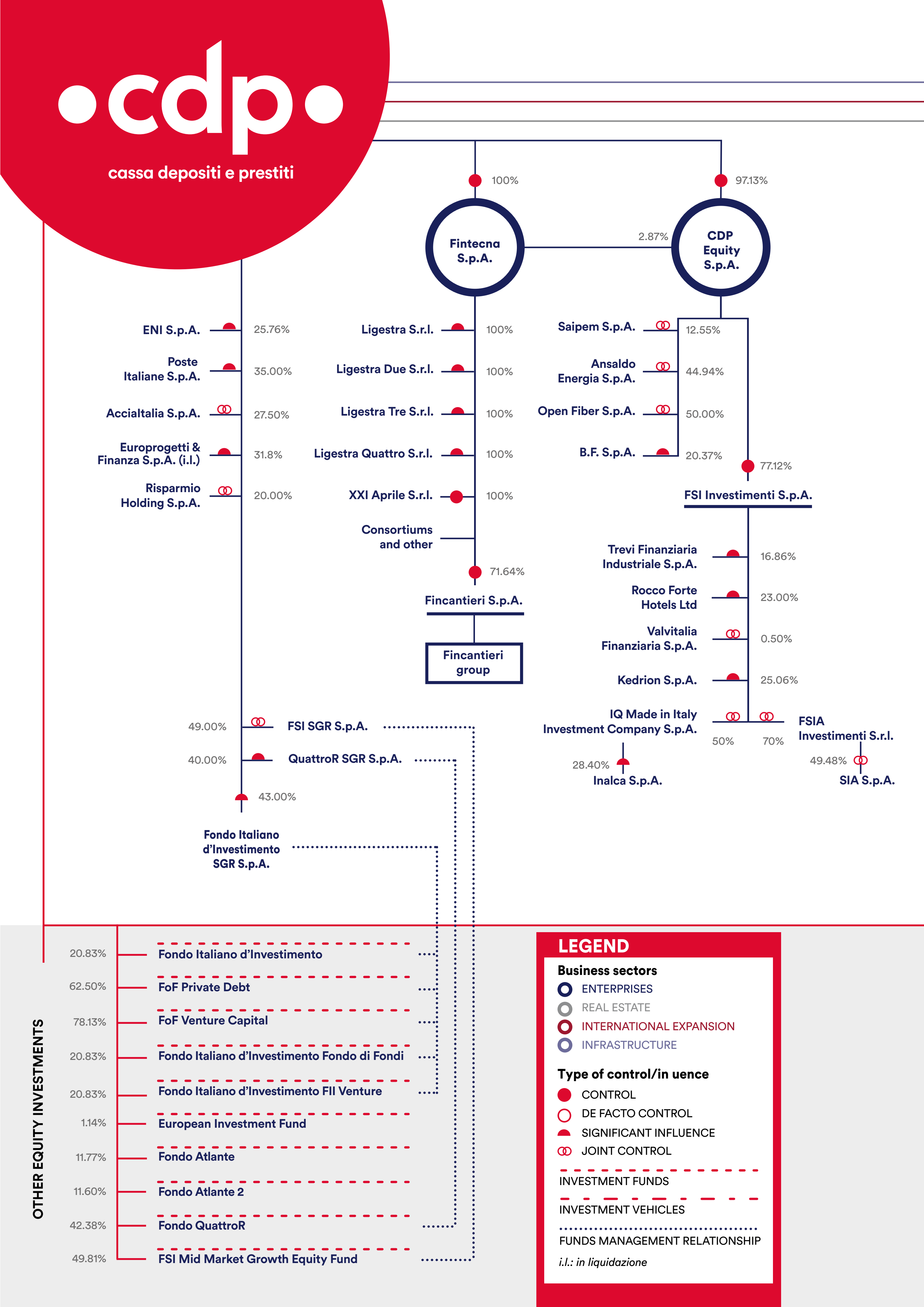
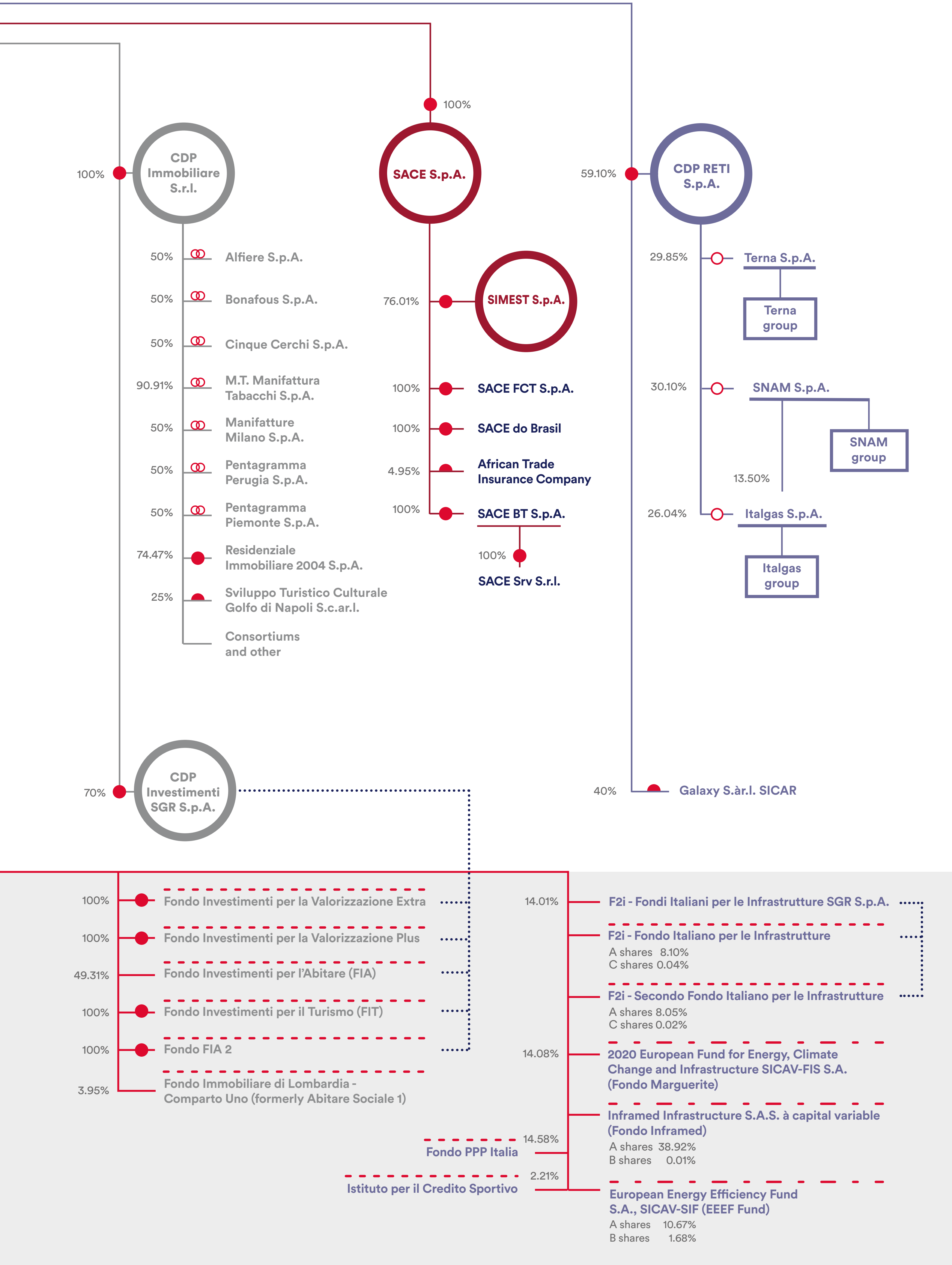
Half-yearly Financial Report at 30 June

2017

cassa depositi e prestiti

from 1850


cdp
cassa depositi e prestiti
100%
97.13%
Fintecna S.p.A.
2.87%
CDP Equity S.p.A.
ENI S.p.A. 25.76%
Poste Italiane S.p.A. 35.00%
Accialtalia S.p.A. 27.50%
Europrogetti & Finanza S.p.A. (i.l.) 31.8%
Risparmio Holding S.p.A. 20.00%
Ligestra S.r.l. 100%
Ligestra Due S.r.l. 100%
Ligestra Tre S.r.l. 100%
Ligestra Quattro S.r.l. 100%
XXI Aprile S.r.l. 100%
Consortiums and other
71.64%
Fincantieri S.p.A.
Fincantieri group
Saipem S.p.A. 12.55%
Ansaldo Energia S.p.A. 44.94%
Open Fiber S.p.A. 50.00%
B.F. S.p.A. 20.37%
77.12%
FSI Investimenti S.p.A.
Trevi Finanziaria Industriale S.p.A. 16.86%
Rocco Forte Hotels Ltd 23.00%
Valvitalia Finanziaria S.p.A. 0.50%
Kedrion S.p.A. 25.06%
IQ Made in Italy Investment Company S.p.A. 50%
FSIA Investimenti S.r.l. 70%
28.40% Inalca S.p.A.
49.48% SIA S.p.A.
49.00% FSI SGR S.p.A.
40.00% QuattroR SGR S.p.A.
43.00%
Fondo Italiano d'Investimento SGR S.p.A.
OTHER EQUITY INVESTMENTS
20.83% Fondo Italiano d'Investimento
62.50% FoF Private Debt
78.13% FoF Venture Capital
20.83% Fondo Italiano d'Investimento Fondo di Fondi
20.83% Fondo Italiano d'Investimento FII Venture
1.14% European Investment Fund
11.77% Fondo Atlante
11.60% Fondo Atlante 2
42.38% Fondo QuattroR
49.81% FSI Mid Market Growth Equity Fund
LEGEND
Business sectors
ENTERPRISES
REAL ESTATE
INTERNATIONAL EXPANSION
INFRASTRUCTURE
Type of control/in uence
CONTROL
DE FACTO CONTROL
SIGNIFICANT INFLUENCE
JOINT CONTROL
INVESTMENT FUNDS
INVESTMENT VEHICLES
FUNDS MANAGEMENT RELATIONSHIP
i.l.: in liquidazione


100%
CDP Immobiliare S.r.l.
50% Alfiere S.p.A.
50% Bonafous S.p.A.
50% Cinque Cerchi S.p.A.
90.91% M.T. Manifattura Tabacchi S.p.A.
50% Manifatture Milano S.p.A.
50% Pentagramma Perugia S.p.A.
50% Pentagramma Piemonte S.p.A.
74.47% Residenziale Immobiliare 2004 S.p.A.
25% Sviluppo Turistico Culturale Golfo di Napoli S.c.ar.l.
Consortiums and other
100%
SACE S.p.A.
76.01% SIMEST S.p.A.
100% SACE FCT S.p.A.
100% SACE do Brasil
4.95% African Trade Insurance Company
100% SACE BT S.p.A.
100% SACE Srv S.r.l.
59.10%
CDP RETI S.p.A.
29.85% Terna S.p.A.
Terna group
30.10% SNAM S.p.A.
SNAM group
13.50%
26.04% Italgas S.p.A.
Italgas group
70%
CDP Investimenti SGR S.p.A.
40% Galaxy S.àr.l. SICAR
100% Fondo Investimenti per la Valorizzazione Extra
100% Fondo Investimenti per la Valorizzazione Plus
49.31% Fondo Investimenti per l'Abitare (FIA)
100% Fondo Investimenti per il Turismo (FIT)
100% Fondo FIA 2
3.95% Fondo Immobiliare di Lombardia - Comparto Uno (formerly Abitare Sociale 1)
14.58% Fondo PPP Italia
2.21% Istituto per il Credito Sportivo
14.01% F2i - Fondi Italiani per le Infrastrutture SGR S.p.A.
F2i - Fondo Italiano per le Infrastrutture
A shares 8.10%
C shares 0.04%
F2i - Secondo Fondo Italiano per le Infrastrutture
A shares 8.05%
C shares 0.02%
14.08% 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS S.A. (Fondo Marguerite)
Inframed Infrastructure S.A.S. à capital variable (Fondo Inframed)
A shares 38.92%
B shares 0.01%
European Energy Efficiency Fund S.A., SICAV-SIF (EEEF Fund)
A shares 10.67%
B shares 1.68%

We promote Italy's future by contributing to economic development and investing in competitiveness

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

SUMMARY

1.

Presentation of CDP Group

THE CDP GROUP, ROLE AND MISSION

Presentation of the CDP Group

Created in 1850 as an institution purposed to receive deposits as a "place of public trust", CDP has seen its role change over the years. During the past decade, it has assumed a key role in the industrial policies of Italy.

From being an institution created to support public economy in Italy largely by financing public entities, CDP has expanded its scope of action to the private sector, while always operating in a medium/long-term development perspective. CDP can play numerous roles, from lender to anchor investor, constantly geared to increasingly innovative and flexible instruments with a view to meeting investment requirements.

It uses tools ranging from loans for public investments, infrastructure, and support of business – always taking an anti-cyclical approach and medium/long-term view – to investments in venture capital and real estate.

In 2012, after the Ministry of the Economy and Finance (MEF) acquired SACE, Simest, and Fintecna, the CDP Group was created with renewed ambitions to support the international expansion of Italian enterprises, by operating in synergy with the banking system and supporting international cooperation.

However, CDP has not forgotten its traditional public and social role towards public entities and local constituencies. Among the several activities in support of the public sector, it develops its property assets by drawing on the resources and expertise of CDP Immobiliare, invests in social housing with the Fondo Investimenti per l'Abitare ("FIA"), develops the real estate assets owned by public entities through the FIV fund, and manages cash advances on the payments of debts owed by the Public Administration (PA).

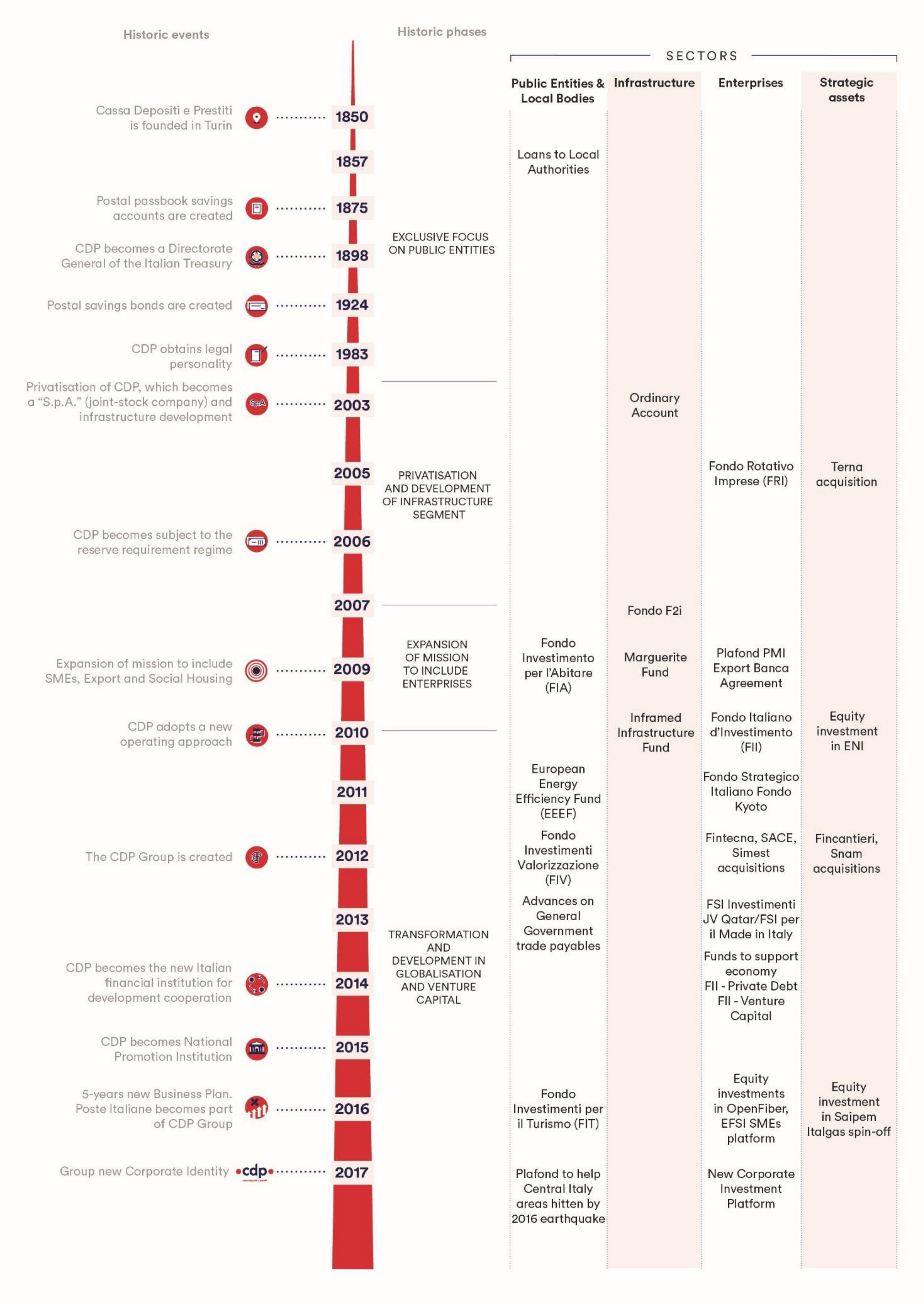
In 2015 the Italian Government and the European Union designated CDP as a National Promotion Institution, thereby becoming:

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

The "Italian Centre for Export and International Expansion" of the Group was strengthened in 2016 through transfer by CDP of the equity investment in Simest to Sace. That transaction confirms a major step forward in implementation of the CDP Group's 2016-2020 Business Plan, with the creation of a system to support the growth and international competitiveness of the Italian production system. The objective is to offer Italian businesses an integrated system in support of export and international expansion.

The role of CDP has been expanded, by adding the characteristics of an active promoter of initiatives in support of growth to its typical characteristics of a medium/long-term investor.

Past Events

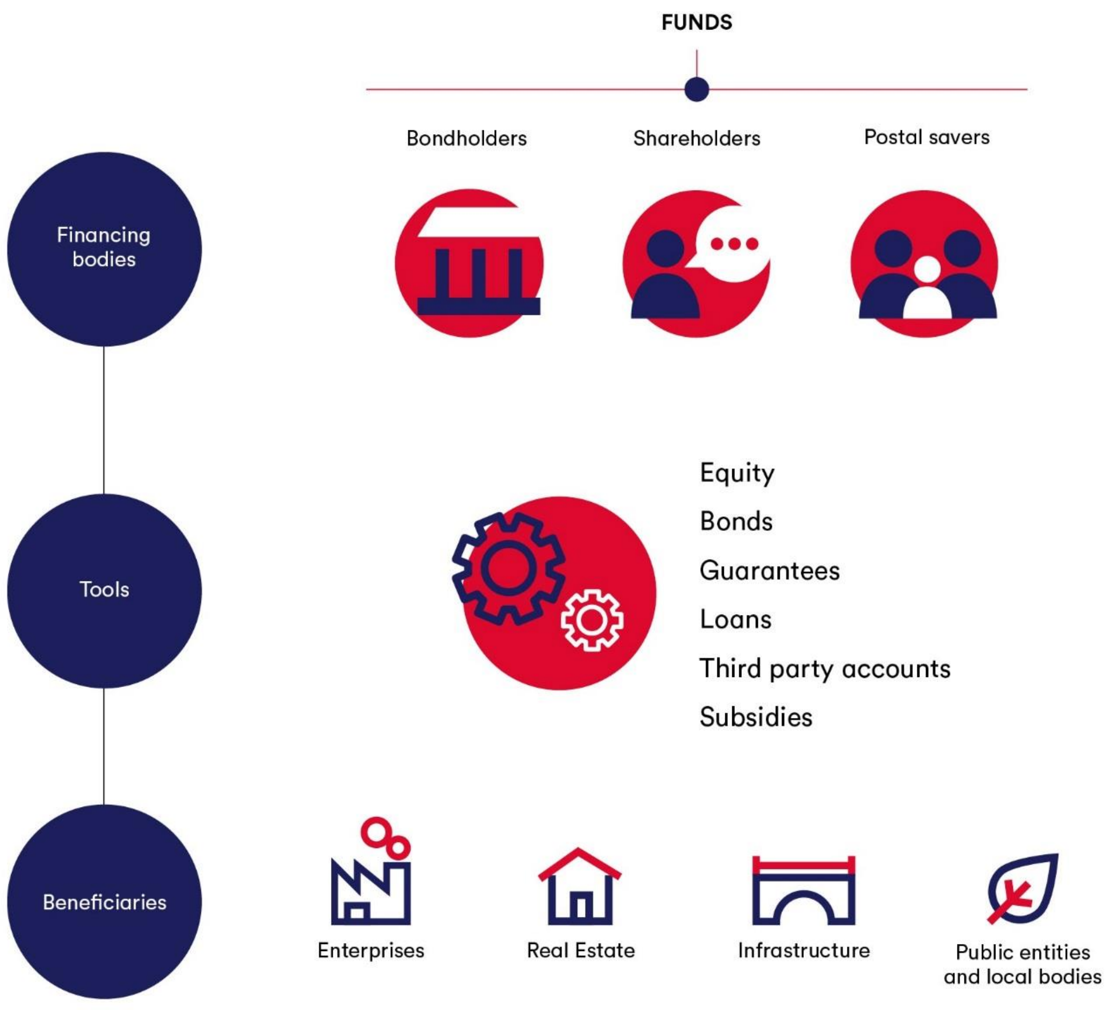

Historic events
Historic phases
SECTORS
Public Entities & Local Bodies
Infrastructure
Enterprises
Strategic assets
Cassa Depositi e Prestiti is founded in Turin
1850
1857
Loans to Local Authorities
Postal passbook savings accounts are created
1875
EXCLUSIVE FOCUS ON PUBLIC ENTITIES
CDP becomes a Directorate General of the Italian Treasury
1898
Postal savings bonds are created
1924
CDP obtains legal personality
1983
Privatisation of CDP, which becomes a "S.p.A." (joint-stock company) and infrastructure development
SpA
2003
Ordinary Account
2005
PRIVATISATION AND DEVELOPMENT OF INFRASTRUCTURE SEGMENT
Fondo Rotativo Imprese (FRI)
Terna acquisition
CDP becomes subject to the reserve requirement regime
2006
2007
Fondo F2i
EXPANSION OF MISSION TO INCLUDE ENTERPRISES
Expansion of mission to include SMEs, Export and Social Housing
2009
Fondo Investimento per l'Abitare (FIA)
Marguerite Fund
Plafond PMI Export Banca Agreement
CDP adopts a new operating approach
2010
Inframed Infrastructure Fund
Fondo Italiano d'Investimento (FII)
Equity investment in ENI
2011
European Energy Efficiency Fund (EEEF)
Fondo Strategico Italiano Fondo Kyoto
The CDP Group is created
2012
Fondo Investimenti Valorizzazione (FIV)
Fintecna, SACE, Simest acquisitions
Fincantieri, Snam acquisitions
2013
Advances on General Government trade payables
FSI Investimenti JV Qatar/FSI per il Made in Italy
TRANSFORMATION AND DEVELOPMENT IN GLOBALISATION AND VENTURE CAPITAL
CDP becomes the new Italian financial institution for development cooperation
2014
Funds to support economy FII - Private Debt FII - Venture Capital
CDP becomes National Promotion Institution
2015
5-years new Business Plan. Poste Italiane becomes part of CDP Group
2016
Fondo Investimenti per il Turismo (FIT)
Equity investments in OpenFiber, EFSI SMEs platform
Equity investment in Saipem Italgas spin-off
Group new Corporate Identity
cdp
2017
Plafond to help Central Italy areas hitten by 2016 earthquake
New Corporate Investment Platform

CDP's business model

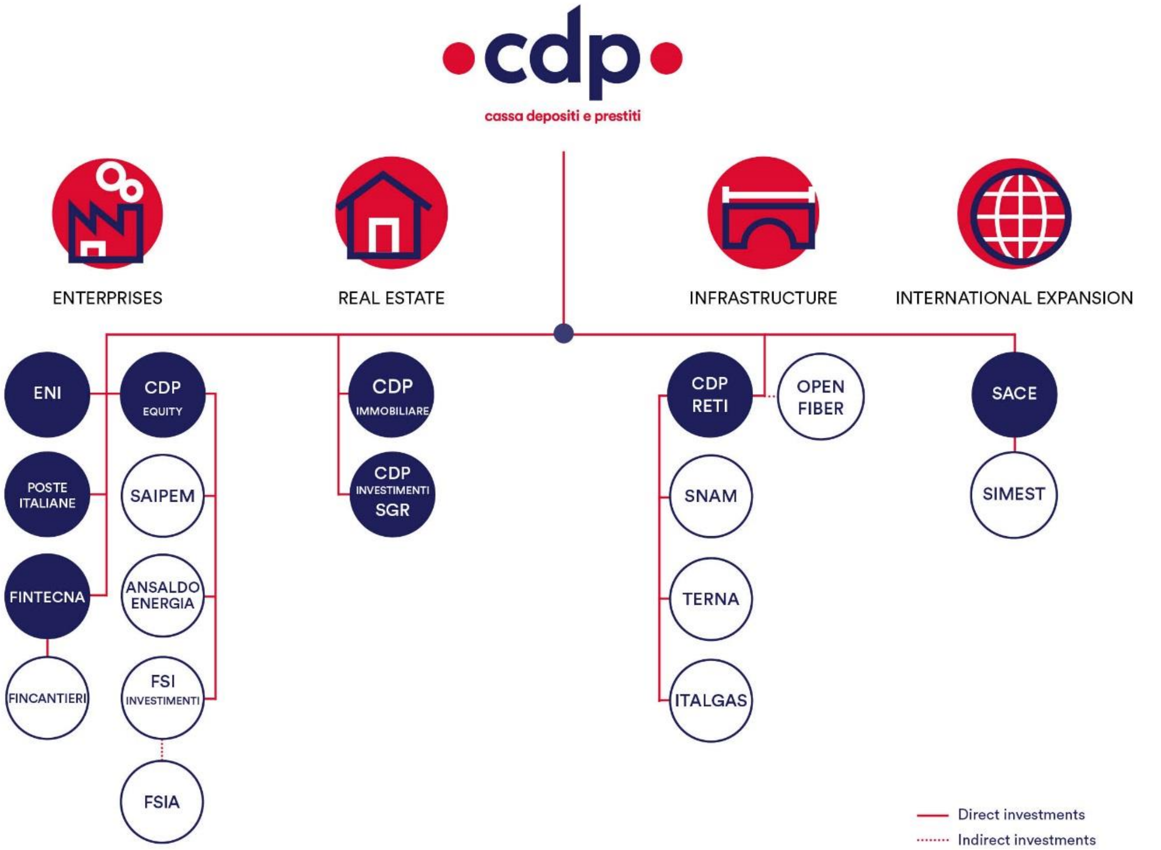
The CDP Group works to support Italy's growth and deploys its resources, mainly funded through postal savings, to support the development of local areas and domestic companies, to promote their growth and international expansion.

Over the last decade, CDP has taken on a central role in supporting the country's industrial policies, also thanks to the adoption of new operating methods. In particular, in addition to traditional debt instruments such as loans and guarantees, CDP has also adopted equity instruments. The main investments are in energy, transport networks and real estate, in addition to supporting the growth and international development of SMEs and strategically-important enterprises. These instruments are in addition to third-party fund management and subsidised instruments to promote research and the international expansion of companies.

