multifag AS	100.00%	Line-by-line
Brevik Technology AS	Brevik (Norway)	Vard Brevik Holding AS	34.00%	Equity
Bridge Eiendom AS	Brevik (Norway)	Vard Brevik Holding AS	50.00%	Equity
Cagliari 89 Scarl in liquidazione	Monastir (CA)	Fintecna S.p.A.	51.00%	Unconsolidated subsidiary
Camper and Nicholsons International S.A.	Luxembourg	Fincantieri S.p.A.	17.63%	Equity
Canadian Subsea Shipping Company AS	Bergen (Norway)	Vard Group AS	45.00%	Equity
Castor Drilling Solution AS	Kristiansand S (Norvegia)	Seaonics AS	34.07%	Equity
CDP AS	Alesund (Norway)	Seaonics AS	100.00%	Line-by-line
CDP Equity S.p.A.	Milan	Cassa depositi e prestiti	77.70%	Line-by-line
		Fintecna SpA	2.30%	Line-by-line
CDP GAS S.r.l.	Rome	Cassa depositi e prestiti	100.00%	Line-by-line
CDP Immobiliare S.r.l.	Rome	Cassa depositi e prestiti	100.00%	Line-by-line
CDP Investimenti SGR S.p.A.	Rome	Cassa depositi e prestiti	70.00%	Line-by-line
CDP Reti S.p.A.	Rome	Cassa depositi e prestiti	59.10%	Line-by-line
Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Fincantieri S.p.A.	71.10%	Line-by-line
		Seaf S.p.A.	15.00%	Line-by-line
CESI S.p.A.	Milan	Terna SpA	42.70%	Equity
CGES A.D.	Podgorica (Montenegro)	Terna SpA	22.09%	Equity
Cinecittà Luce S.p.A. in liquidazione	Rome	Ligestra Quattro S.r.l.	100.00%	Unconsolidated subsidiary
Cinque Cerchi S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Consorzio Aerest in liquidazione	Rome	Fintecna S.p.A.	97.38%	Unconsolidated subsidiary
Consorzio Codelsa in liquidazione	Rome	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary
Consorzio Condif in liquidazione	Rome	CDP Immobiliare S.r.l.	33.33%	Unconsolidated subsidiary
Consorzio Edinca in liquidazione	Naples	Fintecna S.p.A.	47.32%	Unconsolidated subsidiary
Consorzio Edinsud in liquidazione	Naples	Fintecna S.p.A.	58.82%	Unconsolidated subsidiary
Consorzio G1 in liquidazione	Rome	CDP Immobiliare S.r.l.	99.90%	Unconsolidated subsidiary
Consorzio IMAFID in liquidazione	Naples	Fintecna S.p.A.	56.85%	Unconsolidated subsidiary
Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Fintecna S.p.A.	45.46%	Unconsolidated subsidiary
Consorzio Italtecnasud in liquidazione	Rome	Fintecna S.p.A.	75.00%	Unconsolidated subsidiary
Consorzio MED.IN. in liquidazione	Rome	Fintecna S.p.A.	85.00%	Unconsolidated subsidiary
CORESO S.A.	Bruxelles (Belgium)	Terna SpA	20.00%	Equity
CSS Design Limited	Virgin islands (GB)	Vard Marine Inc.	31.00%	Equity
Dameco AS	Skien (Norway)	Vard Offshore Brevik AS	34.00%	Equity
Delfi S.r.l.	Follo (SP)	Fincantieri S.p.A.	100.00%	Line-by-line
DOF Iceman AS	Norway	Vard Group AS	50.00%	Equity
