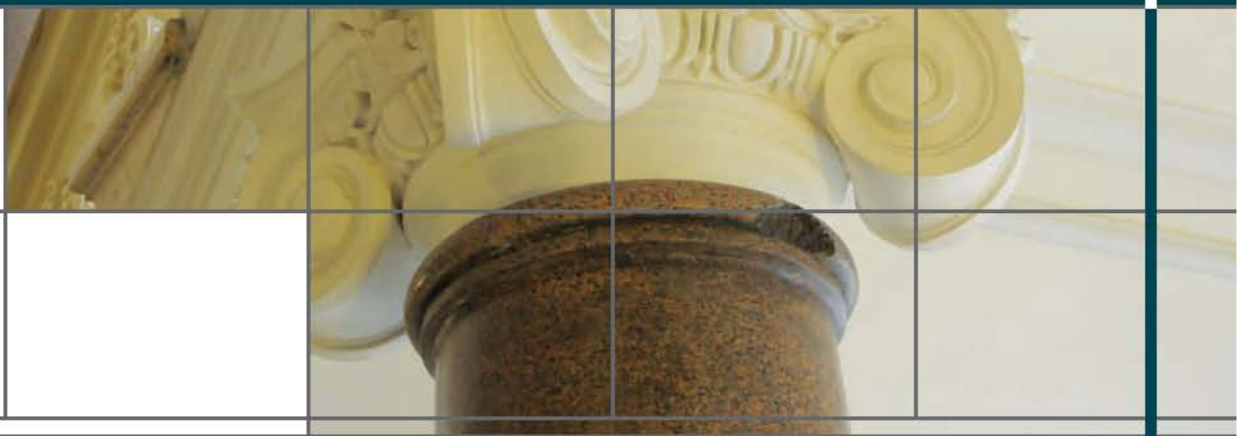
Cassa depositi e prestiti

CDP GROUP
Interim Consolidated Financial Report

at 30 June 2010



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

Interim consolidated financial report at 30 June 2010

Cassa depositi e prestiti S.p.A.
parent company of the CDP Group

REGISTERED OFFICE

ROME – Via Goito, 4

COMPANY REGISTER OF ROME

Entered in Company Register of Rome no. 80199230584

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

SHARE CAPITAL

Share capital € 3,500,000,000.00 fully paid up

Tax code 80199230584 – VAT registration no. 07756511007

CONTENTS

INTERIM REPORT ON GROUP OPERATIONS

REPORT OF THE INDEPENDENT AUDITORS

CERTIFICATION pursuant to Article 154-bis of Legislative Decree 58/98

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- CONSOLIDATED BALANCE SHEET
- CONSOLIDATED INCOME STATEMENT
- STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
- STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
- CONSOLIDATED CASH FLOW STATEMENT
- NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM REPORT
ON
GROUP OPERATIONS

CONTENTS OF THE INTERIM REPORT ON GROUP OPERATIONS

PRESENTATION OF THE GROUP 8

1.1 INTRODUCTION 8

1.2 THE CDP GROUP 9
1.2.1 Cassa depositi e prestiti S.p.A. 9
1.2.2 CDP Investimenti SGR S.p.A. 10
1.2.3 Terna Group 10

1.3 THE ROLE AND MISSION OF THE CDP GROUP COMPANIES 11
1.3.1 CDP's mission 11
1.3.2 CDPI SGR's mission 11
1.3.3 The TERNA Group's mission 12

1.4 STRUCTURE OF THE CDP GROUP 14
1.4.1 Structure of CDP 14
1.4.2 Structure of CDPI SGR 15
1.4.3 Structure of the TERNA Group 15

2. THE MARKET 16

2.1 THE MACROECONOMIC SITUATION 16

2.2 THE FINANCIAL MARKET AND RATES 17

2.3 THE CDP GROUP'S REFERENCE MARKET AND ACTIVITIES 19
2.3.1 CDP's reference market and activities 19
2.3.2 CDPI SGR's reference market and activities 19
2.3.3 THE TERNA GROUP'S reference market and activities 20

3 CONSOLIDATED FINANCIAL POSITION AND PERFORMANCE 28

3.1 RECLASSIFIED CONSOLIDATED BALANCE SHEET 28

3.2 RECLASSIFIED CONSOLIDATED INCOME STATEMENT 34

3.3 RECONCILIATION OF EQUITY AND NET INCOME OF THE PARENT COMPANY AND CONSOLIDATED EQUITY AND NET INCOME 36

4. RISK MANAGEMENT 37

4.1 MONITORING RISK IN THE CDP GROUP 37
4.1.1 Monitoring risk in CDP 37
4.1.2 Monitoring risk in CDPI SGR 37

4.1.3 Monitoring risk in the TERNA Group 37

5. OUTLOOK FOR 2010 41

5.1 THE OUTLOOK FOR THE CDP GROUP 41
5.1.1 The outlook for CDP 41
5.1.2 The outlook for CDPI SGR 41
5.1.3 The outlook for the TERNA Group 42

PRESENTATION OF THE GROUP

1.1 INTRODUCTION

The interim report on operations and the condensed interim consolidated financial statements contained here have been prepared as the result of the determination that CDP S.p.A. exercises de facto control over Terna S.p.A. and exercises statutory control over CDP Investimenti Società di Gestione del Risparmio S.p.A. (CDPI SGR).

These circumstances require Cassa depositi e prestiti S.p.A. (CDP) to prepare consolidated financial statements in addition to its separate financial statements. The consolidated financial statements are prepared using the formats established in Bank of Italy circular 262 of 22 December 2005 as updated, consolidating the assets, liabilities, costs and revenues of the Terna Group and CDPI SGR on a line-by-line basis, even though they use different formats for their own financial statements that are more appropriate for representing their specific operations. In particular, Terna uses the formats called for under the applicable accounting standards for non-financial companies.

In order to harmonise the data for consolidation purposes, Terna and CDPI SGR were asked to reclassify their financial statements on the basis of the formats established by the Bank of Italy for banks, which have already been adopted by CDP.

In order to ease the understanding of the CDP Group's results for the period, the analysis of the consolidated balance sheet and income statement uses the statements reclassified based on operational criteria.
The representation of operations obtained, while formally correct, reflects the consolidation in a single document of data on assets, liabilities and performance of companies, as in the case of Terna and CDP, whose activities are completely different. Therefore, the reader should refer to the relevant individual separate financial statements for more information.

1.2 THE CDP GROUP

At 30 June 2010, the CDP Group is composed of the parent company CDP S.p.A., CDP Investimenti SGR S.p.A., Terna S.p.A. and the other subsidiaries and associates.

PARENT COMPANY

	Registered office
Cassa depositi e prestiti S.p.A.	Rome

CONSOLIDATED COMPANIES

	Registered office	Investor	% holding	Method of consolidation
CDP Investimenti SGR S.p.A.	Rome	CDP S.p.A.	70.0%	line-by-line
Terna S.p.A.	Rome	CDP S.p.A.	29.9%	line-by-line
SunTergrid S.p.A.	Rome	Terna S.p.A.	100.0%	line-by-line
TELAT S.r.l.	Rome	Terna S.p.A.	100.0%	line-by-line
Rete Rinnovabile S.r.l. (RTR)	Rome	SunTergrid S.p.A.	100.0%	line-by-line
Rete Solare S.r.l. (RTS)	Rome	SunTergrid S.p.A.	100.0%	line-by-line
Elmed Etudes S.àr.l.	Tunis	Terna S.p.A.	50.0%	equity
Cesi S.p.A.	Milan	Terna S.p.A.	30.9%	equity
Galaxy S.àr.l. SICAR	Luxembourg	CDP S.p.A.	40.0%	equity
Europrogetti & Finanza S.p.A. in liquidation	Rome	CDP S.p.A.	31.8%	equity
Poste Italiane S.p.A. *	Rome	CDP S.p.A.	35.0%	equity
STMicroelectronics Holding N.V. *	Amsterdam	CDP S.p.A.	50.0%	equity

** Investment accounted for using equity method but reclassified at 30 June 2010 to "Non-current assets and disposal groups held for sale".*

Compared with 31 December 2009, the scope of consolidation has changed as follows:

- on 18 May 2010 Rete Solare S.r.l. (RTS S.r.l.) was formed by the subsidiary SunTergrid S.p.A. with share capital of €10,000;
- on 30 June 2010 CDP's Board of Directors authorised the sale of its stakes in ST Holding and in Poste Italiane and the subsequent reclassification of these investments under "Non-current assets and disposal groups held for sale" based on their carrying amounts at such date.

1.2.1 Cassa depositi e prestiti S.p.A.

For more information on the portfolio of equity investments held by CDP, please see the separate report and financial statements.

1.2.2 CDP Investimenti SGR S.p.A.

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

The company, which in January 2010 received Bank of Italy authorisation to engage in collective asset management, seeks to create a new platform for the launch of real estate investment funds, with a view to expanding residential housing.

In the first half of 2010, the Bank of Italy approved the rules of its first closed-end real estate investment fund reserved for qualified investors called "Fondo Investimenti per l'Abitare".

CDPI SGR held no equity investments at 30 June 2010.

1.2.3 Terna Group

On 15 September 2005 CDP acquired 29.9% of Terna S.p.A.
Following the acquisition, CDP determined that it exercised de facto control over Terna pursuant to Article 2359, paragraphs 1 and 2, of the Italian Civil Code, as cited in Article 93 of the Consolidated Law on Financial Intermediation.

The analysis conducted by CDP that showed that control was ongoing and not determined by contingent or occasional circumstances examined the following elements:

a) the composition and degree of fragmentation of the shareholder base;
b) developments in especially important shareholders' meetings;
c) the composition of the Board of Directors.

Terna S.p.A. is parent company of the Terna Group described in more detail below.

1.3 THE ROLE AND MISSION OF THE CDP GROUP COMPANIES

1.3.1 CDP's mission

For more information on the role and mission of CDP in addition to its corporate profile, please see the separate report and financial statements.

1.3.2 CDPI SGR's mission

CDPI SGR's mission is to promote the development of financially sustainable private social housing projects, through the creation of a platform for the launch of real estate investment funds. Meeting the social interest requirements set out in the national residential building plan (the "Housing Plan" established under Decree Law 112/2008, ratified with Law 133/2008), the objective of those funds is therefore to help expand the supply of social housing leased at controlled rents or sold at facilitated prices.

The first initiative was aimed at expanding the supply of residential housing in Italy through the promotion, establishment and management of the closed-end real estate investment fund reserved for qualified investors called “Fondo Investimenti per l’Abitare”. In the first few months of 2010, the Bank of Italy approved the rules for the fund, which will invest its assets in real estate investment funds and local initiatives.

The funding target of Fondo Investimenti per l’Abitare, which will operate throughout Italy, is around €2 billion, with a maturity of 30 years, the first 5 of which comprise the investment period. The fund will invest solely in real estate using two different approaches:

a. primary investment category, aimed at acquiring minority stakes in collective investment undertakings and real estate companies, with a limit of up to 40% of the share capital/assets of the vehicle;
b. direct investment: up to 10% of the subscribed amount of Fondo Investimenti per l’Abitare can be used to invest in real estate and rights in real property, shares or units in collective investment undertakings or other real estate vehicles beyond the 40% ceiling on the share capital/assets of the vehicle.

To start its operations, CDPI SGR will participate in the tender to be held by the Ministry for Infrastructure and Transportation to select asset management companies to manage the Italian closed-end real estate investment funds to be formed in accordance with Article 11 of the National Housing Plan, pursuant to the Prime Minister's Order of 16 July 2009. Specifically, the government will make a total of €140 million available in 2 lots of €70 million each. If both lots are awarded to the same asset management company, a single fund will be formed to use the entire amount available. To this end, the company has begun the preliminary work required to prepare the tender documentation.

At 30 June 2010, the shareholders of CDPI SGR were unchanged from 2009 and were as follows:

- CDP, with 70%;
- ABI, with 15%;
- ACRI, with 15%.

1.3.3 The TERNA Group's mission

Terna – Rete Elettrica Nazionale S.p.A. is a major operator of electricity transmission grids. It is the operator and the main owner of the high-voltage National Transmission Grid (NTG), with more than 98% of national infrastructure.
It is also the company responsible for the transmission and dispatching of electricity on the high and very-high-voltage grid in Italy and, as such, it is charged with safely balancing electricity supply and demand. The company is also responsible for planning, developing and maintaining the NTG.

The current structure is the result of the unification of ownership and operation of the NTG in November 2005, pursuant to the Prime Minister's Order of 11 May 2004. Since 1 April 2009, with the acquisition of the assets of Enel Alta Tensione, Terna has become the largest independent system operator in Europe and seventh in the world.

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

Terna Group operations

Terna is an international group: it has consolidated its position at the world level and is one of the leading players in the sector, the second-largest independent system operator in Europe after France and seventh in the world in terms of strategic assets.
The Terna Group operates in the electricity transmission sector in Italy, provides consulting services abroad to other grid operators and evaluates development opportunities in other countries, compatibly with its own activities and with a focus on the quality of the services offered and financial efficiency.

Terna is also a member of the Union for the Co-ordination of Transmission of Electricity (UCTE), one of the most important associations in this sector in the world, which coordinates electricity transmission in continental Europe. The members of the UCTE include 36 grid operators from 23 European countries, who come together with the objective of guaranteeing the security of the interconnected electricity systems.

The companies of the Terna Group

At 30 June 2010 the Terna Group included the following fully consolidated companies:

- SunTergrid S.p.A. (formerly International S.p.A.) and Telat S.r.l., directly controlled by Terna S.p.A. with a stake of 100%;
- Rete Rinnovabile S.r.l. (RTR S.r.l.) and Rete Solare Srl (RTS S.r.l.), Italian companies indirectly controlled through SunTergrid S.p.A., with a stake of 100%.

The Group's scope of consolidation also includes the associated company Cesi S.p.A. (in which Terna has a 30.91% holding) and the joint venture Elmed Etudes S.àr.l. (50%), both accounted for using the equity method.

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

SUNTERGRID S.p.A.

In order to make most effective use of its resources and maximize returns on its assets, Terna designated its subsidiary InTERNAtional S.p.A. (renamed SunTergrid S.p.A.) to build and manage photovoltaic systems on sites where no installations exist, adjacent to transformation stations leased by Terna S.p.A..
The company’s purpose includes the construction and maintenance of networks, as well as of power generation plants – including renewable energy – for self-consumption or sale, both in Italy and abroad.

RETE RINNOVABILE S.r.l.

With effect from 1 February 2010, SunTergrid transferred to its subsidiary RTR the business unit consisting of existing plants for generating power from renewable resources, as well as those currently under construction, and all activities and contractual relationships pertaining to the planning, construction, management, development and maintenance of these plants.

RETE SOLARE S.r.l.
The company works in the design, construction, management, development and maintenance of networks and other related infrastructures, plants and equipment for the transmission and dispatching of electricity and other segments of the energy or similar or related sectors, as well as of power generation plants – including renewable energy – for self-consumption or sale.

TELAT S.r.l.
The company's corporate purpose involves the design, construction, management, development, operation and maintenance of high-voltage power lines.

CESI S.p.A.
CESI S.p.A. builds and manages labs and systems for testing, inspection and research regarding electrical technology in general, as well as technical and scientific progress in that field.

ELMED ETUDES S.àr.l.
The Tunisian limited company Elmed Études S.àr.l. is a joint venture between Terna S.p.A. and Société Tunisienne de l'Electricité et du Gaz (STEG). The company is involved in the study and preliminary consulting concerning the preparation of documents for the Tunisian government's call for tenders for the construction and management of the power generation hub in Tunisia for the Italy-Tunisia interconnection project.

1.4 STRUCTURE OF THE CDP GROUP

1.4.1 Structure of CDP

For information on the organizational structure of CDP, please see the separate report and financial statements.

1.4.2 Structure of CDPI SGR

At 30 June 2010 CDPI SGR had six employees: one senior manager, three middle managers[1] and two office workers.

With regard to internal controls, the company established an organizational structure designed to identify, measure, monitor and control the risks associated with its activity, both with the implementation of specific control activities and with the engagement of outsourcers.

In the first half of 2010, the company also completed preparation of its corporate procedures manual, a project begun in 2009. The manual offers an integrated set of procedures governing all processes for providing investment management services and the company's operations.

1.4.3 Structure of the TERNA Group

No changes were made to the Terna Group's internal corporate structure in the first half of 2010.
In the Transmission area, a new "Connections and Special Projects" unit has been established to deal with rapidly growing demand to connect generators from renewable energy sources to the NTG. Since these generators are concentrated in Southern Italy, an ad hoc unit has been established to serve them within the local structure of the Plant Maintenance Department that operates in the southern Italian regions.

At 30 June 2010, the parent company Terna had 3,481 employees (3,447 at 31 December 2009. Also at that date, Telat, SunTergrid, RTR and RTS had no employees.

Data for both periods do not include terminations with effect from 30 June 2010 and 31 December 2009, respectively.

[1] Of which, one seconded to CDPI SGR S.p.A. by CDP S.p.A..

2. THE MARKET

2.1 THE MACROECONOMIC SITUATION

During the first half of 2010, the global economy continued along the road to recovery. The increase in industrial production, which was initially concentrated in the developing countries, also involved the more advanced economies, and the volume of global trade continued to expand. Nonetheless, the persistence of unemployment and signs of deflation remain causes for concern. Indeed, the output gap[2] remains at fairly high levels, particularly in the developing countries.

According to forecasts, the global economy is expected to resume growing. In 2010, real GDP should grow at a fairly rapid pace, with forecasts falling within a range of 2.7% to 4.2%. GDP growth in the more advanced economies[3] is expected to be between 1.8% and 2.3%, whereas that in the developing countries[4] should be between 5.2% and 6.3%.[5]

Nevertheless, the pace of recovery will differ. The high-income countries, which were hit hardest by the recent crisis, are expected to grow relatively slowly. In the first quarter of this year, despite the effects of substantial fiscal stimulus measures, the economies of the United States, Japan, Germany and France grew by just 0.7%, 1.2%, 0.2% and 0.1%, respectively.[6]

Uncertainty will continue to characterise the emergence from recession. The withdrawal of stimulus measures and the completion of the inventory cycle could slow the recovery towards the end of the year.