Lenders and recipients



CDP Group simplified structure



Other investments

- Fondo Italiano d'Investimento
- Fondo Italiano d'Investimento Fondo di Fondi
- Fondo Italiano d'Investimento FII Venture
- FoF Private Debt
- FoF Venture Capital
- Fondo Atlante
- Fondo Atlante 2
- Fondo QuattroR
- European Investment Fund
- FSI Mid Market Growth Equity Fund

- Fondo Immobiliare di Lombardia - Comparto Uno
- Fondo Investimenti per l'Abitare (FIA)
- Fondo Investimenti per la Valorizzazione (Comparto Extra, Comparto Plus)
- Fondo Investimenti per il Turismo (FIT)
- Fondo FIA 2

- F2i - Fondi Italiani per le Infrastrutture SGR
- F2i - Fondo Italiano per le Infrastrutture
- F2i - Secondo Fondo Italiano per le Infrastrutture
- Fondo PPP Italia
- Inframed Infrastructure
- 2020 European Fund for Energy Climate Change and Infrastructure
- Istituto per il Credito Sportivo
- European Energy Efficiency Fund

2.

Half-yearly report on operations

1. COMPOSITION OF THE CDP GROUP

1.1. PARENT COMPANY

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

CDP has always played a fundamental institutional role in supporting household savings and promoting economic growth in Italy in a sustainable way and in the public interest.

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

CDP's privatisation in 2003 marked the start of a rapid transformation that would lead it to become the Group that it is today – a major player that invests, through debt and equity capital, in infrastructure, in the growth and international expansion of business, and in the acquisition of equity investments in Italian companies of national and international importance:

- in 2003, with its transformation into a joint-stock company, bank foundations became shareholders of CDP. The Ministry of the Economy and Finance ("MEF"), however, remains the main shareholder of CDP, with an equity interest of 80.1% of the share capital;
- in 2006, CDP became subject to a reserve requirement by the Bank of Italy;
- from 2009, CDP was authorised to finance initiatives of public interest, also in partnership with private-sector entities, without drawing on public finances, and to provide support for SMEs in the form of targeted funding through the banking industry;
- in 2011, CDP's operations were broadened further with the establishment of Fondo Strategico Italiano (FSI), of which CDP is the pivotal investor;
- in 2012, the CDP Group was established, comprising Cassa depositi e prestiti S.p.A. and the companies subject to its management and coordination;
- in 2014, CDP's remit was extended again to encompass international cooperation, infrastructure financing and investments in research, drawing on both government-backed funding and unsecured funding (decree law 133/2014 – the "Sblocca Italia" decree – and Law 125/2014). In particular, since 2014 CDP has been authorised to:
    - finance international development cooperation projects directed by public or private-sector entities;
    - draw on government-backed funding (postal savings funds) to finance initiatives in favour of private entities in sectors of "general interest", as identified by decree of the Minister of the Economy and Finance;
    - draw on non-government-backed funding to finance works, facilities, networks and equipment not only for the provision of public services and reclamation works, but as part of wider initiatives of public utility;
    - draw on non-government-backed funding to finance investments in research, development, innovation, the protection and development of cultural heritage assets, the promotion of tourism, the environment, energy efficiency and the green economy;
- in 2015, with the approval of the 2016 Stability Law, CDP was assigned the role of "national promotional institution" (Article 1, paragraph 826, of Law 208 of 28 December 2015). CDP's designation as national promotional institution for the intents and purposes of the EU regulation concerning strategic investments and as an eligible implementer of the financial instruments receiving structural funds, authorises it to engage in the activities contemplated by the regulation, also by drawing on Separate Account funds. As such, CDP has become:
    - the entry point for funding under the Juncker Plan for Italy;
    - financial advisor to government entities for a more efficient and effective use of domestic and European funds;
- in 2016, the CDP Group's "Italian Export and Internationalisation Hub" was expanded with the transfer of the equity investment held by CDP in Simest to Sace. That transaction confirms a major step forward in implementation of the CDP Group Business Plan 2016-2020, with the creation of a system to support the growth and international competitiveness of the Italian production system. The objective is to offer Italian businesses "one-door" access to all they need to meet their export and internationalisation requirements. In this way, CDP's core role of medium/long-term investor has been expanded to include the active promotion of growth initiatives. Again in 2016, specifically on 20 October, the capital increase of CDP reserved to the Ministry of Economy and Finance (MEF) was subscribed through

the contribution of a 35% equity interest in Poste Italiane S.p.A.. As a result of the transaction, the equity interest of MEF in CDP rose from 80.1% to 82.8% of the share capital.

CDP's operations are carried on within a framework that ensures the organisational and accounting separation of organisational units and respects the distinction between Separate Account and Ordinary Account assets, thereby ensuring long-term economic and financial equilibrium while ensuring returns for shareholders at the same time.

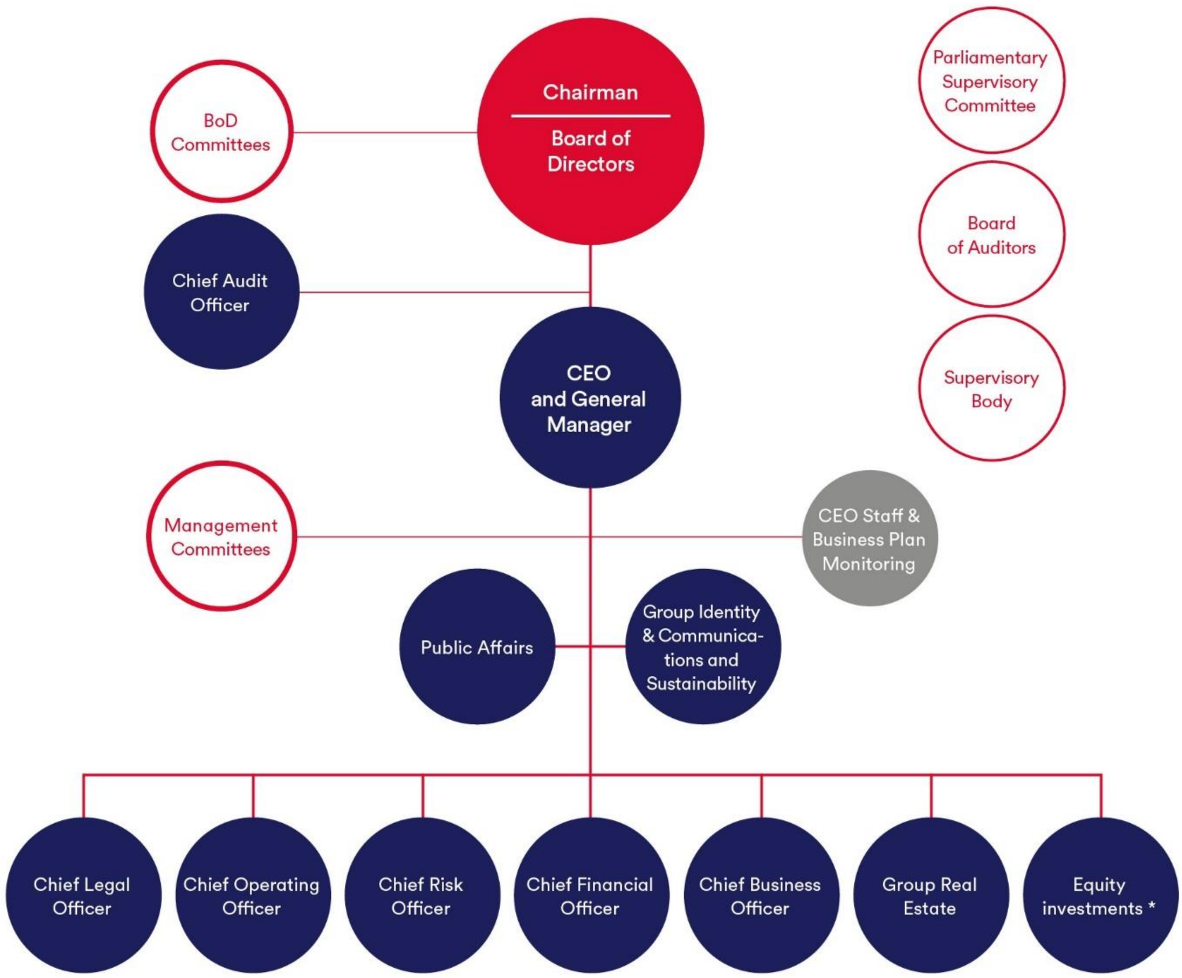
In terms of supervision, in accordance with Article 5, paragraph 6 of Decree Law 269/2003, the provisions of Title 5 of the Consolidated Law on Banking concerning the supervision of non-banking financial intermediaries apply to CDP, taking into account the characteristics of the supervised entity and the special regulations applicable to the Separate Account.

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

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

- the Chief Executive Officer and General Manager and the Chief Audit Officer report directly to the Board of Directors;
- Public Affairs, Group Identity & Communications and Sustainability, CEO Staff & Business Plan Monitoring, the Chief Legal Officer, the Chief Operating Officer, the Chief Risk Officer, the Chief Financial Officer, the Chief Business Officer, Group Real Estate and Equity Investments report directly to the Chief Executive Officer and General Manager.

The CDP organisational chart at 30 June 2017 is as follows:



* On 18 July 2017 this department has been renamed Chief Strategic Equity Officer.

At 30 June 2017, CDP employed 735 people, including 72 senior managers, 353 middle managers, 288 office workers, 6 consultants, 12 interns and 4 people seconded and employed by another organisation.

In the first half of 2017, CDP personnel grew both in number and quality, with 70 new hires taken on and 30 people leaving the organisation.

Compared to 2016, the average age of employees is stable at 44 years, while the proportion of employees with a tertiary education (bachelor's or master's degree, doctorate or other post-graduate qualification) rose from 67% to 70%. Gender-based quotas are stable (59% men and 41% women).

CDP Group's personnel, including the companies managed and coordinated by the Parent Company, numbered 2.017 people at 30 June 2017, an increase of 5% on 31 December 2016.

1.2. COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

SACE GROUP

Brief description and shareholding structure

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

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

Specifically, the business purpose of SACE includes insurance, reinsurance, co-insurance and the provision of guarantees against risks relating to political events and natural catastrophes, economic, trade and exchange-rate risk, as well as any other related risks, to which companies are exposed through their business dealings with foreign countries. SACE also provides guarantees and insurance for foreign companies in Italy for transactions of strategic importance for the international expansion of the Italian economy and for the economic security of Italy.

The SACE Group consists of SACE and the following companies:

- SIMEST, in which SACE has a controlling stake of 76%. The company focuses on the acquisition of equity investments in companies, the financing of Italian business operations abroad and the provision of technical assistance and advisory services to Italian companies that choose to expand their operations abroad;
- SACE BT, established in 2004, engaged in the insurance of short-term credit;
- SACE FCT, established in 2010, engaged in trade receivables financing;
- SACE SRV, established in 2007 and a subsidiary of SACE BT, specialised in business information solutions and debt recovery;
- SACE Do Brasil, established in 2012.

Organisation and personnel

At 30 June 2017, the SACE Group employed 890 people, including 53 senior managers, 382 officials and 455 office workers. Compared to 31 December 2016, the headcount decreased by 2 employees.

CDP EQUITY

Brief description and shareholding structure

CDP Equity is the new name adopted, as of 31 March 2016, by Fondo Strategico Italiano, a company established on 2 August 2011. Following the Bank of Italy's withdrawal from its entire equity investment (20%), 97.1% of the share capital is now held by CDP and the remainder by Fintecna.

Under the articles of association, the share capital of CDP Equity is open to other Italian and foreign institutional investors. In view of this, and as part of a fund-raising campaign promoted by CDP Equity based on principles of transparency and non-discrimination, in 2013 IQ Made in Italy Investment Company (IQMIIC) was established as a joint venture with Qatar Holding LLC for investments in "Made in Italy" sectors, while in 2014 a new investment company was established under the name FSI Investimenti, in which CDP Equity holds about 77% of the share capital, while the remaining 23% circa is held by the Kuwait Investment Authority.

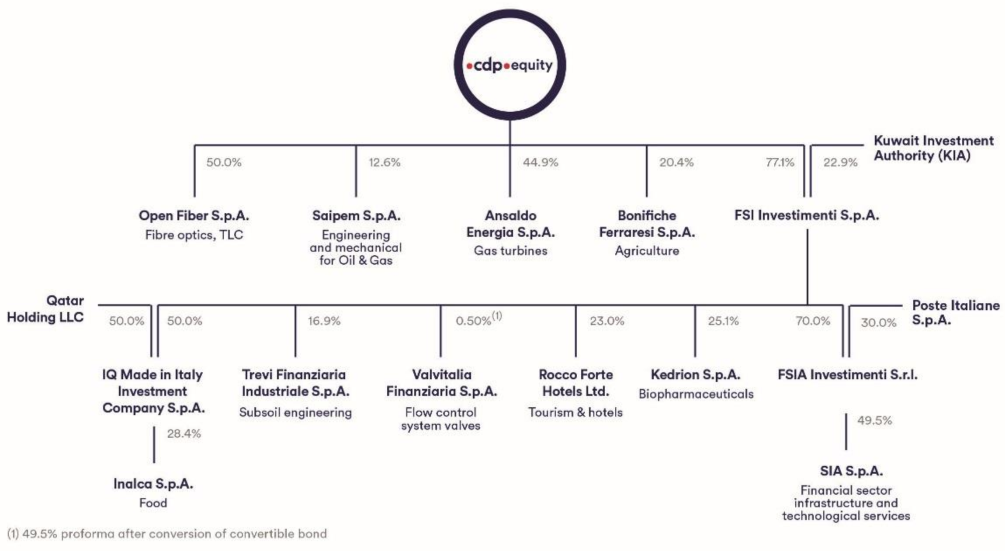
CDP Equity operates by acquiring equity investments, usually non-controlling interests, in companies of "major national interest" that have a stable economic and financial position and are capable of generating value for investors.

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

Under the 2016-2020 Group's Business Plan, a project has been initiated for the comprehensive rationalisation of the company's portfolio of equity investments. The rationalisation project focuses on two separate areas: (i) investments identified as "stable", i.e., in companies of "systemic" interest for the national economy and with a long-term investment horizon, which will be undertaken by CDP Equity in strict coordination with CDP; and (ii) investments "promoting growth" in mid-sized companies, with a view to supporting business growth plans (geared towards public listing), drawing on a reserved, closed-end fund managed by an asset management company (FSI SGR), initially established by CDP, but subsequently opened to external investors.

With regard to the activities of FSI SGR, please note that CDP Equity transferred a business unit to FSI SGR on 1 July 2017, including 18 staff members and a number of related assets and liabilities.

CDP Equity's corporate structure is currently as follows:



Organisation and personnel

At 30 June 2017, CDP Equity employed 42 people, compared to 40 at the end of 2016. Following the transfer of the business unit, at 1 July 2017 CDP Equity employed 24 people.

FINTECNA

Brief description and shareholding structure

Fintecna was established in 1993 for the specific purpose of restructuring recoverable businesses and performing transitional management activities connected with the liquidation of Iritecna, preparing the way for its privatisation. In December 2002, the absorption into Fintecna of IRI, in liquidation, and its residual assets became effective.

Today, the main equity investment held by Fintecna is its 71.64% controlling interest in Fincantieri. Following the listing of Fincantieri on the stock market, Fintecna is no longer responsible for the management and coordination of the company.

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

The Fintecna Group's operations are presently focused on the following lines of business:

- management of equity investments through steering, coordination and control activities;
- management of liquidation procedures;
- management of litigation, mainly arising from absorbed companies;
- other operations, including support initiatives for communities affected by the earthquakes in Emilia in 2012 and in central Italy in 2016.

Organisation and personnel

At 30 June 2017, Fintecna employed 141 people, including 14 senior managers, 7 more than at the end of 2016. New hires refer to personnel previously employed by the absorbed companies (17 people) and then transferred to Fintecna following the merger by incorporation of Ligestra and Ligestra Tre into Ligestra Due.

CDP IMMOBILIARE

Brief description and shareholding structure

CDP Immobiliare (formerly Fintecna Immobiliare) was established in 2007 by the Fintecna Group as part of the restructuring plan for the Construction & Civil and System Engineering division of the former IRI Group. In November 2013, following the demerger of Fintecna's real estate assets, all equity investments held by Fintecna in CDP Immobiliare and Quadrante (the latter subsequently merged by incorporation into CDP Immobiliare) were transferred to CDP.

Over the years, CDP Immobiliare has acquired specific expertise in the urban transformation and development segment, which it has transferred to the broader real estate sector through its property management, construction and selling businesses. The mission of the company today is to leverage its real estate assets through local urban growth and redevelopment projects that are also conducted in partnership with private investors.

In detail, at 30 June 2017, the company held real estate assets totalling approximately euro 1,167 million, including directly owned assets valued at euro 315 million and assets held through 14 investment vehicles in partnership with leading Italian companies worth euro 851 million.

Organisation and personnel

At 30 June 2017 CDP Immobiliare employed 119 people, including 18 senior managers, 41 middle managers and 60 office workers, 4 less than at the end of 2016.

CDP INVESTIMENTI SGR

Brief description and shareholding structure

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

CDPI SGR operates in the real estate investment sector, specifically in the promotion, establishment and management of closed-end funds reserved to qualified investors in specific real estate market segments. At 30 June 2017, CDPI SGR managed five real estate funds:

- Fondo Investimenti per l'Abitare ("FIA"), which invests in a network of local real estate funds active in the private social building sector (social housing projects - mid-range between Public Housing and the market segment);
- Fondo Investimenti per la Valorizzazione ("FIV"), a real estate umbrella fund set up to acquire real estate with unexpressed potential value that can be leveraged through a change in use, upgrading or rental;
- Fondo Investimenti per il Turismo ("FIT"), focused on real estate investments in the tourism, hotel, hospitality and recreational sectors;
- Fondo Turismo 1 ("FT1"), focused on aggregating a diversified portfolio by acquiring real estate assets and renting these out to hotel operators;
- FIA 2, focused on real estate investments in housing and private services of public utility in the smart housing and smart working sectors.

The Federal District fund was set up in June but has yet to become operational. Its purpose will be to acquire real estate assets only from the State or Public Entities, or from companies of the SGR's group or other collective investment undertakings it manages and to lease these assets to the public administration or to related parties, as well as, in a complementary way, to individuals or for uses associated with public services in general.

Organisation and personnel

At 30 June 2017 the Company employed 49 people (10 senior managers, 23 middle managers and 16 office workers). Compared to the previous year, one employee left the Company and the headcount increased by 3 new employees, one seconded from another company.

OTHER COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION BY CDP

CDP RETI

Brief description and shareholding structure

CDP RETI is an investment vehicle established in October 2012. After the share capital was opened to outside investors in November 2014, the shareholders of the company are: CDP, with a 59.1% equity interest, State Grid Europe Limited, with a 35.0% interest, and other Italian institutional investors, with a collective interest of 5.9%.

The company has equity investments in SNAM (30.10%), Terna (29.85%) and Italgas (26.04%).

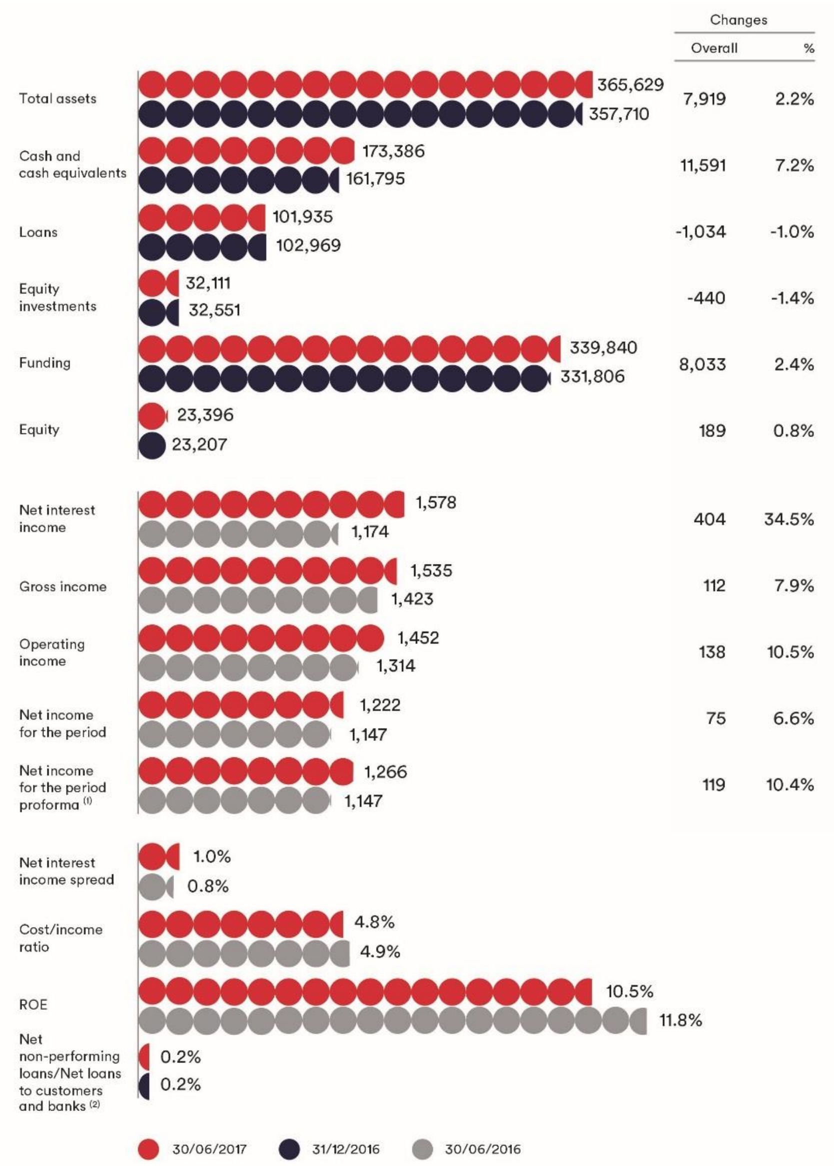
CDP RETI acts as a long-term investor with the objective of supporting the development of transport, dispatching, regasification, storage and distribution infrastructures for natural gas, as well as electricity transmission.

Organisation and personnel

At 30 June 2017, CDP RETI employed 3 people. The company relies on the operational support of the Parent Company CDP, provided under contractual arrangements made at arm's length.

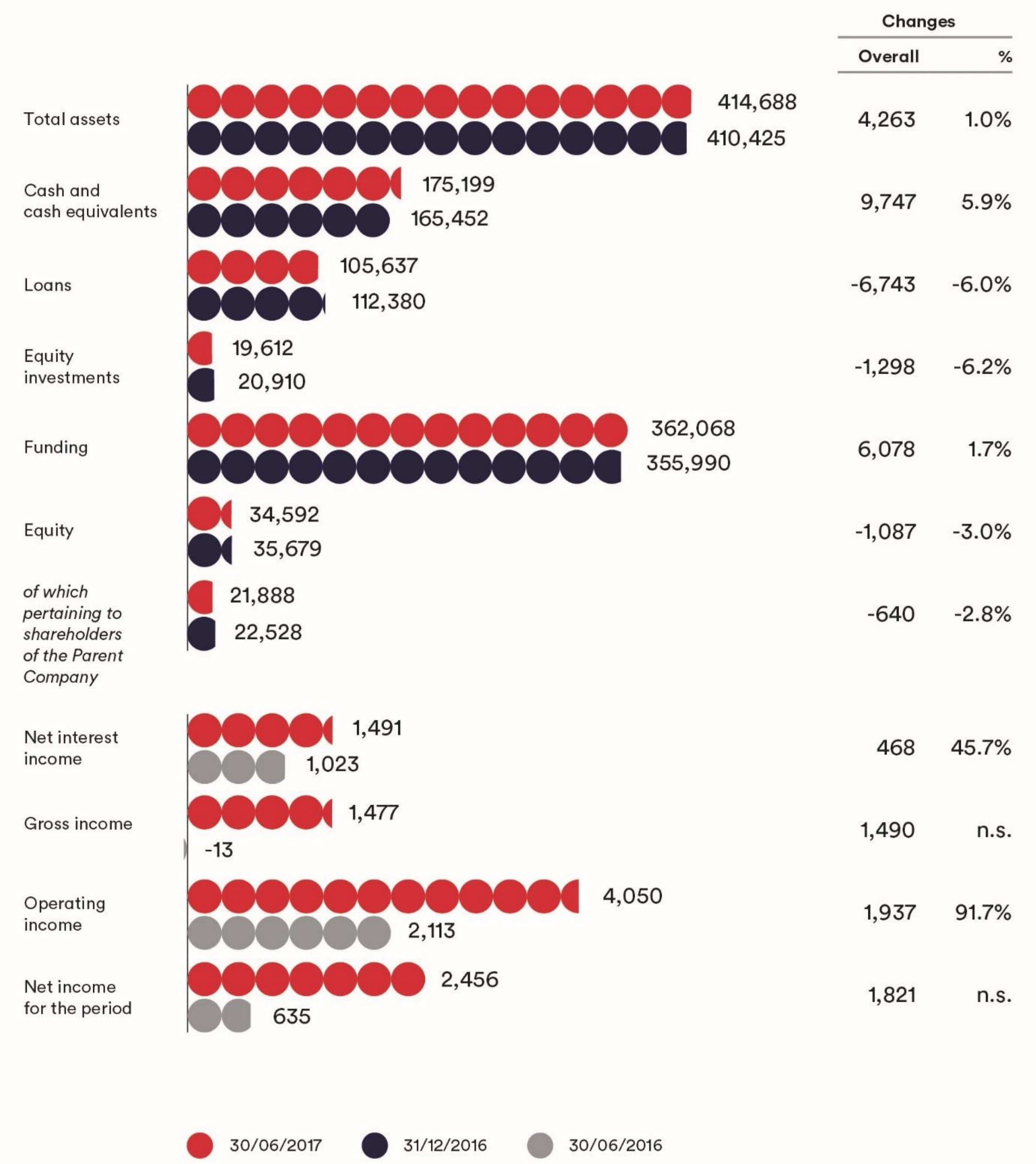
2. FINANCIAL AGGREGATES AND PERFORMANCE INDICATORS

CDP S.p.A. - Financial aggregates and performance indicators (millions of euro; %)



(1) Figure is net of the non-recurring items relating: (i) ~ -106 €/million to the impairment loss on fondo Atlante and (ii) ~ 29 €/million to CDP GAS capital gain.
(2) Net exposure is calculated net of the provision for impaired loans and includes loans to banks and customers and commitments to disburse funds.

CDP Group - Financial aggregates[1] and performance indicators (millions of euro; %)



[1] Reclassified (see par.4.2.2)

3. MARKET AND MACROECONOMIC SCENARIO

3.1 MACROECONOMIC SCENARIO

According to the recent estimates of the International Monetary Fund[2], in 2017 the global economy will grow at a rate close to the average for the last decade (2016: 3.1%; 2017 Forecast [also, 2017F]: 3.5%; 10 years average: 3.7%), driven by a recovery in investment, industrial production and international trade. However, global uncertainty about economic policies remains high (partially because of the US economic policy and Brexit).