ELMED Etudes S.a.r.l.	Tunis (Tunisia)	Terna SpA	50.00%	Equity
Eni S.p.A.	Rome	Cassa depositi e prestiti	25.76%	Equity
Estaleiro Quissamã Ltda	Rio de Janeiro (Brazil)	Vard Group AS	50.50%	Line-by-line
ETIHAD SHIP BUILDING LLC	Abu Dhabi (UAE)	Fincantieri S.p.A.	35.00%	Equity
Europrogetti & Finanza S.p.A. in liquidazione	Milan	Cassa depositi e prestiti	31.80%	Equity
Fincantieri (Shanghai) Trading Co. Ltd	Shanghai (PRC)	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Do Brasil Partecipacoes S.A.	Rio de Janeiro (Brazil)	Fincantieri S.p.A.	80.00%	Line-by-line
		Fincantieri Holding B.V.	20.00%	Line-by-line
Fincantieri Holding B.V.	Amsterdam (Netherlands)	Fincantieri S.p.A.	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Fincantieri India Private Limited	New Delhi (India)	Fincantieri Holding B.V.	99.00%	Line-by-line
		Fincantieri S.p.A.	1.00%	Line-by-line
Fincantieri Marine Group Holdings Inc.	Green Bay - WI (USA)	Fincantieri USA Inc.	87.44%	Line-by-line
FINCANTIERI MARINE GROUP LLC	Washington, DC (USA)	Fincantieri Marine Group	100.00%	Line-by-line
Fincantieri Marine Systems North America Inc.	Chesapeake - VI (USA)	Fincantieri Holding B.V.	100.00%	Line-by-line
FINCANTIERI OIL & GAS S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri S.p.A.	Trieste	Fintecna SpA	71.64%	Line-by-line
Fincantieri SI S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Sweden AB	Stoccolma (Sweden)	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri USA Inc.	Washington, DC (USA)	Fincantieri S.p.A.	100.00%	Line-by-line
Fintecna SpA	Rome	Cassa depositi e prestiti	100.00%	Line-by-line
FIV Comparto Extra	Rome	Cassa depositi e prestiti	100.00%	Line-by-line
FIV Comparto Plus	Rome	Cassa depositi e prestiti	100.00%	Line-by-line
FMSNA YK	Nagasaki (Japan)	Fincantieri Marine Systems	100.00%	Line-by-line
Fonderit Etruria S.r.l. in fallimento	Campiglia Marittima (LI)	Fintecna S.p.A.	36.25%	Unconsolidated subsidiary
Fondo Italiano di Investimento SGR SpA	Milan	CDP S.p.A.	25.00%	Unconsolidated subsidiary
FOSIDER S.r.l. in A.S.	Bologna	CDP Immobiliare S.r.l.	40.00%	Unconsolidated subsidiary
FSI Investimenti SpA	Milan	CDP Equity S.p.A.	77.12%	Line-by-line
FSI SGR S.p.A. (in attesa di autorizzazione)	Milan	Cassa depositi e prestiti	100.00%	Line-by-line
FSIA INVESTIMENTI Srl	Milan	FSI Investimenti SpA	100.00%	Line-by-line
Galaxy S.àr.l. SICAR	Luxembourg	Cassa depositi e prestiti	40.00%	Equity
GasBridge 1 B.V.	Rotterdam	SNAM S.p.A.	50.00%	Equity
GasBridge 2 B.V.	Rotterdam	SNAM S.p.A.	50.00%	Equity
Gasrule Insurance D.A.C.	Dublino	SNAM S.p.A.	100.00%	Line-by-line