Furthermore, it is not yet clear in the short term how private sector demand will respond to the expansionary monetary and fiscal policies. On the one hand, the

---

[2] See World Bank, *Global Economic Prospects: Crisis, Finance and Growth*, 2010, pp 1-3. The output gap is the difference between real and potential GDP. Potential GDP is the output that would be achieved if an economy's entire production capacity were being used.
[3] Euro area, Japan and the United States.
[4] Eastern and Pacific Asia, eastern Europe and central Asia, Latin America, the Middle East and northern Africa, southern Asia, and sub-Saharan Africa.
[5] See International Monetary Fund, *World Economic Outlook: Rebalancing Growth*, April 2010, Table 1.1, p 2; World Bank, op. cit., Table O.1, p 3. The ranges of fluctuation vary depending on the forecast.
[6] Estimated rates of seasonally adjusted growth in real GDP. Source: OECD, *Quarterly National Accounts*.

response could be weaker than expected, with the possible crowding out of private investment. On the other, the markets punish the growing levels of public debt, while monetary policy could generate inflationary pressures.

As for the Italian economy, following a slight contraction in GDP towards the end of 2009, there was a modest recovery in the first quarter of 2010, with real growth of 0.4%, just below the OECD average of 0.6% but greater than the average of 0.2% for the euro area.

During the quarter, industrial production displayed some signs of buoyancy, posting real growth of 1.4%, although this was below the average of 2.7% for advanced countries.
Private-sector consumption remained unchanged, but still outperformed the average for the euro area as a whole, where consumption declined by 0.1%.[7] It is clear that the performance of private consumption has been affected by the deterioration of consumer confidence, which, in turn, has likely been influenced by concerns about the state of the economy and the outlook for employment.

Factors that continue to weigh on the Italian economy include the drop in the number of persons in employment, the contraction in disposable income and in the propensity of businesses to invest, which has been adversely influenced by declining profits and low capacity usage rates. In addition, although accelerating in the first part of 2010, exports have not been growing strongly enough to support economic growth.[8]

2.2 THE FINANCIAL MARKET AND RATES

The consequences of the global financial bubble that burst in 2008 – which include the credit market freeze, the collapse in stock prices, the inversion of capital flows, and the decline in exchange rates – appear to have been overcome.

The stock markets in the high-income countries and in the emerging economies have recovered about half of the ground they lost during the crisis.
Interbank rates have returned to normal levels. The spread between the pricing of commercial loans and central bank financing has narrowed from 365 basis points at the height of the crisis to less than 15 basis points. At the same time, the premium on sovereign rates in developing countries has decreased from over

[7] Source: OECD, *Key Short-Term Indicators*.
[8] Bank of Italy, *Bollettino Economico*, April 2010, p 6.

800 basis points to just under 300. At the same time, the volatility of stock markets has also diminished.[9]

Overall, the recovery in lending will begin slowly and vary in strength depending on the markets concerned.

During the first part of the year, credit risk in the private sector diminished. Writedowns of securities held by banks fell from $2.8 trillion to $2.3 trillion. However, the aggregate capital needs of the banking system remain high, particularly in those countries whose banking systems have a greater exposure to the real estate industry. Commercial banks in the United States, Germany, the United Kingdom and Spain, in particular, could still post losses. In addition, strains associated with sovereign risk have not entirely dissipated, as Greece has shown. Thus, the international financial system still appears to be far from achieving full stability.[10]

In Italy, lending to the private sector was essentially unchanged in the first part of the year compared with the previous year. This was the net effect of a moderate rise in household lending (4.4%), particularly home purchase loans, offset by a contraction in lending to non-financial companies (-3.9%).
In general, interest rates on new bank loans have fallen slightly. The rate on short-term loans to firms was 3.8%, while that on fixed-rate mortgage loans to households was 4.6% and that on floating-rate loans was 2.2%. Despite the overall easing of credit conditions, difficulties in accessing credit persisted, particularly for businesses.[11]

Credit quality remains especially low. During the first two months of 2010, exposure to bad debts increased over the previous year, while total bank funding expanded only modestly, by 2.3%. These factors did not help to improve the overall profitability of banks.[12]

As for the stock markets, during the first part of the year, the general index of the Italian stock exchange, after an initial decline, was essentially unchanged, as were the yield spreads between investment-grade bonds issued by Italian non-financial corporations and government securities.[13] Finally, the yield spread between ten-year Italian government securities and the corresponding German

[9] World Bank, op. cit., pp 1-18.
[10] See International Monetary Fund, *Global Financial Stability Report: Meeting New Challenges to Stability and Building a Safer System*, April 2010, pp 1-17.
[11] Bank of Italy, op. cit., pp 34-37.
[12] Ibid., pp 37-38.
[13] Ibid., pp 38-40.

securities increased by about 70 basis points between the end of 2009 and the average rate for June 2010, likely due to market strains that emerged as a result of the crisis in Greece.

2.3 THE CDP GROUP'S REFERENCE MARKET AND ACTIVITIES

2.3.1 CDP's reference market and activities

For more information on the CDP's reference market and activities in the first half of 2010, please see the separate report and financial statements.

2.3.2 CDPI SGR's reference market and activities

CDPI SGR operates in the residential building sector, and in particular the private social housing sector (PSH). This involves finding housing for a different category of persons than that covered by the public housing (PH) sector, using new financing models, involving other players and introducing housing policies employing innovative criteria and methods.

The introduction of PSH marks the shift from residential building programmes sponsored largely by national and/or local governmental and public agencies (featuring controlled rental rates and PH districts) to a method that, inviting the use of private capital, fits with the transformation of urban settings to accommodate different mixes of uses and aimed at a different category of user.
Therefore, PSH programmes will mainly seek to expand the range of available housing in the subsidised rental market and housing for sale to certain social groups, currently ineligible for PH and also unable to pay market prices.
Higher prices in the residential building sector and lower household purchasing power have increased the need for rental housing and housing for purchase at controlled prices for persons who, although solvent, cannot meet market prices.

In this segment, one of the most commonly adopted tools for undertaking such initiatives in Italy has recently been the closed-end real estate investment fund. Therefore, Fondo Investimenti per l'Abitare seeks to invest in local PSH initiatives. The Fund will help create a supply of rental housing at controlled rates in high density areas, establishing clear rules for the management of the projects and investing only in projects that are economically and financially sustainable and within the capacities of local planners.

2.3.3 THE TERNA GROUP'S reference market and activities

Total capital expenditure by the Terna Group during the first half of 2010 amounted to €486 million (of which €462 million for property, plant and equipment), up 29.7% compared with the same period in 2009, mainly associated with the National Transmission Grid.

As regards the NTG at the date of this interim report, the plants in Ragusa and Rosara are operational, while the authorisation process is under way for the other projects (more than 70), which are at various stages of progress and construction. Overall, investment is expected to exceed €300 million during the year.

ELECTRICITY DEMAND IN ITALY

According to provisional data, the demand for electricity during the first half of 2010 amounted to 159,907 GWh, up by 1.9% with respect to the same period in 2009.

Comparison of the results for the first half of 2010 with the data for the prior year on a constant calendar and temperature basis involves considering a number of factors. First, the calendar was different: the first half of 2010 included 125 working days, one more than in the corresponding period of 2009. Secondly, climatic conditions were different: on average the first quarter of 2010 was warmer than the same period in 2009, while June was cooler than the previous year. The overall average effect of temperature was therefore to reduce the demand for electricity during the first half of 2010. Adjusting for these calendar and temperature effects, the demand for electricity actually rose by 2.0%.

ELECTRICITY GENERATION

According to provisional data, net domestic production during the first half of 2010 (see the table below) was 2.8% higher than in the same period of last year. Analysing the data for production, net of ancillary services, by the principal sources reveals a 7.6% rise in thermoelectric generation compared with the first half of 2009.

Hydroelectric generation was significantly lower the first half of 2010, compared with the same period in 2009, with a fall of 15.9% net of ancillary services.

Net production from renewable wind, solar and geothermal energy sources continued to rise strongly compared with 2009, climbing by 18.9% overall.

DISPATCHING AND SALES

Electricity business

Electricity demand in the first half peaked at 52,164 MW on 26 January 2010, up 3.9% on the peak in January 2009, which was also the peak for the first half of 2009. Peak daily demand was 1,026,383 GWh on 30 June 2010 (+4.4% compared with the year-earlier period).

Coverage of demand

The maintenance forecasting and coordination procedures adopted by Terna, together with the entry into service of new generation plants, ensured that demand in the first half of 2010 was covered with an adequate margin of reserve.

In line with expectations, coverage margins for Sicily and Sardinia were slim, owing to structural deficiencies in both power generation and interconnection capacity with the mainland.

On the whole, the critical points of electrical system management, expected to be on the islands, were encountered in actual operations, thereby confirming the problem of covering demand with adequate reserve margins and thus ensuring the continuity of electricity supply.

With regard to foreign trade, the average hourly price differential between the Italian electricity market and those of France and Germany in the first six months of 2010 was about 28% lower (€18/MWh vs €25/MWh) than the same period of 2009. This price trend caused a decrease in the net balance of energy imports of about 1.5 TWh compared with the corresponding period of 2009.

Provisioning of dispatching resources

Terna operated in the dispatching services market during the scheduling phase, which takes place on the day prior to that of the actual flow, buying about 2.7 TWh of energy and selling 8.1 TWh, with a net outlay of €279 million. Volumes bought and sold in relation to the real-time equalisation phase through April came to 2.2 TWh and 2.7 TWh, respectively, with a net charge of €122 million.

After the real-time phase, Terna verifies the proper execution of commercial obligations by the market participants, both in terms of generation and demand. To that end, measurements at each point of input and withdrawal are taken with help from the distributors, and the differences with respect to the established schedules are calculated. These differences (imbalances) are measured using algorithms established by the regulatory framework. The net charge resulting from the measurement of these imbalances and of the buying and selling

transactions carried out by Terna in the dispatching services market are billed on a pro rata basis to each consumer via the uplift fee.
As established in AEEG Decisions 111/06 and 314/06, commencing from January 2007 this fee is determined by Terna during the first month of each quarter, based on the forecast charges and withdrawals for the quarter concerned. This calculation includes the differences between estimate and actual for the previous quarter, as well as the balance deriving from the settlement of the transport capacity usage fee (CCT), the hedges against volatility in the transport capacity usage fee (CCC), the transport capacity interconnection fee (DCT) and the virtual import service.

Interconnectors and shippers

Two selection procedures were organised during December 2009 in implementation of Law 99/2009 and Resolution ARG/elt 179/09, under which Terna selects the parties willing to finance the infrastructure for international interconnection in the form of interconnectors and, commencing on 1 January 2010, makes it possible to obtain the economic benefit deriving from the import of energy from abroad via assignment of the virtual import service (shipping): the first procedure involved the selection of parties to finance the interconnectors and the second involved selection of the shippers.
The first procedure ended on 15 December 2009, with the assignment of 2,000 MW across the various borders:

- 500 MW France – 35 parties selected;
- 700 MW Switzerland – 24 parties selected;
- 500 MW Slovenia – 11 parties selected;
- 300 MW Austria – 4 parties selected.

The second procedure ended on 28 December 2009. This was carried out pursuant to Decision 179/09, in which the Authority defined the transitional arrangements and related fees for the performance, following the award of a contract for the planning and design of interconnectors until they enter into service and, in any case, for a period of not more than six years, of any contracts for the sourcing of electricity abroad to be supplied to the withdrawal points of final consumers selected pursuant to Article 32.6 of Law 99/09. These transitional arrangements envisage the introduction of a virtual import service carried out by one or more “shippers” selected each year at auctions held by Terna. The shippers agree to make available on the Italian market (Energy Account Platform), to applicants who demonstrate that they have entered into contracts for the sourcing of electricity abroad, a quantity of energy corresponding to that made available abroad to the shippers by the selected parties and, in any case, not more than that corresponding to the transport capacity covered by the planning and design contract signed with Terna by the selected parties concerned.

Subsequently, Decree Law 3 of 25 January 2010, ratified with amendments with Law 41 of 22 March 2010 provided for an increase of up to 500 MW in the capacity to be assigned as an interconnector. Terna set the new interconnection capacity at 500 MW for a connection project with Austria. In April 2010, Terna commenced the procedures for assigning these blocks of financing, giving priority – as established in the above decree – to those parties who make binding commitments to make available incremental resources, by 31 March 2011, for the instantaneous reduction of their drawings from the grid.

Service quality, unsupplied energy and other service issues

In the first six months of 2010, Energy Not Supplied (ENS) by the NTG was about 632 MWh, net of interruptions allowed for under the terms of Terna supply agreements.

In conclusion, the three key indexes of service quality and performance for Terna's NTG systems, as calculated in accordance with AEEG Resolution no. 250/04 and Terna's Grid Code, are summarised below:

- AIT (Average Interruption Time attributable to Terna) = 0.64 min./period; National annual target = 1.00 min./year
- SAIFI + MAIFI (System and Momentary Average Interruption Frequency indexes per user directly connected to the Terna NTG, attributable to Terna) = 0.06; Annual national target = 0.22
- ENS (Energy Not Supplied attributable to Terna) = 383 MWh; Annual national target = 550 MWh
- ASA (Average System Availability of Terna network elements) = 99.61%; Annual national target = 99.05%.

NATIONAL TRANSMISSION GRID

The number of plants belonging to the Terna Group at 30 June 2010 and 31 December 2009 is shown in the following table:

	Terna Group		
	30/06/2010	**31/12/2009**	**Change**
No. of stations	391	383	8
No. of transformers	619	620	-1
MVA	121,916	121,501	415
No. of bays	4,564	4,537	27
Lines - *km*	56,701	56,691	10
No. of 3-phase power lines	3,905	3,891	14
km	62,599	62,503	96

Stations

The main changes involved the activation of 8 new stations, including 2 at 380 kV (Turano, S. Severo) and 6 at 150 kV (Fenis, Castelnuovo, Cianfurro, Scampitella, Castel di Lucio, Sambuca).

Transformers

With regard to transformers:

- 4 220 kV transformers (720 MVA in total) were replaced with 3 380 kV transformers (750 MVA in total) at the Casellina and Brindisi Pignicelle stations;
- a further 380 kV transformer (400 MVA) was activated at the Calenzano station.

Power lines

The principal changes related to activation of the following new lines: Nave - S. Massenza 132 kV (for Terna, the parent company), Monselice - Este Nuova 132 kV and Mulini - Quattro Venti 150 kV (for the Telat subsidiary), totalling about 100 km.

Data for the power lines of the Terna and the subsidiary takes account of the intragroup transfer from Telat to Terna during the period of 32 lines totalling 381 km.

Development plan

On 29 January 2010, as required by the Ministerial Decree of 20 April 2005, the 2010 Development Plan was sent to the competent Authorities for approval.

The 2010 Development Plan was approved by the Terna Board of Directors on 16 December 2009, having already been favourably received by the Users'

Consultative Committee[14] (which approved the new development initiatives included in the Plan on 31 October and the Plan in its entirety on 25 November 2009).
The latest version of the Development Plan takes account of the instructions that the Ministry for Economic Development attached to its Final Approval of the 2009 Development Plan. [15]

The 2010 Development Plan follows the structure of the previous year's version and is divided into two sections: 2010 Development Plan – Section I, which contains the new development requirements that emerged during 2009 (pursuant to Legislative Decree 152/06, this section is subject to a Strategic Environmental Assessment (SEA), which commenced on 2 October 2009); and Progress of prior plans – Section II, which describes the progress made on the work envisaged in the Development Plans approved previously that has been confirmed in the current Plan.
Specifically, the first section of the plan emphasises the development of the European transmission network. In fact, the European Commission has identified a need for coordinated planning in the development of a European network in order to ensure that transmission capacity keeps pace with demand and that national electricity markets are integrated.
The European Development Plan (2010 version) was prepared as part of the ENTSO-E project,[16] in which Terna is directly involved in the following regional forums: Continental Central South (for which Terna is coordinator and member) and Continental South East (member only).
The 2010 Development Plan envisages investment of about €3.1 billion in the period 2010-2014 (in line with the previous Development Plan) and €3.8 billion in the following 5 years; implementation of the Development Plan will add about 4,800 km of new lines to the NTG and 140 new stations with new transformation capacity of about 33,000 MVA.

Strategic Environmental Assessment: 2010 Development Plan
The consultation phase of the Development Plan and preparation of the related Environmental Report commenced on 22 March 2010.

[14] The Users' Consultative Committee, established with a Prime Minister's Order of 11 May 2004, expresses a non-binding opinion on the Development Plan as required by Competition Authority Decision no. 14542 of 4 August 2005.
[15] On 23 December 2009, the Ministry for Economic Development approved the 2009 Development Plan pursuant to Decree 152 of 3 April 2006 as amended, publishing its final decision in the *Gazzetta Ufficiale* no. 15 of 20 January 2010.
[16] ENTSO-E (European Network of Grid Operators for the Transmission of Electricity) is the body for strengthening cooperation between network operators at community level.

The process for obtaining approval from the Ministry for Economic Development requires the release of an SEA opinion from the Ministry for the Environment together with the Ministry for Culture. As soon as approval is given, the Ministry for Economic Development must also issue a Summary Statement outlining whether and how it intends to act on any comments that may have been included in the opinion from the Ministry for the Environment and the Ministry for Culture.

Work performed

The most important projects – still in progress – carried out during the first half of 2010 involved activities to reduce network congestion, connect new generating plants (especially those using renewable energy sources) and increase the reliability of the grid with ever greater attention to environmental and safety issues.