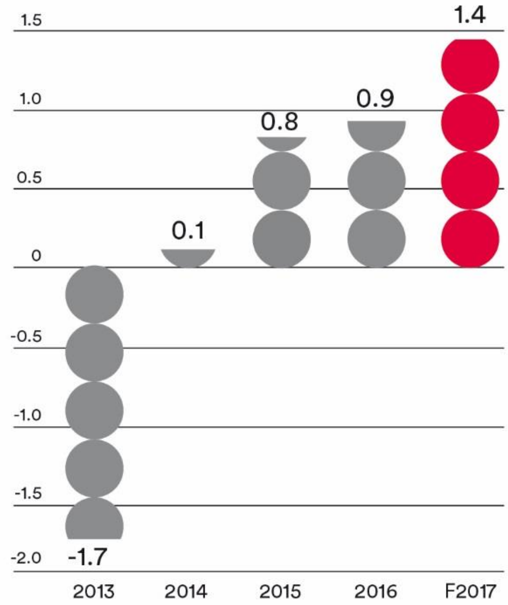
In advanced economies, growth prospects are consolidating. There is a marked improvement in the confidence of businesses and consumers. Specifically, in the United States, the IMF estimates a 2.3% increase in GDP in 2017, up 0.7 percentage points from the 2016 figure. In the Euro area, growth is confirmed at the same rate as last year (2016: 1.7%; 2017F: 1.7%), supported by domestic demand. Growth expectations for the United Kingdom and Japan show a slight rise compared to the performance recorded in 2016. Emerging and developing economies continue to be characterised by particularly heterogeneous cycle phases. In particular, the IMF expects a slight downturn for the Chinese economy (2016: 6.7%; 2017F: 6.6%) while confirming a sustained growth in India (2016: 6.8%; 2017F: 7.2%). The expected GDP growth rates in Russia and Brazil are back in positive territory for 2017, at 1.4% and 0.2%, respectively.

The Italian economy is set in a European context of economic consolidation and the Bank of Italy has recently[3] revised its GDP growth expectations for 2017 to 1.4%, higher than the figure published last June (1.3%)[4] and higher than the government forecast (1.1%)[5]. The improvement in forecasts is attributable to the revision of GDP for the first quarter of 2017 announced by ISTAT in June[6]. According to estimates, the recovery of the Italian economy will be driven mainly by investments, which will benefit from a favourable macroeconomic context characterised by a still accommodating monetary policy, low commodity prices and incentive measures set by the government. However, growth rates are affected by downside risk factors connected to high public debt and the stock of non-performing loans still in the balance sheets of banks.

[2] IMF, *World Economic Outlook*, April 2017.
[3] Bank of Italy, *Economic Bulletin No. 3*, July 2017.
[4] IMF, *Italy: Article IV*, June 2017.
[5] MEF, Economy and Finance Document, April 2017.
[6] The Bank of Italy projections are also in line with recent IMF estimates: indeed, the estimated GDP growth rate of 1% adds a further effect of around 0.3 percentage points, due to the Istat upwards revisions (Bank of Italy, Macroeconomic Projections for Italy, June 2017).

Growth rate and real GDP

(% change year-on-year)



Data source: Bank of Italy

In the first quarter of 2017, GDP grew by 0.4% in economic terms. An analysis of contributions to the growth rate confirms the trend started in 2015: household consumption (+0.3%) is the main driving force behind the growth of the Italian economy. The contribution of foreign demand continues to be negative (-0.2%), while for the first time in two years, gross fixed capital formation declined compared to the previous quarter (-0.1%).[7]

As far as industrial production is concerned, in April 2017 the index fell by 0.4% compared to March (only the energy sector shows a positive change in economic terms (+2.2%)). However, improvements have been recorded on an annual basis. Indeed, on average in the first four months of the year production increased by 1.5% compared to the same period of the previous year, with positive changes in all the segments.[8]

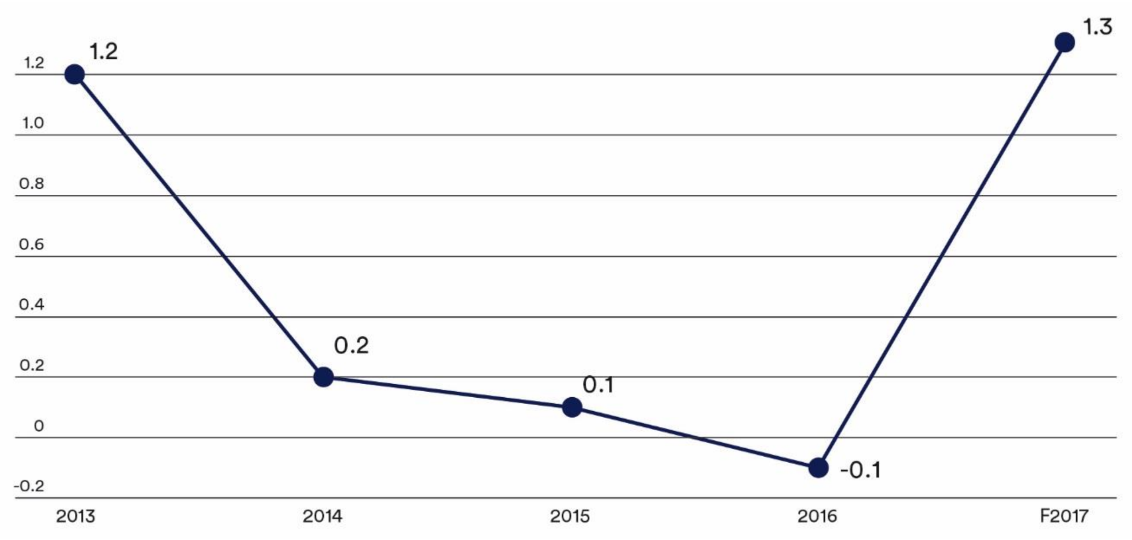
On the labour market, there was a decrease in the unemployment rate, which the Bank of Italy expects to average 11.6% in 2017, down compared to the 2016 figure by about 0.1 percentage points. Employment will continue to grow driven by economic recovery, albeit at a slower pace compared to 2016 due to the discontinuation of the tax and social security allowances introduced to promote recruitment on an open-ended basis.

Inflation should see a change of direction in 2017 compared to the previous year, standing at 1.3%. However, the core inflation rate - excluding energy and food prices - remains at low levels (0.9%), far from the ECB's target (below, but close to, 2%), also because of the modest growth of wages.[9]

[7] Istat, Quarterly national accounts, June 2017.
[8] Istat, Industrial Production, June 2017.
[9] Bank of Italy, Macroeconomic Forecasts for Italy, June 2017.

Inflation rate

(% annual change NIC index)



Data source: IMF

3.2 THE CREDIT SECTOR

3.2.1 MONETARY POLICIES AND INTEREST RATES

As of April this year (and up to December, subject to new announcements), the ECB will continue its expanded asset purchase programme (APP) at a slower pace, reducing the total monthly amount from euro 80 to 60 billion. Interest rates on key refinancing operations, marginal refinancing operations and deposits remain unchanged at 0.00%, 0.25% and -0.40%, respectively. In the June press release that followed the Monetary Policy meeting of the Governing Council, the ECB eliminated the indication of reference interest rates at levels below the current ones for the future, for the first time since its introduction in July 2013. The reference to monetary policy interest rate expectations at current levels remains over the long term and far beyond the horizon of net asset purchases.

In the first half of 2017, the Eurosystem stock of loans to the Italian banks rose, settling around euro 255 billion in May. The amounts borrowed in long-term auctions amounted to euro 250.7 billion (euro 118.3 billion on an annual basis), while short-term volumes amounted to euro 4 billion (-13.7 billion on an annual basis).

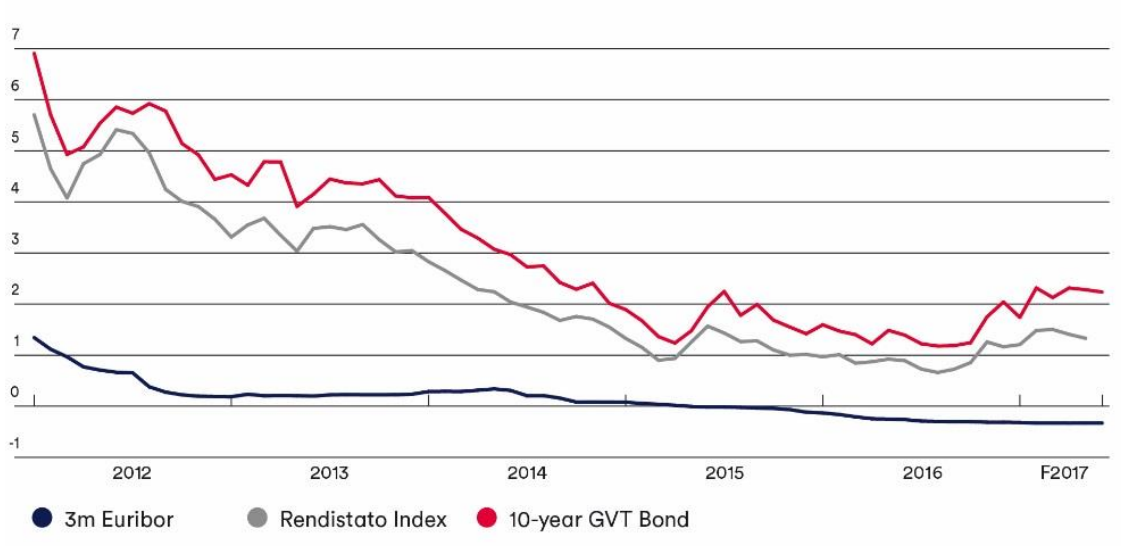
The continued ECB monetary easing policy is favouring a steady reduction in market interest rates. The 3-month Euribor fell from -0.318% at the start of the year to -0.331% at the end of June while the Eonia rate remained practically unchanged over the same period, settling in June at around -0.362%. [10]

Tensions in the sovereign debt market increased compared to the beginning of the year. On the one hand, there was a reduction of the political uncertainty linked to the future of the European Union as a result of the recent political elections in the Netherlands and France. On the other hand, the political framework remains uncertain in view of the upcoming elections in Germany at the end of September, while in Italy the risks of an early end of the parliament are reduced as a result of the lack of agreement on the reform of the electoral law. At the end of June, the spread on the 10-year bond compared to the German bund dropped again to 167 bps after its partial jump up to 200 bps at the beginning of June, but remained higher of about 30 basis points on the same period of last year. The yield curve fell slightly compared to the previous month, whereas it remained high for medium and long maturities compared to a year ago.[11]

[10] Based on Thomson Reuters - Datastream figures.
[11] Based on Thomson Reuters - Datastream figures.

At the same time, the Rendistato general index gradually increased, due to the increase of the yields on Italian government debt securities, and reached 1.3% in May, increasing by approximately 10 basis points compared to the figures at the beginning of January.[12]

Main interest rates (%)



Data source: Based on Reuters figures

With reference to the main bank interest rates, the rate applied to the deposits of households and non-financial companies and bond yields were substantially stable during the first months of the year (0.9% for households, 0.8% for companies and 2.7% on bonds in April).

At the same time, interest rates on new loans to non-financial companies remain stable compared to the end of the year, standing at around 1.5% in April 2017.[13]

3.2.2 LENDING AND FUNDING IN CDP'S REFERENCE MARKET

During the first months of 2017, the negative dynamics of lending to the private and public sectors continued (-0.2% and -1.1% on an annual basis in April respectively). The negative trend for the private sector was mainly led by enterprises (-1.6%), while households confirmed a growing trend (1.6%). However, the overall picture is positive if we consider the adjusted figure for securitisations: loans to the private sector are in fact on the increase (+0.8% on an annual basis, in April), mainly due to household lending (+2.4%); however, loans to businesses record a shy but positive signal of recovery (+0.2%).

Funding from resident clients is characterized by divergent dynamics in its main components. Indeed, while deposits continue to increase at a sustained pace (+3.8% on an annual basis, in April), medium and long-term funding, i.e. through bonds, continue to decline (-14.3% on an annual basis, in April), albeit at a lower rate than the trend recorded in 2016. Overall, funding (deposits from resident clients and bonds) is showing slight signs of recovery, compared to the negative changes recorded in 2016.[14]

Gross bad debts of banks are growing (+2.5% on an annual basis, in April), reaching a volume of around euro 203 billion. The increase in gross bad debt concerns all the segments. In particular, non-performing loans to businesses recorded an increase of 3.0%, while those to General Government Entities increased by 2.7% and, finally, those to households by 0.8%.[15]

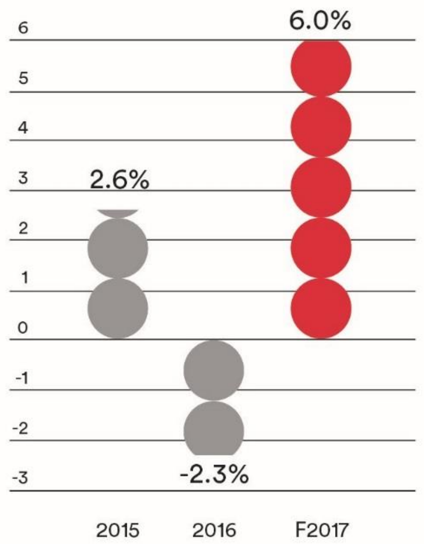
[12] Bank of Italy, *Rendistato*, 2017.
[13] Cf. *Bank of Italy,* "Banche e Moneta", June 2017.
[14] Cf. *Bank of Italy,* "Banche e Moneta", June 2017.
[15] Cf. *Bank of Italy,* "Banche e Moneta", June 2017.

Bank lending to the private sector, data adjusted for securitisations

(% chg. in stock)

Household financial assets

(% chg. in stock)



Data source: Bank of Italy for lending and Oxford Economics for household financial assets

The increase in disposable income on the one hand and the positive performance of the labour market on the other had a positive impact on the prospects of Italian households' financial wealth which, according to expectations, should increase by 6% for the current year, following a halt in 2016 (-2.3%). In an environment characterised by low yields and relative uncertainty over future income growth prospects, households continued to prefer more liquid instruments against those with longer maturities. In March, new business concerning individual life insurance policies amounted to euro 8.3 billion, down 1.3% on an annual basis. However, the fall is much less marked than the changes recorded over the last year. In April, assets under management totalled over euro 1,984 billion, marking a 7.0% increase over the previous year.

3.3 PUBLIC FINANCE CONTEXT

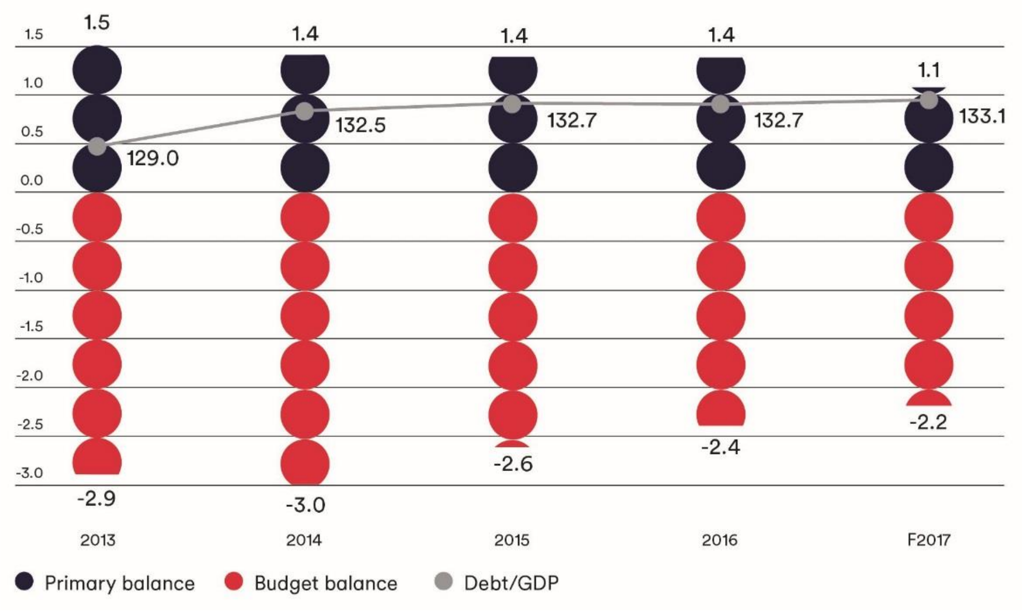
In the first part of the year, public finance improved over the figures recorded in the corresponding period of last year. In the first quarter of 2017, General Government net borrowing was equal to 4.3% of GDP, 0.6% lower than in the same quarter of 2016. The General Government's primary balance (borrowing net of interest expense) was negative, with an impact on GDP of 0.6% (-1.4% in the first quarter of 2016). The General Government's current balance was also negative, with an impact on GDP of 1.7% (-2.2% in the first quarter of 2016). The tax burden was 38.9%, marking an increase of 0.3% over the figure for the same period of the previous year.

The stability programme presented in April by the Government in its Economy and Finance Document - focused on pursuing its spending review policy and improving public finance - was generally endorsed by the European Commission in the Country Specific Recommendations issued at the end of May. According to estimates by the European Commission[16], the deficit should slightly fall and settle to 2.2% of GDP in 2017, while the public debt/GDP ratio is expected to show a further increase (133.1%) before falling again starting from next year.

[16] European Commission, *Spring 2017 Economic Forecast*, May 2017.

Performance of General Government borrowing, primary balance and budget balance

(% of GDP)



Data source: AMECO

3.4 REAL ESTATE SECTOR

The Italian real estate market continues to be characterised by divergent dynamics. Indeed, in terms of volumes, the sector has returned to significant growth as a result of the strengthening of the households' willingness to buy and the improvement of the economic situation, however, excess supply, income weakness and high dependence on the credit market have contributed to curbing the recovery in prices.

In particular, the mortgage granting process is characterised by greater selectivity compared to pre-crisis levels, signalling the need for the banking system to implement protection tools not only for financial institutions, but for the whole system. The management of non-performing loans (NPLs) - whose volume is a crucial obstacle to the recovery of virtuous mechanisms in market dynamics - still represents a critical element for the country's overall solidity.

As a result, on the one hand the persistence of these elements of fragility undermines the strength of the ongoing recovery and makes it impossible to rule out the possibility of new halts or trend reversals; on the other hand, it increases the reduction in market efficiency by atypically expanding the transition phase.

With regard to transactions, in 2016 the real estate market, after the long recession started in 2007, seemed to be steadily back on the growth path, marking an increase of 18.4% over 2015 and consolidating the positive figure of the previous two-year period. The figures for the first quarter of 2017 show much more modest year-on-year dynamics (+9.7%).

With reference to prices, after a first phase following the reversal of the trend, pervaded by firmness, the figures gradually lost positions, marking a decline compared to the peak values of approximately 24.2% in the residential segment. In particular, house prices fell by 0.8% in 2016 (-2.6% in 2015), while the figure for the first quarter of 2017 seems to show substantially unchanged values (-0,1% year-on-year).

3.5. PRIVATE EQUITY SECTOR

Industrial production plays a leading role in the Italian economic system. With an added value exceeding euro 244 billion produced by the manufacturing industry in 2016, Italy is the second manufacturing economy in Europe, with global leaders in more than 1,000 categories of goods.

In Italy the stock market is still rather limited, though showing interesting signs of growth in the last two years. At the end of December 2016 Borsa Italiana officially reported 387 listed companies in our country (310 in the main Italian Equities Market, of which 71 in the STAR segment), compared to more than 1,000 in France. However, there are encouraging signs relating to listings in excess of euro 100 million: in 2015 and 2016, the Milan stock exchange held a total of 12 IPOs on the main equity market. This figure marks an increase compared to the previous two-year period, which counted 2 listings in 2013 and 5 in 2014, against 8 listings in 2015 and 4 in 2016. In 2016 the total funding in IPOs on the main equity market equalled euro 1.4 billion, down compared to euro 5.7 billion in 2015.

Finally, in Italy the penetration of the private equity market is still limited. In 2016 the private equity market represented 0.35% of GDP (0.16% in 2015), compared to 0.36% in the UK (0,48% in 2015), 0.56% in France (0.38% in 2015) and a European average of 0.34% (0.30% in 2015). In 2016, private equity funds invested euro 8.2 billion in Italy in 322 transactions, recording an annual growth rate of 22% since 2010.

3.6. EXPORT SUPPORT AND CREDIT INSURANCE SECTORS

The first six months of the year showed an acceleration in all areas of economic activity and international trade worldwide. The European elections, which at the beginning of the year appeared as a possible cause of instability, left elements of uncertainty in the Netherlands and the United Kingdom, but provided a clear indication in France.

The end of the recession in Brazil and Russia favours economic growth, albeit at a slow and gradual pace, in the two countries, while the other commodity exporting countries are settling on new price levels and China seems to have dispersed the doubts about a possible hard landing, despite remaining vulnerabilities such as those associated with debt, while India continues its consolidation path.

The rise in global demand in the first three months of the year was estimated at 3.9% (volume data, CPB source). This trend also boosts the performance of Italian exports, which grew 6.6% from January to April compared with the same period of last year (data in value, Istat source). Exports to European Union countries increased by 5.5% thanks to traditional partners (Germany and Spain) and the markets of Eastern Europe (Poland, Romania and the Czech Republic). Export to non-EU countries marked a +8% increase (again in the first four months), favoured by sales to China (+25.2%), Russia (+23.2%), ASEAN (+21.1%), Mercosur (+14%), the United States (+7.8%) and India (+7.7%). In terms of sectors, the biggest foreign demand came for chemicals and pharmaceuticals, metal products and motor vehicles. In the first four months of the year, however, exports of other means of transport and textiles have slightly declined.

In the first quarter of 2017, economic growth continued: +1.2% over the same period of 2016 (+0.4% compared to the previous quarter) due to household demand and fixed investment in the construction sector. The strong acceleration of imports, on the one hand, slowed down the performance of GDP while, on the other hand, marked the beginning of a more lively economic recovery, considering our production structure. In the first four months of the year, the total turnover of Italian companies increased by 4.4% compared to the same period of 2016, with a good performance of both components (domestic and foreign), while production increased by 1.5%, thanks to chemicals, pharmaceuticals and means of transport.

For the current year, the global economy is expected to grow by 3.5%, with the WTO revising world trade forecasts to about 2.4%. Some downside elements remain, particularly the commercial policies of the new American administration. No short-term negative effects are expected from the negotiations between the European Union and the United Kingdom.

4. CDP GROUP PERFORMANCE

4.1 BUSINESS PERFORMANCE

The CDP Group works to support Italy's growth and deploys its resources, mainly funded through Postal Savings, for local development throughout Italy, for strategic infrastructure for the country and for domestic companies to promote their growth and international expansion.

Over time, CDP has taken on a key role in supporting the country's industrial policies, also thanks to the adoption of new operating procedures. In particular, in addition to traditional debt instruments such as special-purpose loans, corporate finance, project finance and guarantees, CDP provides funding through equity instruments, through which it has made both direct and indirect investments (via investment funds and investment vehicles) mainly in the energy, transport networks and real estate sectors, also with a view to supporting the growth and international development of SMEs and enterprises of strategic importance. These instruments are in addition to third-party fund management and subsidised instruments to promote research and the international expansion of companies.

CDP also acts as a "financial institution for international development cooperation". CDP's activities focus primarily on the management of the "Law 277/77 Revolving Fund" for development loans to the governments of partner developing countries and for loans to Italian companies that set up joint ventures in such countries.

Lastly, as a National Promotion Institution, CDP plays a key role in the implementation of the Investment Plan for Europe (also known as the "Junker Plan") as it contributes to the structuring of investment platforms identified as forms of cooperation between the EIB Group and National Promotional Institutions.

In the first half of 2017, new lending, investment and resources managed by the CDP Group totalled over euro 13 billion, posting an increase compared to the same period of 2016. Funds were allocated to each of the key driver areas in the following proportions: 49% of the total to "International Expansion", 37% to "Enterprises", 14% to "Government & PA and Infrastructure", and about 1% to "Real Estate".

New lending, investments and managed resources broken down by business line - CDP Group

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Government & P.A. and Infrastructure	**1,847**	**1,379**	**469**	**34.0%**
CDP S.p.A.	1,847	1,379	469	34.0%
International expansion	**6,390**	**5,678**	**712**	**12.5%**
CDP S.p.A.	3,203	2,069	1,134	54.8%
SACE Group	4,615	3,627	988	27.3%
Intercompany transactions	(1,428)	(18)	(1,411)	n/s
Enterprises	**4,782**	**5,385**	**(604)**	**-11.2%**
CDP S.p.A.	4,230	3,494	736	21.1%
SACE Group	1,833	1,128	705	62.5%
CDP Equity	53	903	(850)	-94.2%
Intercompany transactions	(1,334)	(140)	(1,194)	n/s
Real Estate	**80**	**19**	**61**	**n/s**
CDP S.p.A.	22	8	14	n/s
CDPI SGR	80	19	61	n/s
Intercompany transactions	(22)	(9)	(13)	n/s
Total new lending, investment and managed resources	**13,099**	**12,461**	**638**	**5.1%**

Note:

The flow of new lending and investments of the CDP Group at 30 June 2016 has been stated on a pro-forma basis in line with the expansion of the operating scope of the SACE Group.

4.1.1 CDP S.P.A.

4.1.1.1 Lending

In the first half of 2017, CDP recorded over euro 9 billion in new lending, investments and managed resources (+34% on the same period of the previous year), mainly loans to enterprises and in support of their international expansion.

New lending, investments and managed resources broken down by business line - CDP

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Government & P.A. and Infrastructure	**1,847**	**1,379**	**469**	**34.0%**
Pulbic Entities	402	537	(135)	-25.1%
International cooperation	127	67	60	88.5%
Infrastructure	1,346	758	588	77.6%
Equity Investments and funds	(28)	16	(44)	n/s
International Expansion	**3,203**	**2,069**	**1,134**	**54.8%**
Enterprises - Export Bank	3,203	2,069	1,134	54.8%
Enterprises	**4,230**	**3,494**	**736**	**21.1%**
Enterprises - Industrial	507	222	284	n/s
Financial Institutions	3,474	2,950	524	17.8%
Equity Investments and funds	249	322	(72)	-22.5%
Real Estate	**22**	**8**	**14**	**n/s**
Equity Investments and funds	22	8	14	n/s
Total new lending, investments and managed resources	**9,303**	**6,951**	**2,352**	**33.8%**

Specifically, the volume of new lending, investments and managed resources in 2017 mainly related to:

i) lending to public entities, mainly for investments by the Regions for local development and in transport infrastructure (euro 1.8 billion, 20% of the total);
ii) lending to support the international expansion of Italian companies, primarily in the defence sector (euro 3.2 billion, 34% of the total);
iii) transactions in favour of enterprises, mainly transferring financial assets through credit institutions (euro 4.2 billion, 45% of the total);
iv) investments in the real estate sector, targeting in particular social housing and tourism projects.

Public Entities

The Parent Company's support for public entities and public-law bodies is primarily offered through the "Public Entities" Business Area, which is responsible for lending to these entities using products offered in accordance with the principles of accessibility, equality of treatment, pre-specification of terms and non-discrimination.