Gestione Bacini La Spezia S.p.A.	La Spezia	Fincantieri S.p.A.	99.89%	Line-by-line
GNL Italia SpA	San Donato Milanese	SNAM S.p.A.	100.00%	Line-by-line
ICD Industries Estonia OÜ	Tallinn (Estonia)	Seaonics AS	100.00%	Line-by-line
ICD Software AS	Alesund (Norway)	Seaonics AS	100.00%	Line-by-line
Industrial Control Design AS	Alesund (Norway)	Seaonics AS	100.00%	Line-by-line
IQ Made in Italy Investment Company SpA	Milan	FSI Investimenti SpA	50.00%	Equity
Isotta Fraschini Motori S.p.A.	Bari	Fincantieri S.p.A.	100.00%	Line-by-line
Italgas SpA	Turin	SNAM S.p.A.	100.00%	Line-by-line
ITG HOLDING S.P.A.	San Donato Milanese	SNAM S.p.A.	100.00%	Line-by-line
Kedrion SpA	Castelvecchio Pascoli	FSI Investimenti SpA	25.06%	Equity
Ligestra DUE S.r.l.	Rome	Fintecna SpA	100.00%	Equity
Ligestra QUATTRO S.r.l.	Rome	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary
Ligestra S.r.l.	Rome	Fintecna SpA	100.00%	Equity
Ligestra TRE S.r.l.	Rome	Fintecna SpA	100.00%	Equity
M.T. Manifattura Tabacchi S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Manifatture Milano S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
MARINE INTERIORS S.p.A.	Trieste	Società per l'Esercizio di	100.00%	Line-by-line
Marinette Marine Corporation	Marinette - WI (USA)	FINCANTIERI MARINE GROUP	100.00%	Line-by-line
Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	SNAM S.p.A.	50.00%	Equity
Metroweb Italia SpA	Milan	FSI Investimenti SpA	46.17%	Equity
Møkster Supply AS	Stavanger (Norway)	Vard Group AS	40.00%	Equity
Møkster Supply KS	Stavanger (Norway)	Vard Group AS	36.00%	Equity
Monita Interconnector S.r.l.	Rome	TERNA RETE ITALIA S.p.A.	5.00%	Line-by-line
		Terna SpA	95.00%	Line-by-line
Multifag AS	Skien (Norway)	Vard Brevik Holding AS	100.00%	Line-by-line
Napoletanagas SpA	Naples	Italgas SpA	99.69%	Line-by-line
Olympic Challenger KS	Fosnavåg (Norway)	Vard Group AS	35.00%	Equity
Olympic Green Energy KS	Fosnavåg (Norway)	Vard Group AS	30.00%	Equity
OMSAV S.p.A. in fallimento	Savona	Fintecna S.p.A.	30.00%	Unconsolidated subsidiary
Orizzonte Sistemi Navali S.p.A.	Genoa	Fincantieri S.p.A.	51.00%	Equity
Pentagramma Perugia S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Pentagramma Piemonte S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Pentagramma Romagna S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Piemonte Savoia S.r.l.	Rome	Terna Interconnector S.r.l.	100.00%	Line-by-line
Quadrifoglio Brescia S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Quadrifoglio Genova S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Quadrifoglio Piacenza S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	Equity