The following major works are currently in progress:

a) SAPEI - a project to lay a submarine cable connecting Sardinia to the mainland grid: laying of the cable for the second link will be completed in 2010 together with work on the two transformation stations in Latina and Fiumesanto; this will enable trials to commence in 2010 so that the plant can enter into service during 2011;
b) Turano 380 kV station: this station entered into service in the normal manner on 31 January 2010. The plant is connected "in-out" to the 380 kV NTG line “S. Rocco al Porto – Tavazzano” and will receive power generated by the combined-cycle station owned by Sorgenia;
c) S. Severo 380 kV station (owned by Terna - Naples area): this station entered into service on 15 April 2010. The plant is connected "in-out" to the 380 kV line "Foggia-Larino" and will receive power generated by the combined-cycle station owned by EN PLUS S.r.l.;
d) Val D'Ossola: the construction sites (opened in 2008) are likely to be closed during the second half of 2010. Construction of the new power lines, with a total length of about 100 km, has been completed and only the demolition work is now in progress;
e) Casellina – Tavernuzze – S. Barbara: the 380 kV Casellina – Tavernuzze segment is already in service. Work is in progress on laying the inbound cable at Tavernuzze in relation to the line from S. Barbara via the Le Rose transit station. Completion is scheduled for early 2011;
f) connection stations for generators using renewable energy sources: construction work is in progress on four major 380/150 kV stations for the connection of new generators using renewable energy sources in the municipalities of Maida (CZ), Bisaccia (AV), Deliceto (FG) and Troia (FG);

work on the expansion of the 380 kV station in Brindisi is also in progress, with the construction of two new 150 kV sections linked to the existing 380 kV section via new transformers. Work on the two connection stations for new generators in the municipalities of Turano Lodigiano and San Severo was completed during the first half of the year, well ahead of schedule;

g) new Sorgente – Rizziconi alternating current connection: the construction sites for the three stations in Calabria and Sicily, located at Scilla, Villafranca and Sorgente, have been set up and the materials are being prepared; preparatory work is in progress for the opening of the sites for the cable link and the Favazzina tunnel; in addition, the principal contract has been awarded for the production and laying of the submarine cable. Work is well advanced on laying a 150 kV cable between the two primary sub-stations at Reggio Industriale and Gebbione: completion is expected by year end.

3 CONSOLIDATED FINANCIAL POSITION AND PERFORMANCE

The financial position of the CDP Group at 30 June 2010 is presented below. In order to facilitate understanding of the CDP Group's results for the period, the analysis of the consolidated balance sheet and income statement uses the statements reclassified based on operational criteria.

These reclassifications mainly concerned:

- the allocation of interest-bearing amounts into separate aggregates from the non-interest-bearing items;
- the revision of the portfolios for IAS/IFRS purposes, reclassifying them into uniform aggregate.

For more detailed information on the financial position and performance, please see the separate reports and financial statements of the CDP Group companies, which contain all the relevant accounting information and an analysis of the performance of these companies.

CDPI SGR made only a limited contribution to the overall results of the CDP Group since it only recently started operations.

3.1 RECLASSIFIED CONSOLIDATED BALANCE SHEET

The following table presents the situation of the CDP Group, with specific reporting of the contributions of financial operations (CDP and CDPI SGR) and non-financial operations (Terna Group). The difference between the consolidated results and the sum of the contributions of the two spheres of operations is the result of consolidation eliminations and adjustments.

Reclassified consolidated balance sheet

(millions of euros)

	30/06/2010			31/12/2009	% change
ASSETS	**CDP Group**	***of which financial operations***	***of which non-financial operations***	**CDP Group**	
Cash and cash equivalents	121,887	121,887	0	118,382	3.0%
Loans to customers and banks	88,814	88,814	-	85,178	4.3%
Debt securities	2,938	2,438	500	1,192	146.5%
Equity investments and shares	15,553	16,358	17	17,599	-11.6%
Assets held for trading and hedging derivatives	1,552	1,189	364	1,343	15.6%
Property, plant and equipment and intangible assets	10,285	208	7,760	9,998	2.9%
Accrued income, prepaid expenses and other non-interest bearing assets	3,541	3,539	2	2,451	44.5%
Other assets	2,063	595	1,470	1,904	8.4%
Total assets	**246,632**	**235,026**	**10,113**	**238,047**	**3.6%**

At 30 June 2010 the total assets of the CDP Group came to about €247 billion, up 3.6% on 31 December 2009.

This increase was due mainly to the significant rise in cash and cash equivalents, attributable entirely to the parent company, CDP, which exceeded €121 billion (+3% on 2009), thanks to positive net funding for CDP from postal savings products for the first half of 2010 as well as new interbank treasury funding.

The stock of loans to customers and banks, attributable to the parent company, showed dynamic growth from the end of 2009, reaching around €89 billion (+4.3%), due in part to the lending under the economic support programmes recently introduced by CDP.

Debt securities amounted to around €3 billion at 30 June 2010, double the figure at the end of 2009. Debt securities include government securities subscribed during the period by the parent company, mainly to invest liquidity (amounting to over €2.4 billion, up from the end of 2009), and certificates of deposit and bonds subscribed by the Terna Group (amounting to €0.5 billion, unchanged from 2009).

Equity investments and shares fell by 11.6% from the end of 2009, going from €18 billion at the end of 2009 to over €15 billion at 30 June 2010. This decrease is mainly attributable to the parent company (-€1.9 billion), specifically the decline in the market value of Eni S.p.A. and Enel S.p.A. stock. Moreover, given the expected sale of CDP's stakes in ST Holding and in Poste Italiane, authorised by the Board of Directors on 30 June 2010, CDP reclassified these investments under "Non-current assets and disposal groups held for sale" at their carrying amounts at 30 June 2010. In the reclassified balance sheet, however, these investments are still reported under equity investments and shares. By contrast, the Terna Group reported an increase, albeit a modest one, as a result of the adjustment to equity of its stake in Cesi S.p.A. due to the positive performance posted for the period.

Assets held for trading and hedging derivatives went from €1.3 billion to around €1.6 billion (+15.6% from 2009), a change attributable almost entirely to the Terna Group. This aggregate reports the fair value (if positive) of derivative instruments used for hedging, which includes operational hedges that are not recognised as such for accounting purposes. Specifically, the results for the parent company CDP remained essentially stable compared with 2009. This item at 30 June 2010 reflected the increase in the fair value of derivatives hedging liabilities, along with a corresponding increase in the fair value of the funding being hedged. However, this performance was also affected by the decline in the fair value of options acquired to hedge the option component of equity-linked bonds (indexed bonds and *Premia* bonds). For the Terna Group, too, this positive change is due to the increase in the fair value of derivatives subscribed to hedge bonds issued as a result of the decline in market interest rates reported for the period. Also in this case, the increase is balanced by the higher fair value of bonds recognised among financial liabilities.

Property, plant and equipment and intangible assets totalled over €10 billion, up 3% over the end of 2009, pertaining almost entirely to non-financial operations. The Terna Group reports a figure of around €7.8 billion (€7.4 billion at the end of 2009), of which €7.3 billion relates to property, plant and equipment and €500 million to intangible assets. This is attributable to ordinary changes during the period in respect of capital expenditure, disposals and depreciation and amortisation. The total capital expenditure by the Terna Group for the first six months of 2010 amounted to €486 million (€462 million of which relating to property, plant and equipment), up 29.7% over the same period of 2009. The total for the parent company came to €208 million, of which €202 million relating to property, plant and equipment and the remainder to intangible assets. The total declined because investments made during the period were less than depreciation and amortisation recognised on existing assets during the six-month period.

Accrued income, prepaid expenses and other non-interest-bearing assets rose by €1 billion over 2009, from €2,451 million to €3,541 million, almost entirely attributable to the parent company. This change was attributable to the combined effect of a decline in CDP's receivable for interest accrued on the balances of the treasury account and an increase in the fair value of the loans hedged for financial risk using derivative instruments (which increased from 2009), which, as discussed below, is matched by a increase in the negative fair value of the related hedge derivatives.

Finally, other assets amounted to over €2 billion, up 8.4% over 2009. For CDP this item reports a stock of around €600 million and includes net current and deferred tax assets, advances paid and other assets. For the Terna Group, the aggregate amounted to €1.5 billion and includes Terna S.p.A.'s trade receivables in addition to tax assets. Specifically, trade receivables rose by over €140 million, due to: i) higher receivables for pass-through items relating to dispatching; ii) the increase in receivables for grid transmission fees (CTR) related to remuneration owed Terna and other owners for the use of the National Transmission Grid by electricity distributors and generators (mainly due to rate adjustments); iii) the increase in other receivables attributable to its subsidiary Telat.

Reclassified consolidated balance sheet

(millions of euros)

	30/06/2010			31/12/2009	% change
	CDP Group	*of which financial operations*	*of which non-financial operations*	CDP Group	
LIABILITIES AND EQUITY					
Funding	223,942	219,254	4,688	214,809	4.3%
- of which: postal funding	*196,070*	*196,070*	*-*	*190,785*	*2.8%*
- of which: funding from banks	*6,594*	*4,432*	*2,162*	*4,107*	*60.5%*
- of which: funding from customers	*10,441*	*10,441*	*-*	*9,191*	*13.6%*
- of which: funding from bonds	*10,837*	*8,311*	*2,527*	*10,726*	*1.0%*
Liabilities held for trading and hedging derivatives	3,000	2,914	86	1,768	69.7%
Accrued expenses, deferred income and other non-interest-bearing liabilities	1,023	651	372	928	10.3%
Other liabilities	2,638	963	1,677	2,975	-11.3%
Provisions, taxes and staff severance pay	1,678	236	783	1,909	-12.1%
Equity	14,351	11,009	2,507	15,658	-8.3%
Total liabilities and equity	**246,632**	**235,026**	**10,113**	**238,047**	**3.6%**

Total funding at 30 June 2010 came to about €224 billion (+4% over the end of 2009).

Within this aggregate, postal funding, attributable to the parent company, continued to grow (+3% over the end of 2009), thanks to the positive flow of net funding for CDP for the period.

Funding from banks increased from €4 billion at 31 December 2009 to over €6 billion at 30 June 2010 (+61%). This reflects the increase in CDP's stock attributable to interbank funding and new draws on EIB lines of credit for a total of €2 billion. Added to this is the net change of €500 million for the Terna Group, resulting from new funding during the period through EIB loans, the use of revolving lines of credit and new short-term funding, which more than offset repayments of maturing instalments in respect of past operations.

Funding from customers rose from €9 billion to over €10 billion, entirely pertaining to the parent company CDP.

Funding from bonds rose by €100 million due to new issues made by the parent company under the EMTN programme. The Terna Group's contribution to bonds issued remained stable with respect to the end of 2009.

Liabilities held for trading and hedging derivatives posted an increase of more than €1.2 billion from the end of 2009, rising from €1,768 million to €3,000 million, pertaining almost entirely to the parent company. The aggregate includes the fair value (if negative) of derivatives used for hedging, including operational hedges that are not recognised as such for accounting purposes. Specifically, for CDP the improvement in the fair value of the option component to be unbundled from the indexed bonds and *Premia* bonds was only partially offset by the decrease in the fair value of derivatives hedging loans, as already noted in relation to the corresponding change in non-interest-bearing assets.

Accrued expenses, deferred income and other non-interest-bearing liabilities rose from €928 million at 31 December 2009 to €1,023 million (+10%). CDP contributed more than €600 million to this figure, representing a decrease from the end of 2009 following the reduction in certain liabilities to customers to be settled, the amount of which was only partially offset by the increase in the fair value of the funding being hedged. The Terna Group contributed over €400 million, an increase over 2009, again due to the increase in hedged funding.

Other liabilities came to €2,638 million (-11% from 2009), of which €1.7 billion attributable to the Terna Group and the remainder to financial operations. The decrease in largely due to the parent company as the combined result of the payment of the remaining commissions owed to Poste Italiane S.p.A. for 2009, relating to the remuneration for placement and administrative services for postal savings products, and the accrual of commissions for the first half of 2010. There was also a decline in taxes payable related to the discharge of the tax liability on tax-deferred reserves, recognised in 2009, following payment of the first instalment of the one-off special tax. For the Terna Group, the item includes trade payables generated by its specific business activities.

Provisions for contingencies, taxes and staff severance pay came to €1,678 million, down 12% from the end of 2009. This decrease mainly relates to the payment of the taxes for 2009 by CDP.

Equity at the end of the first half of 2010 amounted to over €14 billion, down 8% from the end of 2009. The decrease is mainly attributable to CDP due to the decline in the market value of Eni S.p.A. and Enel S.p.A. shares and to the payment of dividends to shareholders. This decline was only partially offset by the accrual of profits by the Group companies for the period. Around €12 billion of the total equity is attributable to the parent company and €3 billion to minority interests.

Equity

(millions of euros)

	30/06/2010	**31/12/2009**
Equity of the parent company	11,629	12,931
Minority interests	2,722	2,727
Total equity	**14,351**	**15,658**

3.2 RECLASSIFIED CONSOLIDATED INCOME STATEMENT

The following table presents the situation of the CDP Group, with specific reporting of the contributions of financial operations (CDP and CDPI SGR) and non-financial operations (Terna Group). The difference between the consolidated results and the sum of the contributions of the two spheres of operations is the result of consolidation eliminations and adjustments.

Consolidated income statement

(millions of euros)

	30/06/2010			30/06/2009	% change
	CDP Group	*of which financial operations*	*of which non-financial operations*	CDP Group	
Net interest income	**722**	**769**	**(47)**	**1,246**	**-42.1%**
Dividends	448	724	-	446	0.6%
Net commission income	(335)	(334)	(1)	(450)	-25.4%
Other net revenues	25	23	2	(43)	n/s
Gross income	**860**	**1,182**	**(47)**	**1,198**	**-28.3%**
Net writedowns	0	0	-	-	n/s
Overheads	(426)	(38)	(365)	(364)	16.9%
of which: Administrative expenses	*(226)*	*(34)*	*(193)*	*(188)*	*20.1%*
Operating income	**1,391**	**1,149**	**518**	**1,676**	**-17.0%**
Income (loss) for the period	**1,021**	**990**	**234**	**1,214**	**-15.9%**
Net income (loss) for the year pertaining to minority interests	153			146	4.8%
Net income (loss) pertaining to shareholders of the parent company	**869**			**1,068**	**-18.7%**

Group net income at 30 June 2010 amounted to €1,021 million (€869 million of which attributable to the parent company). This is a 16% decline from the corresponding period of 2009, due to the reduced contribution of the parent company (caused mainly by reduced net interest income), partially offset by the positive performance posted by the Terna Group.

Specifically, net interest income amounted to €722 million, down 42% from the same period of 2009. This is due primarily to the reduction in the margin between lending and funding by the parent company (-€541 million compared with the first half of 2009), partially offset by the reduction in net financial expense by the Terna Group (+€16 million).

Gross income declined 28% to €860 million. This reduction is due to the decline in net interest income, which was only partially offset, with regard to the parent company, by a decrease in commissions on postal savings. In addition, the net performance of hedging and trading activities also improved over 2009, which had been negatively influenced by the change in the net fair value of a number of hedges of postal savings bonds, which were then closed between the end of 2009 and early 2010, in addition to penalties for early loan repayment. The Terna Group's contribution was limited given the nature of its business.

Overhead costs include staff costs and other administrative expenses, as well as writedowns of non-current assets. This item increased by 17% over the same period of 2009 to €426 million, of which €40 million pertaining to financial operations and €370 million to non-financial operations. Specifically, the increase in the Terna Group figures results from higher administrative expenses due to the release of the energy discount provision and greater costs for local taxes and duties and for allocations to the provision for legal disputes, as well as writedowns of non-current assets.

Net operating income amounted to €1,391 million, of which over €1 billion from financial operations and another €500 million from non-financial operations. This figure for the Terna Group is composed of operating income representing revenues from the core businesses of Terna and its subsidiaries. There was a 14% increase in the first half of 2010 compared with the same period of 2009 due to higher revenues, largely as a result of AEEG Resolution no. 203/09 (revising rates for 2010) and higher transmission fees (CTR) received under the defence plan. Moreover, the figure includes the contribution of Telat, which was not included within the scope of consolidation in the first three months of 2009.

In addition to the contributions of financial and non-financial operations, consolidated net income for the period reflects the impact of negative consolidation adjustments. The amount of dividends received by the parent company from subsidiaries and associates, which are eliminated in the consolidated financial statements, is only partially offset by the net income reported by these same companies for the period, taking into account the fact that the dividends relate to the entire previous year.

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

The following table reconciles the equity and net income of the parent company with the corresponding consolidated figures.

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

(millions of euros)

At 30 June 2010	Net income	Share capital and reserves	Total
PARENT COMPANY FINANCIAL STATEMENTS	**991**	**10,017**	**11,008**
Balance from financial statements of fully consolidated companies	233	2,275	2,508
Consolidation adjustments:	(355)	(1,531)	(1,886)
- carrying amount of fully consolidated equity investments	-	*(1,317)*	*(1,317)*
- goodwill	-	*297*	*297*
- revaluation of property, plant and equipment and intangibles	-	*2,340*	*2,340*
- elimination of revaluation of divested intangible assets	-	*(62)*	*(62)*
- depreciation of revaluation of non-current assets	*(23)*	*(234)*	*(257)*
- dividends from fully consolidated companies	*(72)*	*72*	-
- valuation of equity investments accounted for with equity method	*(118)*	*612*	*494*
- elimination of intercompany transactions	*0*	*(0)*	*(0)*
- minority interests	*(153)*	*(2,569)*	*(2,722)*
- deferred tax assets and liabilities	*10*	*(669)*	*(659)*
CONSOLIDATED FINANCIAL STATEMENTS	**869**	**10,761**	**11,629**

4. RISK MANAGEMENT

4.1 MONITORING RISK IN THE CDP GROUP

4.1.1 Monitoring risk in CDP

For more information on risk management by CDP, please see the consolidated report and financial statements.