The initiatives promoted in the first half of 2017 included:

- ongoing support to the local authorities of the Emilia-Romagna, Lombardy and Veneto Regions, affected by the May 2012 earthquake, by deferring the payment of loan instalments falling due in 2017 to 2018, through half-yearly instalments of equal amount over a period of 10 years, with no additional interest charges;
- action in support of the Abruzzo, Lazio, Marche and Umbria Regions affected by the seismic events in progress since 24 August 2016, whether through deferment of the repayment instalments expiring in 2017 (with no additional interest charges) of the loans to the local authorities, or through a renegotiation of loans involving charges payable by the said regional authorities, for a total residual debt amounting to approximately euro 2.7 billion;
- promotion, in line with the achievements of 2015 and 2016, of new loan renegotiation programmes in favour of local authorities, joined by approximately 410 entities for a total amount of approximately euro 6.4 billion of renegotiated loans in terms of outstanding debt (about 24% of the remaining potentially renegotiable debt);
- management and finalisation of contracts relating to subsidised loans for energy efficiency measures in school and university buildings to draw on the Fondo Kyoto 3 and the Fundo Kyoto 4 (Decree of the Ministry of the Environment dated 22 February 2016);
- launch of the new European Investment Funds Loan, aimed at facilitating the implementation of eligible investments for the use of funds from operational programmes financed by the European Regional Development Fund (ERDF) and the European Agricultural Fund for Rural Development (EAFRD). The European Investment Funds Loan provides local authorities with financial coverage for their investments (up to 100% of their value) in a timely manner, so that they can be launched and completed swiftly.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 30 June 2017, reclassified by business, are shown in the table below, together with key performance indicators.

Public Entities - Highlights

(millions of euro; %)	30/06/2017
Balance Sheet	
Loans	76,952
Amounts to distribute	5,028
Commitments	4,744
Reclassified income statment	
Net Interest income	144
Gross income	146
Indicators	
Net non-performing loans/Net loans to customers and banks	0.03%
Net adjustments to loans/Net exposure	0.03%
Spread on interest-bearing assets and liabilities	0.4%

At 30 June 2017, the stock of loans totalled euro 77 billion, including IFRS adjustments, showing a slight decline compared to the end-2015 figure (euro 78.2 billion). In the first half of the year, the amount of repayments and early terminations exceeded the volume of disbursement of loans granted without a pre-repayment grace period and of loans granted that began their repayment plans.

The total stock of loans and of commitments amounted to euro 81.7 billion, a 2% decrease from the end of 2016 (euro 83.3 billion). The change was attributable to lower volumes of new lending compared to the principal repayments due in the first half of 2017.

Public Entities - Stock of loans to customers by debtor entity

(millions of euro; %)	30/06/2017	31/12/2016	Change (+ / -)	(%) change
Local authorities	29,241	29,548	(307)	-1.0%
Regions and autonomous provinces	14,176	14,355	(180)	-1.3%
Other public entities and public - law bodies	2,117	2,169	(52)	-2.4%
Government	30,381	31,021	(640)	-2.1%
Total amounts disbursed or in repayment	**75,915**	**77,094**	**(1,179)**	**-1.5%**
IFRS adjustments	1,037	1,094	(57)	-5.2%
Total loans	**76,952**	**78,188**	**(1,236)**	**-1.6%**
Commitments	4,744	5,105	(361)	-7.1%
Total loans (including commitments)	**81,696**	**83,293**	**(1,597)**	**-1.9%**

The amounts to be disbursed for loans, including commitments, showed a drop of 3%, due entirely to the lower volume of new loans compared to the disbursement flow and the adjustments to commitments recorded during the half year.

Public Entities - Stock of amounts to be disbursed

(millions of euro; %)	30/06/2017	31/12/2016	Change (+ / -)	(%) change
Amounts to disburse	5,028	5,012	16	0.3%
Commitments	4,744	5,105	(361)	-7.1%
Total amounts to disburse (including commitments)	**9,772**	**10,117**	**(345)**	**-3.4%**

In terms of new operations, new loans for a total of euro 0.4 billion were granted in the first half of 2017. The decrease compared to the first half of 2016 is mainly due to the lower volumes of loans to non-local Public Entities and the Regions (altogether -0.2 billion euro). These volumes were partially offset by the increase in loans granted to Local authorities.

Public Entities – Flow of new loan agreements

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Local authorities	61	27	34	n/s
Regions	320	387	(67)	-17.4%
Non-local Public Entities	6	115	(109)	-94.8%
Loans with repayment costs charged to the government budget	0.1	6	(5)	-98.2%
Fondo Kyoto	15	2	13	n/s
Total Public Entities	**402**	**537**	**(135)**	**-25.1%**

Disbursements in the first half of 2017 amounted to euro 0.7 billion, down slightly over the same period of 2016 (-7%); in particular, the decrease in disbursements to Local authorities and non-territorial Public Entities (overall -0.2 billion euro) was partially offset by the increase in the loans with repayment costs charged to the government budget (+0.1 billion euro).

Public Entities – Flow of new disbursements

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Local authorities	342	483	(141)	-29.2%
Regions	23	8	15	n/s
Non-local Public Entities	17	90	(73)	-80.8%
Loans with repayment costs charged to the government budget	282	135	147	n/s
Fondo Kyoto	1	-	1.4	n/s
Total Public Entities	**666**	**716**	**(50)**	**-7.0%**

Lending to Public Entities contributed euro 144 million in interest income to CDP's earnings for 2017, with a 0.4% spread between interest-bearing assets and liabilities. That contribution, plus commission income, brought gross income to euro 146 million.

In terms of credit quality, the portfolio of loans to Public Entities showed essentially no problem positions.

International cooperation

The "International Cooperation" Business Area supports international cooperation initiatives through the Separate Account. It manages financial products earmarked for partner developing countries (PDC) through third-party fund management and the lending of CDP funds, in accordance with the provisions of Law 125/2014.

During the first half of 2017, in close cooperation with the other Italian operators in the Cooperation area, full attention was still paid to the regulatory changes introduced by Law 125/2014. Within this context, the activities reported below were carried out in line with the organisational set-up in place and existing service agreements with the relevant government authorities (MEF - Treasury Department, the Ministry of Foreign Affairs and International Cooperation, the Agency for Development Cooperation and the Ministry of the Environment and Protection of the Land and Sea).

During the first half of 2017, under the agreement signed with the MEF (revenues of euro 1 million per year), CDP managed the Revolving fund for development cooperation (approximately euro 5 billion), also contributing, together with the competent Administrations, to the optimization of the efficient use of resources not yet disbursed; in particular, these include around euro 300 million to be used to finance new development cooperation initiatives.

With regard to the Fund established by the Ministry of the Environment and Protection of the Land and Sea, which is dedicated to the financing of green cooperation projects, CDP continued to carry out the activities envisaged in the service agreement signed with the Ministry of the Environment and Protection of the Land and Sea for the management of the fund (approximately euro 54 million).

Within this context, following the signing of intergovernmental agreements, in the first half of 2017 CDP entered into 7 finance agreements with the beneficiary countries of the Italian government cooperation programme, governing sovereign development loans totalling euro 125 million from the Revolving fund for development cooperation.

International cooperation – Flow of new loan agreements

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Revolving Fund management	125	67	58	85.6%
Ministry of the Environment Fund management	2	-	2	n/s
Total International cooperation	**127**	**67**	**60**	**88.5%**

As it is a revolving fund, in the first half of 2017 CDP managed all transactions connected with outstanding development loans (approximately 350), overseeing the disbursement of around euro 38 million in funds and ensuring the repayment of loans granted in the past, for a total of around euro 170 million. In addition, during that period, in implementation of bilateral debt restructuring agreements between the Italian government and the governments of beneficiary partner developing countries, CDP organised:

- debt swaps to convert over euro 7 million of existing debt in new development cooperation projects;
- through debt cancelling operations, the cancellation of outstanding amounts due by partner developing countries to Italy for approximately euro 2 million;
- through debt consolidation operations, the restructuring of debt in respect of approximately euro 306 million.

CDP also disbursed loans from the Fund established by the Ministry of the Environment and Protection of the Land and Sea for around euro 2 million.

International cooperation – Flow of new disbursements

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Revolving Fund management	38	26	11	43.1%
Ministry of the Environment Fund management	2	-	2	n/s
Total International cooperation	**40**	**26**	**13**	**50.3%**

Technical assistance was also provided to the Ministry of the Economy and Finance to ensure its ongoing participation in Paris Club meetings.

Concerning the management of resources obtained through the European Union's Blending Facilities, CDP continued to support the relevant Administrations in the identification and formulation of project initiatives that will be submitted to the European Commission in the future with a view to mobilizing additional financial resources on top of those available to the Italian cooperation system.

During the first half of 2017, CDP also received accreditation as an observer at the Green Climate Fund, a preparatory step to obtaining financial resources for projects aimed at countering and managing climate changes to be implemented in partner developing countries.

Infrastructure

The "Infrastructure" Business Area is responsible for (i) granting loans to counterparties (whether public or private) operating in the domestic territory in the following sectors: construction, water, waste, social infrastructure, transport, energy/utilities and telecommunications; and ii) managing relations with corporate clients, public-law bodies and debt and equity infrastructure funds operating in their respective areas of competence.

In the first six months of 2017, transactions aimed at financing mainly transport infrastructure, utilities and renewable energies and supporting the consolidation of Italian operators in their reference markets were concluded. They include the signing of a financing agreement for a motorway concession, linked to a similar funding from the European Investment Bank (EIB), for the expansion of a major road infrastructure in the north-east. This transaction enabled the launch of the "Large Infrastructure Platform", in which CDP and the EIB are participating under the "Juncker Plan", which aims to finance large infrastructure projects on the Italian territory.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 30 June 2017, reclassified by business, are shown in the table below, together with key performance indicators.

Infrastructure - Highlights

(millions of euro; %)	30/06/2017
Balance Sheet	
Loans	6,933
Commitments	6,131
Reclassified income statment	
Net Interest income	40
Gross income	52
Indicators	
Net non-performing loans/Net loans to customers and banks	0.7%
Net adjustments to loans/Net exposure	n.s.
Spread on interest-bearing assets and liabilities	1.2%

The stock of loans at 30 June 2017, including IFRS adjustments, amounted to euro 6.9 billion, substantially unchanged on the figures at the end of 2016, due to new subscriptions of bonds, which have offset principal repayments and terminations of outstanding loans. As at the same date, loans, including commitments to lend, totalled euro 13.1 billion, up by approximately 11% from the end of 2016.

Infrastructure - Stock of loans to customers and banks

(millions of euro; %)	30/06/2017	31/12/2016	Change (+ / -)	(%) change
Corporate/project finance	6,057	6,322	(265)	-4.2%
Securities	1,080	792	287	36.3%
Total amounts dusbursed or in repayment	**7,137**	**7,114**	**23**	**0.3%**
IFRS adjustments	(203)	(211)	7	-3.5%
Total loans	**6,933**	**6,903**	**30**	**0.4%**
Commitments	6,131	4,912	1,219	24.8%
Total loans (including commitments)	**13,064**	**11,816**	**1,249**	**10.6%**

In the first half of 2017, 9 new loan agreements were entered into for a total of around euro 1.3 billion, marking an increase of approximately 78% on the volumes for the same period of 2016. Lending mainly targeted the transport (motorways and railways), utilities and energy (renewable sources) sectors. During the reporting period, CDP continued its work in assessing the feasibility and structuring the financing of strategic infrastructure projects of major national interest.

Infrastructure – Flow of new loan agreements

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Corporate/project finance	987	379	608	n/s
Guarantiees	68	54	15	27.4%
Securities	290	325	(35)	-10.8%
Total Infrastructure	**1,346**	**758**	**588**	**77.6%**

Disbursements in the first half of 2017 in relation to new loans and those from previous years totalled euro 0.5 billion, in line with the previous year, primarily due to transactions in the transport sector.

Infrastructure – Flow of new disbursements

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Corporate/project finance	235	224	11	4.8%
Securities	290	325	(35)	-10.8%
Total Infrastructure	**525**	**549**	**(24)**	**-4.4%**

The Area contributed euro 40 million in net interest income to CDP's earnings in the first half, with a 1.2% spread between interest-bearing assets and liabilities. That contribution, plus commission income, generated primarily by the high number of commitments to lend and unsecured commitments granted, brought gross income to approximately euro 52 million.

Enterprises

Enterprises - Export Bank

CDP finances initiatives in support of the international expansion and export plans of Italian companies through its "Export Bank" system. The system involves the financial support of CDP and guarantees or other risk hedging instruments issued by SACE or other export credit agencies (ECAs), national development banks or financial institutions established under international agreements.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 30 June 2017, reclassified by business, are shown in the table below, together with key performance indicators.

Export Bank - Highlights

(millions of euro; %)	30/06/2017
Balance Sheet	
Loans	1,711
Commitments	9,550
Reclassified income statment	
Net Interest income	1
Gross income	27
Indicators	
Net non-performing loans/Net loans to customers and banks	-
Net adjustments to loans/Net exposure	-
Spread on interest-bearing assets and liabilities	0.1%

The stock of loans in the Enterprises Area – Export Bank portfolio at 30 June 2017 amounted to euro 1.7 billion. The 12% increase on the figure recorded at the end of 2016 was driven by higher disbursements over the half year, which more than offset the principal repayments and early loan terminations.

The total stock of loans and commitments amounted to euro 11.3 billion, showing an increase on the figure recorded at the end of 2016, due to higher volumes of new loan agreements compared to principal repayments over the year.

Export Bank - Stock of loans to customers and banks

(millions of euro; %)	30/06/2017	31/12/2016	Change (+ / -)	(%) change
Loans	1,711	1,522	189	12.4%
Total loans	**1,711**	**1,522**	**189**	**12.4%**
Commitments	9,550	5,542	4,009	72.3%
Total loans (including commitments)	**11,261**	**7,064**	**4,197**	**59.4%**

Total volumes of new lending, investments and managed resources for the international expansion of enterprises in the first half of 2017 amounted to approximately euro 3.2 billion, showing sharp growth compared to the same period of 2016, driven primarily by the signing of new loan agreements for the defence and transport sectors.

Export Bank – Flow of new loan agreements by purpose

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Defence sector	2,404	-	2,404	n/s
Transport sector	500	-	500	n/s
Cruise sector	233	2,052	(1,819)	-88.7%
Construction sector	66	-	66	n/s
Oil & Gas sector	-	18	(18)	n/s
Total Export Bank	**3,203**	**2,069**	**1,134**	**54.8%**

Disbursements in the first half of 2017 in respect of new loans amounted to euro 0.3 billion, showing an increase on the corresponding period of the previous year mainly due to major disbursements made to the shipbuilding and utilities sectors.

Export Bank – Flow of new disbursements

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Loans	318	89	228	n/s
Total Export Bank	**318**	**89**	**228**	**n/s**

Net interest income contributed euro 1 million to CDP's earnings for the first half of 2017, with a 0.1% spread between interest-bearing assets and liabilities. That contribution, plus commission income connected with new loan agreements and the high number of commitments to disburse, brought gross income to approximately euro 27 million.

Enterprises - Industrial

During the first half of 2017, the "Industrial" Business Area started a strong origination activity in its major sectors of competence (agri-food, automotive, chemical and pharmaceutical, publishing, manufacturing, mechanical and mechanical-instrumental, IT, electronics, large-scale distribution, logistics, defence and aerospace, services, media, shipping, iron and steel, metal working, cement, paper, raw materials and derivatives, fashion and luxury, etc.), which allowed it to finalize a large number of deals with new clients, with a positive effect on the diversification of the loan portfolio.

It should also be noted that, within the framework of the Juncker Plan initiatives, on 12 April 2017, the Board of Directors approved the EFSI Thematic Investment Platform concerning Corporate Projects, in support of the financing of investment plans of Italian companies (mainly domestic Mid-cap), together with the EIB. For this purpose, on 26 June 2017 CDP and the EIB signed an agreement governing the selection methods for the investments to be financed and for coordinated evaluation and due diligence processes.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 30 June 2017, reclassified by business, are shown in the table below, together with key performance indicators.

Industrial - Highlights

(millions of euro; %)	30/06/2017
Balance Sheet	
Loans	1,496
Commitments	264
Reclassified income statment	
Net Interest income	11
Gross income	12
Indicators	
Net non-performing loans/Net loans to customers and banks	0.4%
Net adjustments to loans/Net exposure	0.03%
Spread on interest-bearing assets and liabilities	1.8%

At 30 June 2017, the stock of loans totalled euro 1.5 billion, including IFRS adjustments, recording an increase of 36% on the stock at the end of 2016 (euro 1.1 billion). Growth in the stock of loans was driven by the subscription of securities and the new disbursements over the year.

The stock of loans and commitments amounted to euro 1.8 billion, posting an increase of 31% compared to 31 December 2016 (euro 1.3 billion). The change was attributable to higher volumes of new loan agreements compared to principal repayments falling due.

Industrial - Stock of loans to customers and banks

(millions of euro; %)	30/06/2017	31/12/2016	Change (+ / -)	(%) change
Corporate/project finance	774	609	164	27.0%
Securities	744	511	233	45.5%
Total amounts disbursement or in repayment	**1,518**	**1,121**	**397**	**35.4%**
IFRS adjustments	(22)	(21)	(1)	4.4%
Total loans	**1,496**	**1,100**	**396**	**36.0%**
Commitments	264	243	21	8.8%
Total loans (including commitments)	**1,760**	**1,343**	**418**	**31.1%**

During the first half of 2017, 9 operations were completed, an increase over the 3 transactions carried out in the first half of 2016. The total amount of new loans and bonds subscribed during the half year amounted to euro 0.5 billion, a significant increase compared to the same period of 2016. New loan agreements signed in the first half of 2017 were focused mainly on enterprises in the manufacturing, mechanical, agri-food, automotive and paper sectors.

Industrial – Flow of new loan agreements

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Loans	212	21	191	n/s
Securities	295	202	93	46.4%
Total Industrial	**507**	**222**	**284**	**n/s**

Disbursements in the first half of 2017 in respect of new loans amounted to euro 0.5 billion, showing a significant increase on the corresponding period of the previous year that was in line with the increase in new loan volumes and transactions.

Industrial – Flow of new disbursements

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Loans	190	13	177	n/s
Securities	295	202	93	46.4%
TOTALE Industrial	**485**	**215**	**270**	**n/s**

Net interest income contributed euro 11 million to CDP's earnings for the first half of 2017, with a 1.8% spread between interest-bearing assets and liabilities. Commission income brought gross income to euro 12 million.

Financial institutions

The "Financial Institutions" Business Area acts in support of the country's economy. Alongside consolidated operations – management of subsidised credit instruments introduced by specific laws and regulations and liquidity instruments for banks, primarily to facilitate access to credit for enterprises and support reconstruction in the wake of natural disasters – the first half of 2017 saw the expansion of a range of instruments designed to support financial institutions in optimising their use of capital, so as to encourage lending to enterprises.

Subsidised loans primarily draw on CDP funds with state interest subsidies (the Revolving Fund to support enterprises and research investment - FRI - and the Capital Goods Fund), while also taking advantage, to a residual extent, of Central Government funding in the form of capital grants (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund) or other subsidised financing (Fondo Kyoto).

Funds were also earmarked for the banking industry i) for loans to Enterprises (SME, MIDCAP, and Networks & Supply Chain funds), ii) to assist in the reconstruction and economic recovery of areas hit by natural disasters (2012 Earthquake, Natural Disasters and Central Italy Earthquake funds) and, iii) to support the residential real estate market (Housing and Covered Bonds/RMBS funds).

On the subject of the optimization of bank capital, the first half of 2017 saw the launching of the first operation on the Investment Platform called EFSI Thematic Investment Platform for Italian SMEs, which was created in cooperation between CDP and the European Investment Fund (EIF). The operation consisted in the issue of an 80% counter-guarantee by CDP on a portfolio of new guarantees originating from the SME Guarantee Fund pursuant to Law no. 662/96, for a maximum amount of euro 3 billion, with a first loss ceiling of about euro 0.2 billion. The portfolio ramp-up phase was formally opened on 22 June 2017 and will last two years.

On 8 April 2017, CDP signed a Memorandum of Understanding with the EIF, the European Commission, the ISMEA and eight Italian Regional Authorities for the launch of the AGRI Platform, a multi-regional initiative aimed at granting guarantees to businesses in the agricultural and agro-industrial sector to ensure better access to bank loans. CDP and the EIF made available to the initiative a total of euro 0.3 billion, to which the resources of ISMEA and the EIB will be added.

The operations started last year for direct lending to financial institutions are continuing, whether through loans or through the subscription of bonds, aimed at meeting the funding needs of specialised banks and non-banking financial intermediaries.

As regards the support to the territories affected by natural disasters, Article 11 of Decree Law no. 8 of 9 February 2017 introduced a measure entailing the involvement of CDP in support of the territories of Central Italy affected by the earthquake events occurring since 24 August 2016, increasing the Central Italy Earthquake Fund, dedicated to private reconstruction. In particular, a new specific special-purpose fund ("Central Italy Earthquake Moratorium Fund") was established, with an amount of euro 0.6 billion, through which the credit institutions will be able to enter into financing agreements with CDP with state guarantee, for the granting of subsidized loans, which will also be backed by a state guarantee, in favour of self-employed workers and entrepreneurs, as well as agricultural entrepreneurs, for the payment of taxes due and postponed from the date of the earthquake up to 31 December 2018. The relevant agreement with the Italian Banking Association was signed on 3 July 2017.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 30 June 2017, reclassified by business, are shown in the table below, together with key performance indicators.

Financial Institutions - Highlights

(millions of euro; %)	30/06/2017
Balance Sheet	
Loans	14,505
Amounts to distribute	28
Commitments	1,397
Reclassified income statment	
Net Interest income	25
Gross income	38
Indicators	
Net non-performing loans/Net loans to customers and banks	0.9%
Net adjustments to loans/Net exposure	0.03%
Spread on interest-bearing assets and liabilities	0.3%

As regards the loan portfolio of the Business Area, the stock of loans, including IFRS adjustments, at 30 June 2017 amounted to euro 14.5 billion, down by 3% from the end of 2016 due to lower disbursements during the period compared to loan repayments plus loans extinguished under half-yearly reporting (mainly in relation to the SME Fund). Specifically, the breakdown of the stock of loans, excluding IFRS adjustments, is as follows:

i) 46% related to loans under Enterprises funds, amounting to euro 6.7 billion;
ii) 29% related to reconstruction loans following natural disasters, amounting to euro 4.3 billion;
iii) 7% related to loans supporting the residential sector, amounting to euro 1 billion;
iv) the remaining 18% related to other products, including instruments in favour of financial institutions and loans drawing on the FRI;

The total stock of loans and commitments amounted to euro 15.9 billion, showing a decrease on the figure recorded at the end of 2016, mainly as a result of the termination of the guarantee in favour of the Fondo di Risoluzione Nazionale.

Financial Institutions - Stock of loans to customers and banks

(millions of euro; %)	30/06/2017	31/12/2016	Change (+ / -)	(%) change
Enterprises	**6,738**	**8,156**	**(1,418)**	**-17.4%**
SME Fund	4,027	4,961	(934)	-18.8%
Capital Goods Fund	1,990	2,374	(384)	-16.2%
MIDCAP Fund	707	806	(99)	-12.3%
Networks and Supply Chains Fund	13	13	-	-0.1%
Export Fund	2	2	(1)	-25.0%
Residential Real Estate	**1,032**	**906**	**125**	**13.8%**
Natural disasters	**4,273**	**4,080**	**193**	**4.7%**
Post - earthquakes reconstruction - Abruzzo	1,610	1,647	(38)	-2.3%
Post - earthquakes reconstruction - Emilia	2,268	1,922	347	18.0%
Tax moratorium	389	511	(122)	-23.9%
Disasters	6	-	6	n/s
Other products	**2,587**	**1,893**	**694**	**36.7%**
FRI loans	1,059	1,056	3	0.3%
Loans/Financial institution securities	1,456	531	925	n/s
Equity investment loans (shareholders)	40	270	(230)	-85.2%
Intermodal system loans (Article 38, paragraph 6, Law 166/02)	32	36	(4)	-10.2%
Total amounts disbursed or in repayment	**14,630**	**15,036**	**(406)**	**-2.7%**
IFRS adjustments	(125)	(117)	(8)	6.7%
Total loans	**14,505**	**14,919**	**(413)**	**-2.8%**
Commitments	1,397	2,176	(779)	-35.8%
Total loans (including commitments)	**15,902**	**17,094**	**(1,192)**	**-7.0%**

Total volumes of new lending, investments and managed resources during the first half of 2017 amounted to 3.5 billion euros, up on the same period of 2016 (+17.8%), mainly thanks to the contribution of the new direct financing product line dedicated to Financial institutions (euro 1.2 billion), which mainly concerned the subscription of bonds issued by banks with State guarantee pursuant to Decree Law no. 237 of 23 December 2016.

In the first half of 2017, the operating performance of the Enterprises Fund (-78.7% over the same period of last year) continued to be negatively affected by the ECB's measures, which increased the liquidity available to the banking system. Low market rates also had a depressive effect on the Housing Fund's operations, which fell by approximately 45% within the same reporting period. However, the volumes recorded by financing products in support of the populations affected by natural disasters remained stable, with new agreements for euro 0.4 billion (-0.9% compared to the first half of 2016).

The decrease in the volume of agreements recorded on the Fondo Rotativo supporting enterprises and investment in research (FRI) during the first half of 2017 (-72.4%) was due to the extension of the programme facilitation admission procedure activated on the same fund, which will consequently defer CDP’s operations to the second half of 2017.

Financial Institutions – Flow of new loan agreements

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Entrerprises	**350**	**1,648**	**(1,297)**	**-78.7%**
SME Fund	283	536	(254)	-47.3%
Capital Goods Fund	51	814	(763)	-93.7%
MIDCAP Fund	17	221	(205)	-92.5%
Networks and Supply Chains Fund	-	1	(1)	n/s
Export Fund	-	-	-	n/s
Aquisition of receivables/ABS	-	75	(75)	n/s
Residential Real Estate	**190**	**398**	**(208)**	**-52.3%**
Housing Fund	190	348	(158)	-45.4%
Covered Bonds/RMBS	-	50	(50)	n/s
Natural disasters	**387**	**391**	**(4)**	**-0.9%**
Post - earthquakes reconstruction - Emilia	381	391	(9)	-2.4%
Disasters	6	-	6	n/s
Other products	**2,547**	**514**	**2,033**	**n/s**
FRI loans	26	93	(67)	-72.4%
Loans/Financial institution securities	1,240	250	990	n/s
Equity investment loans (shareholders)	1,250	140	1,110	n/s
Disbursements/agreements third party funds	28	31	(2)	-7.6%
Fondo Kyoto	3	-	3	n/s
Total Financial Institutions	**3,474**	**2,950**	**524**	**17.8%**

In the first half of 2017, a total of euro 2.7 billion was disbursed, mainly related to financial institutions (35% of the total). On the other hand, disbursements to the funds dedicated to the enterprises (-78.5%) and the residential real estate sector (-52.3%) declined sharply. On the contrary, disbursements drawing on the FRI (+84.7%) increased, due to the signing of new agreements in the previous six-month periods.