Company name	Registered office	Investor	% holding	Consolidation method
Quadrifoglio Verona S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Quadrifolgio Modena S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Rem Supply AS	Fosnavåg (Norway)	Vard Group AS	26.66%	Equity
Residenziale Immobiliare 2004 S.p.A.	Rome	CDP Immobiliare S.r.l.	74.47%	Line-by-line
Rete S.r.l.	Rome	Terna SpA	100.00%	Line-by-line
Rocco Forte Hotels Limited	London	FSI Investimenti SpA	11.50%	Equity
		CDP Equity S.p.A.	11.50%	Equity
S.P.S. S.c.p.a. in fallimento	Italy	Fintecna S.p.A.	20.40%	Unconsolidated subsidiary
SACE BT	Rome	SACE Spa	100.00%	Line-by-line
Sace do Brasil	San Paolo (Brazil)	SACE Spa	100.00%	Line-by-line
SACE FCT	Rome	SACE Spa	100.00%	Line-by-line
SACE Servizi	Rome	SACE BT	100.00%	Line-by-line
SACE Spa	Rome	Cassa depositi e prestiti	100.00%	Line-by-line
Saipem S.p.A.	San Donato Milanese	CDP Equity S.p.A.	12.55%	Equity
Seaonics AS	Alesund (Norway)	Vard Group AS	51.00%	Line-by-line
Seaonics Polska SP.Z O.O.	Gdansk (Poland)	Seaonics AS	100.00%	Line-by-line
Seastema S.p.A	Genoa	Fincantieri S.p.A.	100.00%	Line-by-line
SIA ICD Industries Latvia	Riga (Latvia)	Seaonics AS	100.00%	Line-by-line
SIA SpA	Milan	FSIA INVESTIMENTI Srl	49.48%	Equity
Simest SpA	Rome	Cassa depositi e prestiti	76.01%	Line-by-line
SNAM RETE GAS S.p.A.	San Donato Milanese	SNAM S.p.A.	100.00%	Line-by-line
SNAM S.p.A.	San Donato Milanese	CDP Reti S.p.A.	28.98%	Line-by-line
		CDP GAS S.r.l.	1.12%	Line-by-line
Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Stogit S.p.A.	San Donato Milanese	SNAM S.p.A.	100.00%	Line-by-line
Sviluppo Turistico culturale Golfo di Napoli S.c.a.r.l.	Naples	CDP Immobiliare S.r.l.	25.00%	Unconsolidated subsidiary
T.E.S. TRANSFORMER ELECTRO SERVICE S.r.l.	Ospitaletto (BS)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Taklift AS	Skien (Norway)	Vard Brevik Holding AS	25.47%	Equity
Tamini Transformers USA L.L.C.	Chicago (USA)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Trasformatori S.r.l.	Melegnano (MI)	TERNA PLUS S.r.l.	70.00%	Line-by-line
Terna Chile S.p.A.	Santiago del Cile (RCH)	TERNA PLUS S.r.l.	100.00%	Line-by-line
TERNA Crna Gora d.o.o.	Podgorica (Montenegro)	Terna SpA	100.00%	Line-by-line
Terna Interconnector S.r.l.	Rome	TERNA RETE ITALIA S.p.A.	5.00%	Line-by-line
		Terna SpA	65.00%	Line-by-line
TERNA PLUS S.r.l.	Rome	Terna SpA	100.00%	Line-by-line
TERNA RETE ITALIA S.p.A.	Rome	Terna SpA	100.00%	Line-by-line
TERNA RETE ITALIA S.r.l. (ex TELAT)	Rome	Terna SpA	100.00%	Line-by-line
Terna SpA	Rome	CDP Reti S.p.A.	29.85%	Line-by-line
Terna Storage S.r.l.	Rome	Terna SpA	100.00%	Line-by-line
Tes Transformer Electro Service Asia Private Limited	Magarpatta City,	T.E.S. TRANSFORMER ELECTRO	100.00%	Line-by-line
TIGF Holding S.A.S.	Pau	SNAM S.p.A.	40.50%	Equity
Tirrenia di Navigazione S.p.A. in amm.ne straordinaria.	Naples	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary
Toscana Energia S.p.A.	Florence	SNAM S.p.A.	48.08%	Equity
Trans Adriatic Pipeline AG	Baar	SNAM S.p.A.	20.00%	Equity
Trans Austria Gasleitung GmbH	Vienna	SNAM S.p.A.	84.47%	Equity
Trevi Finanziaria Industriale S.p.A	Cesena	CDP Equity S.p.A.	8.43%	Equity
		FSI Investimenti SpA	8.43%	Equity