4.1.2 Monitoring risk in CDPI SGR

In view of the start-up status of the company which came to an end in the first half of 2010, the financial risks are modest and are limited to the small exposure of CDPI SGR in respect of its investment of liquid assets, as the entire liquidity of the company is deposited on a bank current account earning money market rates.

The company's exposure to operational risks is also small. Since the start of operations CDPI SGR has deployed a comprehensive system of internal controls, implementing an internal audit function and compliance function and managing the start-up of a risk management function (completed in the first half of 2010), and establishing the rules for the function as well as mapping the risks connected with the “Fondo Investimenti per l’Abitare”. The company plans to strengthen its system of internal controls by internalising the compliance function by the end of 2010.

In the first half of 2010, CDPI SGR also completed preparation of its corporate procedures manual governing all processes related to providing investment management services and the company’s operations

4.1.3 Monitoring risk in the TERNA Group

Pursuant to Article 154-ter of Legislative Decree 58/98, introduced with Legislative Decree 195 of 6 November 2007 (the “Transparency Decree”), this section presents a description of the risks and uncertainties faced by Terna over the medium term (2 years). Such risks and uncertainties will not be new to shareholders and the market, given that they have been discussed both in past annual reports and in other previously published disclosures.

REGULATORY RISK

About 96% of the Terna Group's consolidated revenues come from annual fees paid for the services regulated by the Authority for Electricity and Gas (AEEG) in Italy. Within the scope of such regulations, there are variables that could have an impact on the performance of the group.

Volume effect

Terna's and Telat's revenues from the management, operation and development of the National Transmission Grid and from the management of ancillary services are governed by rates that are established by the AEEG. Such rates are applied to the total volume of electricity transmitted over the NTG. The volume depends on factors that are beyond the Group's control.
Given the current exceptional economic climate and the consequent decline in power consumption, and to protect transmission revenues from unusually high levels of variability, the AEEG has, with Resolution no. ARG/elt 188/08, established a guarantee mechanism for the level of revenues, limiting the impact of annual variations in electricity transmitted to a range of +/- 0.5%. Resolution no. ARG/elt 204/09 extended this mechanism to dispatching services.
Starting in 2009, Terna elected to adopted the mechanism, which will remain in effect for the entire current regulatory period (until the end of 2011), therefore, the volume will not have an impact in the second half of 2010.

Bonuses and penalties

The overall results for the second half of 2010 are expected to be positive with respect to the mechanisms for calculating bonuses and penalties in relation to the quality of transmission and dispatch services, including those regulating mitigation services provided by distributors.

RISKS CONNECTED WITH DOMESTIC LEGISLATION

Environmental protection laws

The Group's activities are governed by Italian and European laws relating to electromagnetic fields. The Group could incur additional costs in order to comply with these regulations through the implementation of preventive or remedial measures.
No new environmental regulations that could have a significant impact on the results for the second half of 2010 are expected to be issued.

Labour law

More stringent occupational health and safety laws could have an adverse effect on the Group's financial position and performance.

No new regulations that could have a significant impact on the results for the second half of 2010 are expected to be issued.

OPERATIONAL RISKS: RISKS CONNECTED WITH NTG MALFUNCTION

The Terna Group conducts operations that are exposed to the risk unexpected service interruptions caused by events that are beyond Terna's control, such as accidents, defects or breakdowns involving control systems or other equipment, deteriorating plant performance, natural disasters, terrorist attack, and other such extraordinary events. Restoration of elements of the part of the NTG owned by the Terna Group and any damages for losses to third parties as a result of such events could, in principle, give rise to costs if the Group is found liable. Specific insurance policies are in place to mitigate the risks in respect of operating activities.

LITIGATION RISK

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

FINANCIAL RISKS

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

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

Specifically, as a part of the financial risk management policies approved by the Board of Directors, the Terna Group has established the responsibilities and operating procedures for financial risk management, specifically as concerns the instruments to be used and the precise operating limits in managing them.

For more information, please see the notes to the interim report on operations of the Terna Group.

RISKS CONNECTED WITH FINANCING NEEDS

Even in current market conditions, the Terna Group expects to preserve a sufficient capacity to generate financial resources from operating activities. However, the plan for future investments should lead to an increase in debt. Although the Terna Group has continued to enjoy the support of its banking partners in financing its debt, it may become necessary to take on additional financing, which, in less favourable market conditions, could cause an increase in financial expense.

RISKS CONNECTED WITH THE PHOTOVOLTAIC SECTOR

As already announced, the Group plans to invest more than €300 million in the photovoltaic sector. The risks connected with this sector (such as those relating to the construction, operation, management and maintenance, physical damage, theft and weather-related risks), could have an impact on the returns on the investment in photovoltaics but would not be reflected in any significant way in the Group’s results for the second half of 2010.

5. OUTLOOK FOR 2010

5.1 THE OUTLOOK FOR THE CDP GROUP

5.1.1 The outlook for CDP

For more information on the outlook for CDP for 2010, please see the separate report and financial statements.

5.1.2 The outlook for CDPI SGR

During its initial phase of operations, CDPI SGR will participate in the tender to be held by the Ministry for Infrastructure and Transportation to select the fund to implement the Housing Plan, which will receive part of the resources made available by the Government pursuant to the Prime Minister's Order of 16 July 2009.

Therefore, during the second half of the year, the company will study further investment programmes already scheduled by the fund, with the goal of making its initial investments.

As it begins operations, CDPI SGR will begin to receive commissions, allowing it to rebuild its share capital. However at 30 June 2010, equity equalled the starting share capital net of losses for the first half of 2010 and the loss reported during the first year of operations, bringing it to just above €1 million, the minimum level of capitalisation required by the Bank of Italy to receive authorisation to operate as an asset management company.

As to decisions concerning the company’s position, it should be noted that CDPI SGR has already received binding subscription commitments totalling more than €1 billion. CDPI SGR intends, at the end of July, to accept applications to subscribe units that have been received by that date, to be followed by the partial initial closing. After this closing, the company could request the payment of subscription fees and management fees for the July-September 2010 quarter totalling around €1.7 million, recognizing revenues that will cover past losses completely.
On 16 July 2010 CDPI SGR completed the initial partial closing of subscriptions amounting to €1 billion and then requested the payment of subscription fees of

€600 thousand, as well as calling units subscribed for €1 million. The amount received is to be used to finance the payment of management fees to the company, which come to €940 thousand for the period running from 16 July to 30 September 2010.

The company also expected to carry out a second closing of subscriptions by the end of 2010 following the tender held by the Ministry for Infrastructure and Transportation to achieve a total funding goal of around €2 billion.

5.1.3 The outlook for the TERNA Group

Extrapolating from the results achieved in the first half of the year and current forecasts for operating performance over the forthcoming months, the Terna Group expects to achieve positive results once again during the second half of the year.

In terms of the demand for energy, the signs of recovery seen with respect to 2009 are likely to be maintained.

Revenue is expected to rise due to the incentives for the second half of the year that are likely to be earned in the dispatching services market, as well as – with regard to transmission revenue – to the contribution deriving from the acquisition of Retrasm, which is planned for the latter part of the year.

EBITDA in the second half of the year is expected to be in line with that reported for the first half.

With regard to the cost of debt, net financial expense is likely to rise in the second half of the year, following an increase in net debt linked largely to the significant level of capital investment. Investment during the second half of the year will make a significant contribution to the assets and results of the core business, to which will be added the results from the photovoltaic project.

Rome, 28 July 2010

The Chairman
Franco Bassanini

REPORT OF THE INDEPENDENT AUDITORS

KPMG S.p.A.
Revisione e organizzazione contabile
Via Ettore Petrolini, 2
00197 ROMA RM

Telefono +39 06 809611
Telefax +39 06 8077475
e-mail it-fmauditaly@kpmg.it

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

Review report

To the shareholders of
Cassa Depositi e Prestiti S.p.A.

1 We have reviewed the condensed interim consolidated financial statements comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes thereto of the Cassa Depositi e Prestiti Group as at and for the six months ended 30 June 2010. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting", endorsed by the European Union. Our responsibility is to prepare this report based on our review.

2 We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information relating to the captions of the condensed interim consolidated financial statements and the consistency of application of the accounting policies through discussions with parent directors and analytical procedures applied to the financial data presented in such condensed interim consolidated financial statements. The review excluded such audit procedures as tests of controls and verification or validation of assets and liabilities and is significantly less than an audit performed in accordance with generally accepted auditing standards. As a consequence, contrary to our report on the annual consolidated financial statements, we do not express an audit opinion on the condensed interim consolidated financial statements.

The condensed interim consolidated financial statements present the prior year annual consolidated and interim consolidated financial statements for comparative purposes. As disclosed in the notes, the parent's directors riclassified some of the corresponding figures included in the prior year annual consolidated and condensed interim consolidated financial statements. We audited such annual consolidated financial statements and reviewed such interim consolidated financial statements and issued our reports thereon on 12 April 2010 and 31 July 2009, respectively.

Cassa Depositi e Prestiti Group
Review report
30 June 2010

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Cassa Depositi e Prestiti Group as at and for the six months ended 30 June 2010 have not been prepared, in all material respects, in conformity with IAS 34, "Interim Financial Reporting", endorsed by the European Union.

Rome, 4 August 2010

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

2

CERTIFICATION pursuant to Article 154-bis of Legislative Decree 58/98

Certification of the condensed interim consolidated financial statements at 30 June 2010 pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

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

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

of the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements for the period (1 January – 30 June 2010).

2. In this regard:
2.1 the assessment of the appropriateness of the administrative and accounting procedures followed in preparing the condensed interim consolidated financial statements at 30 June 2010 was based on a process developed by Cassa depositi e prestiti S.p.A. in line with the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at the international level;
2.2 in the first half of 2010 the manager responsible for the preparation of the financial reports of Cassa depositi e prestiti S.p.A. assessed the adequacy and effective adoption of existing administrative and accounting procedures, with reference to the internal control system for financial reporting, continued the updating of administrative and accounting procedures, extending the scope of the process to encompass specific activities concerning the information technology of the parent company. The process of upgrading these procedures therefore requires further activities for its completion.

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

Rome, 4 August 2010

Chief Executive Officer	Manager responsible for the preparation of the financial reports
Giovanni Gorno Tempini	*Andrea Novelli*

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2010

FORM AND CONTENT OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2010

The condensed interim consolidated financial statements at 30 June 2010 have been prepared in conformity with the applicable regulations and are composed of:

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

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2010

Consolidated balance sheet

Consolidated income statement

Statement of consolidated comprehensive income

Statement of changes in consolidated equity

Consolidated cash flow statement

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Assets	30/06/2010	31/12/2009
10.	Cash and cash equivalents	117,333,553	114,688,820
20.	Financial assets held for trading	808,328	868,511
40.	Financial assets available for sale	13,397,624	13,991,359
50.	Financial assets held to maturity	524,717	205,285
60.	Loan to banks	8,516,661	6,477,344
70.	Loan to customers	89,237,321	85,623,841
	of which securing covered bonds	*14,783,752*	*15,293,458*
80.	Hedging derivatives	743,866	474,334
100.	Equity investments	26,970	3,815,099
120.	Property, plant and equipment	9,522,482	9,237,344
130.	Intangible assets	762,730	761,129
	of which:		
	- goodwill	*486,738*	*487,240*
140.	Tax assets	346,942	636,155
	a) current	295,340	610,107
	b) deferred	51,602	26,048
150.	Non-current assets and disposal groups held for sale	3,695,057	57
160.	Other assets	1,716,070	1,267,405
	Total assets	**246,632,321**	**238,046,683**

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Liabilities and equity	30/06/2010	31/12/2009
10.	Due to banks	6,725,024	4,334,224
20.	Due to customers	103,575,095	100,459,936
	of which amounts to be disbursed on loans securing covered bonds	*967,794*	*1,099,699*
30.	Securities issued	114,665,320	110,942,749
	of which covered bonds	*6,378,495*	*6,382,222*
40.	Financial liabilities held for trading	734,106	782,977
60.	Hedging derivatives	2,201,599	918,402
70.	Adjustment of financial liabilities hedged generically (+/-)	64,053	66,478
80.	Tax liabilities	1,402,289	1,624,940
	a) current	343,298	461,546
	b) deferred	1,058,991	1,163,394
100.	Other liabilities	2,637,904	2,975,249
110.	Staff severance pay	70,995	72,205
120.	Provisions	205,023	211,905
	b) other provisions	205,023	211,905
140.	Valuation reserves	435,172	2,118,026
170.	Reserves	6,822,888	5,286,156
180.	Share premium reserve	2,542	539
190.	Share capital	3,500,000	3,500,000
210.	Minority interest (+/-)	2,721,579	2,726,875
220.	Income (loss) for the period (+/-)	868,732	2,026,022
	Total liabilities and equity	**246,632,321**	**238,046,683**

(thousands of euros)

CONSOLIDATED INCOME STATEMENT

		30/06/2010	30/06/2009
10.	Interest income and similar revenues	3,132,877	4,243,353
20.	Interest expense and similar charges	(2,411,317)	(2,997,583)
30.	**Net interest income**	**721,560**	**1,245,770**
40.	Commission income	5,322	3,417
50.	Commission expense	(340,625)	(453,004)
60.	**Net commission income**	**(335,303)**	**(449,587)**
70.	Dividends and similar revenues	448,328	445,723
80.	Net gain (loss) on trading activities	(7,863)	(19,713)
90.	Net gain (loss) on hedging activities	1,617	(28,863)
100.	Gains (losses) on disposal or repurchase of:	31,246	5,139
	a) loans	30,225	5,139
	b) financial assets available for sale	1,021	-
	d) financial liabilities	-	-
120.	**Gross income**	**859,585**	**1,198,469**
130.	Net impairment adjustments of:	124	-
	a) loans	124	-
140.	**Financial income (expense), net**	**859,709**	**1,198,469**
180.	Administrative expenses:	(226,561)	(188,620)
	a) staff costs	(121,251)	(94,904)
	b) other administrative expenses	(105,310)	(93,716)
190.	Net provisions	(1,188)	(988)
200.	Net adjustments of property, plant and equipment	(177,298)	(153,895)
210.	Net adjustments of intangible assets	(22,268)	(22,029)
220.	Other operating income (costs)	757,583	666,143
230.	**Operating costs**	**330,268**	**300,611**
240.	Gains (losses) on equity investments	128,265	95,030
270.	Gains (losses) on disposal of investments	3,245	1,426
280.	**Income (loss) before tax from continuing operations**	**1,321,487**	**1,595,536**
290.	Income tax for the period on continuing operations	(300,148)	(417,435)
300.	**Income (loss) after tax on continuing operations**	**1,021,339**	**1,178,101**
310.	Income (loss) after tax on disposal groups held for sale	113	35,750
320.	**Income (loss) for the period**	**1,021,452**	**1,213,851**
330.	Net income (loss) pertaining to minority interests	152,720	145,718
340.	**Net income (loss) pertaining to parent company**	**868,732**	**1,068,133**

(thousands of euros)

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

		30/06/2010	30/06/2009
10.	**Income (loss) for the period**	**1,021,452**	**1,213,851**
	Other comprehensive income net of taxes		
20.	Financial assets available for sale	(1,846,302)	(275,885)
60.	Cash flow hedges	(2,279)	(52,576)
70.	Exchange rate differences	110,551	43,644
100.	Reserves of equity investments accounted for with equity method	(128,153)	-
110.	**Total other comprehensive income components net of taxes**	**(1,866,183)**	**(284,817)**
120.	**Comprehensive income (items 10+110)**	**(844,731)**	**929,034**
130.	Comprehensive income pertaining to minority interests	156,234	151,149
140.	**Consolidated comprehensive income pertaining to the parent company**	**(1,000,965)**	**777,885**

(thousands of euros)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 30 JUNE 2010

				Allocation of net income for previous year		Changes for the period								Equity at 30.06.2010	
							Equity transactions								
	Balance at 31.12.2009	Changes in opening balance	Balance at 1.01.2010	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income at 30.06.2010	Group	Minority interests
Share capital:															
a) ordinary shares	2,450,000		2,450,000											**2,450,000**	**308,945**
b) preference shares	1,050,000		1,050,000											**1,050,000**	
Share premium reserve	539		539				2,003							**2,542**	**5,948**
Reserves:															
a) income	4,970,149		4,970,149	1,726,022		(189,387)	223							**6,507,007**	**1,824,730**
b) other	316,007		316,007									(126)		**315,881**	**468,628**
Valuation reserves	2,118,026		2,118,026			186,843							(1,869,697)	**435,172**	**(39,392)**
Equity instruments															
Treasury shares															
Income (loss) for the period	2,026,022		2,026,022	(1,726,022)	(300,000)								868,732	**868,732**	**152,720**
Equity - Group	12,930,743		12,930,743	-	(300,000)	(2,544)	2,226					(126)	(1,000,965)	**11,629,334**	
Equity - Minority interests	2,726,875		2,726,875	-	(168,420)	1,973	5,211					(294)	156,234		**2,721,579**

(thousands of euros)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 30 JUNE 2009

	Balance at 31.12.2008	Changes in opening balance	Balance at 1.01.2009	Allocation of net income for previous year		Changes for the period								Equity at 30.06.2009	
							Equity transactions								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income at 30.06.2009	Group	Minority interests
Share capital:															
a) ordinary shares	2,450,000		2,450,000											**2,450,000**	**470,873**
b) other shares	1,050,000		1,050,000											**1,050,000**	
Share premium reserve	852		852				93							**945**	**2,669**
Reserves:															
a) income	3,801,252		3,801,252	1,168,584		71,908								**5,041,744**	**1,530,555**
b) other	176,207		176,207		(76)									**176,131**	**489,547**
Valuation reserves	1,152,347		1,152,347										(290,248)	**862,099**	**(37,768)**
Equity instruments															
Treasury shares															
Income (loss) for the period	1,413,584		1,413,584	(1,168,584)	(245,000)								1,068,133	**1,068,133**	**145,718**
Equity - Group	10,044,242		10,044,242		(245,076)	71,908	93						777,885	**10,649,052**	
Equity - Minority interests	2,581,323		2,581,323		(151,387)	20,186	323						151,149		**2,601,594**