Financial Institutions – Flow of new disbursements

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Entrerprises	**350**	**1,632**	**(1,282)**	**-78.5%**
SME Fund	283	536	(254)	-47.3%
Capital Goods Fund	51	799	(748)	-93.6%
MIDCAP Fund	17	221	(205)	-92.5%
Networks and Supply Chains Fund	-	1	(1)	n/s
Aquisition of receivables/ABS	-	75	(75)	n/s
Residential Real Estate	**190**	**398**	**(208)**	**-52.3%**
Housing Fund	190	348	(158)	-45.4%
Covered Bonds/RMBS	-	50	(50)	n/s
Natural disasters	**387**	**391**	**(4)**	**-0.9%**
Post - earthquakes reconstruction - Emilia	381	391	(9)	-2.4%
Disasters	6	-	6	n/s
Other products	**1,806**	**451**	**1,355**	**n/s**
FRI loans	97	52	44	84.7%
Loans/Financial institution securities	960	250	710	n/s
Equity investment loans (shareholders)	720	115	605	n/s
Disbursements/agreements third party funds	28	31	(2)	-7.6%
Fondo Kyoto	1	3	(2)	-76.9%
Total Financial Institutions	**2,733**	**2,872**	**(139)**	**-4.8%**

The “Financial Institutions” Area contributed euro 25 million in net interest income to CDP’s earnings in the first half of 2017, with a 0.3% spread between interest-bearing assets and liabilities. This contribution, plus commission income generated mainly in relation to the National Resolution Fund, brought gross income to euro 38 million.

4.1.1.2 Equity investment portfolio management

At 30 June 2017, the carrying amount of equity investments and other investments totalled euro 32,111 million, down by euro 440 million compared to 31 December 2016. The figure consisted of euro 30,430 million for the portfolio of equity investments and euro 1,680 million for other investments represented by other companies, investments funds and investment vehicles[17].

Portfolio of equity investments, investment funds and investment vehicles

	31/12/2016	Changes			30/06/2017
(thousands of euro)	Carrying amount	Transfers	From inv./disinv.	From measurement	Carrying amount
Equity investments in subsidiaries	**12,675,897**	**-**	**(467,366)**	**-**	**12,208,531**
Equity investments in companies subject to joint control	**2,859**	**-**	**71**	**(1,407)**	**1,523**
Equity investments in companies subject to significant influence	**18,217,888**	**-**	**2,679**	**(205)**	**18,220,362**
Total equity investments	**30,896,644**	**-**	**(464,616)**	**(1,612)**	**30,430,416**
Investee companies	11,634	-	(5,767)	114	5,981
Investment vehicles	194,570	-	(1,712)	(7,969)	184,889
Investment funds	1,448,270	-	239,601	(199,517)	1,488,354
Equity instruments	-	-	1,000	-	1,000
AFS investments	**1,654,474**	**-**	**233,122**	**(207,373)**	**1,680,224**
Total equity investments and other investments	**32,551,119**	**-**	**(231,494)**	**(208,985)**	**32,110,640**

[17] The portfolio also included equity instruments consisting of non-controlling interests acquired as part of the broader series of reorganisation transactions involving the Sorgenia Group and Tirreno Power S.p.A. The financial instruments are recognised at fair value (equal to zero).

Equity investments

At 30 June 2017, the carrying amount of the portfolio of equity investments was down by approximately euro 466 million (-1.5%) compared to 31 December 2016.

Equity investments

(thousands of euro)	31/12/2016 % holding	31/12/2016 Carrying amount	Changes Transfers	Changes From inv./disinv.	Changes From measurement	30/06/2017 % holding	30/06/2017 Carrying amount
A. Listed companies							
Equity investments in companies subject to significant influence		**18,211,890**	**-**	**-**	**-**		**18,211,890**
1. Eni S.p.A.	25.76%	15,281,632	-	-	-	25.76%	15,281,632
2. Poste Italiane S.p.A.	35.00%	2,930,258	-	-	-	35.00%	2,930,258
B. Unlisted companies							
Equity investments in subsidiaries		**12,675,897**	**-**	**(467,366)**	**-**		**12,208,531**
3. SACE S.p.A.	100.00%	4,584,074	-	-	-	100.00%	4,584,074
4. CDP Reti S.p.A.	59.10%	2,017,339	-	-	-	59.10%	2,017,339
5. CDP Equity S.p.A. (formerly Fondo Strategico Italiano S.p.A.)	97.13%	3,419,512	-	-	-	97.13%	3,419,512
6. Fintecna S.p.A.	100.00%	1,864,000	-	-	-	100.00%	1,864,000
7. CDP Immobiliare S.r.l.	100.00%	322,206	-	-	-	100.00%	322,206
8. CDP GAS S.r.l.*	100.00%	467,366	-	(467,366)	-	0.00%	-
9. CDP Investimenti SGR S.p.A.	70.00%	1,400	-	-	-	70.00%	1,400
Equity investments in companies subject to joint control		**2,859**	**-**	**71**	**(1,407)**		**1,523**
10. FSI SGR S.p.A.	49.00%	1,470	-	-	-	49.00%	1,470
11. Accialtalia S.p.A.	27.50%	1,389	-	-	(1,389)	27.50%	-
12. Risparmio Holding S.p.A	20.00%	-	-	71	(18)	20.00%	53
Equity investments in companies subject to significant influence		**5,998**	**-**	**2,679**	**(205)**		**8,472**
13. QuattroR SGR S.p.A.	29.41%	250	-	150	-	40.00%	400
14. Fondo Italiano d'Investimento SGR S.p.A.	25.00%	3,400	-	2,448	-	43.00%	5,848
15. Galaxy S.àr.l SICAR	40.00%	2,348	-	-	(124)	40.00%	2,224
16. Europrogetti & Finanza S.p.A. in liquidazione	31.80%	-	-	81	(81)	31.80%	-
Total		**30,896,644**	**-**	**(464,616)**	**(1,612)**		**30,430,416**

(*) CDP GAS S.r.l. was merged by incorporation into CDP S.p.A. with legal effect as from 1 May 2017 and with accounting and tax effects from 1 January 2017.

The following transactions performed in the first half of 2017 had an impact on the portfolio's carrying value:

- the merger by incorporation of CDP GAS S.r.l into CDP S.p.A. with legal effect from 1 May 2017 (and accounting and tax effects from 1 January 2017) and the subsequent transfer, from CDP to CDP RETI, of the equity investments held in Snam (1.12%) and Italgas (0.97%), previously held by CDP GAS, with effect as of 19 May 2017. CDP and CDP RETI agreed an overall price of euro 188 million for the transfer, of which euro 156 million for the 1.12% equity investment in Snam and euro 32 million for the 0.97% equity investment in Italgas. The consideration was based on the average official stock exchange prices of the Snam and Italgas shares in the 90 calendar days running up to 16 May 2017. To finance the transaction, CDP RETI was granted a loan for the whole amount (45% funded by CDP and 55% by a pool of banks).
- the increase in CDP's equity investment in Fondo Italiano d'Investimento SGR S.p.A, in view of the fact that, on 5 May 2017, CDP finalised the acquisition of an 18% interest in FII SGR, held by Confindustria and ABI, acquiring 360,000 shares, equal to a stake of 9%, from each shareholder. The price was established on the basis of a sworn appraisal report drawn up by an independent advisor appointed by the Ministry of the Economy and Finance, at the same value at which CDP purchased the 12.5% stake in FII SGR from the MEF in June 2016. The transaction was completed with authorisation issued by the Bank of Italy on 19 April 2017. At 30 June 2017, the share capital of FII SGR totalled euro 4 million and was held as follows: CDP (43.0%); Unicredit (12.5%); Intesa San Paolo (12.5%); Monte dei Paschi di Siena (12.5%); ICBPI (12.5%); ABI (3.5%); Confindustria (3.5%).
- the increase in the share capital of QuattroR SGR S.p.A, totalling euro 150 thousand, reserved to and subscribed by CDP and finalised on 15 February 2017. At the time of the foregoing operation, CDP also subscribed equity instruments for a value totalling euro 1 million. At 30 June 2017, the share capital of QuattroR SGR S.p.A. totalled

euro 1 million, of which 40% subscribed by CDP and the residual portion by the managers identified to manage the initiative (60%).

- the writedown of Galaxy, by euro 123,730, to reflect the directors' latest estimates of the tax dispute with the Australian revenue agency and additional costs linked to the company's liquidation.
- the writedown to 0 euro of the equity investment in AcciaItalia, based on the best estimate currently available of the value of the company's equity.

Dividends totalled approximately euro 784 million in the first half of 2017 and were mainly connected with the equity investments in ENI (euro 374 million), SACE (euro 150 million), CDP RETI (euro 60 million), Fintecna (euro 21 million), Poste Italiane (euro 178 million), and CDP Investimenti SGR (euro 0.7 million).

Other investments: mutual funds and investment vehicles

CDP is a subscriber to investment funds and investment vehicles with the aim of facilitating:

- the development, international expansion and growth of Italian start-ups, SMEs and large-sized companies.
- investments in the sustainable living sector and the development of public real estate assets;
- investments in physical and social infrastructures:
  - at the local level, in partnership with local authorities and with shareholder foundations. In this context, CDP also promotes public-private partnership (PPP) projects;
  - at the national level, focusing on major works in partnership with Italian and foreign institutional investors;
  - at the international level, in support of infrastructure and network projects involving several countries, not only within the European Union, in cooperation with European institutions and foreign counterpart organisations (such as CDC, KfW and the EIB).

At 30 June 2017, the portfolio relating to investment funds and investment vehicles totalled euro 1,680 million, up by approximately euro 26 million (+1.6%) compared to 31 December 2016.

Investment funds and investment vehicles

(thousands of euro)	Investment sector	31/12/2016 % holding	31/12/2016 Carrying amount	Changes From inv./disinv.	Changes From measurement	Changes Transfers	30/06/2017 % holding	30/06/2017 Carrying amount	30/06/2017 Residual commitment
A. Investment vehicles			**194,570**	**(1,712)**	**(7,969)**	**-**		**184,889**	**114,067**
1. Inframed Infrastructure societè par actions simplifièe à capital variable (Fondo Inframed)	Infrastructure								
- A units		38.92%	120,286	3,030	(9,516)	-	38.92%	113,800	28,012
- B units		0.01%	-	-	-	-	0.01%	-	-
2. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa (Fondo Marguerite)	Infrastructure	14.08%	57,388	(4,742)	1,547	-	14.08%	54,193	43,050
3. European Energy Efficiency Fund SA, SICAV-SIF (Fondo EEEF)	Energy		0					0	
- A units		10.70%	14,602	-	-	-	10.67%	14,602	37,312
- B units		1.68%	2,294	-	-	-	1.68%	2,294	5,693
B. Investment funds			**1,448,270**	**239,601**	**(199,517)**	**-**		**1,488,354**	**2,775,732**
1. FIV Extra	Public sector construction	100.00%	724,169	(16,779)	(31,748)	-	100.00%	675,642	351,600
2. F2i - Fondo Italiano per le Infrastrutture	Infrastructure		0						0
- A units		8.10%	138,266	(25,993)	(328)	-	8.10%	111,945	2,311
- C units		0.04%	759	(167)	(19)	-	0.04%	573	12
3. Fondo Investimenti per l'Abitare	Social housing	49.31%	286,782	20,882	(2,628)	-	49.31%	305,036	618,787
4. Fondo Italiano d'Investimento	SMEs and export finance	20.83%	44,981	(4,774)	19,293	-	20.83%	59,500	56,897
5. Fondo Italiano d'Investimento - Fondo di Fondi	SMEs and export finance	20.83%	27,964	(6,002)	3,232	-	20.83%	25,194	27,527
6. Fondo Italiano d'Investimento - FII Venture	Venture Capital	20.83%	6,716	1,009	(335)	-	20.83%	7,390	8,619
7. F2i - Secondo Fondo Italiano per le Infrastrutture	Infrastructure							0	-
- A units		8.05%	38,747	-	(496)	-	8.05%	38,251	71,542
- C units		0.02%	101	-	(2)	-	0.02%	99	186
8. FIV Plus	Public sector construction	100.00%	20,799	-	(153)	-	100.00%	20,646	69,400
9. Fondo PPP Italia	Infrastructure and PPP project	14.58%	10,436	(802)	741	-	14.58%	10,375	2,054
10. Fondo Immobiliare di Lombardia - sub-fund one (formerly Abitare Sociale 1)	Social housing	4.21%	9,466	-	(22)	-	3.95%	9,444	8,700
11. FoF Private Debt	SMEs and export finance	63.29%	30,153	18,737	(817)	-	62.50%	48,073	202,773
12. FoF Venture Capital	Venture Capital	62.50%	3,251	4,991	550	-	78.12%	8,792	114,815
13. European Investment Fund	Enterprises	1.14%	22,172	-	(545)	-	1.14%	21,627	40,000
14. Fondo Atlante	Banks and NPLs	11.77%	81,912	140,915	(183,777)	-	11.77%	39,050	61,225 *
15. Fondo Atlante 2	Banks and NPLs	11.60%	392	88,145	(337)	-	11.60%	88,200	160,109
16. Fondo Investimenti per il Turismo (FIT)	Tourism sector construction	100.00%	1,204	17,500	(187)	-	100.00%	18,517	81,115
17. Fondo QuattroR	Enterprises		0.00%	1,740	(1,740)	-	42.38%	-	298,260
18. Fondo FIA 2	Smart Housing, smart working	0.00%	0.00%	200	(200)	-	100.00%	-	99,800
19. FSI Mid Market Growth Equity Fund	Enterprises	0.00%		-	-	-	49.81%	-	500,000
C. Equity Instruments			**-**	**1,000**	**-**	**-**		**1,000**	
1. QuattroR SGR S.p.A.	Enterprises	0.00%		1,000	-	-	100.00%	1,000	
D. Investees			**11,634**	**(5,767)**	**114**	**-**		**5,981**	**-**
1. SINLOC S.p.A.	Infrastructure	11.29%	5,767	(5,767)	-	-	-	-	-
2. F2i SGR S.p.A.	Infrastructure	14.01%	3,801	-	114	-	14.01%	3,915	-
3. Istituto per il Credito Sportivo	Infrastructure	2.21%	2,066	-	-	-	2.21%	2,066	-
Total			**1,654,474**	**233,122**	**(207,372)**	**-**		**1,680,224**	**2,889,799**

(*) Adjustment in part offset by the writeback of euro 78,201 thousand on item 130.d of the income statement to reflect the transfer to the income statement of adjustments made as at 31 December 2016 on commitments called up and paid in January 2017.

In detail, the change in the carrying amount of the portfolio was driven by:

- the net positive balance of around euro 233 million between payments called by vehicles and funds and payouts distributed by them to CDP;
- positive valuation differences of approximately euro 207 million;

In detail, a summary of the changes in the portfolio is provided below:

- the subscription of an additional 1,500 units, of a nominal unit value of euro 50,000, referring to the investment fund Fondo di Fondi Venture Capital (FoF VC). The investment, completed on 19 May 2017, amounts to euro 75 million, bringing CDP's total commitment towards FoF VC to euro 125 million, against the fund's total size of euro 160 million as at 30 June 2017;
- the sale of CDP's equity investment in Sinloc, equal to 605,727 shares of a unit value of 9.6 euro each, representing 11.29% of the share capital, sold by CDP for a total price of around euro 5,815 thousand;
- CDP's subscription of equity instruments of QuattroR SGR S.p.A. for a total amount of euro 1 million;
- the sale of 1.12 C units of Primo Fondo F2i to F2i SGR for a price of around euro 46 thousand, completed as part of the incentives operation benefiting the top management in relation to Primo Fondo F2i.
- the subscription of 60,000 units in Fondo QuattroR for a total commitment of euro 300 million (42.38% of the overall size of the fund). Fondo QuattroR completed the first closing on 5 April 2017, attracting subscriptions in excess of euro 700 million (the target size is euro 1.5 billion). The fund's aim is to re-launch medium and large-sized Italian companies which are temporarily in crisis but have solid industrial fundamentals;
- CDP's subscription of 1,000 units in the FIA2 fund for a total price of euro 100 million (100% of the fund). The fund operates in the smart housing and smart working sectors to support training and new technologies;
- the writedown of the units held in Fondo Atlante. The investment in this fund is classified under financial assets available for sale. In line with the IFRS, it is measured at fair value. At 30 June 2017, the value of the units, as communicated by Quaestio Capital Management SGR S.p.A., entailed an adjustment of the book value by around euro 106 million [18] to reflect the zeroing of the equity investments in Banca Popolare di Vicenza and Veneto Banca, which were placed under compulsory administrative liquidation pursuant to Decree Law 99/2017.

On 29 June 2017 the first closing was completed in relation to the "FSI Mid-Market Growth Equity Fund", managed by FSI SGR, which will invest in Italian companies with high value creation potential, with focus on organic growth and/or growth by acquisitions, on sector/chain consolidation and on facilitating the IPO process for said companies. CDP's commitment on said investment amounts to euro 500 million, with the fund having a total size of euro 1 billion (target size equal to euro 2 billion).

ITAtech Platform

On 16 December 2016, Cassa depositi e prestiti S.p.A. (CDP) and the European Investment Fund (EIF) entered into a co-investment agreement for the launch of the ITAtech Platform, an initiative for investments in technology transfer funds and the financing of Italian research in the public and private sectors.

ITAtech is the first pan-European equity platform to receive funding under the Juncker Plan – an investment plan promoted by the European Commission to invest over euro 300 billion in the following three years to stimulate growth in the European economy – and, in particular, under the European Fund for Strategic Investments, tasked with implementing the Plan.

The co-investment agreement envisages a maximum commitment of euro 200 million, of which euro 100 million can be subscribed by CDP.

At 30 June 2017, CDP had yet to invest in technology transfer funds through the ITAtech Platform.

In fact, in the first half of 2017, activities relating to the implementation of the ITAtech Platform continued and the first investments are expected in the second half of 2017.

4.1.1.3 Investment of the financial resources of the Parent Company

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

[18] Of which euro 183.8 million for adjustments recognised under item 130.b "Net impairment adjustments to financial assets available for sale", in part offset by the writeback of euro 78,2 thousand made on the line item 130.d "Net impairment adjustments to other financial transactions" to reflect the transfer to the income statement of adjustments made as at 31 December 2016 on commitments called-up and paid in January 2017.

Stock of investments of financial resources

(millions of euro; %)	30/06/2017	31/12/2016	% change
Cash and cash equivalents and other treasury investments	**173,386**	**161,795**	**7.2%**
State Treasury current account	156,012	146,987	6.1%
Reserve requirement	13,397	8,036	66.7%
Other treasury investments Separate account	2,343	1,511	55.1%
Reverse purchase agreements	621	4,548	-86.4%
Deposits (assets) Ordinary account	731	292	n/s
Deposits (assets) on Credit Support Annex transactions	282	421	-32.9%
Debt securities	**50,658**	**48,971**	**3.4%**
Separate Account	49,532	48,435	2.3%
Ordinary Account	1,126	536	n/s
Total	**224,044**	**210,765**	**6.3%**

With regard to cash and cash equivalents at 30 June 2017, the balance on the current account held with the Central State Treasury, which CDP uses to deposit funding in excess of uses made in the Separate Account, stood at around euro 156 billion, up from the figures recorded at the end of 2016 (approximately euro 147 billion).

Cash and cash equivalents deposited for the reserve requirement amounted to euro 13.4 billion at 30 June 2017, with respect to a minimum reserve requirement of approximately euro 2.8 billion, with a maintenance period ending on 25 July 2017. The liabilities of CDP that are subject to the reserve requirement are those that have a maturity of or are payable with notice of up to two years, with the exception of liabilities with credit institutions that are subject to the ECB's reserve requirements. The management of the reserve requirement is designed to ensure the accounting separation between the Separate Account and the Ordinary Account.

Investments in reverse repurchase agreements with Italian government securities as collateral referred almost entirely to the investment of surplus funding raised on the money market. At 30 June 2017, the stock of this aggregate amounted to approximately euro 0.6 billion, showing a drop on the figure at December 2016 (approximately euro 4.5 billion), mainly due to the decline in market interest rates.

With regard to short-term treasury management operations under the Ordinary Account, CDP uses money-market funding instruments such as deposits and repurchase agreements in order to harmonise the timing and margins of the instruments with those of medium and long-term funding items. Temporary surplus liquidity is invested by CDP in deposits held with banks with high credit ratings and in short-term Italian government securities.

As regards collateral deposits, established under Credit Support Annexes and Global Master Repurchase Agreements to limit the counterparty risk associated with transactions in derivative instruments and repurchase agreements, at 30 June 2017 there was a net debit balance of -396 million euro, showing an increase on the figure recorded at the end of 2016 (-44 million euro). The increase was mainly driven by market conditions in the reporting period, primarily as concerns the trend in interest rates. These deposits are also managed in a manner that ensures accounting separation between the two Accounts.

Net deposits on CSA transactions

(millions of euro; %)	30/06/2017	31/12/2016	% change
Total net deposits	(396)	(44)	n/s
of which:			
- deposits (assets)	*282*	*421*	*-33.0%*
- deposits (liabilities)	*679*	*465*	*46.0%*

At 30 June 2016 the securities portfolio showed a balance of approximately euro 50.7 billion, marking an increase on the figure recorded at the end of 2016 (i.e. euro 49.0 billion), driven by new purchases with very short-term maturity (i.e. Maturity < 18 months) or with short-term maturity but at floating interest rates (i.e. CCT Euribor), as well as by securities indexed to inflation, which are used to hedge postal savings bonds with similar risk factors. The reduction in the overall duration of the portfolio means it is able to preserve its value even in conditions of market volatility. The securities portfolio mainly consists of Italian government securities and is held for asset & liability management purposes and to stabilise CDP's net interest income.

4.1.1.4 Funding activities by the Parent Company

Funding from banks

The table below shows CDP's overall position in terms of funding from banks at 30 June 2017, compared with 31 December 2016.

Stock of funding from banks

(millions of euro; %)	30/06/2017	31/12/2016	% change
ECB refinancing	2,475	2,475	n/s
of which:			
- Separate Account	*1,175*	*1,175*	*n/s*
- Ordinary Account	*1,300*	*1,300*	*n/s*
Deposits, Repurchase agreements and other	23,690	19,092	24.1%
of which:			
- Separate Account	*23,690*	*18,499*	*28.1%*
- Ordinary Account	*-*	*593*	*-100.0%*
Deposits (liabilities) for CSA	679	465	46.0%
EIB/CEB credit facilities	4,740	4,915	-3.6%
of which:			
- Separate Account	*2,633*	*2,744*	*-4.1%*
- Ordinary Account	*2,108*	*2,172*	*-2.9%*
Total	**31,583**	**26,947**	**17.2%**

At 30 June 2017, the balance of ECB refinancing operations was stable at euro 2.475 billion and derives from draw-downs made by CDP in relation to Targeted Longer-Term Refinancing Operations (TLTRO II).

Due to the particularly low interest rates, even lower than the ECB's overnight deposit rate (currently -0.40%), short-term funding on the money market, consisting of deposits and repurchase agreements, increased from euro 19 billion at 31 December 2016 to around euro 23.7 billion at 30 June 2017. This increase refers exclusively to the Separate Account and derives entirely from repurchase agreements. Repurchase agreements also include the so-called "Long-Term Repos", which contributed to the increase in the average duration of liabilities and to ensure the stability of funding. Consequently, part of funding from short-term repurchase agreements has been replaced by operations in long-term repos.

At 30 June 2017, the stock of credit facilities granted by the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) amounted to approximately euro 4.7 billion, of which around euro 4.6 billion referred to the EIB and around euro 0.1 billion referred to the CEB.

Regarding credit facilities granted by the EIB, a new loan agreement was signed in the first half of 2017 for euro 1 billion in relation to the Central Italy Earthquake Fund (Separate Account).

Other initiatives in the first half of 2017 saw CDP request and obtain from the EIB: i) two new disbursements totalling euro 91 million (Separate Account), earmarked as funding for school building projects (one of the disbursements, totalling euro 22 million, was repaid in full at maturity on 30 June 2017); ii) one new disbursement totalling euro 40 million (Separate Account) in relation to the loan agreement signed to finance Aeroporti di Roma S.p.A.

At 30 June 2017, CDP had repaid in advance the credit facility provided by the EIB in 2014 in the Separate Account for a total amount of euro 200 million.

In relation to the credit facilities granted by the CEB, in the first half of 2017 CDP requested and obtained a new disbursement for an amount of euro 75 million (Separate Account) in relation to the agreement signed in 2016 to fund the Capital Goods Fund.

EIB/CEB funding in first half of 2017

(millions of euro)	Date of issue/Funding	Nominal value
EIB Draw-down (maturity date 31/12/2044)	27/03/2017	69
EIB Draw-down (maturity date 30/06/2017)	27/03/2017	22
EIB Draw-down (maturity date 20/09/2031)	08/05/2017	40
CEB Draw-down (maturity date 02/01/2022)	02/01/2017	75
Total		**206**
of which:		
- under the Separate Account		*206*
- under the Ordinary Account		*-*

Funding from customers

The table below shows CDP's overall position in terms of funding from customers at 30 June 2017, compared with 31 December 2016.

Stock of funding from customers

(millions of euro; %)	30/06/2017	31/12/2016	% change
OPTES deposits (liabilities)	35,000	33,000	6.1%
Deposits of investees	6,216	4,469	39.1%
Amounts to be disbursed	5,078	5,064	0.3%
Government securities amortisation fund	149	1	n/s
Total	**46,443**	**42,534**	**9.2%**

At 30 June 2017, the liquidity balance of OPTES deposits was euro 35 billion, compared to euro 33 billion at 31 December 2016. This short-term funding was used for treasury operations.

Management and coordination activities continued to include cash pooling in the Parent Company's centralised treasury, by means of specific short-term loan agreements and irregular deposit arrangements between CDP and its subsidiaries. Centralised treasury deposits at 30 June 2017 rose compared to the end of 2016 to approximately euro 6.2 billion.

Amounts to be disbursed constitute the part of loans granted by CDP that have not yet been taken up by the beneficiaries, whose disbursement is subject to progress with the investments financed. Total amounts to be disbursed at 30 June 2017 were approximately euro 5.1 billion, in line with the figure recorded at the end of 2016.

Finally, the Government securities amortisation fund deposited by the MEF with CDP amounted to approximately euro 149 million at 30 June 2017. This amount was used entirely to purchase very short-term government securities.

Bond funding

The table below shows CDP's overall position in terms of bond funding at 30 June 2017, compared with the figures at 31 December 2016.

Stock of bond funding

(millions of euro; %)	30/06/2017	31/12/2016	% change
EMTN/DIP programme	**10,148**	**8,504**	**19.3%**
Securities issued	10,168	8,518	19.4%
of which:			
- Separate Account	*6,325*	*5,625*	*12.4%*
- Ordinary Account	*3,843*	*2,893*	*32.8%*
IFRS adjustment	*(20)*	*(14)*	42.4%
Retail bond	**1,481**	**1,481**	**n/s**
Securities issued	1,500	1,500	n/s
IFRS adjustment	(19)	(19)	n/s
"Stand-alone" issues guaranteed by the State	**1,500**	**1,500**	**n/s**
Securities issued	1,500	1,500	n/s
IFRS adjustment	-	-	n/s
Commercial paper	**872**	**40**	**n/s**
of which:			
- Separate Account	*677*	*-*	*n/s*
- Ordinary Account	*195*	*40*	*n/s*
Total stock of bond funding	**14,002**	**11,525**	**21.5%**

With reference to medium-long term funding, in the first half of 2017 new issues were made under the new "Debt Issuance Programme" (DIP) for a total nominal value of euro 1.95 billion, of which euro 1 billion in support of the Separate Account and euro 950 million in support of the Ordinary Account. Details of said issues are provided in the table below.