Umbria Distribuzione GAS S.p.A.	Terni	SNAM S.p.A.	45.00%	Equity
Unifer Navale S.r.l.	Finale Emilia (MO)	Società per l'Esercizio di Attività Finanziaria - Seaf	20.00%	Equity
V.T.D. Trasformatori S.r.l.	Valdagno (VI)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Valvitalia Finanziaria S.p.A.	Milan	FSI Investimenti SpA	0.50%	Equity
Vard Accommodation AS	Tennfjord (Norway)	Vard Group AS	100.00%	Line-by-line
Vard Accommodation Tulcea SRL	Tulcea (Romania)	Vard Accommodation AS	98.18%	Line-by-line
		Vard Electro Tulcea SRL	1.82%	Line-by-line
Vard Braila SA	Braila (Romania)	Vard RO Holding SRL	94.12%	Line-by-line
		Vard Group AS	5.88%	Line-by-line
Vard Brevik Holding AS	Brevik (Norway)	Vard Group AS	100.00%	Line-by-line
Vard Contracting AS	Norway	Vard Group AS	100.00%	Line-by-line
Vard Design AS	Alesund (Norway)	Vard Group AS	100.00%	Line-by-line
Vard Design Liburna Ltd.	Rijeka (Croatia)	Vard Design AS	51.00%	Line-by-line
Vard Electrical Installation and Engineering (India) Private Limited	New Delhi (India)	Vard Electro AS	99.00%	Line-by-line
		Vard Tulcea SA	1.00%	Line-by-line
Vard Electro AS	Sovik (Norway)	Vard Group AS	100.00%	Line-by-line
Vard Electro Braila SRL	Braila (Romania)	Vard Electro AS	100.00%	Line-by-line
Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niteroi (Brazil)	Vard Group AS	1.00%	Line-by-line
		Vard Electro AS	99.00%	Line-by-line
Vard Electro Canada Inc	Vancouver (Canada)	Vard Electro AS	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Vard Electro Italy S.r.l.	Genoa	Vard Electro AS	100.00%	Line-by-line
Vard Electro Tulcea SRL	Tulcea (Romania)	Vard Electro AS	99.96%	Line-by-line
Vard Engeneering Constanta SRL	Costanza (Romania)	Vard Braila SA	30.00%	Line-by-line
		Vard RO Holding SRL	70.00%	Line-by-line
Vard Engineering Brevik AS	Brevik (Norway)	Vard Brevik Holding AS	70.00%	Line-by-line
Vard Engineering Gdansk sp. Z o. o.	Poland	Vard Engineering Brevik AS	100.00%	Line-by-line
Vard Group AS	Alesund (Norway)	Vard Holdings Limited	100.00%	Line-by-line
Vard Holdings Limited	Singapore	FINCANTIERI OIL & GAS S.p.A.	55.63%	Line-by-line
Vard Marine Inc.	Vancouver (Canada)	Vard Group AS	100.00%	Line-by-line
Vard Marine US Inc.	USA	Vard Marine Inc.	100.00%	Line-by-line
Vard Niterói SA	Rio de Janeiro (Brazil)	Vard Electro Brazil	0.01%	Line-by-line
		Vard Group AS	99.99%	Line-by-line
Vard Offshore Brevik AS	Porsgrunn (Norway)	Vard Brevik Holding AS	100.00%	Line-by-line
Vard Piping AS	Tennfjord (Norway)	Vard Group AS	100.00%	Line-by-line
Vard Promar SA	Recife (Brazil)	Vard Group AS	50.50%	Line-by-line
Vard RO Holding SRL	Tulcea (Romania)	Vard Group AS	100.00%	Line-by-line
Vard Seaonics Holding AS	Alesund (Norway)	Vard Group AS	100.00%	Line-by-line
Vard Ship Repair Braila SA	Braila (Romania)	Vard Brevik Holding AS	31.42%	Line-by-line
		Vard Braila SA	68.58%	Line-by-line
Vard Singapore Pte. Ltd.	Singapore	Vard Group AS	100.00%	Line-by-line
Vard Tulcea SA	Tulcea (Romania)	Vard RO Holding SRL	100.00%	Line-by-line
		Vard Group AS	0.00%	Line-by-line
Vard Vung Tau Ltd	Vung Tau (Vietnam)	Vard Singapore Pte. Ltd.	100.00%	Line-by-line
XXI APRILE S.r.l.	Rome	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary

ANNEX 2

CDP S.P.A. STATEMENTS OF RECONCILIATION OF ACCOUNTING AND OPERATING FIGURES

The following tables show the reconciliation of the balance sheet and income statement reported in the financial statement and the reclassified figures shown in section 5 of the Report on Operations.

CDP S.p.A. Balance Sheet – Assets

(millions of euros) ASSETS	30 June 2016	Cash and cash equivalents	Loans	Debt securities	Equity investments	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Accrued income, prepaid expenses and other non-interest-bearing	Other assets
10. Cash and cash equivalents	0	0						-	
20. Financial assets held for trading	189					189			
40. Financial assets available for sale	10,661			8,838	1,790			33	
50. Financial assets held to maturity	40,497			40,208				289	
60. Loans to banks	28,674	14,560	13,927	-				187	
70. Loans to customers	259,514	158,274	88,761	6,768				5,711	
80. Hedging derivatives	675					675			
100. Equity investments	28,178				28,178				
110. Property, plant and equipment	260						260		
120. Intangible assets	6						6		
130. Tax assets	778								778
150. Other assets	132								132
Total assets	**369,565**	**172,834**	**102,688**	**55,814**	**29,967**	**864**	**267**	**6,220**	**910**

CDP S.p.A. Balance Sheet – Liabilities and equity

(millions of euros) LIABILITIES AND EQUITY	30 June 2016	Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest bearing liabilities	Other liabilities	Provisions, taxes and staff severance pay	Equity
10. Due to banks	12,056	12,061		(5)			
20. Due to customers	321,528	321,337		191			
30. Securities issued	13,481	12,852		630			
40. Financial liabilities held for trading	165		165				
60. Hedging derivatives	1,263		1,263				
70. Adjustment of financial liabilities hedged generically	40		40				
80. Tax liabilities	331					331	
100. Other liabilities	780				780		
110. Staff severance pay	1					1	
120. Provisions	38					38	
130. Valuation reserves	1,065						1,065
160. Reserves	14,225						14,225
180. Share capital	3,500						3,500
190. Treasury shares	(57)						(57)
200. Net income for the period	1,147						1,147
Total liabilities and equity	**369,565**	**346,250**	**1,468**	**816**	**780**	**371**	**19,880**

CDP S.p.A. Income Statement

(millions of euros) INCOME STATEMENT	30 June 2016	Net interest income	Dividends and gains (losses) on equity investments	Net commissions	Other net revenues	Gross income	Net writedowns	Overheads	Other operating income (costs)	Operating income	Net provisions and other	Taxes	Net income
10. Interest income and similar revenues	3,360	3,360				3,360				3,360			3,360
20. Interest expense and similar charges	(2,186)	(2,186)				(2,186)				(2,186)			(2,186)
40. Commission income	42			42		42				42			42
50. Commission expense	(812)			(812)		(812)				(812)			(812)
70. Dividends and similar revenues	1,043		1,043			1,043				1,043			1,043
80. Net gain (loss) on trading activities	1				1	1				1			1
90. Net gain (loss) on hedging activities	(25)				(25)	(25)				(25)			(25)
100. Gains (losses) on disposal or repurchase	1				1	1				1			1
130. Writedowns for impairment	(46)						(46)			(46)			(46)
150. Administrative expenses	(64)							(64)		(64)			(64)
160. Net provisions	(0)										(0)		(0)
170. Net adjustments of property, plant and equipment	(2)							(2)					(2)
180. Net adjustments of intangible assets	(1)							(1)					(1)
190. Other operating income (costs)	1							0	1	1			1
210. Gains (losses) on equity investments	-		-			-				-			-
240. Gains (losses) on disposal of investments	(0)										(0)		(0)
260. Income tax for the period on continuing operations	(164)											(164)	(164)
Total income statement	**1,147**	**1,174**	**1,043**	**(770)**	**(23)**	**1,423**	**(46)**	**(67)**	**1**	**1,314**	**(0)**	**(164)**	**1,147**

CDP GROUP STATEMENTS OF RECONCILIATION OF ACCOUNTING AND OPERATING FIGURES

The following tables show the reconciliation of the consolidated balance sheet and consolidated income statement reported in the financial statement and the reclassified figures shown in section 5 of the Report on Operations.