(thousands of euros)

CONSOLIDATED CASH FLOW STATEMENT (indirect method)

A. OPERATING ACTIVITIES	30/06/2010	30/06/2009
1. Operations	**1,124,259**	**1,695,185**
- income (loss) for the period (+/-)	1,021,452	1,213,851
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	7,860	6,367
- gains (losses) on hedging activities (-/+)	2,025	28,747
- net impairment adjustments (+/-)	(124)	-
- net value adjustments to property, plant and equipment and intangible assets (+/-)	199,566	180,674
- net provisions and other costs/revenues (+/-)	21,101	20,924
- unpaid taxes and duties (+)	174,362	330,173
- writedowns/writebacks of equity investments (+/-)	(128,264)	(94,395)
- other adjustments	(173,719)	8,844
2. Cash generated by/used in financial assets	**(6,219,898)**	**1,016,006**
- financial assets held for trading	(122,898)	(193,608)
- financial assets available for sale	(1,360,049)	(3,160,862)
- loans to banks: on demand	(901)	785,961
- loans to banks: other	(2,390,455)	3,523,302
- loans to customers	(2,249,616)	(646,271)
- other assets	(95,979)	707,484
3. Cash generated by/used in financial liabilities	**8,620,409**	**9,818,431**
- due to banks: other	2,388,394	95,320
- due to customers	3,115,159	5,760,012
- securities issued	3,532,047	4,517,979
- financial liabilities held for trading	126,350	179,143
- other liabilities	(541,541)	(734,023)
Cash generated by/used in operating activities	**3,524,770**	**12,529,622**
B. INVESTING ACTIVITIES		
1. Cash generated by	**13,963**	**63,025**
- Sale of equity investments	-	-
- Dividends from equity investments	6,918	61,090
- Sale of property, plant and equipment	7,045	1,935
2. Cash used in	**(787,746)**	**(1,559,842)**
- Purchase of equity investments	-	(1,955)
- Purchase of financial assets held to maturity	(300,137)	-
- Purchase of property, plant and equipment	(463,113)	(1,532,826)
- Purchase of intangible assets	(24,496)	(25,061)
Cash generated by/used in investing activities	**(773,783)**	**(1,496,817)**
C. FINANCING ACTIVITIES		
- issue/purchase of capital instruments	6,692	2,310
- dividend distribution and other allocations	(468,420)	(396,463)
Cash generated by/used in financing activities	**(461,728)**	**(394,153)**
CASH GENERATED/USED DURING THE PERIOD	**2,289,259**	**10,638,652**

KEY
(+) generated
(-) used

RECONCILIATION

Cash and cash equivalents at beginning of period	**115,134,615**	**105,539,182**
Total cash generated/used during the period	**2,289,259**	**10,638,652**
Cash and cash equivalents: effects of changes in exchange rates	**-**	**-**
Cash and cash equivalents at end of period	**117,423,874**	**116,177,834**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(INTERIM CONSOLIDATED FINANCIAL REPORT AT 30 JUNE 2010)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION 63

ACCOUNTING POLICIES 65

GENERAL INFORMATION 65

SECTION 1 – DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS 65

SECTION 2 – GENERAL PREPARATION PRINCIPLES 65

SECTION 3 – SCOPE AND METHODS OF CONSOLIDATION 66

SECTION 4 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE 67

SECTION 5 – OTHER ISSUES 67

THE MAIN FINANCIAL STATEMENT AGGREGATES 70

1 – FINANCIAL ASSETS HELD FOR TRADING 70

2 – FINANCIAL ASSETS AVAILABLE FOR SALE 71

3 – FINANCIAL ASSETS HELD TO MATURITY 73

4 - LOANS 74

5 - HEDGING TRANSACTIONS 76

6 - EQUITY INVESTMENTS 77

7 - PROPERTY, PLANT AND EQUIPMENT 78

8 - INTANGIBLE ASSETS 79

9 – NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE 79

10 – CURRENT AND DEFERRED TAXATION 80

11 - PROVISIONS 80

12 – DEBT AND SECURITIES ISSUED 81

13 - FINANCIAL LIABILITIES HELD FOR TRADING 81

14 – Foreign currency transactions 82
15 - Other information 83
DISCLOSURES ON FAIR VALUE MEASUREMENT 87
HIERARCHY OF FAIR VALUE INPUTS 87
INFORMATION ON THE BALANCE SHEET 89
ASSETS 89
Cash and cash equivalents – Item 10 89
Financial assets held for trading – Item 20 90
Financial assets available for sale – Item 40 91
Financial assets held to maturity – Item 50 91
Loans to banks – Item 60 92
Loans to customers – Item 70 93
Hedging derivatives – Item 80 95
Equity investments – Item 100 96
Property, plant and equipment – Item 120 97
Intangible assets – Item 130 98
Non-current assets and disposal groups held for sale– Item 150 98
LIABILITIES 99
Due to banks – Item 10 99
Due to customers – Item 20 100
Securities issued – Item 30 101
Financial liabilities held for trading – Item 40 102
Hedging derivatives – Item 60 103
Equity – Items 140, 170, 180, 190, 210 and 220 104
INFORMATION ON THE INCOME STATEMENT 105

INTEREST – ITEMS 10 AND 20 105

COMMISSIONS - ITEMS 40 AND 50 106

DIVIDENDS AND SIMILAR REVENUES - ITEM 70 107

NET GAIN (LOSS) ON TRADING AND HEDGING ACTIVITIES - ITEMS 80 AND 90 107

GAINS (LOSSES) ON THE DISPOSAL OR REPURCHASE OF LOANS AND FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 100 107

GENERAL AND ADMINISTRATIVE EXPENSES – ITEM 180 107

OTHER OPERATING COSTS/INCOME – ITEM 220 107

GAINS (LOSSES) ON EQUITY INVESTMENTS – ITEM 240 108

OPERATING SEGMENTS 109

TRANSACTIONS WITH RELATED PARTIES 111

1. Information on the compensation of directors and management 111
2. Information on transactions with related parties 113

INTRODUCTION

STRUCTURE AND CONTENT OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated 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 financial statements are expressed in euros and include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and these explanatory notes to the financial statements, as well as the directors' report on operations.
The condensed interim consolidated financial statements at 30 June 2010 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.

PRESENTATION OF DATA

The financial statements and the tables in the explanatory notes are expressed in thousands of euros.
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 parentheses).
The figures in the explanatory notes to the financial statements have been rounded to the nearest thousand, and the rounded totals for the various figures are obtained by summing the rounded balances of the items making up such totals.
The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 "Cash and cash equivalents" of the balance sheet and the positive balance on bank accounts reported under item 60 "Due from banks" net of current accounts with a negative balance reported under item 10 "Due to banks" of liabilities.

COMPARISON AND DISCLOSURE

The financial statements comply with the provisions of Bank of Italy circular no. 262/2005 as updated on November 18, 2009 and, in accordance with IAS 34, contain the following comparative information in addition to the accounting data at 30 June 2010:

- balance sheet at 31 December 2009;
- income statement at 30 June 2009;
- statement of comprehensive income at 30 June 2009;
- statement of changes in equity at 30 June 2009;
- cash flow statement at 30 June 2009.

CDP SEGREGATED ASSET POOL

The CDP Group holds the covered bond segregated asset pool, which pertains to the parent company.

This is not a segregated asset pool as defined by the Italian Civil Code, but rather a separation related to certain CDP assets (loans to local authorities) for which CDP has established guarantees/liens on the cash flows for the holders of the covered bonds issued, which enables the bond itself to have a higher rating that that of the issuer.

The separation concerns the flows related to the portfolio of loans that constitute the collateral of the related bond issue.

The assets are in the accounts with an “of which” indication in the financial statements.

AUDITING OF THE FINANCIAL STATEMENTS

The CDP Group’s condensed interim consolidated financial statements have undergone a limited audit by KPMG S.p.A..

ACCOUNTING POLICIES

GENERAL INFORMATION

SECTION 1 – DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS

These financial statements have been prepared in accordance with the International Financial Reporting Standards and International Accounting Standards (IFRSs/IASs) issued by the IASB (and related IFRIC and SIC interpretations) endorsed by the European Commission as of 30 June 2010. More specifically, the condensed interim separate financial statements have been prepared in compliance with the provisions of IAS 34 governing interim financial reporting. As permitted under this standard, CDP has elected to prepare a condensed report in place of the full reporting envisaged for the annual financial statements.
The schedules have been prepared in compliance with the Bank of Italy circular of 22 December 2005 as updated on 18 November 2009.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

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

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

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

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

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

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

No assets have been offset with liabilities, nor 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.

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.
The following table reports the companies included in the scope of consolidation on a full or proportionate basis.

EQUITY INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (CONSOLIDATED PROPORTIONATELY)

	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
			Investor	% holding	
A. Enterprises					
A.1 Consolidated on a line-by-line basis					
1. Terna S.p.A.	Rome	2	CDP S.p.A.	29.94%	29.94%
2. CDP Investimenti SGR S.p.A.	Rome	1	CDP S.p.A.	70.00%	70.00%
3. SunTergrid S.p.A.	Rome	1	Terna S.p.A.	100.00%	100.00%
4. TELAT S.r.l.	Rome	1	Terna S.p.A.	100.00%	100.00%
5. Rete Rinnovabile S.r.l. (RTR)	Rome	1	SunTergrid S.p.A.	100.00%	100.00%
6. Rete Solare S.r.l. (RTS)	Rome	1	SunTergrid S.p.A.	100.00%	100.00%
A.2 Consolidated proportionately					

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

SECTION 4 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

SECTION 5 – OTHER ISSUES

Following a review of the classification of the accounts of the subsidiaries in the formats used for bank financial statements, a number of reclassifications were made in the balance sheet at 31 December 2009. More specifically, as regards assets, the reclassification involved items "80. Hedging derivatives" (+€19,561 thousand), "120. Property, plant and equipment" (-€85,364 thousand) and "130. Intangible assets" (+€85,364 thousand), as regards liabilities, the changes involved items "60. Hedging derivatives" (-€11,715 thousand) and "100. Other liabilities" (+€31,276 thousand).

"IFRIC 12 – Service Concession Arrangements" came into force on 1 January 2010. IFRIC 12 specifies the accounting treatment of service concession arrangements, not expressly governed by any specific accounting standard, in order to ensure the consistency and comparability of the financial statements of companies that hold concessions for the delivery of public services.

More specifically, the interpretation sets out rules for accounting for the infrastructure used to provide the services delivered under the concession arrangement, the costs associated with developing and maintaining such infrastructure, and the revenue generated by the provision of the overall service.
As envisaged in IFRIC 12, the Group has adopted the interpretation on a retrospective basis from 1 November 2005, when the TSO line of business was acquired from GRTN, the manager of the NTG, and the provision of dispatching services on a concession basis commenced.
The retrospective application of IFRIC 12 has had no effect on consolidated equity at 31 December 2009 or on comprehensive income at 30 June 2009 presented for comparative purposes in these condensed interim consolidated financial statements at 30 June 2010.
Following the approach described above, the investment carried out during the first half of 2009 has therefore been reclassified to the income statement via the separate recognition of construction costs and revenue.

On 3 November 2009, in implementation of the sale agreement signed on 24 April 2009 between Terna S.p.A., Cemig Geração e Transmissão S.A. ("Cemig GT") and Companhia Energética de Minas Gerais ("Cemig"), the sale of the equity investment held by Terna in Terna Participações S.A. to TAESA S.A. ("TAESA"), a company held by Cemig GT and FIP (Fundo de Investimento em Participações) Coliseu, which brings together a number of Brazilian investors, was completed.
Pursuant to "IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations", the revenue and costs for the first half of 2009 of the Brazilian companies belonging to the Terna Participações Group (sold in November 2009), presented for comparative purposes, have been reclassified to "Income (loss) after tax on disposal groups held for sale". The item therefore reports the contribution of the Group's Brazilian companies in the comparative balances of the first half of 2009.

The following table reports reclassifications made to the Group income statement at 30 June 2009.

(thousands of euros)

CONSOLIDATED INCOME STATEMENT

		30/06/2009	30/06/2009 Riclassified data	Change
10.	Interest income and similar revenues	4,236,282	4,243,353	(7,071)
20.	Interest expense and similar charges	(2,997,583)	(2,997,583)	-
30.	**Net interest income**	**1,238,699**	**1,245,770**	**(7,071)**
40.	Commission income	3,417	3,417	-
50.	Commission expense	(453,220)	(453,004)	(216)
60.	**Net commission income**	**(449,803)**	**(449,587)**	**(216)**
70.	Dividends and similar revenues	445,908	445,723	185
80.	Net gain (loss) on trading activities	(19,829)	(19,713)	(116)
90.	Net gain (loss) on hedging activities	(28,748)	(28,863)	115
100.	Gains (losses) on disposal or repurchase of:	5,139	5,139	-
	a) loans	5,139	5,139	-
	b) financial assets available for sale	-	-	-
	d) financial liabilities	-	-	-
120.	**Gross income**	**1,191,366**	**1,198,469**	**(7,103)**
130.	Net impairment adjustments of:	-	-	-
	a) loans	-	-	-
140.	**Financial income (expense), net**	**1,191,366**	**1,198,469**	**(7,103)**
180.	Administrative expenses:	(219,300)	(188,620)	(30,680)
	a) staff costs	(121,795)	(94,904)	(26,891)
	b) other administrative expenses	(97,505)	(93,716)	(3,789)
190.	Net provisions	(988)	(988)	-
200.	Net adjustments of property, plant and equipment	(162,827)	(153,895)	(8,932)
210.	Net adjustments of intangible assets	(10,362)	(22,029)	11,667
220.	Other operating income (costs)	694,308	666,143	28,165
230.	**Operating costs**	**300,831**	**300,611**	**220**
240.	Gains (losses) on equity investments	95,030	95,030	-
270.	Gains (losses) on disposal of investments	1,426	1,426	-
280.	**Income (loss) before tax from continuing operations**	**1,588,653**	**1,595,536**	**(6,883)**
290.	Income tax for the period on continuing operations	(417,435)	(417,435)	-
300.	**Income (loss) after tax on continuing operations**	**1,171,218**	**1,178,101**	**(6,883)**
310.	Income (loss) after tax on disposal groups held for sale	42,633	35,750	6,883
320.	**Income (loss) for the period**	**1,213,851**	**1,213,851**	**-**
330.	Net income (loss) pertaining to minority interests	145,718	145,718	-
340.	**Net income (loss) pertaining to the parent company**	**1,068,133**	**1,068,133**	-

THE MAIN FINANCIAL STATEMENT AGGREGATES

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

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

1 – FINANCIAL ASSETS HELD FOR TRADING

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

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

Such financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or income. 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. Initial recognition is carried out at the subscription date for derivative contracts and on the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.
Financial assets held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk

characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

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

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 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 the fair value measurement of the trading portfolio are shown under “Net gain (loss) on trading activities” (item 80). The income components are recognised following the results of the measurement of the financial assets held for trading.

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

Available-for-sale financial assets (item 40) are non-derivative financial assets (debt securities, equity, etc.) that are classified as being available for sale and not as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised on the contract date for all financial assets, with the exception of those for which delivery is governed by

conventions on the market concerned, for which initial recognition is carried out at the settlement date and on the disbursement date in the case of loans.
The financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or gains. In cases in which 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.
Investments in equity instruments that are not listed on an active market and for which it is not possible to measure fair value reliably, as well as derivatives connected to such instruments and/or that must be settled with the delivery of such instruments, are measured at cost.
Unrealised gains or losses on available-for-sale securities are recorded in a specific equity reserve, net of tax effects, until the investment is sold or written down.
Subsequent measurement is done at fair value based on the official prices as of the balance sheet date if the financial instruments are listed on active markets. For financial instruments, including equity, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.
Available-for-sale financial assets are subject to impairment tests to determine whether there is objective evidence of impairment. Where an available-for-sale security is impaired, the cumulative, unrealized change in value recorded in the equity reserve is recognised in the income statement under “Net impairment adjustments of financial assets available for sale” (item 130.b). The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of an available-for-sale financial asset exceeds its recoverable amount. The amount of this loss is measured using specific valuation techniques and models concerning 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 amount of the writeback shall in any event not exceed the amortised cost that the instrument would have had in the absence of the prior adjustments.
Dividends on equity instruments that are available for sale are recognised as income when the right to receive payment is established.

In addition to the recognition of impairment losses, the cumulative gains or losses in the equity reserve are, as mentioned above, recognised in the income statement at the time of the sale of the asset. Accordingly, in the event of the disposal of an investment in available-for-sale securities, the related cumulative, unrealised change in value recorded in equity is recognised in the income statement as “Gains (losses) on the disposal of financial assets available for sale” (item 100.b).
Available-for-sale financial assets are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset are retained, the asset remains on the balance sheet even if official title has been transferred.

3 – FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity (item 50) include financial assets other than derivatives with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
If, following a change in such intention or ability, it is no longer appropriate to continue to classify an investment as held to maturity, it is reclassified under financial assets available for sale.
Held-to-maturity financial assets are initially recognised at fair value, which is normally equal to the price paid or received. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is taken to the income statement.
The value at which such assets are recognised includes incidental costs and revenues attributable to the transaction.
Following initial recognition, financial assets held to maturity are measured at amortised cost and undergo impairment testing. The amortised cost of a financial asset is equal to the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Such assets are derecognised when the contractual rights to the cash flows from the assets expire or when the assets are divested by transferring substantially all the risks and rewards of ownership of the assets.

4 - LOANS

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

Loans are initially recognised at the disbursement date or, in the case of debt securities, at the settlement date.