With reference to short-term funding, managed with a view to optimising the mix of funding and investments, the stock under the "Multi-Currency Commercial Paper programme" at 30 June 2017 totalled approximately euro 872 million, showing a significant increase on the figure at 31 December 2016 (euro 40 million).

Medium-long term bond funding

(millions of euro) DIP programme	ISIN code	Date of issue	Nominal value
CDPjan-2019	IT0005239873	23/01/2017	200
CDPfeb-2019	IT0005240517	01/02/2017	300
CDPmar-2023	IT0005244774	09/03/2017	300
CDPmar-2027	IT0005245573	13/03/2017	150
CDPjun-2024	IT0005273567	21/06/2017	1,000
Total			**1,950**
of which:			
- under the Separate Account			*1,000*
- under the Ordinary Account			*950*

Postal funding

Postal savings constitute a major component of household savings. In detail, the percentage impact of postal savings (including bonds pertaining to the MEF) in respect of total household financial assets was stable at 8% the end of 2016.

At 30 June 2017, postal funding, consisting of passbook savings accounts and postal savings bonds, totalled euro 247,812 million, showing a decline on the euro 250,800 million posted at 31 December 2016.

Specifically, the carrying amount of passbook accounts was euro 111,146 million, while the carrying amount of postal bonds, measured at amortised cost, was euro 136,666 million.

Stock of postal savings

(millions of euro; %)	30/06/2017	31/12/2016	Change (+ /-)	% change
Passbook savings accounts	111,146	118,939	(7,793)	-6.55%
Postal savings bonds	136,666	131,862	4,804	3.64%
Total	**247,812**	**250,800**	**(2,989)**	**-1.19%**

The total stock decreased due to net outflows from passbook accounts, partly offset by net funding and interest accrued on bonds.

In terms of net funding, passbook accounts recorded a net outflow of euro -7,801 million in the first half 2017. The most significant reduction was in the Smart passbook accounts (33% of total passbook accounts), which recorded a net outflow of euro -5,028 million, bringing the total balance to euro 36,321 million. Ordinary registered passbook accounts also recorded net outflows (euro -2,682 million) with stock standing at euro 71,201 million (64% of total passbook accounts). New commercial offers launched from the end of May in relation to passbook accounts (SuperSmart offer) helped reduce the losses recorded in the last part of the half-year period.

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

Passbook savings accounts - net funding

(millions of euro)	Deposits	Withdrawals	Net funding in the first half of 2017	Net funding in the first half of 2016
Registered passbook accounts	48,101	55,900	(7,798)	(655)
- Ordinary	*31,461*	*34,142*	*(2,682)*	*133*
- Ordinary SMART	*16,185*	*21,213*	*(5,028)*	*(725)*
- Time deposits	*-*	*0.0*	*0.0*	*(4)*
- for Minors	*270*	*362*	*(92)*	*(59)*
- Judicial	*185*	*182*	*3*	*(1)*
Bearer passbook accounts	1	3	(3)	(4)
- Ordinary	*1*	*3*	*(3)*	*(3)*
- Time deposits	*-*	*0.0*	*0.0*	*(0.5)*
Total	**48,102**	**55,903**	**(7,801)**	**(659)**

Note: The net funding figures include transfers between passbook accounts.

Passbook savings accounts

(millions of euro)	31/12/2016	Net funding	Reclassifications and adjustments	Interest 01/01/2017-30/06/2017	Withholding tax	30/06/2017
Registered passbook accounts	118,899	(7,798)	-	10	(2)	111,109
- Ordinary	*73,879*	*(2,502)*	*(180)*	*4*	*0.0*	*71,201*
- Ordinary Smart	*41,345*	*(5,298)*	*270*	*6*	*(2)*	*36,321*
- Time deposits	*0.2*	*-*	*-*	*0.0*	*0.0*	*0.2*
- for Minors	*3,118*	*(1)*	*(91)*	*0.2*	*0.0*	*3,026*
- Judicial	*558*	*3*	*-*	*0.0*	*0.0*	*560*
Bearer passbook accounts	40	(3)	-	0.0	0.0	37
- Ordinary	*40*	*(3)*	*-*	*0.0*	*0.0*	*37*
- Time deposits	*0.03*	*-*	*-*	*0.0*	*-*	*0.03*
Total	**118,939**	**(7,801)**	**-**	**10**	**(2)**	**111,146**

Net funding from CDP savings bonds saw positive inflows amounting to euro 2,825 million, compared to negative outflows of euro -1,863 million in the first half of 2016. This positive result was mainly driven by good performance in the second quarter of the year, especially from 20 April 2017 when changes were made to the terms and conditions of ordinary bonds and from 29 May following the launch of the 3-year bond.

In the first half of 2017, bond subscriptions totalled euro 9,548 million with the following breakdown by key product: ordinary bonds euro 5,293 million (55% of total), 3-year bonds euro 3,560 million (37% of total), 2-year fedeltà bonds euro 559 million (6% of total)[19] and bonds for minors euro 136 million (1% of total).

Postal savings bonds - CDP net funding

(millions of euro)	Subscriptions	Redemptions	Net funding in the first half of 2017	Net funding in the first half of 2016	Change (+ / -)
Ordinary bonds	5,293	(3,139)	2,153	913	1,240
3x4 bonds	-	(350)	(350)	(432)	81
Italian inflation indexed bonds	-	(1,027)	(1,027)	(149)	(878)
Europa/Premia bonds	-	(810)	(810)	871	(1,681)
Bonds for minors	136	(155)	(19)	26	(45)
3x4 Fedeltà bonds	-	(71)	(71)	107	(177)
3-year bonds	3,560	(73)	3,487	(143)	3,630
3x4 RisparmiNuovi bonds	-	(29)	(29)	(40)	11
Fedeltà bonds	559	(555)	5	(2,064)	2,068
Other bonds	-	(514)	(514)	(953)	439
Total	**9,548**	**(6,723)**	**2,825**	**(1,863)**	**4,688**

Note: "Other Bonds" include: 7Insieme bonds, Fixed-term bonds, indexed bonds, 18-month bonds, 2-year Plus bonds, Renditalia bonds, Impresa bonds, Risparmi Nuovi bonds, Eredità Sicura bonds, 4x4 bonds, 4x4 Fedeltà bonds and 4x4 Risparmio Nuovi bonds

In relation to bonds pertaining to the MEF, redemptions came to euro -3,014 million, up on the first quarter of 2016 (euro -2,464 million), reflecting the higher volume of redemptions on Bonds maturing in 2016 and settled in the first quarter of 2017 and the slight acceleration in redemptions in the second quarter of the current year.

Total net funding of postal savings bonds (CDP + MEF) at 30 June 2017 was close to zero (euro -189 million), marking a net improvement on the previous year (euro -4,327 million).

[19] Placement up to 28 February

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

(millions of euro)	CDP net funding	MEF redemptions	Net funding in the first half of 2017	Net funding in the first half of 2016	Change (+ / -)
Ordinary bonds	2,153	(2,957)	(804)	(1,450)	646
3x4 bonds	(350)	-	(350)	(432)	81
Italian inflation indexed bonds	(1,027)	-	(1,027)	(149)	(878)
Europa/Premia bonds	(810)	-	(810)	871	(1,681)
Bonds for minors	(19)	-	(19)	26	(45)
3x4 Fedeltà bonds	(71)	-	(71)	107	(177)
3-year bonds	3,487	-	3,487	(143)	3,630
3x4 RisparmiNuovi bonds	(29)	-	(29)	(40)	11
Fedeltà bonds	5	-	5	(2,064)	2,068
Other bonds	(514)	(57)	(571)	(1,053)	483
Total	**2,825**	**(3,014)**	**(189)**	**(4,327)**	**4,138**

Note: "Other Bonds" include: 7Insieme bonds, fixed-term bonds, indexed bonds, 18-month bonds, 2-year Plus bonds, Renditalia bonds, Impresa bonds, Risparmi Nuovi bonds, Eredità Sicura bonds, 4x4 bonds, 4x4 Fedeltà bonds and 4x4 Risparmio Nuovi bonds

At 30 June 2017 the stock of postal savings bonds pertaining to CDP amounted to euro 136,666 million, showing positive net funding of euro 2,825 million.

The stock figure includes transaction costs recognised in application of IFRS, consisting of distribution fees applicable to all types of bonds issued between 2007 and 2010. The item “Premiums accrued on postal savings bonds” includes the separate value of embedded options in bonds indexed to baskets of shares.

Postal savings bonds - CDP stock

(millions of euro)	31/12/2016	Net funding	For the period	Withholding tax	Transaction costs	Premiums accrued on postal bonds	30/06/2017
Ordinary bonds	73,603	2,153	1,196	(41)	4	-	76,915
3x4 bonds	18,120	(350)	416	(2)	-	-	18,183
Intalian inflation indexed bonds	15,067	(1,027)	112	(12)	-	-	14,139
Europa/Premia bonds	6,652	(810)	29	(6)	-	41	5,906
Bonds for minors	5,488	(19)	94	(4)	-	-	5,559
3x4 Fedeltà bonds	4,362	(71)	97	-	-	-	4,388
3-year bonds	883	3,487	3	-	-	-	4,372
3x4 RisparmiNuovi bonds	1,946	(29)	19	-	-	-	1,937
Fedeltà bonds	1,651	5	3	(3)	-	-	1,656
Other bonds	4,091	(514)	34	(3)	-	3	3,612
Total	**131,862**	**2,825**	**2,003**	**(72)**	**4**	**44**	**136,666**

Note: The item "Other Bonds" includes: 7Insieme bonds, Fixed-term bonds, Indexed bonds, 18-month bonds, 2-year Plus bonds, Renditalia bonds, Impresa bonds, Risparmi Nuovi bonds, Eredità Sicura bonds, 4x4 bonds, 4x4 Fedeltà bonds and 4x4 Risparmio Nuovi bonds. “Transaction costs” includes deferred fees relating to the years 2007-2010.

Total net funding (CDP + MEF), considering also passbook accounts, was negative by euro -7,990 million, down compared to the net funding figure of the first half of 2016 (euro -4,968 million). The good performance of net bond funding offset only in part the negative performance of passbook accounts.

Total net postal savings funding (CDP + MEF)

(millions of euro)	Net funding 1st Half 2017	Net funding 1st Half 2016	Change (+ / -)
Postal savings bonds	**(189)**	**(4,327)**	**4,138**
of which:			
- pertaining to CDP	*2,825*	*(1,863)*	*4,688*
- pertaining to the MEF	*(3,014)*	*(2,464)*	*(550)*
Passbook savings accounts	**(7,801)**	**(659)**	**(7,142)**
CDP net funding	(4,976)	(2,522)	*(2,454)*
MEF net funding	(3,014)	(2,464)	*(550)*
Total	**(7,990)**	**(4,986)**	**(3,004)**

4.1.2 GROUP COMPANIES

4.1.2.1 PERFORMANCE OF COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

SACE GROUP

In the first half of 2017, the SACE Group launched the creation of the Export and Internationalisation Hub, involving the operational and commercial integration of Simest into SACE (so-called “one door” model) and the consolidation of the network structure. The product range was also expanded, in line with the Business Plan, to support the export push strategy backing supplies and the insertion of Italian companies in global value chains.

The 2020 “Export Unchained” export forecast report, which aims to provide businesses with practical advice on which sectors and countries to focus on to develop their business abroad, was also presented in the month of June via road shows.

New lending - SACE Group

Business lines (millions of euro; %)	30/06/2017	30/06/2016	Change (+/-)	% change
SACE	**4,384**	**3,404**	**980**	**28.8%**
Export	3,968	3,047	920	30.2%
- Purchaser loans	*3,476*	*1,888*	*1,588*	*84.1%*
- Supplier loans	*477*	*1,039*	*(562)*	*-54.1%*
- Letters of credit	*15*	*120*	*(105)*	*-87.8%*
International expansion	416	356	60	16.8%
- Financial guarantees	*174*	*200*	*(27)*	*-13.3%*
- Financial guarantees for SMEs	*74*	*51*	*24*	*46.2%*
- Bonds/sureties	*80*	*59*	*21*	*34.8%*
- Political Risk Insurance policies	*11*	*35*	*(25)*	*-70.2%*
- Fondo Sviluppo Export	*78*	*11*	*67*	*n/s*
SACE FCT	**2,244**	**1,915**	**329**	**17.2%**
Factoring with/without recourse	1,833	1,128	705	62.5%
Trade finance	411	787	(376)	-47.8%
SIMEST	**8,611**	**3,810**	**4,801**	**n/s**
Export	8,517	3,736	4,781	n/s
- Interest grants (Fondo 295) - Purchaser loans	*8,380*	*3,587*	*4,793*	*n/s*
- Interest grants (Fondo 295) - Supplier loans	*137*	*149*	*(12)*	*-8.3%*
International expansion	94	74	20	27.3%
- Direct equity investments and Venture Capital Fund	*18*	*14*	*4*	*27.0%*
- Subsidised loans (Fondo 394)	*57*	*38*	*19*	*48.4%*
- Equity investment grants (Law 100/90 and Law 19/91)	*19*	*22*	*(2)*	*-9.8%*
Eliminations	**(8,791)**	**(4,374)**	**(4,418)**	**n/s**
Total new lending, investments and managed resources	**6,448**	**4,755**	**1,693**	**35.6%**

During the half year, new lending, investments and managed resources increased by 35.6% on the same period of the previous year, with major transactions targeted at strategic sectors for the country.

Specifically, new lending by the SACE Group, with its new perimeter, totalled euro 6,448 million. Such volumes were mainly driven by export credit operations, amounting to euro 4,105 million (64% of the total), thanks also to the use of reinsurance agreements in relation to risk concentration with the Ministry of the Economy and Finance. The remaining amount refers to factoring (euro 1,833 million - 28% of the total) and the international expansion segment (euro 510 million - 8% of the total).

In detail, lending volumes finalised by SACE grew by almost 30% on the same period in 2016, with key transactions completed in the cruise, infrastructures and construction and oil & gas sectors.

Performance highlights - SACE Group[1]

(millions of euro; %)	30/06/2017	31/12/2016	Change (+/-)	(%) change
SACE				
Outstanding guarantees	42,036	43,038	(1,002)	-2.3%
- on which principal	*36,507*	*37,211*	*(704)*	*-1.9%*
- on which interest	*5,529*	*5,827*	*(298)*	*-5.1%*
Loans	729	804	(75)	-9.3%
SACE BT				
Short-term loans	9,165	8,894	271	3.0%
Sureties Italy	6,398	6,635	(237)	-3.6%
Other property damage	24,356	24,734	(378)	-1.5%
SACE FCT				
Outstanding receivables	2,034	2,073	(39)	-1.9%
SIMEST				
Equity investment portfolio	521	536	(15)	-2.8%

1) Amounts refer to stock at the date indicated.

SACE's total risk exposure, measured in relation to loans and guarantees provided, stood at euro 42.8 billion (of which 98% referring to the guarantees portfolio), dropping slightly compared to year-end figure for 2016 (-2%), awaiting authorisations for loans approved in the half-year period but still not finalised.

The value of the SACE BT portfolio (around euro 40 billion) and the outstanding receivables of SACE FCT (approximately euro 2,034 million) are in line with the year-end figure for 2016.

Finally, the Simest equity investment portfolio totalled euro 521 million, showing a slight decrease of -3% over the figure recorded at the end of 2016, reflecting higher disposals compared to new acquisitions.

Treasury and funding activities - SACE Group

(millions of euro; %)	30/06/2017	31/12/2016	Change (+/-)	(%) change
Cash and cash equivalents and other treasury investments	**6,928**	**6,283**	**645**	**10.3%**
Cash and cash equivalents at CDP	4,284	2,585	1,699	65.7%
Cash and cash equivalents held at banking institutions	230	694	(464)	-66.9%
Other treasury investments	2,414	3,004	(590)	-19.6%
Debt securities and other forms of funding	**2,264**	**1,891**	**373**	**19.7%**
Financial payables	1,749	1,376	373	27.1%
Other debt securities	515	515	1	0.1%

In the first half of 2017, cash and cash equivalents and other treasury investments of the SACE Group increased by euro 645 million, due above all to the redemption of notes held in the portfolio as at 31 December 2016, equal to approximately euro 608 million.

In detail, the increase in cash and cash equivalents reflects not only the aforementioned redemption of notes, but also repayments made by SACE Fct to SACE on time deposits (euro 678 million) and loans (euro 125 million), outstanding as at 31 December 2016, net of the dividend paid to the Parent Company (euro 150 million).

Other treasury investments also decreased as a result of the aforesaid redemption of notes held in the portfolio.

The change in the item "debt securities and other forms of funding" is mainly due to the increase in the financial payables of SACE Fct.

CDP EQUITY

In the first half of 2017, CDP Equity continued its investment operations and the enhancement of its equity investments portfolio, in line with the guidelines of the 2016-2020 Group Business Plan.

In detail, CDP Equity: (i) completed, via the subsidiary FSI Investimenti, the sale to Poste Italiane of a 30% equity investment in FSIA Investimenti (equivalent to an indirect interest in SIA of around 14.8%) for a total of around euro 278 million. As a result of the transaction, FSI Investimenti's indirect equity investment in SIA is now equal to 34.6%; (ii) completed an investment of euro 50 million in B.F. S.p.A. ("B.F.", formerly B.F. Holding S.p.A.). As a result of the transaction and following B.F.'s IPO on the subsidiary Bonifiche Ferraresi S.p.A. and the public listing of B.F., CDP Equity's investment in the listed B.F. was 20.4% at 30 June 2017.

Additionally, in the first half of 2017, CDP Equity: (i) requested the repayment of investment capital from FSI Investimenti and IQ Made in Italy, for euro 973 million and euro 133 million respectively, to be used for new investments by CDP Equity; (ii) completed the spin-off of FSI SGR, which will support the growth plans of companies with significant growth prospects from a private equity point of view, through the launch of funds to attract international and private capital (growth capital).

New lending, investments and managed resources - CDP EQUITY

Business lines (millions of euro; %)	30/06/2017	30/06/2016	Change (+/-)	(%) change
Investments	53	903	(850)	-94.2%
Total new lending, investments and managed resources	**53**	**903**	**(850)**	**-94.2%**

With regard to investments, CDP Equity made investments of euro 53 million in companies of strategic importance for the national economy, all with a medium-long-term horizon.

Of these, euro 50 million referred to the investment in B.F., euro 2 million to the deferred payment for the acquisition of non-controlling interests in SIA and euro 1 million to the 0.10% increase in the equity interest in Ansaldo Energia.

B.F. operates at national level in the cultivation and sale of agricultural products. The company is the leading player in the agro-tech sector, having made a number of innovations in production processes, scalable at national level, including land geo mapping and precision agriculture, with particular focus on reducing energy consumption, delivering correct doses for crops and improving crop yields. CDP Equity's investment in B.F. makes a significant contribution towards strengthening a number of agri-food supply chains that are vital for the Italian economy, including for example, the livestock production and the medicinal plant segments.

Performance highlights - CDP Equity[1]

(millions of euro; %)	30/06/2017	30/06/2016	Change (+/-)	(%) change
Realised gains from equity investments	211	-	211	n/s
Dividends	23	32	(9)	-28.8%

1) Including dividends and gains realised through the investment vehicles FSI Investimenti, FSIA Investimenti and IQMIIC.

In the first half of 2017 CDP Equity realised a gain from equity investments of approximately euro 211 million in relation to the sale of the 30% equity investment in FSIA Investimenti to Poste Italiane, via FSI Investimenti.

At 30 June 2017, dividends amounted to approximately euro 23 million and referred to the equity investments in SIA (euro 22 million) and Kedrion (euro 0.8 million). The decrease compared to the corresponding period in 2016 reflects lower dividends distributed by SIA (euro 2.5 million) and by Kedrion (euro 1.9 million) and the lack of contribution from Metroweb (euro 4.4 million) and Rocco Forte (euro 0.3 million).

Treasury and funding activities - CDP EQUITY[1]

(millions of euro; %)	30/06/2017	31/12/2016	Change (+/-)	(%) change
Cash and cash equivalents and other treasury investments	**1,567**	**1,700**	**(133)**	**-7.8%**
Cash and cash equivalents at CDP	500	500	-	0.0%
Cash and cash equivalents held at banking institutions	1,067	1,200	(133)	-11.1%
Debt securities and other forms of funding	**58**	**63**	**(5)**	**-8.1%**
Financial payables	58	63	(5)	-8.1%

1) Including cash and cash equivalents and financial payables relating to the investment vehicles FSI Investimenti, FSIA Investimenti and IQMIIC.

At 30 June 2017, cash and cash equivalents held by CDP Equity and its subsidiary investment vehicles totalled euro 1.6 billion, showing a drop of euro 130 million on 31 December 2016. This change was chiefly driven by: (i) dividends and capital repayments to the minority shareholders of FSI Investimenti and IQ MIIC for approximately euro 333 million; (ii) revenue collected from the closing of the sale of the 30% equity investment in FSIA Investimenti, for around euro 222 million; (iii) investments totalling euro 53 million; (iv) dividends and interest received on deposits for around euro 43 million.

Regarding financial payables, at 30 June 2017 these consisted of the vendor loan payable by FSIA Investimenti for euro 58 million. The decrease compared to 31 December 2016 was driven by the early repayment of the vendor loan for around euro 2.9 million and the settlement of approximately euro 1.7 million of deferred payments for the acquisition of the non-controlling equity interests in SIA.

FINTECNA

In 2017, Fintecna continued to manage its litigation cases, with efforts focused on optimising its defence strategy by constantly monitoring developments in court cases to assess critical aspects specifically.

Performance highlights - Fintecna

(number of disputes; %)	30/06/2017	31/12/2016	Change (+/-)	(%) change
Labour law disputes	574	688	(114)	-16.6%
Civil/administrative/tax law disputes	117	122	(5)	-4.1%

With reference to labour law disputes, relating to compensation claims for alleged damage to health and occupational diseases arising after a long latency period, new claims dropped by more than 50% in the first half, reflecting a significant change in the trend compared to the same period of the last financial year. The settlement of a large number of claims, in line with budget forecasts, also contributed to the decline in the number of outstanding disputes.

Having regard to ordinary civil, administrative and tax disputes, although several new lawsuits were brought against the company, the number of pending proceedings has fallen slightly.

Treasury and funding activities - FINTECNA

(millions of euro; %)	30/06/2017	31/12/2016	Change (+/-)	(%) change
Cash and cash equivalents and other treasury investments	**1,111**	**1,137**	**(26)**	**-2.3%**
Cash and cash equivalents at CDP	1,076	1,025	52	5.0%
Cash and cash equivalents held at banking institutions	35	112	(77)	-68.9%

In accordance with CDP Group guidelines, investment activities during the year continued to focus on cash pooling arrangements with the Parent Company.

Specifically, at 30 June 2017, cash and cash equivalents held with credit institutions and CDP amounted to euro 1,111 million, compared to euro 1,137 million for the previous financial year.

In line with the company's institutional purpose, in 2017 steering and control continued to be exercised over companies subject to management and coordination, with a view to progressively fulfilling the tasks assigned to each of the companies under specific legislative provisions.

With reference to the operations carried out by Fintecna through special purpose vehicles, efforts continued for the sale of the "separate assets" of the dissolved entities E.F.I.M. (through Ligestra), Iged (through Ligestra Due) and Comitato per l'intervento nella SIR e in settori ad alta tecnologia (through Ligestra Tre), as well as for the liquidation of the residual assets of Cinecittà Luce (through Ligestra Quattro).

In detail, with regard to Ligestra, in addition to the remediation of the former industrial sites, progress was made in the settlement of pending disputes, while the activities of the liquidator of the companies in which the dissolved company EFIM had non-controlling interests continued.

As regards Ligestra Due, in the half-year period the company sold 11 real estate units (apartments and land), collecting around euro 0.5 million, and continued to manage disputes.

Concerning Ligestra Tre, the pending dispute between the Ministry of the Environment and Consorzio Bancario Sir regarding the remediation of industrial sites was settled and the activities relating to the sale of real estate owned by Consorzio Bancario Sir in Sardinia and Campania continued.

Regarding Ligestra Quattro, activities continued in relation to the liquidation of the residual assets of Cinecittà Luce.

As part of the rationalisation and reorganisation plan implemented to improve the efficiency of the liquidation activities, in the half-year period the company commenced the process to merge the subsidiaries Ligestra and Ligestra Tre into Ligestra Due. The separate assets of the companies involved in the merger will remain separate.

Finally, regarding the interventions launched following the earthquakes affecting the Lazio, Umbria, Marche and Abruzzo Regions in 2016, Fintecna continued to provide technical and administrative support to the office of the Extraordinary Commissioner for Reconstruction. In the first half of 2017, Fintecna was appointed to draw up the final plans for the construction of four school complexes in the worst affected areas.

CDP IMMOBILIARE

As part of the reorganisation plan approved in 2017, which includes the redevelopment of real estate currently held by CDP Immobiliare, also on part the funds managed by CDP Investimenti SGR, a technical due diligence was conducted to define the building regulations approvals and land registry requirements necessary to transfer to the real estate properties to the funds.

In the first half of 2017, the company continued to focus on the sale of its trading real estate assets and on the development of key projects. Regarding initiatives managed indirectly through partnerships, efforts continued in relation to: (i) the development and upgrade of real estate projects having the potential to generate value on their own through investment to continue redevelopment; (ii) the sale of completed properties and assets whose development is near completion; (iii) the management of "critical" development initiatives with a view to liquidating them.

Performance highlights - CDP IMMOBILIARE [1]

(millions of euro; %)	30/06/2017	30/06/2016	Change (+/-)	(%) change
Sales	77	6	71	n/s
Investments in development initiative	5	11	(6)	-51.7%

1) Figures refer to real estate assets held directly or in partnership.

More specifically, in the first half of 2017, a total of approximately euro 77 million in assets were sold, both directly and through investment holdings (of the total, around euro 74 million referred to CDP Immobiliare's direct portfolio and around euro 3 million referred to real assets held in partnership).

Real estate development and enhancement operations included investments for around euro 5 million, of which euro 3 million referring to the CDP Immobiliare's direct portfolio. In detail, these include remediation work on real estate in Naples and Liguria.

At 30 June 2017, total real estate assets managed, amounting to approximately euro 1,167 million, fell by 7%, mainly due to disposals in the period, net of development work.

Treasury and funding activities - CDP IMMOBILIARE[1]

(millions of euro; %)	30/06/2017	31/12/2016	Change (+/-)	(%) change
Cash and cash equivalents and other treasury investments	**57**	**45**	**12**	**27.0%**
Cash and cash equivalents held at banking institutions	57	45	12	27.0%
Debt securities and other forms of funding	**766**	**801**	**(36)**	**-4.4%**
Financial payables	766	801	(36)	-4.4%

1) Including cash and cash equivalents and financial payables relating to partnerships.

At 30 June 2017, cash and cash equivalents, totalling euro 57 million and showing an increase on 2016, were mainly earmarked to support lending to partnerships and to cover the management and development of the company's real estate assets.

Financial payables, amounting to euro 766 million, included approximately euro 23 million in payables referring to CDP Immobiliare (payables allocated to real estate in the "direct portfolio") and approximately euro 743 million referring to partnerships (of which euro 302 million in relation to the partnership "Residenziale Immobiliare").