The reclassification of consolidated financial figures has been revised compared to previous financial reports, redefining some aggregates and reallocating to the relevant items the entries previously included in the items "Accrued income, prepaid expenses and other non-interest-bearing assets" and "Accrued expenses, deferred income and other non-interest-bearing liabilities" (mainly relating to changes in amortised cost and changes in the fair value of assets and liabilities subject to fair value hedges).

CDP Group Balance Sheet – Assets

(millions of euros)	30 June 2016	Cash and cash equivalents	Loans	Securities	Equity investments	Trading and hedging derivatives	Property, plant and equipment and intangible assets	Technical reserves	Other assets
ASSETS									
10. Cash and cash equivalents	1	1							
20. Financial assets held for trading	933			665		268			
30. Financial assets at fair value	220			220					
40. Financial assets available for sale	9,573			9,573					
50. Financial assets held to maturity	41,996			41,996					
60. Loans to banks	31,694	17,592	13,952	150					
70. Loans to customers	262,845	159,105	94,389	9,351					
80. Hedging derivatives	1,119					1,119			
100. Equity investments	18,072				18,072				
110. Reinsurers' share of technical provisions	550							550	
120. Property, plant and equipment	34,870						34,870		
130. Intangible assets	7,907						7,907		
140. Tax assets	2,059								2,059
150. Non current assets and disposal groups held for sale	24								24
160. Other assets	9,776								9,776
Total assets	**421,639**	**176,698**	**108,341**	**61,955**	**18,072**	**1,387**	**42,777**	**550**	**11,859**

CDP Group Balance sheet – Liabilities and equity

(millions of euros) LIABILITIES AND EQUITY	30 June 2016	Funding	Liabilities held for trading and hedging derivatives	Technical reserves	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Equity
10. Due to banks	21,176	21,176					
20. Due to customers	317,604	317,604					
30. Securities issued	30,007	30,007					
40. Financial liabilities held for trading	274		274				
60. Hedging derivatives	1,497		1,497				
70. Adjustment of financial liabilities hedged generically	39				39		
80. Tax liabilities	3,907					3,907	
90. Liabilities associated with disposal groups held for sale	6				6		
100. Other liabilities	7,901				7,901		
110. Staff severance pay	232					232	
120. Provisions	2,753					2,753	
130. Technical provisions	2,954			2,954			
140. Valuation reserves	2,110						2,110
170. Reserves	13,750						13,750
190. Share capital	3,500						3,500
200. Treasury shares	(57)						(57)
210. Non-controlling interests	13,974						13,974
220. Net income (loss) for the period	12						12
Total liabilities and equity	**421,639**	**368,787**	**1,771**	**2,954**	**7,946**	**6,892**	**33,289**