Loans are recognised when the contract is executed, i.e. upon the unconditional acquisition of a right to payment of the amounts agreed, and are initially measured at fair value, which equals the amount disbursed including directly related transaction costs and commissions. Where the net amount disbursed does not equal the loan’s fair value because the interest rate is lower than the market rate or the rate normally applied for similar loans, initial measurement is effected by discounting the future cash flows using an appropriate rate.

Certain types of loan made to public entities and public-law bodies under CDP’s Separate Account portfolio (in particular, "ordinary loans") differ 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 detailed verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the authority as the work is performed by the various contractors involved.

Upon signing the finance agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by the CDP Group earn interest that can be treated as a reimbursement of the interest income earned by customers on the non-disbursed portion. Ordinary loans normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. The repayment plan for the amount granted begins, with certain exceptions, as from 1 July or 1 January of the year following the signing of the related contract.

CDP Group’s accounting policy for ordinary loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins.

Any disbursements requested by borrowers during the grace period effectively reduce the commitment and result in a “short-term” receivable for the amount actually disbursed, with this amount accruing interest at the rate agreed upon by

contract. The short-term receivable for advances on loans in their grace period is measured at cost in accordance with the IFRSs.
When repayment begins on an ordinary 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 IFRSs, the receivable is measured at amortised cost (which, given the lack of transaction costs on the loans granted and with certain exceptions, equals cost), and the payable is a demand liability that decreases as the amounts are actually disbursed.
Loans granted by CDP other than ordinary loans are treated in a manner analogous to that for loans granted by banks.
The interest on loans and default interest is recognised as interest income and similar revenues on loans to banks and customers and are recognised on an accruals basis.
The carrying amount of loans is subject to periodic testing for impairment that could reduce their expected realisable value. This reduction becomes material when it is deemed probable that the amount due will not be paid in full, based on the original terms of the agreement, or that an equivalent asset will not be received.
Loans classified as bad debts, substandard or restructured are measured individually for positions that exceed a given value threshold. In view of the lack of time series of loss data on loans, as well as the creditworthiness of CDP Group’s leading borrowers, no general writedowns of the portfolio are recorded.
The measurement of writedowns of loans is based on discounting the expected future cash flows of principal and interest net of collection costs, taking account of any guarantees securing the positions and any advances received. The key to determining the value of the future cash flows is in defining the estimated collections, the related timing, and the discount rate to be applied.
The impairment of problem loans is then written back only when the quality of the loan improves to the point that there is a reasonable certainty of a greater recovery of principal and interest and/or greater receipts have been recorded than the previously recorded carrying amount of the loan. In any event, given the method used to measure impairment losses, as the due dates for credit collection approach with the passing of time, the value of the loan is “written back”, given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans.
Recovery of all or a part of previously written down loans is recognised as a reduction to “Net impairment adjustments of loans” (item 130.a).
Loans are derecognised when paid in full, when all of the related risks and rewards have been transferred, or when a loan is deemed to be definitively

uncollectible. The amount of the loss is recognised in the income statement net of previously recognised impairment losses.
Loans represented by positions with parties that are not classified under any of the risk categories listed above, but which are more than 180-days past due at the balance sheet date, are also subject to individual assessment for evidence of impairment.
"Loans to customers" include unlisted financial assets in respect of customers (loans, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also includes receivables from Italian post offices and variation margins with clearing bodies for derivative transactions.
"Loans to banks" include unlisted financial assets in respect of banks (current accounts, security deposits, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also includes the amounts receivable from central banks other than free deposits (as the reserve requirement).

5 - HEDGING TRANSACTIONS

According to the IASs, hedging instruments are designated derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities the fair value or cash flows of which are expected to offset the changes in fair value or cash flows of a designated position (paragraphs 72-77 and Annex A, paragraph AG94 of IAS 39). A hedged position is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that (a) exposes the organisation to the risk of a change in fair value or future cash flows and (b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101 of IAS 39). 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 (Annex A, paragraphs AG105-AG113 of IAS 39).
When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

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

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine

whether it is highly effective in offsetting the changes in fair value of the hedged position.
A hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the hedged position or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.
If the hedge is not effective as described above, the hedging instrument is reclassified under trading instruments, while the hedged item is measured in accordance with the criteria for its category and in the case of cash flow hedges any reserve is reversed to profit or loss. 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.
Asset item 80 and liability item 60 report hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the balance sheet date have either a positive or negative value.

6 - EQUITY INVESTMENTS

The term "equity investments" refers to investments in subsidiaries (IAS 27), in joint ventures (IAS 31), and associates subject to significant influence (IAS 28) other than financial assets held for trading (item 20) and financial assets at fair value through profit or loss (item 30) in accordance with IAS 28, paragraph 1, and IAS 31, paragraph 1.
Subsidiaries are companies in which CDP holds, either directly or indirectly, more than half of the voting rights for the purpose of appointing dependent directors or, in any event, when CDP exercises the power to determine financial and operating policies. Joint ventures are companies in which control is shared with other parties by contract. 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 interests are recognised as financial assets available for sale (item 40) and are treated as described above.
Equity investments are initially recognised at cost at the settlement date, including costs and revenues that are directly attributable to the transaction.
Equity investments recognised under item 100 "Equity investments", which are not fully consolidated and over which the parent company exercises joint control or significant influence, are accounted for using the equity method.

Where there is evidence that the value of an equity investment may be impaired, its recoverable value is determined, taking account of both its market value and the present value of future cash flows.
If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. This loss is only recognised when the loss in value is significant or persistent. Impairment losses on investments listed on active markets, and unless there are additional, specifically justified reasons, are recognised when the impairment is deemed to be significant or prolonged.
Equity investments are derecognised when the contractual rights to the cash flows of the assets terminate or when the financial asset is sold, transferring substantially all risks and rewards connected with it.

7 - PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment" includes all non-current tangible assets used in operations governed by IAS 16 and investment property governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases (for the lessor), as well as leasehold improvement costs.
Property, plant and equipment is recognised at purchase cost including incidental expenses and undeductible VAT, increased by revaluations carried out under the provisions of specific laws.
The carrying amount represents the book value of the assets net of depreciation. The depreciation rates used are felt to reflect the remaining useful economic lives of the assets.
Newly acquired assets are depreciated as from the period in which they enter service.
Land and buildings are treated as separate assets for accounting purposes, even if purchased together. Land is considered to have an indefinite life and, as such, is not depreciated.
Assets whose use or nature classifies them as capital equipment are depreciated on a straight line basis over their remaining useful lives.
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 should cease to obtain.
Maintenance and repair costs that do not increase the utility or useful lives of assets are charged directly to income for the year.
"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.

8 - INTANGIBLE ASSETS

"Intangible assets" include goodwill and other intangibles governed by IAS 38. Assets held under finance leases are included.

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:

(a) the Group can control the future economic benefits generated by the asset;

(b)it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group;

(c) the cost of the asset can be measured reliably.

Goodwill arising from the acquisition of subsidiaries is allocated to each of the identified cash-generating units ("CGU"). Goodwill is not amortised after initial recognition but it is adjusted to reflect impairment losses. Goodwill relating to investments in associates and joint ventures is included in the carrying amount of those companies. Where negative goodwill arises, it is taken to profit or loss at the time of the acquisition.

9 – NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets or groups of assets/liabilities for which a disposal process has been initiated, and whose sale is highly likely, are classified under assets as "Non-current assets and disposal groups held for sale" and in liabilities as "Liabilities associated with assets held for sale".

Such assets/liabilities are measured at the lower of their carrying amount and their fair value net of costs to sell.

Revenues and expenses (net of tax effects) connected with disposal groups or recognised as such during the period are reported in separate accounts in the income statement.

10 – CURRENT AND DEFERRED TAXATION

Income tax (IRES) and the regional tax on business activities (IRAP) are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the period under applicable tax law.

Deferred taxation - calculated on the basis of the tax rates set out in the applicable tax regulations - regards the recognition of the effects of possible differences, including timing differences, between the valuation of accounting items under tax regulations (which are used to determine taxable income) and that under statutory reporting regulations (which seek to quantify the result for the year).

More specifically, “taxable temporary differences” between statutory and tax values are those that will give rise to taxable amounts in future tax periods, while “deductible temporary differences” are those that will give rise to deductible amounts in the future.

Deferred tax liabilities – which are correlated with the amount of income that will become taxable in future years – are recognised in the tax provision without offsetting against deferred tax assets, which are recognised in the balance sheet under “Tax assets”.

If the deferred tax items regard developments that directly affect equity, they are recognised in equity.

11 - PROVISIONS

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

(a) there is a present (legal or constructive) obligation resulting from a past event;

(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

(c) 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 balance sheet 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.

12 – DEBT AND SECURITIES ISSUED

“Amounts due to banks” (item 10) and “Amounts due to customers” (item 20) include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans) other than financial liabilities held for trading (item 40), financial liabilities at fair value through profit or loss (item 50), and debt securities under item 30 (“Securities issued”). This includes operating payables. In particular, CDP includes in these items the amounts still to be disbursed for loans being repaid (see the description of CDP Separate Account loans under section 4 above).
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 using the effective interest rate method. The payables are eliminated when they mature or are extinguished.

13 - FINANCIAL LIABILITIES HELD FOR TRADING

This item includes all forms of financial liabilities designated as being held for trading purposes. It does not include the portion of the company’s own debt securities issued but not yet placed with third parties.
The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transactions costs or revenues. In cases in which the amount paid differs 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. Initial recognition is effected at the subscription 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 settlement date.
Financial liabilities held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its

own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.
Subsequent measurement is at fair value. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.
Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. . Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the liability remains on the balance sheet even if official title has been transferred.
The gains and losses on sale or redemption and unrealised gains and losses resulting from the fair value measurement of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial liability held for trading.

14 – 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 exchange rate in prevailing on the date of the transaction.
Assets and liabilities denominated in foreign currencies or indexed to foreign currencies, as well as financial assets with funding denominated in or indexed to foreign currencies, are translated at the exchange rates prevailing at the end of the period.
Costs and revenues in foreign currencies are recognised at the spot exchange rate prevailing at the time of the transactions.
The effects of this measurement are recognised in the income statement in the period in which they emerge.
Positive and negative foreign exchange differences related to financial assets and liabilities denominated in a foreign currency, other than those that are recognised at fair value or those that are subject to fair value or cash flow hedging and their related hedging instruments, are recognised under "Net gain (loss) on trading activities" (item 80).
The effects of foreign exchange differences related to the equity of investments measured using the equity method are recognised in an equity reserve.
The financial statements of each consolidated foreign company are prepared using the functional currency of the economy in which each company operates.
In these financial statements, all transactions in currencies other than the functional currency are recognised at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in currencies other

than the functional currency are subsequently adjusted at the exchange rate prevailing at the balance sheet date and any foreign exchange gains or losses are recognised in the income statement.
Non-monetary assets and liabilities in foreign currency carried at historic cost are converted at the exchange rate prevailing when the transaction was initially recognised. Non-monetary assets and liabilities in foreign currency carried at fair value are converted at the exchange rate prevailing when fair value was measured.

15 - OTHER INFORMATION

CASH AND CASH EQUIVALENTS (ITEM 10 OF ASSETS)

Liquid assets are recognised at fair value.
Liquidity is composed of cash on hand at the company and the balance on the current account held with the Central State Treasury.
The balance is increased for accrued interest that has not yet been settled on this current account. Interest accrues semi-annually at a floating rate determined (pursuant to the decree of the Minister for the Economy and Finance of 5 December 2003) on the basis of the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index.

STAFF SEVERANCE PAY

The liability in respect of employee benefits to be paid at the time of or subsequent to termination of the employment relationship under defined benefit and other long-term benefit plans is recognised net of any plan assets. It is determined separately for each plan on the basis of actuarial assumptions, estimating the amount of future benefits accrued by employees at the reference date. The liability is recognised over the period in which the entitlement accrues. The liability is estimated by independent actuaries
It should be noted that the balance of provisions for staff severance pay is minor given that employees maintained their participation the INPDAP pension scheme after the transformation; therefore, contributions are paid to that institution. As such, the amount shown for TFR is related solely to newly hired employees (under the INPS pension scheme) for amounts accrued until 2006, given that the amounts accrued subsequently were not applied to this fund, but to the supplemental pension fund or to INPS in accordance with the applicable legislation.
Therefore, the effects of the application of IAS 19 with regard to the parent company's share of TFR are not significant and so the related liability continues

to be reported in an amount based on statutory requirements (Article 2120 of the Civil Code).

INTEREST INCOME AND EXPENSE

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

COMMISSIONS

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

DIVIDENDS

Dividends are recognised as income in the period in which they are approved for distribution.

CONTRACT WORK IN PROGRESS

When the profit or loss of a contract can be reliably estimated, the related contract costs and revenues are recognized 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 recognized 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 recognize 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 as part of normal operations.

SHARE-BASED PAYMENTS

The cost of employee service remunerated through stock option plans is measured at the fair value of the options granted to employees at the grant date. The fair value of options granted is recognized 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, the volatility of the security and the yield curve at the grant date, in line with the duration of the plan.
At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of market conditions.

CAPITALISED BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation are capitalised as part of the cost of the asset. The qualifying assets (property, plant and equipment and intangible assets) involved are those that require at least one year before being ready for use. The directly attributable borrowing cost is that which would not have been incurred if the expenditure for the asset had not been incurred.
Where funds are borrowed specifically, costs eligible for capitalisation are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where funds are part of a general pool, the eligible amount is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate will be the weighted average of the borrowing costs applicable to the general pool, excluding any specifically borrowed funds. The amount of borrowing costs capitalised during a year shall in any case not exceed the amount of borrowing costs incurred during that year.
Capitalisation commences as from the date all the following conditions have been met: (a) expenditures have been incurred for the asset; (b) borrowing costs are being incurred; and (c) activities to prepare the asset for its intended use or sale are in progress.
Capitalisation ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

GRANTS

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 recognized under non-current assets are, for plants already in operation before 31 December

2002, recognized under other liabilities and taken to the income statement over the depreciation period of the related assets. From 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 recognized on the basis of the following specific criteria:

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

More specifically, revenues from fees for the use of the NTG are determined on the basis of the rates set by the Authority for Electricity and Gas.

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

DISCLOSURES ON FAIR VALUE MEASUREMENT

HIERARCHY OF FAIR VALUE INPUTS

(thousands of euros)

PORTFOLIOS: BREAKDOWN BY LEVEL OF FAIR VALUE INPUTS

	30/06/2010			31/12/2009		
Financial assets/liabilities at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1 Financial assets held for trading		808,328			868,511	
2 Financial assets at fair value						
3 Financial assets available for sale	13,336,476	8,793	52,355	13,932,295	8,500	50,564
4 Hedging derivatives		743,442	424		473,757	577
Total	**13,336,476**	**1,560,563**	**52,779**	**13,932,295**	**1,350,768**	**51,141**
1 Financial liabilities held for trading		30,228	703,878		9,135	773,842
2 Financial liabilities at fair value						
3 Hedging derivatives		2,201,599			918,402	
Total		**2,231,827**	**703,878**		**927,537**	**773,842**

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

(thousands of euros)

CHANGE FOR THE PERIOD IN FINANCIAL ASSETS AT FAIR VALUE (LEVEL 3)

	FINANCIAL ASSETS			
	held for trading	**at fair value**	**available for sale**	**hedging**
1. Opening balance			**50,564**	**577**
2. Increases			**2,793**	
2.1 Purchases			2,767	
2.2 Profits taken to:			26	
2.2.1 Income statement				
- of which: capital gains				
2.2.2 Equity	x	x	26	
2.3 Transfers to other levels				
2.4 Other increases				
3. Decreases			**1,002**	**153**
3.1 Sales				
3.2 Repayments			288	
3.3 Losses taken to:			714	153
3.3.1 Income statement				153
- of which: capital losses				
3.3.2 Equity	x	x	714	
3.4 Transfers to other levels				
3.5 Other decreases				
4. Closing balance			**52,355**	**424**

(thousands of euros)

CHANGE FOR THE PERIOD IN FINANCIAL LIABILITIES AT FAIR VALUE (LEVEL 3)

	FINANCIAL LIABILITIES		
	held for trading	**at fair value**	**hedging**
1. Opening balance	**773,842**		
2. Increases	**102,865**		
2.1 Purchases	102,865		
2.2 Losses taken to:			
2.2.1 Income statement			
- of which: capital losses			
2.2.2 Equity	x	x	
2.3 Transfers to other levels			
2.4 Other increases			
3. Decreases	**172,829**		
3.1 Sales			
3.2 Repayments			
3.3 Profits taken to:			
3.3.1 Income statement	172,829		
- of which: capital gains	172,829		
3.3.2 Equity	x	x	
3.4 Transfers to other levels			
3.5 Other decreases			
4. Closing balance	**703,878**		

INFORMATION ON THE BALANCE SHEET

ASSETS

CASH AND CASH EQUIVALENTS – ITEM 10

The liquid assets of the CDP Group are mainly deposited on the interest-bearing treasury current account no. 29814 held at the Bank of Italy denominated "*Cassa DP SPA-gestione separata*", which holds all liquid balances associated with the operations conducted by CDP in its activities under the Separate Account. At the end of the first half of 2010 the balance on the account was about €116,212 million.

As envisaged by Article 6.1 of the MEF decree of 5 December 2003, the Ministry for the Economy and Finance pays semi-annual interest on account no. 29814 the interest-bearing treasury account at a floating rate equal to the simple arithmetic mean between the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index.

Interest accrued and not yet paid on account no. 29814 amounted to about €1,122 million.

FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

(thousands of euros)

FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

	30/06/2010	31/12/2009
A On-balance-sheet financial assets		
1. Debt securities		
1.1 Structured securities		
1.2 Other debt securities		
2. Equity securities		
3. Units in collective investment undertakings		
4. Loans		
4.1 Repurchase agreements		
4.2 Other		
Total A		
B Derivatives		
1. Financial derivatives:	808,328	868,511
1.1 trading	808,328	868,511
1.2 associated with fair value option		
1.3 other		
2. Credit derivatives		
2.1 trading		
2.2 associated with fair value option		
2.3 other		
Total B	**808,328**	**868,511**
Total (A+B)	**808,328**	**868,511**

The assets set out in the table regard financial derivatives of CDP S.p.A. and, in particular, options purchased to hedge the embedded option component of indexed bonds and *Premia* bonds. This option component was separated from the host instrument and was classified among financial liabilities held for trading.

FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

(thousands of euros)

FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY TYPE

	30/06/2010	31/12/2009
1. Debt securities	1,567,030	207,616
1.1 Structured securities		
1.2 Other debt securities	1,567,030	207,616
2. Equity securities	11,787,711	13,743,442
2.1 At fair value	11,778,238	13,733,179
2.2 At cost	9,473	10,263
3. Units in collective investment undertakings	42,883	40,301
4. Loans		
Total	**13,397,624**	**13,991,359**

The assets reported in the table pertain entirely to CDP S.p.A..
The increase in debt securities is attributable to the subscription of government securities during the period, mainly as a means of investing liquidity.
The decrease in equity securities is a consequence of the fair value measurement of the investments in Eni S.p.A. and Enel S.p.A..

FINANCIAL ASSETS HELD TO MATURITY – ITEM 50

The increase in the item is associated with the purchase during the period by CDP S.p.A. of inflation-linked treasury bonds with a nominal value of €300 million acquired by CDP as an operational hedge of the issue of postal savings bonds indexed to inflation.

LOANS TO BANKS – ITEM 60

(thousands of euros)

LOANS TO BANKS: COMPOSITION BY TYPE

	Banking group	Other entities	30/06/2010	31/12/2009
A. Claims on central banks	**3,843,413**		**3,843,413**	**3,703,220**
1. Fixed-term deposits				
2. Reserve requirement	3,843,413		3,843,413	3,703,220
3. Repurchase agreements				
4. Other				
B. Loan to banks	**4,171,299**	**501,949**	**4,673,248**	**2,774,124**
1. Current accounts and demand deposits	90,365	351,843	442,208	794,179
2. Fixed-term deposits	1,742,966		1,742,966	907,947
3. Other financing	2,337,968		2,337,968	921,886
3.1 Repurchase agreements				
3.2 Finance leasing				
3.3 Other	2,337,968		2,337,968	921,886
4. Debt securities		150,106	150,106	150,112
4.1 Structured				
4.2 Other debt securities		150,106	150,106	150,112
Total	**8,014,712**	**501,949**	**8,516,661**	**6,477,344**

The increase in the balance for the period is mainly attributable to new loans granted by CDP S.p.A. to banks within the framework of economic support instruments (loans to SMEs and Abruzzo earthquake reconstruction loans).

The balance of deposits (cash collateral) of CDP S.p.A. with banks in transactions to hedge the credit risk on derivatives also rose.

The balance for the banking group also includes the liquidity of CDPI SGR deposited on a bank current account in the amount of about €1.1 million.

The balance of the item for other entities, essentially regarding certificates of deposit and bonds subscribed by the Terna Group, was virtually unchanged with respect to 31 December 2009.

LOANS TO CUSTOMERS – ITEM 70

Loans to customers regard lending operations under the Separate Account and Ordinary Account of CDP and include bonds issued by municipal and regional governments and subscribed by the parent company. The following table provides a breakdown of the positions by technical form.

(thousands of euros)

LOANS TO CUSTOMERS: COMPOSITION BY TYPE

	30/06/2010		31/12/2009	
	Performing	**Impaired**	**Performing**	**Impaired**
1. Current accounts	40		84	
2. Repurchase agreements				
3. Loans	87,737,004	49,286	84,171,757	46,402
4. Credit cards, personal loans and loans repaid by automatic deductions from wages				
5. Finance leasing				
6. Factoring				
7. Other			86,936	
8. Debt securities	1,450,991		1,318,662	
8.1 Structured				
8.2 Other debt securities	1,450,991		1,318,662	
Total	**89,188,035**	**49,286**	**85,577,439**	**46,402**

Loans also include €14,784 million, highlighted in the balance sheet, pledged as collateral for covered bonds issued by CDP.

Total writedowns of loans amount to €121 million. On the basis of the quality of the borrowers, the guarantees securing the loans and the regular payment of instalments, as well as the experience of the CDP in this area, it was not considered necessary to carry out a collective writedown of the loan portfolio.

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

(thousands of euros)

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

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Opening gross exposure	**121,392**	**34,985**	**-**	**11,155**
- of which: exposures assigned but not derecognized				
B. Increases	**648**	**1,985**	**-**	**3,303**
B.1 from performing loans	346	1,948		3,185
B.2 transfers from other categories of impaired positions				
B.3 other increases	302	37		118
C. Decreases	**(282)**	**(771)**	**-**	**(2,122)**
C.1 to performing loans				(1,610)
C.2 writeoffs				
C.3 collections	(282)	(771)		(139)
C.4 assignments				
C.5 transfers to other categories of impaired positions				
C.6 other decreases				(373)
D. Closing gross exposure	**121,758**	**36,199**	**-**	**12,336**
- of which: exposures assigned but not derecognized				

(thousands of euros)

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

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Total opening adjustments	**95,855**	**25,276**	**-**	**-**
- of which: exposures assigned but not derecognized				
B. Increases	**316**	**-**	**-**	**-**
B.1 writedowns	316			
B.2 transfers from other categories of impaired positions				
B.3 other increases				
C. Decreases	**(357)**	**(83)**	**-**	**-**
C.1 writebacks from valuations	(357)	(83)		
C.2 writebacks from collection				
C.3 writeoffs				
C.4 transfers to other categories of impaired positions				
C.5 other decreases				
D. Total closing adjustments	**95,814**	**25,193**	**-**	**-**
- of which: exposures assigned but not derecognized				

HEDGING DERIVATIVES – ITEM 80

(thousands of euros)

HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE

	Banking group	Other entities	30/06/2010	31/12/2009
A. Financial derivatives	**380,181**	**363,685**	**743,866**	**474,334**
1) Fair value	352,278	363,685	715,963	462,408
2) Cash flow	27,903		27,903	11,926
3) Investment in foreign operation				
B. Credit derivatives				
1) Fair value				
2) Cash flow				
Total	**380,181**	**363,685**	**743,866**	**474,334**

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

The increase in the balance with respect to the previous period represents the rise in the fair value of the derivatives and is essentially attributable to the decline in market interest rates during the period, offset by a corresponding increase in the fair value of the hedged underlying.

EQUITY INVESTMENTS – ITEM 100

EQUITY INVESTMENTS IN JOINT VENTURES (ACCOUNTED FOR WITH EQUITY METHOD) AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE: INFORMATION ON INVESTMENTS

	Registered office	Type of relationship	Equity investment		% of votes
			Investor	% holding	
A. Companies					
1. Cesi S.p.A.	Milan	Significant influence	Terna S.p.A.	30.91%	30.91%
2. Elmed Etudes S.àr.l.	Tunis	Joint control	Terna S.p.A.	50.00%	50.00%
3. STMicroelectronics Holding N.V. *	Amsterdam	Joint control	CDP S.p.A.	50.00%	50.00%
4. Poste Italiane S.p.A.*	Rome	Significant influence	CDP S.p.A.	35.00%	35.00%
5. Galaxy S.àr.l. SICAR	Luxembourg	Significant influence	CDP S.p.A.	40.00%	40.00%
6. Europrogetti & Finanza S.p.A. in liquidation	Rome	Significant influence	CDP S.p.A.	31.80%	31.80%

** The investments have been reclassified to item 150 "Non-current assets and disposal groups held for sale"*

During the period the holding in Tunnel di Genova S.p.A., which had already been fully written down in previous years, was divested.

In addition, following decision of the Board of CDP S.p.A. to transfer CDP's holdings of 17.362% in Enel S.p.A., 35% in Poste Italiane and 50% in STMicroelectronics Holding N.V. to the MEF by the end of 2010, the latter two investments were reclassified to 150 “Non-current assets and disposal groups held for sale”. In return, the MEF will transfer to CDP a number of shares in Eni S.p.A. with a value equal to the equity investments transferred by CDP.

(thousands of euros)

EQUITY INVESTMENTS IN JOINT VENTURES (ACCOUNTED FOR WITH EQUITY METHOD) AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE: COMPOSITION

	30/06/2010	31/12/2009
1. Cesi S.p.A.	16,589	14,814
2. Elmed Etudes S.àr.l.	723	669
3. STMicroelectronics Holding N.V. *	-	666,423
4. Poste Italiane S.p.A.*	-	3,123,535
5. Galaxy S.àr.l. SICAR	9,658	9,658
6. Europrogetti & Finanza S.p.A. in liquidation	-	-
Total	**26,970**	**3,815,099**

** The investments have been reclassified to item 150 "Non-current assets and disposal groups held for sale"*

PROPERTY, PLANT AND EQUIPMENT – ITEM 120

Property, plant and equipment includes all of the movable and immovable property of the Group, net of depreciation, and at period-end break down as follows:

(thousands of euros)

PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF ASSETS MEASURED AT COST

	Banking group	Other entities	30/06/2010	31/12/2009
A. Operating assets				
1.1 owned	**202,222**	**9,320,260**	**9,522,482**	**9,237,344**
a) land	117,406	63,412	180,818	170,497
b) buildings	68,377	571,021	639,398	626,247
c) movables	3,266	5,794	9,060	8,494
d) electrical plant	4,634	16,346	20,980	21,848
e) other	8,539	8,663,687	8,672,226	8,410,258
1.2 acquired under finance leases				
a) land				
b) buildings				
c) movables				
d) electrical plant				
e) other				
Total A	**202,222**	**9,320,260**	**9,522,482**	**9,237,344**
B. Investment property				
2.1 owned				
a) land				
b) buildings				
2.2 acquired under finance leases				
a) land				
b) buildings				
Total B	-	-	-	-
Total (A+B)	**202,222**	**9,320,260**	**9,522,482**	**9,237,344**

Property, plant and equipment of other Group entities comprises the electricity transmission network, the transformation stations in Italy and the value of the photovoltaic facilities at Ragusa (which entered service in December 2009) and Rosara (which entered service in May 2010).
The increase of about €285 million is entirely attributable to ordinary changes during the period in respect of capital expenditure, disinvestments and depreciation.

INTANGIBLE ASSETS – ITEM 130

Intangible assets break down as follows:

(thousands of euros)

INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

	Banking group		Other entities		30/06/2010		31/12/2009	
	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	x		x	**486,738**	x	**486,738**	x	**487,240**
A.1.1 pertaining to Group	x		x	486,738	x	486,738	x	487,240
A.1.2 minority interests	x		x		x		x	
A.2 Other intangible assets	**5,528**		**270,464**		**275,992**		**273,889**	
A.2.1 Assets carried at cost	5,528		270,464		275,992		273,889	
a) internally-generated intangible assets			23,486		23,486		55,763	
b) other assets	5,528		246,978		252,506		218,126	
A.2.2 Assets at fair value:								
a) internally-generated intangible assets								
b) other assets								
Total	**5,528**		**270,464**	**486,738**	**275,992**	**486,738**	**273,889**	**487,240**

The item mainly regards the following assets pertaining to other Group entities:
- the rights to infrastructure used for the dispatching service, recognised from 1 January 2010 in application of IFRIC 12 with a net carrying amount at 30 June 2010 of €101.4 million for infrastructure already in use and €22.4 million for infrastructure under construction;
- the concession for the provision of electricity transmission and dispatching services in Italy recognised initially during 2005 at fair value (€135.4 million) and subsequently measured at cost;
- goodwill, which was largely unchanged during the period.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE– ITEM 150

The item reports the shareholdings in Poste Italiane S.p.A. and STMicroelectronics Holding N.V. in the amount of €3,695 million. The holdings will be transferred to the MEF by the end of 2010.

LIABILITIES

DUE TO BANKS – ITEM 10

(thousands of euros)

DUE TO BANKS: COMPOSITION BY TYPE

	Banking group	Other entities	30/06/2010	31/12/2009
1. Due to central banks	**20,365**		**20,365**	**24,128**
2. Due to banks	**4,537,689**	**2,166,970**	**6,704,659**	**4,310,096**
2.1 Current accounts and demand deposits	247,227		247,227	425,852
2.2 Fixed-term deposits	608,779		608,779	625,165
2.3 Borrowings	3,664,576	2,166,970	5,831,546	3,242,299
2.3.1 repurchase agreements	2,271,011		2,271,011	188,660
2.3.2 other	1,393,565	2,166,970	3,560,535	3,053,639
2.4 Liabilities in respect of commitments to repurchase own equity instruments				
2.5 Other payables	17,107		17,107	16,780
Total	**4,558,054**	**2,166,970**	**6,725,024**	**4,334,224**

Other borrowings of the banking group regard loans from the EIB, amounts to be transferred to banks in the loan monetization operation and short-term funding transactions carried out during the period in the form of repurchase transactions using securities in CDP's portfolio as collateral. The latter transactions increased sharply during the period, rising from a balance of €188 million at the end of 2009 to nearly €2.3 billion at the end of June 2010.

The change in the amounts due to banks of other entities essentially regards new loans received in the amount of about €523 million, net of repayments made totalling €29.8 million.

DUE TO CUSTOMERS – ITEM 20

(thousands of euros)

DUE TO CUSTOMERS: COMPOSITION BY TYPE

	30/06/2010	31/12/2009
1. Current accounts and demand deposits	93,030,188	91,108,472
2. Fixed-term deposits		
3. Borrowings		-
3.1 Repurchase agreements		
3.2 Other		
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	10,544,907	9,351,464
Total	**103,575,095**	**100,459,936**

Amounts due to customers are entirely accounted for by funding on the part of CDP S.p.A..

“Current accounts and demand deposits” regard the value at 30 June 2010 of postal passbooks issued by CDP.

Other payables mainly regard amounts to be disbursed on loans being repaid.

SECURITIES ISSUED – ITEM 30

(thousands of euros)

SECURITIES ISSUED: COMPOSITION BY TYPE

	Banking group	Other entities	30/06/2010	31/12/2009
A. Securities				
1. Bonds	8,758,294	2,893,640	11,651,934	11,277,539
1.1 structured				
1.2 other	8,758,294	2,893,640	11,651,934	11,277,539
2. Other securities	103,013,386		103,013,386	99,665,210
2.1 structured	11,271,844		11,271,844	10,037,547
2.2 other	91,741,542		91,741,542	89,627,663
Total	**111,771,680**	**2,893,640**	**114,665,320**	**110,942,749**

As regards the banking group, the item includes covered bonds, bonds issued under the Euro Medium Term Notes programme and postal savings bonds.
During the period two new issues were carried out under the EMTN programme, one with a nominal value of €150 million and one in yen with a nominal value of ¥13 billion (about €102 million at issue). During the same period, maturing bonds were redeemed in the amount of €150 million.
Other structured securities include indexed postal savings bonds and the *Premia* bonds, for which the embedded derivative has been separated from the host contract.

Securities issued by other entities regard bonds issued by Terna, which have been hedged. The increase is mainly attributable to changes in the fair value of the hedged exposure and to the capitalisation of inflation in the inflation-linked bonds.

FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

(thousands of euros)

FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	30/06/2010	31/12/2009
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:	734,106	782,977
1.1 Trading		
1.2 Associated with fair value option		
1.3 Other	734,106	782,977
2. Credit derivatives		
2.1 Trading		
2.2 Associated with fair value option		
2.3 Other		
Total B	**734,106**	**782,977**
Total (A+B)	**734,106**	**782,977**

The item includes the embedded option component of indexed bonds and *Premia* bonds issued by CDP that was separated from the host contract.

HEDGING DERIVATIVES – ITEM 60

(thousands of euros)

HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE

	30/06/2010	31/12/2009
A. Financial derivatives	**2,201,599**	**918,402**
1) Fair value	2,115,760	825,663
2) Cash flow	85,839	92,739
3) Investment in foreign operation		
B. Credit derivatives		
1) Fair value		
2) Cash flow		
Total	**2,201,599**	**918,402**

The change in the balance at 30 June 2010 reflects interest rate developments during the period.
The cash flow hedge derivatives regard transactions carried out by Terna in respect of floating-rate loans received.

EQUITY – ITEMS 140, 170, 180, 190, 210 AND 220

(thousands of euros)

GROUP EQUITY: COMPOSITION

	30/06/2010	31/12/2009
1. Share capital	3,500,000	3,500,000
2. Share premium reserve	2,542	539
3. Reserves	6,822,888	5,286,156
4. Treasury shares		
a) parent company		
b) subsidiaries		
5. Valuation reserves	435,172	2,118,026
6. Equity instruments		
7. Net income (loss) pertaining to the Group	868,732	2,026,022
Total	**11,629,334**	**12,930,743**

The substantial decline in "Valuation reserves" is mainly attributable to the measurement of the shareholdings in Eni S.p.A. and Enel S.p.A. at their end-period market prices.

The share capital of €3,500,000,000 is fully paid up and is composed of 245,000,000 ordinary shares and 105,000,000 preference shares with a par value of €10 each.

INFORMATION ON THE INCOME STATEMENT

INTEREST – ITEMS 10 AND 20

(thousands of euros)

INTEREST INCOME AND SIMILAR REVENUES: COMPOSITION

	Debt securities	Loans	Other	30/06/2010	30/06/2009
1 Financial assets held for trading					
2 Financial assets available for sale	5,363			**5,363**	**3,036**
3 Financial assets held to maturity	8,818			**8,818**	**1,576**
4 Loan to banks		11,747	24,453	**36,200**	**43,199**
5 Loan to customers	31,238	1,926,862		**1,958,100**	**2,041,433**
6 Financial assets at fair value					
7 Hedging derivatives	x	x			
8 Other assets	x	x	1,124,396	**1,124,396**	**2,154,109**
Total	**45,419**	**1,938,609**	**1,148,849**	**3,132,877**	**4,243,353**

The balance at 30 June 2010 mainly regards interest income on loans by CDP, in the amount of about €1,927 million, and on liquidity deposited on current account no. 29814, in the amount of about €1,122 million. The significant decrease in current account interest compared with the year-earlier period is due to the substantial decline in the interest rate paid by the MEF on the treasury account.