CDPI SGR

In the first half of 2017, in line with the Activities Schedule approved at the end of December 2016, the company completed the Business Plan initiatives relating to the implementation of income-generating funds designed to cover the range of possible areas of focus to concentrate on with a view to upgrading Italian real estate infrastructures, including: (i) making the tourism-hospitality real estate investments platform operational via the FIT and FT1 funds, (ii) driving the residential rental sector by developing affordable housing via the FIA2 fund, (iii) privatisation, rationalisation of public real estate and construction and rental for the General Government entities by establishing the Federal District fund.

New lending, investments and managed resources - CDPI SGR

Business lines (millions of euro; %)	30/06/2017	30/06/2016	Change (+/-)	(%) change
Social housing	**55**	**16**	**39**	**n/s**
- FIA	55	16	**39**	n/s
Development	**7**	**3**	**4**	**n/s**
- FIV (Extra sub-fund)	7	3	**3**	n/s
- FIV (Plus sub-fund)	1	0	**0**	n/s
Tourism	**18**	**-**	**18**	**n/s**
- FIT	18	-	**18**	n/s
Total new lending, investments and managed resources	**80**	**19**	**61**	**n/s**

CDPI SGR invested around euro 80 million, a significant increase compared to the same period in 2016, thanks mainly to the contribution of Fondo Investimenti per l'Abitare and FIT. In particular:

- FIA invested a total of approximately euro 55 million, primarily in the funds Abitare Sostenibile Piemonte, Housing Toscano, Uni HS Abitare;
- FIT invested a total of approximately euro 18 million, mainly in relation to the first commitment of the FT1 fund subscribed by FIT, the purpose being to complete the initial investment to acquire the real estate property known as Ti Blu Village located in Marina di Pisticci in the Basilicata region.
- FIV invested a total of approximately euro 7 million, mainly in the ongoing redevelopment of the Bergamo Unified Hospitals, owned by the Extra sub-fund, to adapt the buildings for a Guardia di Finanza Academy and in relation to the completion of remediation works on a property of the Plus segment located on Viale Montello.

As regards FIA2, the fund's first investment, which was approved in the first quarter but is yet to be completed awaiting the satisfaction of the conditions precedent, refers to the acquisition of units worth around euro 30 million in Fondo H-Campus.

Performance highlights - CDPI SGR

(millions of euro; %)	30/06/2017	31/12/2016	Change (+/-)	(%) change
Real estate assets managed [1] (FIV)	687	709	(22)	-3.1%
Real estate assets managed [1] (FT1)	17	-	17	n/s
Residual commitment [2] (FIA)	1,255	1,306	(51)	-3.9%

1) Value referring to direct real estate funds, showing the value of the real estate assets held by each fund.

2) Value referring to fund subscriptions, net of amounts called-up.

At 30 June 2017, real estate assets managed by the company on behalf of FIV consisted of 76 assets with a total value of approximately euro 687 million, of which around euro 666 million referred to the Extra sub-fund (70 assets) and around euro 21 million referred to the Plus sub-fund (6 assets).

In 2017, real estate assets managed (FIV and FT1) remained more or less stable compared to 2016 (-0.7%). Disposals in the Extra sub-fund included the properties “Villa Tolomei” and “Ex dogana vecchia” (respectively in Florence and Molfetta), whilst portfolio write downs totalled around euro 18 million. The decrease in real estate assets managed was offset by the inclusion of the property Ti Blu Village in FT1’s assets, for a value of euro 17 million.

With reference to FIA, the total residual commitment at 30 June 2017 towards target real estate funds totalled approximately euro 1,255 million. The lower commitment compared to 2016 (-4%) was primarily due to investments made in funds to support the availability of social housing. In April 2017 the shareholders’ meeting approved the extension of the fund’s investment period to 2020 and the extension of the subscription period to 2018.

Treasury and funding activities - CDPI SGR

(millions of euro; %)	30/06/2017	31/12/2016	Change (+/-)	(%) change
Cash and cash equivalents and other treasury investments	**16**	**16**	**-**	**0.0%**
Cash and cash equivalents held at banking institutions	13	12	1	8.3%
Other treasury investments	3	4	(1)	-25.0%

At 30 June 2017, cash and cash equivalents held by CDPI SGR amounted to approximately euro 16 million, in line with the figure recorded at the end of 2016.

As in 2016, the company had no financial debt at 30 June 2017.

CDP RETI

In May 2017, within the broader scope of the reorganisation of the CDP Group and with a view to improving and strengthening the position of CDP RETI as the reference shareholder of SNAM and Italgas, CDP RETI acquired CDP’s equity investments in Snam (1.12%) and Italgas (0.97%).

The total price paid, amounting to around euro 188 million (euro 156 million for the 1.12% investment in Snam and euro 32 million for the 0.97% investment in Italgas) was based on the average official stock exchange prices in the 90 calendar days running up to 16 May.

The operation was funded entirely by borrowing, without guarantees and with bullet repayment at maturity (May 2023). 55% of the overall amount (around euro 103 million) was provided by a pool of six banks and the remaining 45% (around euro 85 million) by CDP.

Performance highlights - CDP RETI

(millions of euro; %)	30/06/2017	31/12/2016	Change (+/-)	(%) change
Equity investments and other investments	5,023	4,835	188	3.9%

Equity investments, totalling euro 5,023 million, consisted of investments in SNAM (euro 3,087 million), Terna (euro 1,315 million) and Italgas (euro 621 million). The increase on year-end 2016 reflects the acquisition from CDP of a 1.12% investment in SNAM and a 0.97% investment in Italgas in May 2017.

In the first half of 2017, CDP RETI received dividends from subsidiaries totalling euro 344 million, of which euro 221 million from SNAM (dividend paid from 2016 net profit), euro 42 million from Italgas (dividend paid from 2016 net profit) and euro 80 million from Terna (final balance of dividend on 2016 net profit).

With regard to dividends paid to shareholders, in the first half of 2017, CDP RETI distributed large part of its 2016 net profit balance for a total amount of euro 92 million, of which around euro 60 million paid to CDP and euro 26 million to State Grid Europe Limited.

Treasury and funding activities - CDP RETI

(millions of euro; %)	30/06/2017	31/12/2016	Change (+/-)	(%) change
Cash and cash equivalents and other treasury investments	**331**	**102**	**229**	**n/s**
Cash and cash equivalents held at banking institutions	331	102	229	n/s
Cash and cash equivalents at CDP	0	0	-	0.0%
Debt securities and other forms of funding	**1,687**	**1,507**	**180**	**11.9%**
Financial payables	937	751	186	24.8%
Other debt securities	750	757	(7)	-0.9%

Total cash and cash equivalents as at 30 June 2017, amounting to euro 331 million, increased on the figure recorded at the end of 2016 as a result of: (i) dividends received from subsidiaries (euro 344 million); (ii) dividends distributed to shareholders (euro 92 million); (iii) bond coupon payments (euro 14 million) and interest expense on the Term Loan (euro 5 million).

Total debt at 30 June 2017, totalling euro 1.687 million, referred mainly to: (i) the Term Loan for a nominal amount of euro 937 million, granted by a pool of banks (for approximately euro 516 million) and by CDP (for approximately euro 422 million), up euro 186 million on year-end 2016 due to new borrowing to acquire CDP's equity investments in SNAM (1.12%) and Italgas (0.97%); (ii) bonds issued for a nominal amount of 750 million, subscribed by institutional investors for around euro 412 million and by CDP for approximately euro 338 million.

4.1.2.2 PERFORMANCE OF OTHER COMPANIES NOT SUBJECT TO MANAGEMENT AND COORDINATION

Some brief information is provided below about each of the companies in which CDP holds an equity investment but that are not subject to management and coordination.

AcciaItalia S.p.A.

On 6 March 2017, the company submitted a final and binding bid in relation to the procedure launched by the special receivers of Ilva S.p.A., Ilvaform S.p.A., Taranto Energia S.r.l., Ilva Servizi Marittimi S.p.A., Tillet S.a.s. and Socova S.a.s. (companies placed in administrative receivership by decrees of the Ministry of Economic Development, dated 21 January 2015 and 17 March 2015), in accordance with the decree issued on 4 January 2016 by the Ministry of Economic Development and in implementation of Decree law no. 191 of 4 December 2015.

On 5 June 2017, the Ministry of Economic Development signed a decree authorising the special receivers of the Ilva Group in amministrazione straordinaria to award the business facilities owned by the Ilva S.p.A. Group to Am Invescto Italy S.r.l. - the other group of companies which had submitted a final and binding bid on 6 March 2017.

ENI S.p.A.

In the first half of 2017, ENI confirmed its focus on upstream activity due to a series of prospecting successes and the launch of new oil fields: the production of hydrocarbons totalled 1.78 million barrels per day, increasing on the corresponding period of 2016 (+3%). All the Group's business activities showed strong performance and achieved growth on the previous year and, in particular, the R&M and Chemicals divisions achieved record results thanks to the reduction of the breakeven margin and the upgrading of the plant structure and the products portfolio, via which the Group was able take full advantage of the moderate improvement in the market scenario and other market opportunities.

In terms of key consolidated income figures, in the first half of 2017 ENI reported an operating profit of euro 2,674 million and net income of euro 983 million, posting an improvement on the first half of 2016. This trend is essentially due to a recovery in the oil sector, as well as growth in production and a reduction in costs.

At the level of the consolidated balance sheet, at 30 June 2017 net financial debt amounted to euro 15.5 billion, whereas equity was euro 48.9 billion.

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

The liquidation process continued in the first half of 2017, with the goal of completing all the related subsidised lending activities still in place as expeditiously as possible.

F2i - Fondi Italiani per le infrastrutture SGR S.p.A. ("F2i SGR")

In the first half of 2017 the asset management company continued to manage the equity investments of Primo Fondo F2i and Secondo Fondo F2i, actively managing the portfolio assets and pursuing investment and divestment opportunities, as detailed further down.

Fincantieri S.p.A.

In the first half of 2017 Fincantieri continued the activities envisaged in the 2016-2020 Business Plan, increasing revenues by 1.3% (euro 2,295 million at 30 June 2017) on the corresponding period of 2016 (euro 2,266 million at 30 June 2016) and achieving an EBITDA margin of 6.3% (EBITDA equivalent to euro 146 million at 30 June 2017), an improvement of 5.0% on 2016 (EBITDA equal to euro 113 million at 30 June 2016).

At 30 June 2017 the Fincantieri Group had a total backlog of euro 25.5 billion and around 5.8 years of work when compared with 2016 revenues: the backlog as at 30 June 2017 was euro 20.4 billion (euro 19.3 billion at 30 June 2016) with 102 ships in portfolio and a soft backlog equal to approximately euro 5.1 billion (around euro 2.5 billion at 30 June 2016).

In detail, in the first half of 2017 the group signed agreements for a total of 12 cruise ships (including options), equivalent to a total purchase order value of euro 4,369 million in the first half (euro 5,851 million at 30 June 2016).

The Group's net financial position at 30 June 2017 was negative by euro 631 million (negative by euro 615 million at 31 December 2016), with most of the Group's debt referring to the financing of current assets associated with cruise ship construction. In addition to the above, construction loans totalled euro 970 million at 30 June 2017 (euro 678 million at 31 December 2016) and referred to the subsidiary VARD (euro 584 million compared to euro 578 million at 31 December 2016) and to the parent company (euro 386 million compared to euro 100 million at 31 December 2016).

From an operating standpoint, in the first half of 2017 Fincantieri delivered five units, including three cruise ships ("Viking Sky", "Majestic Princess" and "Silver Muse") and two military vessels (the sixth unit of the "FREMM" programme and the submarine "Romeo Romei") and continued to implement actions aimed at increasing profitability, with particular focus on further developing important production and commercial synergies with the subsidiary VARD.

On 19 May 2017 Fincantieri also signed an agreement to purchase a 66.66% stake in STX France from its current shareholder STX Europe AS. The agreement has established a purchase price for the related stake of euro 79.5 million, which Fincantieri will pay using available financial resources. The closing is subject to the usual terms and conditions applying to this type of operation. Based on the Heads of Terms signed on 12 April 2017, negotiations are ongoing between Fincantieri and the French government to finalise the governance agreements between the future shareholders of STX France. The outcome of the negotiations is uncertain and this could impact the closing of the transaction.

Fondo Italiano d'Investimento SGR S.p.A ("FII SGR")

In the first half of 2017 FII SGR continued to manage the following investment funds: (i) Fondo italiano d'investimento; (ii) Fondo Italiano di Investimento - Fondo di Fondi; (iii) Fondo Italiano di Investimento - FII Venture; (iv) Fondo di Fondi Private Debt; (v) Fondo di Fondi - Venture Capital.

At 30 June 2017 the asset management company was managing five funds for an overall commitment of euro 1.76 billion.

The company was fully operational in the first half in the private equity, venture capital and private debt segments and its mission is to support the development of these markets in Italy, also following the launch of two new funds of funds ("FoFs") in September 2014.

At 30 June 2017 the Private Debt FoF had a size of euro 400 million and the Venture Capital FoF of euro 160 million. During the half year the asset management company completed the fund raising activity in relation to both of the funds managed.

In terms of the corporate structure, FII SGR's share capital totalled euro 4 million as at 30 June 2017. The share capital is held as follows: CDP (43.0%); Unicredit (12.5%); Intesa San Paolo (12.5%); Monte dei Paschi di Siena (12.5%); ICBPI (12.5%); ABI (3.5%); Confindustria (3.5%).

On 5 May 2017, CDP finalised the acquisition of an 18% interest in FII SGR, held by Confindustria and ABI, acquiring 360,000 shares, equal to a stake of 9%, from each shareholder. The price was established on the basis of a sworn appraisal report drawn up by an independent advisor appointed by the Ministry of the Economy and Finance, at the same value at which CDP purchased the 12.5% stake in FII SGR from the MEF in June 2016. The transaction was completed with authorisation issued by the Bank of Italy on 19 April 2017.

FSI SGR S.p.A ("FSI SGR")

The company FSI SGR S.p.A. was incorporated on 25 February 2016. The company is authorised by the Bank of Italy, with favourable opinion of Consob issued on 6 December 2016, to provide asset management services pursuant to article 34 of Legislative Decree No. 58 of 24 February 1998 (TUF). It is a private equity operator specialised in the segment of so-called "growth capital", with focus on the Italian "Mid-cap" market. On 10 April 2017 CDP signed a sale agreement with Magenta 71 S.r.l. (a vehicle owned by the FSI SGR management team) in relation to the sale of 300,000 FSI SGR shares at a price of 300,000 euro, equal to the pro-rata nominal value of the share capital (10%).

On completion of the transaction (subject, inter alia, to the adoption of a number of amendments to the articles of association and the waiver of pre-emption rights by other shareholders) CDP's equity investment will be equal to 39%.

In terms of the corporate structure, FSI SGR's share capital totalled euro 3 million as at 30 June 2017. The share capital is held as follows: Magenta 71 s.r.l. (41.1%); CDP (49.0%) and Poste Vita S.p.A. (9.9%).

The first closing of the "FSI Mid-Market Growth Equity Fund" was completed on 29 June 2017 for an overall commitment of around euro 1 billion. The fund is promoted and managed by FSI SGR with the goal of investing in Italian companies with high growth potential, with focus on organic growth and/or growth by acquisitions, on sector/chain consolidation and on facilitating the IPO process. Alongside CDP - the anchor investor of the initiative (having approved a commitment equal to 50% of the size of fund) - other subscribers include sovereign funds, European insurance companies and banks, foundations and asset managers.

Galaxy S.à r.l. SICAR ("Galaxy")

The company no longer has any assets in its portfolio, or assets to be liquidated. During the year, focus was on managing the tax dispute with the Australian revenue agency concerning the sale of the equity investment in Flinders Ports Holdings Pty Ltd, currently under negotiation.

Istituto per il Credito Sportivo ("Ics")

At 30 June 2017 Istituto per il Credito Sportivo was still subject to the extraordinary administration procedure that began in 2010, entrusted to an extraordinary receiver assisted by three members of the Supervisory Committee, as ordered by the Minister of the Economy on proposal from the Bank of Italy.

It should be recalled, with regard to the equity investment in ICS, that in 2013 the Office of the President of the Council of Ministers rescinded the 2005 Articles of Association, in implementation of the Directive issued to ICS in accordance with the Law dated 24 December 2003.

In 2014 new Articles of Association were adopted, resulting in an increase in capital from approximately euro 9.6 million to euro 835 million, through the conversion of the endowment fund. The equity interests held by private investors in ICS were diluted as a result of the increased stake held by the government, and in particular CDP's interest fell from 21.62% to 2.214%.

At the operational level, ICS continues to focus on financing athletic facilities and playing a central role in improving and modernising the country's athletic infrastructure assets, with particular regard to school athletic facilities.

ITALGAS S.p.A.

It should be noted that the spin-off of the 100% equity investment in Italgas Reti, from Snam to Italgas (company incorporated on 1 June 2016), was completed on 7 November 2016. Therefore, with a view to providing a consistent comparison with the figures for the first half of 2016, the consolidated values and figures as at and for the period ended 30 June 2016 use the same scope of consolidation considered at 30 June 2017.

In the first half of 2017, Italgas achieved growth in relation to all economic and financial indicators. Total revenues in the first half of 2017 (euro 565 million) increased by euro 49 million (+9.5%) on the first half of 2016 and the operating profit (euro 204 million) increased by euro 26 million (+14.6%) on the corresponding period of 2016. This increase is the outcome of the aforesaid increase in revenues and the decrease in operating costs (-10.7%), partly offset by the increase in depreciation/amortisation and impairments (+31.0%).

At 30 June 2017, Italgas reported net income of euro 140 million, increasing by euro 26 million (23.1%) on the first half of 2016, due not only to the increase in operating profit but also to the decrease in net financial charges and growth in net income from equity investments, partially offset by higher income taxes.

Turning to the statement of cash flows and debt, the net cash flow from operating activity in the first half of 2017 (euro 329 million) covered all net investment needs (euro 231 million) and resulted in a positive free cash flow of euro 98 million, which partly covered the equity cash flow for the dividend paid to shareholders (euro -162 million), with a resulting increase in net financial debt by euro 64 million. Net financial debt as at 30 June 2017 therefore amounted to euro 3,682 million (against euro 3,618 million at 31 December 2016).

With regard to the main events in the first half of 2017, please note that the company issued bonds in three series for a total amount of euro 2,150 million. This enabled the company to pay off the Bridge to Bond bank loan early and implement, in the first few months of 2017, a plan to reduce costs and improve the quality of processes and services to make the Group's operations more efficient. Additionally, in May 2017, the merger by incorporation of Napoletanagas S.p.A. into Italgas Reti S.p.A was approved by the respective Shareholders' Meetings, with a view to transfer the gas distribution business of Napoletanagas to Italgas Reti (the deed of merger should be signed in September 2017, effective as of 1 October 2017). Lastly, Italgas' bid for the Atem Torino 2 gas distribution services contract (around 190 thousand redelivery points in 48 municipalities in the Turin area) was submitted and accepted in June 2017.

Poste Italiane S.p.A.

In the first half of 2017 Poste Italiane's total revenues, including insurance premiums, increased by 2% on the same period of the previous year, standing at euro 18 billion. In a market context that has seen a significant drop in insurance premiums, the Insurance and Asset Management services sector contributed euro 13.3 billion in total revenues, an improvement of 3.3%; the Financial sector remained stable, with revenues amounting to euro 2.8 billion (+0.4%); revenues from Postal and Commercial Services dropped to euro 1,812 million (-3.8%) due to the decline in correspondence volumes. Revenues from the Express Courier, Logistics and Parcels segment totalled euro 342 million, up 8.9% on the same period of the previous year.

Operating profit in the first half totalled euro 847 million, essentially in line with the first half of 2016 (euro 843 million). In fact, the lower contribution of the Financial Services sector and the fundamentally stable result achieved by the Postal and Commercial sector were offset by the positive contribution of the Insurance and Asset Management services sector.

Net income in the first half of 2017 (euro 510 million) dropped by euro 55 million on the corresponding period of the last financial year, due also to the higher borrowing costs associated with the impairment (euro 82 million before tax) of the Contingent Convertible Notes subscribed in December 2014 by Poste Italiane and issued by Midco S.p.A., a company which holds a 51% stake in Alitalia SAI S.p.A..

At 30 June 2017 Poste Italiane's net financial position showed a surplus of euro 4.3 billion compared to euro 6.2 billion as at 31 December 2016. This change also reflects the decrease in the fair value reserve associated with financial instruments available for sale (euro 1.2 billion), as well as the payment of euro 222 million to purchase an equity investment in FSIA Investimenti Srl and euro 509 million paid out as dividends.

QuattroR SGR S.p.A. ("QuattroR SGR")

QuattroR SGR was incorporated on 4 August 2016. On 30 December 2016 it was authorised by the Bank of Italy, with Consob's favourable opinion, to carry out asset management activities pursuant to article 34 of Legislative decree 58 of 24 February 1998 (TUF). QuattroR SGR manages the QuattroR investment fund, which completed the first closing on 5 April 2017, attracting subscriptions in excess of euro 700 million, as describer further down.

QuattroR SGR S.p.A. has share capital of euro 1 million, of which euro 400 thousand is subscribed by CDP (40.0%) and euro 600 thousand by the managers identified to manage the initiative (60.0%). To conclude, CDP owns equity instruments for a total amount of euro 1 million.

Risparmio Holding S.p.A.

Risparmio Holding S.p.A., owned by Poste Italiane S.p.A. (80%) and CDP (20%), was incorporated on 7 October 2016.

The company was set up to participate in the competitive procedure launched by UniCredit S.p.A. in connection with the sale of the asset management operations of Pioneer Global Asset Management S.p.A.

On 3 July 2017, UniCredit and Amundi announced the closing of the transaction relating to the sale of Pioneer's business activities to Amundi

SNAM S.p.A.

In the first half of 2017 Snam recorded positive results: revenues (euro 1,268 million) increased by euro 25 million (+2.0%) on the first half of 2016 and operating profit (euro 714 million) increased by euro 25 million (+3.6%) on the previous period. This growth is essentially due to higher revenues from the transport sector and to the decrease in operating costs following efficiency improvement actions, partly offset by higher amortisation, depreciation and impairment in the period due to the depreciation of new infrastructures new operational.

The first half of 2017 closed with net income of euro 504 million, increasing by euro 77 million (+18.0%) on the first half of 2016, mainly and also due to lower net financial charges, higher income from equity investments measured at equity and the increase in operating profit.

Turning to the statement of cash flows and debt, the net cash flow from operating activity (euro 1,401 million) covered all net investment needs in the period (euro 608 million) and resulted in a positive Free Cash Flow of euro 793 million. Net of the payment of the 2016 dividend to the shareholders (euro 718 million) and the outlays associated with purchasing treasury shares (euro 202 million), the net financial position was euro 11,176 million, increasing by euro 120 million on 31 December 2016.

With regard to the main events in the first half of 2017, please note that in March the company issued an equity linked bond for a nominal amount of euro 400 million and continued the share buyback programme launched in November 2016 (Snam's treasury shares were equal to 2.37% of the share capital as at 30 June 2017).

To conclude, it should be noted that in May 2017 Snam and Eni signed a framework agreement in relation to the development of gas refuelling stations in Italy, the objective being to install new compressed natural gas (CNG) and liquefied natural gas (LNG) systems within ENI's national network of fuelling stations and, therefore, enhance the offering of alternative low emission fuels.

TERNA S.p.A.

In the first half of 2017, Terna achieved growth in relation to the main economic and financial indicators. In detail, revenues (euro 1,047 million) grew by 0.7% on the same period in 2016, mainly as a result of Regulated Activities. Operating profit (euro 534 million) was up 4.7% on the first half of 2016 due not only to increased revenues, but also the decrease in operating costs (-4.1%) and amortisation, depreciation and impairments (-2.4%). The Group's net income as at 30 June 2017 was euro 351 million, up 8.2% on the previous period as a result of the higher operating profit and lower income taxes.

Turning to the statement of cash flows and debt, the cash flow from operating activity (euro 608 million) covered all investment needs in the period (euro 326 million) and resulted in a positive Free Cash Flow of euro 283 million. Consequently, considering in particular the outlay for dividends distributed to shareholders in 2017 (euro 269 million), net financial debt was euro 7,941 million at 30 June 2017, marking a decrease of euro 17 million compared to 31 December 2016 (euro 7,959 million).

With regard to the main events in the first half of 2017, in June Terna signed an agreement with the European Investment Bank (EIB) for a loan of euro 85 million to support investments in the development of the Capri-continent electrical connection and the reorganisation of the Sorrento Peninsula. The closing of the transaction with the Planova Group to purchase two concessions to build and run approximately 500 km of electrical infrastructure in Brazil was also completed. To conclude, in March the company obtained from Fitch confirmation of the long term BBB+ rating, with stable Outlook.

4.1.2.3 PERFORMANCE OF INVESTMENT FUNDS AND INVESTMENT VEHICLES

Some brief information about the activities in the first half of 2017 of each fund to which CDP has made commitments is provided below.

2020 European Fund For Energy, Climate Change And Infrastructure Sicav-Fis Sa (“Fondo Marguerite ”)

The fund, which was established in 2009, has a total size of euro 710 million and reached the end of its investment period in December 2016. The latter was extended until December 2017 with the investors’ consent, as permitted by the Fund’s rules.

In the first half of 2017 the fund issued capital calls to investors for a total euro 16.3 million (approximately euro 2.3 million attributable to CDP) in relation to (i) the acquisition of a 90% stake in two Portuguese biomass plants (in Fundão and Viseu) and (ii) the acquisition of a ready-to-build onshore wind farm in Sweden with an overall capacity of 48 MW.

In the first half of the year, Marguerite also announced the acquisition, in consortium with F2i, of a 94.12% stake in Infracom Italia S.p.A. (a national operator of IT services) from the Abertis group. The transaction will be finalised by incorporating a vehicle owned by F2i and Marguerite (80% and 20% respectively), which in turn will own the equity investment in Infracom.

During the first half of the year, the fund also made the first distribution to investors as capital repayments for a total amount of euro 50 million (around euro 7 million attributable to CDP).

Since commencing operations, the fund has called up approximately euro 404 million (approximately 57% of subscribers’ commitments).

The fund’s estimated NAV at 30 June 2017 was euro 384.8 million, of which euro 54.2 million attributable to CDP.

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

EEEF is a Luxembourg variable capital investment vehicle established in 2011, with total commitments of euro 265 million, of which euro 59.9 million subscribed by CDP. Scouting for investment opportunities continued during the year. At 30 June 2017, the fund’s portfolio included eleven investments in seven countries (two in Germany, one in Holland, four in France, one in Italy, one in Romania, one in Spain and one in Great Britain).

At 30 June 2017, the fund’s NAV was estimated at approximately euro 137 million, of which approximately euro 17 million attributable to CDP. In December 2015, the draw-down ratio between the various categories of the fund’s investors was changed (“class A” units, “senior tranches” subscribed by CDP and EIB, “class B” units”, “mezzanine tranches”, subscribed by CDP, EIB and Deutsche Bank, the fund’s manager, and “class C” units, “junior tranches”, subscribed by the European Commission) and the investment period solely for “class A” and “class B” units was also extended from 31 March 2016 to 31 December 2018. Please note that the commitment period relating to “class C” units expired in March 2017. Therefore, of the total commitment subscribed by the European Commission (euro 125 million) around euro 28 million was not called-up.