CDP Group Income Statement

(millions of euros)	30 June 2016	Net interest income	Gains (losses) on equity investments	Net commission income	Other net revenues	Gross income	Profit (loss) on insurance operations	Profit (loss) on banking and insurance operations	Net writedowns	Administrative expenses	Other operating income (expenses)	Operating income	Net provisions and other	Net adjustments of PPE and intangible assets	Taxes	Income for the period
INCOME STATEMENT																
10. Interest income and similar revenues	3,509	3,509				3,509		3,509				3,509				3,509
20. Interest expense and similar charges	(2,486)	(2,486)				(2,486)		(2,486)				(2,486)				(2,486)
40. Commission income	63			63		63		63				63				63
50. Commission expense	(829)			(829)		(829)		(829)				(829)				(829)
70. Dividends and similar revenues	-		-			-		-				-				-
80. Net gain (loss) on trading activities	62				62	62		62				62				62
90. Net gain (loss) on hedging activities	(14)				(14)	(14)		(14)				(14)				(14)
100. Gains (losses) on disposal or repurchase	30				30	30		30				30				30
120. Net gain (loss) on financial assets and liabilities carried at fair value	2				2	2		2				2				2
130. Writedowns for impairment	(46)								(46)			(46)				(46)
150. Net premium income	52						52	52				52				52
160. Other net profit (loss) on insurance operations	64						64	64				64				64
180. Administrative expenses	(3,075)									(3,075)		(3,075)				(3,075)
190. Net provisions	(12)												(12)			(12)
200. Net adjustments of property, plant and equipment	(666)													(666)		(666)
210. Net adjustments of intangible assets	(233)													(233)		(233)
220. Other operating income (costs)	5,131										5,131	5,131				5,131
240. Gains (losses) on equity investments	(350)		(350)			(350)		(350)				(350)				(350)
270. Gains (losses) on disposal of investments	-															-
290. Income tax for the period on continuing operations	(567)														(567)	(567)
320. Profit (loss) for the period	**635**	**1,023**	**(350)**	**(766)**	**80**	**(13)**	**116**	**103**	**(46)**	**(3,075)**	**5,131**	**2,113**	**(12)**	**(899)**	**(567)**	**635**
330. Profit (loss) for the period pertaining to non-controlling interests	623															623
340. Profit (loss) for the period pertaining to shareholders of the parent company	**12**															**12**

REPORT OF THE INDEPENDENT AUDITORS

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REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

To the Shareholders of
Cassa Depositi e Prestiti SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Cassa Depositi e Prestiti SpA and its subsidiaries (the Cassa Depositi e Prestiti Group) as of 30 June 2016, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. The directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34, applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution no. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Cassa Depositi e Prestiti Group as of 30 June 2016 are not prepared, in all material respects, in accordance with International

PricewaterhouseCoopers SpA

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Accounting Standard 34 applicable to interim financial reporting (IAS 34), as adopted by the European Union.

Rome, 5 August 2016

PricewaterhouseCoopers SpA

Signed by

Lorenzo Pini Prato
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

CERTIFICATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS ITALIAN LEGISLATIVE DECREE 58/98

1. The undersigned Fabio Gallia, in his capacity as Chief Executive Officer, and Fabrizio Palermo, in his capacity as the Financial Reporting Manager of Cassa Depositi e Prestiti S.p.A., hereby certify, taking account of the provisions of Article 154-bis.3 and 4, of Legislative Decree 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company and
   - the effective adoption

of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements at 30 June 2016 over the first half of 2016.

2. The assessment of the appropriateness of the administrative and accounting procedures followed in preparing the condensed consolidated interim financial statements at 30 June 2016 was based on a process developed by Cassa Depositi e Prestiti S.p.A. in line with the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at the international level;
3. In the first half of 2016, the Financial Reporting Manager of Cassa Depositi e Prestiti S.p.A. assessed the adequacy and effective adoption of existing administrative and accounting procedures, with reference to the internal control system for financial reporting.
4. In addition, we certify that:

   4.1 the condensed consolidated interim financial statements at 30 June 2016:
      a. have been prepared in compliance with the international accounting standards adopted in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b. correspond to the information in the books and other accounting records;
      c. provide a true and fair representation of the performance and financial position of the issuer and the companies included in the scope of consolidation;

   4.2 The interim report on operations contains a reliable analysis of the key events occurring in the first half of the financial year and their impact on the condensed consolidated interim financial statements, together with a description of the main risks and uncertainties affecting the second half of the financial year.

Rome, 5 August 2016

Chief Executive Officer	Financial Reporting Manager
Fabio Gallia	Fabrizio Palermo