The interest income of the Terna Group amounted to €5.1 million, sharply down on the first half of 2009 (-65%) owing to the broad decline in the interest earned on the various instruments in which it invests its liquidity, reflecting the fall in market interest rates and the absence of the interest income that had accrued in the first half of 2009 on the loan to Terna Participações.

(thousands of euros)

INTEREST EXPENSE AND SIMILAR CHARGES: COMPOSITION

	Payables	Securities	Other liabilities	30/06/2010	30/06/2009
1 Due to central banks		x			
2 Due to banks	50,955	x		**50,955**	**49,492**
3 Due to customers	355,390	x		**355,390**	**966,238**
4 Securities issued	x	1,773,939		**1,773,939**	**1,846,443**
5 Financial liabilities held for trading			327	**327**	**314**
6 Financial liabilities at fair value					
7 Other liabilities and funds	x	x	(6,447)	**(6,447)**	**2,080**
8 Hedging derivatives	x	x	237,153	**237,153**	**133,016**
Total	**406,345**	**1,773,939**	**231,033**	**2,411,317**	**2,997,583**

The item mainly reports interest paid by CDP on the various forms of funding. More specifically, interest expense on amounts due to customers mainly regards interest on passbook savings accounts issued by CDP, totalling about €300 million, and interest on loans being repaid but not yet disbursed by CDP, equal to about €55 million. Interest on securities issued regarded bond issues by CDP for about €631 million and postal savings bonds for about €1,623 million.
The negative differences on hedges amounted to about €237 million.

The interest expense at 30 June 2010 of the Terna Group includes €37.4 million in interest on bank loans and €21.3 million in interest on bonds issued, reduced by about €6.4 million by capitalised financial expense in respect of investments in property, plant and equipment.

COMMISSIONS - ITEMS 40 AND 50

During the period, CDP earned commission income on lending operations amounting to about €4.3 million and commission income of about €1.5 million relating to the agreement signed with the Ministry for the Economy and Finance in respect of assets and liabilities transferred to the MEF pursuant to Article 3 of the ministerial decree of 5 December 2003.
Commission expense mainly regards the charge for the period, equal to about €340 million, of the remuneration paid by CDP to Poste Italiane S.p.A. for managing and placing postal funding products, which is not subject to amortisation.

The balance at 30 June 2010 also includes the commission expense of the Terna Group in the amount of €1.3 million, mainly in respect of loans received.

Dividends and similar revenues - Item 70

Dividends at 30 June 2010 report the accrued share attributable to CDP from its equity investments in ENEL S.p.A. (about €245 million), ENI S.p.A. (about €200 million), Istituto per il Credito Sportivo (about €2.5 million), F2i SGR S.p.A. (about €501 thousand) and Sinloc S.p.A. (about €237 thousand).

Net gain (loss) on trading and hedging activities - Items 80 and 90

Trading activities showed a net loss of about €7.9 million, although this was an improvement on the first half of 2009, when the loss came to €19.7 million, mainly due to the negative impact of the fair value measurement of trading derivatives entered into by the Terna Group to mitigate the impact of exchange rate fluctuations on the intercompany loan to Terna Participações.
Hedging activities showed a net gain at 30 June 2010 of €1.6 million, a marked improvement on the net loss of €28.9 million for the year-earlier period.

Gains (losses) on the disposal or repurchase of loans and financial assets available for sale – Item 100

The balance at 30 June 2010 shows a gain of €31.2 million, due mainly to the penalties accrued on the early repayment of loans granted by CDP.

General and administrative expenses – Item 180

Administrative expenses amounted to €226.6 million in the period, compared with €188.6 million reported at 30 June 2009.
The significant increase is mainly attributable to the rise in staff costs at the Terna Group, largely due to the reversal of the energy discount provision, in the first half of 2009, following the agreement with Enel Servizio Elettrico that recalculated the correct number of eligible retirees pertaining to Terna.

Other operating costs / income – Item 220

At 30 June 2010 the item showed a balance of €757.6 million, an increase of 14% compared with the first half of 2009. The rise is essentially attributable to the increase in revenues from the core business of Terna and its subsidiaries. More specifically:

1) an increase of €33.7 million in Terna revenues, mainly attributable to the effects of AEEG Resolution no. 203/09, which revised rates for 2010 (€29.0 million); grid transmission fees in respect of the defence plan also rose (+4.9 million);
2) the contribution of TELAT, which was not included in the scope of consolidation in the first three months of 2009, as a result of AEEG Resolution no. 203/09, which updated the grid transmission fee for 2010 (€35.0 million) and confirmed the application of the mitigation mechanism envisaged under Resolution no. 188/08 (€4.0 million).

GAINS (LOSSES) ON EQUITY INVESTMENTS – ITEM 240

The item came to €128 million, an increase of 35% on the first half of 2009, reflecting the valuation at the end of the period of the Group's associated companies.

OPERATING SEGMENTS

Operating segment disclosures provide specific reporting of the contributions of financial operations (CDP and CDPI SGR) and non-financial operations (Terna Group).

In view of the different nature of the business of CDP and CDPI SGR, on the one hand, and the Terna Group, on the other, as well as the limited significance of reclassifying the Terna Group financial statements on the basis of the formats used for banks, management's assessment of the performance of the CDP Group is not based on a unified vision of the Group but rather on an assessment of the contribution of the individual components.

Accordingly, the reclassified balance sheet and income statement at 30 June 2010 have been constructed on the basis of the respective separate financial statements (for CDP and CDPI SGR) or consolidated financial statements (Terna Group), reporting the effects of consolidation by CDP under eliminations and adjustments.

BALANCE SHEET at 30 June 2010

(thousands of euros)

	Financial operations	Non-financial operations	Eliminations / Adjustments	Total CDP Group
Cash and cash equivalents	121,886,607	126	-	121,886,733
Loans to customers and banks	88,813,736	-	-	88,813,736
Debt securities	2,437,549	500,000	-	2,937,549
Equity investments and shares	16,357,884	17,312	(822,575)	15,552,621
Assets held for trading and hedging derivatives	1,188,509	363,685	-	1,552,194
Property, plant and equipment and intangible assets	207,750	7,759,979	2,317,484	10,285,212
Accrued income, prepaid expenses and other non-interest bearing assets	3,539,315	1,949	-	3,541,265
Other assets	594,980	1,470,410	(2,380)	2,063,011
Total assets	**235,026,331**	**10,113,461**	**1,492,528**	**246,632,321**
Funding	219,253,912	4,688,357	-	223,942,269
- of which: postal funding	*196,070,299*	-	-	*196,070,299*
- of which: funding from banks	*4,432,233*	*2,161,662*	-	*6,593,896*
- of which: funding from customers	*10,440,617*	-	-	*10,440,617*
- of which: funding from bonds	*8,310,764*	*2,526,695*	-	*10,837,459*
Liabilities held for trading and hedging derivatives	2,913,918	85,839	-	2,999,757
Accrued expenses, deferred income and other non-interest-bearing liabilities	650,916	372,252	-	1,023,169
Other liabilities	962,616	1,677,244	(1,955)	2,637,904
Provisions, taxes and staff severance pay	236,432	783,017	658,858	1,678,308
Equity	11,008,537	2,506,751	835,625	14,350,913
Total liabilities and equity	**235,026,331**	**10,113,461**	**1,492,528**	**246,632,321**

INCOME STATEMENT at 30 June 2010

(thousands of euros)

	Financial operations	Non-financial operations	Eliminations / Adjustments	Total CDP Group
Net interest income	**768,729**	**(47,168)**	**-**	**721,560**
Dividends	723,952	-	(275,624)	448,328
Net commission income	(334,019)	(1,309)	25	(335,303)
Other net revenues	23,181	1,819	-	25,000
Gross income	**1,181,843**	**(46,659)**	**(275,599)**	**859,585**
Net writedowns	124	-	-	124
Overheads	(38,072)	(365,376)	(22,498)	(425,946)
of which Administrative expenses	*(33,596)*	*(192,837)*	*52*	*(226,380)*
Operating income	**1,148,626**	**517,703**	**(275,599)**	**1,390,729**
Income (loss) for the period	**990,202**	**233,624**	**(202,374)**	**1,021,452**
Net income (loss) pertaining to minority interests				152,720
Net income (loss) pertaining to the parent company				**868,732**

TRANSACTIONS WITH RELATED PARTIES

1. Information on the compensation of directors and management

(thousands of euros)

REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS

	30/06/2010
a) directors	684
b) statutory auditors	56
Total	**740**

(thousands of euros)

REMUNERATION OF KEY MANAGEMENT

	30/06/2010
(a) short-term benefits	3,596
(b) post-employment benefits	52
(c) other long-term benefits	
(d) severance benefits	142
(e) share-based payments	
Total	**3,790**

(thousands of euros)

REMUNERATION PAID TO DIRECTORS AND STATUTORY AUDITORS

	Position	Period in office	End of term (*)	Compensation and bonuses
Directors				
Franco Bassanini	Chairman	01/01/10-30/06/10	2012	194
Giovanni Gorno Tempini	Chief Executive Officer	28/04/10-30/06/10	2012	121
Massimo Varazzani	Chief Executive Officer	01/01/10-28/04/10	2009	376
Cristian Chizzoli	Director	28/04/10-30/06/10	2012	6
Cristiana Coppola	Director	28/04/10-30/06/10	2012	6
Piero Gastaldo	Director	28/04/10-30/06/10	2012	(***)
Ettore Gotti Tedeschi	Director	01/01/10-30/06/10	2012	18
Vittorio Grilli	Director	01/01/10-30/06/10	2012	(**)
Nunzio Guglielmino	Director	01/01/10-30/06/10	2012	18
Mario Nuzzo	Director	28/04/10-30/06/10	2012	6
Francesco Giovannucci	Director	01/01/10-28/04/10	2009	11
Fiorenzo Tasso	Director	01/01/10-28/04/10	2009	11
Luisa Torchia	Director	01/01/10-28/04/10	2009	11
Gianfranco Viesti	Director	01/01/10-28/04/10	2009	11
Supplementary members for administration of Separate Account (Art. 5.8, Decree Law 269/03)				
Giovanni De Simone	Director (1)	28/04/10-30/06/10	2012	6
Edoardo Grisolia	Director (1)	01/01/10-28/04/10	2009	(**)
Maria Cannata	Director (2)	01/01/10-30/06/10	2012	(**)
Giuseppe Pericu	Director	05/05/10-30/06/10	2012	5
	Director	01/01/10-28/04/10	2009	11
Romano Colozzi	Director	03/06/10-30/06/10	2012	3
Guido Podestà	Director	05/05/10-30/06/10	2012	5
Isaia Sales	Director	01/01/10-28/04/10	2009	11
Francesco Scalia	Director	01/01/10-28/04/10	2009	11
Board of auditors				
Angelo Provasoli	Chairman	28/04/10-30/06/10	2012	5
Alberto Sabatini	Chairman	01/01/10-28/04/10	2009	9
Paolo Fumagalli	Auditor	28/04/10-30/06/10	2012	4
Biagio Mazzotta	Auditor	01/01/10-30/06/10	2012	(**)
Gianfranco Romanelli	Auditor	28/04/10-30/06/10	2012	4
Giuseppe Vincenzo Suppa	Auditor	28/04/10-30/06/10	2012	(**)
Antonio Angelo Arru	Auditor	01/01/10-28/04/10	2009	7
Mario Basili	Auditor	01/01/10-28/04/10	2009	7
Francesco Bilotti	Auditor	31/03/10-28/04/10	2009	2
Fabio Alberto Roversi Monaco	Auditor	01/01/10-25/03/10	2009	5

(*) Date of Shareholders' Meeting called to approve financial statements for the year.

(**) The remuneration is paid to the Ministry for the Economy and Finance.

(***) The remuneration is paid to Compagnia di San Paolo.

(1) Delegate of State Accountant General.

(2) Delegate of Director General of the Treasury.

2. Information on transactions with related parties

2.1 Banking group

At 30 June 2010 CDP had the following transactions with the related parties of the companies belonging to the banking group.

Transactions with the Ministry for the Economy and Finance

The main transactions conducted with the Ministry for the Economy and Finance regarded the treasury service performed by the MEF and lending transactions.

Specifically, CDP's liquidity is deposited on the interest-bearing account no. 29814 at the Central State Treasury and earns interest, as envisaged by Article 6.1 of the decree of the Minister for the Economy and Finance of 5 December 2003, at a floating 6-month rate equal to the simple arithmetic average of the gross yield on 6-month treasury bills and the level of the monthly Rendistato index.

As regards receivables in respect of loans, it should be noted that more than 40% of CDP's portfolio is repaid by the state.

CDP also manages loans and postal savings products owned by the MEF, for which it receives a fee established in a specific contract.

Outstanding transactions and the related financial effects at period-end were as follows:

(thousands of euros)

Transactions with Ministry for the Economy and Finance	**30/06/2010**
Cash and cash equivalents	117,333,427
Financial assets held to maturity	524,717
Loan to customers	34,365,094
Other assets	16,799
Due to customers	3,509,043
Other liabilities	77
Interest income and similar revenues	1,873,268
Commission income	1,506
Interest expense and similar charges	(17,966)

Transactions with associates

Transactions with Poste Italiane S.p.A.

Transactions outstanding at 30 June 2010 with Poste Italiane S.p.A. include both the placement and management service for postal savings products and loans granted by CDP.

The service provided by Poste Italiane in administering postal savings is remunerated with an annual commission set in a specific agreement between the parties.

The transactions outstanding at the end of the period and the related effects on the income statement are as follows:

(thousands of euros)

Transactions with Poste Italiane S.p.A.	**30/06/2010**
Loan to customers	679,557
Due to customers	8,771
Other liabilities	750,000
Interest income and similar revenues	13,215
Commission expense	750,000
of which: subject to amortisation	410,104

Transactions with Europrogetti & Finanza S.p.A. in liquidation

Transactions outstanding at 30 June 2010 with Europrogetti & Finanza S.p.A. in liquidation regard the loan granted by CDP in the amount of about €302 thousand (fully written down).

2.2 Other entities

Transactions with other related parties during the period essentially regarded services rendered as part of ordinary operations that were settled on an arm's length basis. The following table sets out the nature of the Terna Group's transactions, assets and liabilities with related parties, as well as the relevant revenues and costs for the year and receivables and payables at 30 June 2010:

Related party	Assets	Liabilities
Cesi S.p.A.	*non-energy related items* Lease of laboratories and other similar structures for specific use	*non-energy related items* Technical consultancy, studies and research, projects and experimentation
GSE Group	*energy-related items* Remuneration of the grid and MIS component, energy sale, rights of withdrawal, rights of use of transport capacity for interconnection *non-energy related items* Specialist services (remote console), leases, IT services	*energy-related items* Purchase of energy, rights of use of the transport capacity for interconnection
Enel Group	*energy-related items* Remuneration of National Transmission Grid and metering aggregation, energy sales, rights of withdrawal, coverage of transmission costs, rights of use of transport capacity for interconnection *non-energy related items* Leases and rents, line maintenance	*energy-related items* Metering aggregation, energy purchases, rights of use of transport capacity for interconnection, coverage of congestion costs, congestion fees *non-energy related items* Restitution of electricity discount, personnel administration, building services, supply of MV power to new stations, specialised services for connection to Terna control and protection systems
Eni Group	*energy-related items* Rights of withdrawal, energy sales, rights for use of transport capacity for interconnection, cover of transmission costs, remuneration of grid *non-energy related items* Line maintenance	*energy-related items* Energy purchase, cover of joint management costs, National Transmission Grid remuneration
Ferrovie Group	*energy-related items* National Transmission Grid remuneration *non-energy related items* Line moving, connection grants	*energy-related items* National Transmission Grid remuneration *non-energy related items* Right of way fees
Anas S.p.A.	*non-energy related items* Line moving, connection grants	
Fondenel and Fopen		*non-energy related items* Social security contributions payable by Terna Group

(thousands of euros)

	Income statement					
	Revenues			Costs		
	Grid transmission fee and other energy items	Pass-through energy items	Non energy-related items	Grid transmission fee and other energy items	Pass-through energy items	Non energy-related items
Associates:						
Cesi S.p.A.			284			1,344
Total associates			***284***			***1,344***
Other related parties:						
GSE Group	7,772	405,391	636		185,422	5
Enel Group	585,862	324,749	1,449	2,942	340,119	4,323
Eni Group	911	83,452	110		63,073	45
Ferrovie Group	422	16,055	65	3,380	562	14
Anas S.p.A.			3			
Total other related parties	***594,967***	***829,647***	***2,263***	***6,322***	***589,176***	***4,387***
Pension funds						
Fondenel						207
Fopen						838
Total pension funds						***1,045***
Total	***594,967***	***829,647***	***2,547***	***6,322***	***589,176***	***7,429***

(thousands of euros)

	Balance sheet			Guarantees*
	Property, plant and equipment	Receivables and other assets	Payables and other liabilities	
	Capitalised costs			
Associates:				
Cesi S.p.A.	11,028	31	10,637	2,900
Total associates	***11,028***	***31***	***10,637***	***2,900***
Other related parties:				
GSE Group		414	203	
Enel Group	5,072	114,796	44,127	411,326
Eni Group		7,438	1,120	24,920
Ferrovie Group	10	90	449	21,992
Anas S.p.A.		239	83	
Total other related parties	***5,082***	***122,977***	***45,982***	***458,238***
Pension funds				
Fondenel				
Fopen			1,379	
Total pension funds			***1,379***	
Total	***16,110***	***123,438***	***59,783***	***461,138***

**The guarantees refer to the bank guarantees received on contracts.*