F2i – Fondo Italiano per le infrastrutture

Launched in 2007, first fund Fondo F2i has a total size of euro 1,852 million and concluded its investment period in 2013 (with the option, however, to undertake add-on transactions on investments already in portfolio until February 2017).

In the first half of 2017, the fund issued capital calls for a total of euro 95.6 million in relation to (i) F2i Energie Rinnovabili S.r.l. (repayment of the Bridge to Equity loan associated with the acquisition of the company E.ON Climate & Renewables Italia S.r.l.); (ii) F2i Energie Rinnovabili S.r.l. in relation to the acquisition, via EF Solare Italia S.p.A., of the photovoltaic plants owned by Etrion S.p.A. and Helios Ita S.r.l.; (iii) F2i Energie Rinnovabili S.r.l. in relation to the acquisition of additional plants owned by EF Solare Italia; (iv) 2i Aeroporti S.p.A. in relation to the acquisition a 5% stake in the share capital of GESAC S.p.A., held by Aliport S.r.l.; (v) 2i Aeroporti S.p.A. in relation to the acquisition of a 12.4% stake in the share capital of Sagat S.p.A., held by Equiter S.p.A.; (vi) F2i Aeroporti 2 S.p.A. in relation to the recent acquisition of the Alghero Airport. During the first half, the fund also made distributions for a total of euro 416.5 million as capital repayments (following the sale of Metroweb Italia). Investments also included the fund’s acquisition of an 8% stake in SAGAT from Finpiemonte Partecipazioni.

Since commencement, the fund has called up approximately euro 1,823.5 million, approximately 98.5% of subscribers’ commitments, and undertaken distributions (income and repayments) of euro 1,211.6 million.

At 30 June 2017, the NAV was estimated at approximately euro 1,382.1 million, of which approximately euro 112.5 million attributable to CDP.

F2i – Secondo Fondo Italiano per le infrastrutture

The fund, which was established in 2012, completed the fund-raising process in July 2015 with a total commitment of euro 1,242.5 million. The investment period will end in July 2018.

The Fund did not issue capital calls or make distributions in the first half of 2017.

It is noted that during the first half of 2017: (i) F2i SGR and Veronagest signed an agreement to sell to Secondo Fondo F2i one of the most important Italian wind farm portfolios, consisting of 7 wind farms operating in Sicily and Calabria having a total installed capacity of 282 MW and (ii) F2i and Marguerite, in consortium, also announced the acquisition from the Abertis group of a 94.12% stake in Infracom Italia S.p.A., an Italian operator of IT services. F2i and Marguerite will complete the transaction through a vehicle held by Secondo Fondo F2i (80%) and Marguerite (20%).

Since commencement, the fund has called up approximately euro 427 million, equal to 34.4% of subscribers' commitments, and undertaken distributions (income and repayments) of euro 123 million.

At 30 June 2017, the NAV was estimated at approximately euro 475.3 million, of which approximately euro 38.3 million attributable to CDP.

Fondo PPP Italia

Launched in 2006 with a total size of euro 120 million, the fund ended its investment phase in 2013 and may carry out add-on acquisitions on existing portfolio investments until December 2018 (the fund's maturity). Since commencement, the fund has called up approximately euro 106 million, equal to approximately 88% of subscribers' commitments, and issued gross distributions of approximately euro 43 million.

In January 2017, the liquidation of the company Sporting Village Novara was completed and the fund collected approximately euro 452 thousand.

In the first half of 2017, the fund made distributions to investors, as capital repayments, for approximately euro 5.5 million (approximately euro 0.8 million attributable to CDP), drawing on the 2016 result. During the reporting period, the fund did not issue additional capital calls to subscribers.

At 30 June 2017, the fund's NAV was estimated at euro 71 million, of which approximately euro 10.4 million attributable to CDP.

Inframed Infrastructure Sas À Capital Variable ("Fondo Inframed")

The fund has a total size of euro 385 million.

At 30 June, the fund's portfolio, for which the investment period ended on 31 December 2015, consisted of 7 greenfield investments: 2 already operational in Turkey ("LimakPort Iskenderun") and in Jordan ("Jordan Wind Project Company"), 3 under construction in Egypt, Turkey and Africa, 1 under development in Jordan and 1 currently being decommissioned in Egypt.

In January 2017, euro 3 million had been called-up (attributable to CDP) in relation to: (i) the 2016 management fees and (ii) the contribution for the "Broadband for Africa" project (investment finalised in July 2016), which includes the construction of a satellite system to supply broadband services in the Southern Mediterranean area.

Around euro 260 million has been invested against the fund's total commitment of euro 385 million. Since commencement, the fund has called up approximately euro 313 million (around 80% of subscribers' commitments).

At 30 June 2017, the fund's NAV was approximately euro 344 million.

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

The overall size of FIL - Sub-fund One is euro 506.3 million. Currently, all equity raised by the fund has been allocated to transactions already in portfolio. Thanks to new subscriptions by the FIA fund, managed by CDP Investimenti SGR, the fund may increase its total equity by an additional euro 168.5 million.

In the first half of 2017, the fund acquired an initiative which includes the reconversion of an existing services building complex into a mainly residential complex, having a GFA of 35,610 m2 and a saleable area of around 48,000 m2, for an estimated total of around 450 apartments, of which 28% to be sold as social housing and 68% to be rented out under long-term tenancies. At 30 June 2017, the fund had invested in 22 initiatives, for a total of 3,035 units, of which approximately 1,163 are already available.

At 30 June 2017, around euro 280 million had been called-up (55% of subscribed commitments) against total investment commitments of approximately euro 480 million.

Fondo Investimenti per l'Abitare ("FIA")

The overall size of the fund is euro 2,028 million. The fund is currently in the investment phase.

In the first half of the year, subscriptions totalled euro 102 million and contributions to the underlying funds amounted to around euro 55 million.

No additional investments were approved in the first half of the year. At 30 June 2017, investments of euro 1,750 million had been definitively authorised (approximately 86% of the subscribed amount of the fund), whereas investments of euro 619 million had received authorisation according to dynamic allocation, in 31 local funds managed by nine asset management companies. On the whole, total authorisations refer to approximately 275 projects that ultimately (completion is scheduled for 2020) will yield 20,000 social housing units and accommodations for 8,500 people in temporary and student residences, in addition to local services and proximity stores.

Approximately euro 681 million (approximately 45% of subscribed commitments) had been paid up at 30 June 2017.

Fondo Investimenti per la Valorizzazione ("FIV")

Extra Sub-fund

At 30 June 2017, the Extra Sub-fund's size was euro 1,130 million. The Sub-fund is currently in the investment phase.

At 30 June 2017, the Sub-fund's property portfolio had a total value of approximately euro 681 million.

At 30 June 2017, capital calls of approximately euro 778 million had been issued (approximately 69% of commitments).

Plus Sub-fund

The Plus Sub-fund, which has a total size of euro 100 million, is currently in the investment phase.

At 30 June 2017, its property portfolio was composed of six properties, one located in Milan (purchased in 2013), one located in Padua (purchased in 2014), two located in Trieste (purchased in the first half of 2015 and the second half of 2016, respectively), and two located in Ferrara (purchased in the second half of 2015). At the same date, the portfolio had a total value of approximately euro 21 million.

At 30 June 2017, CDP (which has subscribed for the entire Sub-fund) had paid up euro 30.6 million (approximately 30% of commitments).

Fondo Investimenti per il Turismo ("FIT")

The fund was subscribed for euro 100 million on 1 July 2016, with a fixed term of 20 years from the date of commencement of operations.

Approximately euro 19 million (19% of commitments) was called up in 2017 to cover the first investment.

At 30 June 2017, the fund's assets included only the investment in the FT1 fund for euro 17.5 million, against a subscribed value of euro 80 million.

FIA 2

The fund was subscribed on 21 February 2017, with a fixed term of 20 years from the date of commencement.

Approximately euro 0.2 million (0.2% of commitments) was called up in the first half of 2017.

At 30 June 2017, the fund's size was euro 100 million.

Fondo Italiano di Investimento

The fund was created in 2010 with a total size of euro 1,200 million, with the aim of supporting the development of small and medium size enterprises by acquiring direct equity investments, primarily minority interests, in Italian enterprises, and by operating as a fund-of-funds.

As mentioned above, on 5 April 2016, the fund's Unitholders' Meeting approved the partial, proportional demerger of FII into three separate funds: Fondo Italiano di Investimento, the demerged fund, dedicated to direct equity investments in companies with a turnover between euro 10 million and euro 250 million, Fondo Italiano di Investimento - Fund of Funds and, lastly, FII Venture, focusing respectively on private-equity funds and venture capital. As a result of the demerger, subscribers of Fondo Italiano di Investimento (the demerged fund) were assigned units of the beneficiary funds in proportion to their subscriptions for the demerged fund.

The total size of Fondo Italiano di Investimento following the demerger is euro 720 million.

After receiving several expressions of interest in the fund's portfolio in 2016, the unitholders opted, together with FII SGR, to implement a structured process to enhance the value of their units, appointing an internationally recognised advisor in November 2016 to organise and manage the competitive bidding process. The sale process attracted two separate binding offers from leading private equity operators. On 29 June 2017, the fund's investors signed a memorandum of understanding with Neuberger Berman to negotiate the terms of the contract of sale.

At 30 June 2017 the fund had called up approximately euro 446 million (62% of the total commitment), invested in 40 companies (including follow-on transactions). In addition, the Fund has distributed approximately euro 213 million (equal to about 48% of total capital calls) to the investors.

CDP's unit of the fund as at 30 June 2017 was valued at euro 59.5 million, in line with its market value.

Fondo Italiano di Investimento - Fund of Funds

The fund was created with assets of euro 389 million through the demerger of Fondo Italiano di Investimento authorised by the Unitholders' Meeting on 5 April 2016.

As at 30 June 2017, the fund had 16 investments (of values identical to 31 December 2016) in the same number of private equity funds. The total commitment was euro 358 million, with an average commitment size in excess of euro 22 million, attributable to around 95 companies.

At 30 June 2017, the fund's NAV was approximately euro 142 million.

Fondo Italiano di Investimento - FII Venture

The fund was created with assets of euro 91.2 million through the demerger of Fondo Italiano di Investimento authorised by the Unitholders' Meeting on 5 April 2016.

As at 30 June 2017, the fund had five investments for a total commitment of around euro 80 million and with an average commitment size of around euro 16 million. Of these, four (80%) are subscribed in funds with national focus and one (20%) in a fund with European focus. These funds are attributable to around 90 companies.

At 30 June 2017, the fund's NAV was approximately euro 42 million.

Private Debt Fund of Funds

The fund has been operational since 1 September 2014 and at 30 June 2017 had a size of euro 400 million, of which euro 250 million subscribed by CDP. The fund-raising period ended on 30 June 2017.

At 30 June 2017, the fund had finalised the closing of 9 private debt funds for a total commitment of euro 270 million. The funds currently in the PD FoF portfolio have in turn reached a total size in excess of euro 1.1 billion, with a leverage effect on the market of around four times.

At 30 June 2017, the fund's NAV was estimated at approximately euro 77 million.

Venture Capital Fund of Funds

The fund has been operational since 1 September 2014 and had a size of euro 160 million at 30 June 2017, of which euro 125 million subscribed by CDP. The fund-raising period ended on 30 June 2017.

In fact, it should be noted that, in the first half of this year, on 19 May 2017 CDP subscribed an additional amount of euro 75 million.

At 30 June 2017, the fund had four investments in four venture capital funds for a total commitment of approximately euro 45 million. The average size of the foregoing commitments was euro 12 million and around 40 companies have invested in the funds.

At 31 December 2016, the fund's NAV was estimated at approximately euro 11 million.

European Investment Fund

The EIF is a public-private partnership under Luxembourg law held by the EIB (58.4%), the European Commission (27.4%) and 31 public and private financial institutions (11.8%).

On 3 September 2014 CDP purchased 50 units of the European Investment Fund from the EIB for a total nominal value of euro 50 million, equal to a share of 1.14% at 30 June 2017. The fund has called up 20% of commitments and had residual investment commitments of euro 40 million at 30 June 2017.

In May 2017 CDP collected dividends from the EIF for approximately euro 288 thousand, accrued in 2016.

In the first half of 2017, CDP and the EIF intensified their collaboration in the various areas of the fund's activity with a view to promoting and supporting investments in SMEs and start-ups, thereby making significant progress towards the implementation of the "Investment Plan for Europe". In fact, the two institutions, which recently launched the ITAtech Platform, are planning further collaboration to develop the social impact market in Italy.

Fondo QuattroR

Fondo QuattroR is managed by QuattroR SGR and finalised the first closing on 5 April 2017, attracting subscriptions in excess of euro 700 million. The anchor investors of the fund include, in addition to CDP (with a total commitment of euro 300 million equal to a 42.38% stake), other leading Italian institutional investors. The fund's aim is to re-launch medium and large-sized Italian companies which are temporarily in crisis but have solid industrial fundamentals. The investment period will end in April 2024.

At 30 June 2017, the fund had issued only one capital call in relation to management fees and fund set-up costs for around euro 4 million (euro 1.7 million attributable to CDP) and has yet to finalise investments.

FSI Mid-Market Growth Equity Fund

On 29 June 2017, the first closing of the "FSI Mid-Market Growth Equity Fund" was completed for a total commitment of around euro 1 billion. The fund is promoted and managed by FSI SGR with the goal of investing in Italian companies with high value generation potential, with focus on organic growth and/or growth by acquisitions, on sector/chain consolidation and on facilitating the IPO process.

Alongside CDP - the anchor investor of the initiative (having approved a commitment equal to 50% of the size of fund) - other subscribers include sovereign funds, European insurance companies and banks, foundations and asset managers.

Fondo Atlante

Incorporated in April 2016 with a commitment of euro 4,249 million, Fondo Atlante was promoted by Quaestio Capital Management SGR S.p.A. to invest in: (i) banks with capital ratios that are below the minimum thresholds set by the SREP[20], which therefore must proceed, upon request of the Supervisory Authority, with initiatives to strengthen their capital through share capital increases; (ii) transactions involving NPLs originating from Italian banks.

During the period ended on 30 June 2017, the fund invested in Banca Popolare di Vicenza S.p.A. (99.33% of capital) and Veneto Banca S.p.A. (97.64% of capital) and also invested, via Fondo Atlante 2, in the NPLs[21] of Nuova Banca dell'Etruria e del Lazio S.p.A., Nuova Cassa di Risparmio di Chieti S.p.A., Nuova Banca delle Marche S.p.A. and Nuova Cassa di Risparmio di Ferrara S.p.A..

At 30 June 2017, the fund had called up approximately euro 3,729 million, equal to 87.7% of subscribers' commitments.

On 25 June 2017, having realised that precautionary recapitalisation was not feasible, the Government and the Bank of Italy decided to initiate the compulsory administrative liquidation proceedings set out in the Consolidated Law on Banking and in Decree Law No. 99 of 25 June 2017. The decree provided for the compulsory administrative liquidation of the two banks and the concurrent sale to Intesa Sanpaolo of certain related assets and liabilities, with exception to a few items. By this solution, the cost of the crisis will be covered primarily by the shareholders and the holders of the two banks' subordinated bonds. In fact, the foregoing parties maintain their rights in the liquidation proceedings, with such rights to be satisfied only if the Government recovers in full its outlays in support of the intervention and if the claims of all other creditors are satisfied.

[20] Supervisory Review and Evaluation Process
[21] Non-Performing Loans

Following the impairment test carried out on 30 June 2017, adjustments totalling euro 106 million were made and booked to the income statement.

At 30 June 2017, the fund's NAV, as communicated by Quaestio, was approximately euro 332 million.

Fondo Atlante 2

Incorporated in October 2016, with a commitment of euro 2,155 million in June 2017, Fondo Atlante II was promoted by Quaestio Capital Management SGR S.p.A. to invest in transactions involving NPLs originating from Italian banks. Fund raising will end on 31 July 2017.

During the period ended on 30 June 2017, the Fund invested in the NPLs of Nuova Banca dell'Etruria e del Lazio S.p.A., Nuova Cassa di Risparmio di Chieti S.p.A., Nuova Banca delle Marche S.p.A. and Nuova Cassa di Risparmio di Ferrara S.p.A., subscribing mezzanine and junior securities issued by two securitisation vehicles, which purchased the NPL portfolios from the aforesaid banks.

At 30 June 2017, the fund had called up approximately euro 774.9 million, equal to 36.0% of subscribers' commitments.

At 30 June 2017, the Fund's NAV, as communicated by Quaestio, was approximately euro 759 million.

4.2 INCOME STATEMENT AND BALANCE SHEET RESULTS

4.2.1 CDP SPA

In its capacity as the National Promotion Institution, CDP continued its services to promote the growth and competitiveness of the Italian economy by supporting local authorities and businesses throughout the territory. In a context of limited economic growth, with the situation of the banking system returning to normalisation, CDP has managed to maintain stable performance through effective management of its liquidity, ALM (asset and liability management) and all forms of funding.

Net income for the period increased on the same period of 2016 to euro 1,222 million due to higher net interest income, notwithstanding lower dividends collected and the impairment of Fondo Atlante.

4.2.1.1 Reclassified income statement

CDP's income statement has been analysed according to the layout of the income statement as reclassified on the basis of management criteria.

Reclassified income statement

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Net interest income	**1,578**	**1,174**	**404**	**34.5%**
Dividends	785	1,043	(258)	-24.7%
Gains (losses) on equity investments	(78)	-	(78)	n/s
Net commission income (expense)	(741)	(770)	29	-3.8%
Other net revenues (costs)	(9)	(23)	14	-61.6%
Gross income	**1,535**	**1,423**	**112**	**7.9%**
Net recoveries (impairment)	(14)	(46)	32	-69.2%
Overheads	(73)	(67)	(6)	8.7%
- of which: administrative expenses	*(70)*	*(64)*	*(6)*	*9.4%*
Operating income	**1,452**	**1,314**	**138**	**10.5%**
Provisions for risks and charges	0.0	(0.1)	0.1	-81.4%
Income taxes	(226)	(164)	(63)	38.2%
Net income for the period	**1,222**	**1,147**	**75**	**6.6%**

Net interest income totalled euro 1,578 million, up on the first half of 2016 (euro 1,174 million) due also to the rate of return on the treasury account, only in part offset by lower interest income on loans and the slight increase in the cost of postal savings.

The decrease in dividends (euro 785 million, down 25% on the first half 2016) reflects: (i) the advance on the CDP RETI dividend from 2015 net income, collected in the first few months of 2016 and (ii) the decision to strengthen Sace's financial position by reducing the payout, which was only in part offset by the dividend of Poste Italiane.

The contribution from "Gains (Losses) from equity investments" was negative by euro 78 million, driven by the recognition of impairment losses on Fondo Atlante in the valuation component of the equity investment portfolio (for around euro 106 million), partly offset by the gain of around euro 29 million from CDP's transfer to CDP RETI of the 1.12% interest in Snam and the 0.97% interest in Italgas, which had been posted to CDP's assets following the merger by incorporation of CDP Gas into CDP.

Net commission expense of euro -741 million marked an improvement on the first half 2016 (euro -770 million), reflecting the decrease in postal commission and the increase in commission income, primarily on Export Bank.

The aggregate "Other net revenues (costs)", increased to euro -9 million (euro -23 million in the first half 2016), reflecting the trend in the net result of trading and hedging activities.

A prudent approach was maintained in relation to net impairment, which decreased to euro -14 million (compared to euro -46 million in the first half 2016), mainly due to the decrease in a number of significant exposures included in the scope of collective impairment.

Overheads, consisting of staff costs and other administrative expenses, in addition to amortisation, depreciation and impairment of property, plant and equipment and intangible assets, totalled approximately euro 73 million. Administrative expenses included: (i) staff costs amounting to around euro 49 million, increasing on the first half of 2016 as a result of the plan to increase the headcount, commenced in 2016 and continued in 2017, and (ii) other administrative expenses amounting to around euro 22 million, increasing slightly (+5.8%) on the first half of 2016.

Finally, income taxes for the year were euro 226 million. The above impact was due to (i) current taxes in the period referring to IRES tax, the related additional tax and the IRAP tax, and (ii) the decrease in deferred tax assets, essentially due to impairment losses on commitments for investment fund units and the use of residual tax losses.

As a result of the above, net income for the period was euro 1,222 million, up by approximately 7% from euro 1,147 million in the first half of 2016.

In the first half 2017, net income without non-recurring items amounted to euro 1,266 million, up by over 10% on net income achieved in the same period of 2016.

This aggregate is net of non-recurring income items recognised in the first half of 2017 in relation to: (i) the impairment of Fondo Atlante for around euro 106 million, and (ii) the gain of around euro 29 million from CDP's transfer to CDP RETI of the 1.12% interest in Snam and the 0.97% interest in Italgas following the merger by incorporation of CDP

Gas.Reclassified income statement - Without non-recurring items

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Net interest income	**1,578**	**1,174**	**404**	**34.5%**
Dividends	785	1,043	(258)	-24.7%
Gains (losses) on equity investments	-	-	-	n/s
Net commission income (expense)	(741)	(770)	29	-3.8%
Other net revenues (costs)	(9)	(23)	14	-61.6%
Gross income	**1,613**	**1,423**	**190**	**13.4%**
Net recoveries (impairment)	(14)	(46)	32	-69.2%
Overheads	(73)	(67)	(6)	8.7%
Operating income	**1,530**	**1,314**	**216**	**16.4%**
Net income for the period	**1,266**	**1,147**	**119**	**10.4%**

4.2.1.2 Reclassified balance sheet

Assets

The assets presented in CDP's reclassified balance sheet at 30 June 2017 are composed of the following items:

Reclassified balance sheet

(millions of euro; %)	30/06/2017	31/12/2016	Change (+ / -)	(%) change
Assets				
Cash and cash equivalents	173,386	161,795	11,591	7.2%
Loans	101,935	102,969	(1,034)	-1.0%
Debt securities	50,658	48,971	1,687	3.4%
Equity investments	32,111	32,551	(440)	-1.4%
Assets held for trading and hedging derivatives	1,082	941	141	15.0%
Property, plant and equipment and intangible assets	296	281	14	5.1%
Accrued income, prepaid expenses and other non-interest-bearing assets	4,968	9,084	(4,116)	-45.3%
Other assets	1,194	1,118	75	6.7%
Total assets	**365,629**	**357,710**	**7,919**	**2.2%**

Total assets amounted to approximately euro 366 billion, up by 2% compared to the end of the previous year, when total assets stood at approximately euro 358 billion.

Cash and cash equivalents exceeded euro 173 billion, up slightly (7%) compared to the figure recorded at the end of 2016. This item includes the balance of the treasury account for approximately euro 156 billion, up by around euro 9 billion compared to 2016.

Loans to customers and banks, totalling around euro 102 billion, dropped slightly compared to the figure recorded at the end of 2016, reflecting the decline in loans to public entities and financial institutions, only partly offset by loans to businesses.

Debt securities amounted to approximately euro 51 billion, up slightly (+3%) compared to the figure recorded at the end of 2016 due to new purchases, primarily in relation to the AFS securities portfolio.

At 30 June 2017 equity investments and equity securities stood at approximately euro 32.1 billion, down by 1% compared to the end of 2016. This decrease reflects the merger of CDP Gas into CDP and the subsequent transfer to CDP RETI of the 1.12% equity investment in Snam and the 0.97% equity investment in Italgas.

Assets held for trading and hedging derivatives were essentially stable compared to the end of 2016. This item includes the fair value (where positive), of hedging derivative instruments, including management hedges that do not qualify as hedges for accounting purposes.

Total property, plant and equipment and intangible assets amounted to euro 296 million, of which euro 287 million relating to property, plant and equipment and the remainder to intangible assets. Specifically, the increase in the item was due to considerable investments during the year, which exceeded the depreciation and amortisation of existing assets during the same period. Expenditures on investments continued during the year, primarily in connection with extraordinary renovations of owned properties.

Accrued income, prepaid expenses and other non-interest bearing assets decreased compared to 2016, amounting to approximately euro 5.0 billion (euro 9.1 billion at 31 December 2016). This change was mainly due to the decrease in past-due loans and receivables at year-end (settled in the first few days of 2017), partly offset by higher interest accrued in the first half 2017 on cash and cash equivalents still to be collected.

Finally, Other assets, which include current and deferred tax assets, payments on account for withholding tax on postal saving passbooks and other residual assets, amounted to euro 1,194 million, up slightly from euro 1,118 million in 2016.

Liabilities

The liabilities in CDP's reclassified balance sheet were as follows at 30 June 2017:

Reclassified balance sheet

(millions of euro; %)	30/06/2017	31/12/2016	Change (+ / -)	(%) change
Liabilities and equity				
Funding	339,840	331,806	8,033	2.4%
- of which :				
- postal funding	*247,812*	*250,800*	*(2,989)*	*-1.2%*
- funding from banks	*31,583*	*26,947*	*4,636*	*17.2%*
- funding from customers	*46,443*	*42,534*	*3,910*	*9.2%*
- bond funding	*14,002*	*11,525*	*2,476*	*21.5%*
Liabilities held for trading and hedging derivatives	723	1,053	(330)	-31.4%
Accrued expenses, deferred income and other non-interest-bearing liabilities	504	511	(8)	-1.5%
Other liabilities	781	877	(96)	-11.0%
Provisions for contingencies, taxes and staff severance pay	385	255	130	51.2%
Equity	23,396	23,207	189	0.8%
Total liabilities and equity	**365,629**	**357,710**	**7,919**	**2.2%**

Total funding amounted to approximately euro 340 billion at 30 June 2017 (+2% on the end of 2016).

Within this item, Postal Funding fell as a result of negative net funding for around euro 5 billion, which was not offset by interest accrued in the period. The balance of such funding, which consists of postal savings passbooks and postal savings bonds, stood at approximately euro 247.8 billion.

Funding from banks rose from approximately euro 26.9 billion in 2016 to over euro 31.6 billion at 30 June 2017, chiefly due to the increase in repurchase agreements (euro 23.5 billion), up compared to 31 December 2016 (euro 18.7 billion), the purpose of which was to benefit from the low cost of funding associated with market rate performance.

Funding from customers, which stood at over euro 46.4 billion, was up by 9% on the end of 2016. This increase was chiefly attributable to (i) funding from OPTES (liquidity management) transactions of euro 35 billion (euro 33 billion at the end of 2016) and (ii) balances held by group companies of euro 6.2 billion (euro 4.5 billion at the end of 2016).

Bond funding increased by approximately 21% on the figure recorded at the end of 2016, standing at euro 14.0 billion (euro 11.5 billion at the end of 2016), as a result of the new EMTN lines and the increase in Commercial Papers.

Liabilities held for trading and hedging derivatives amounted to euro 723 million, compared to euro 1,053 million at the end of 2016. This item includes the fair value (where negative), of hedging derivative instruments, including management hedges that do not qualify as hedges for accounting purposes.

Accrued expenses, deferred income and other non-interest bearing liabilities stood at euro 504 million, essentially unchanged from euro 511 million in 2016.

In terms of other significant items, worthy of mention is (i) the decline in Other liabilities (a balance of euro 781 million; -11%); (ii) the increase in Provisions for contingencies, taxes and staff severance pay (+51%).

Finally, equity amounted to around euro 23.4 billion at 30 June 2017, up slightly on the figure recorded at the end of 2016 (+1%), mainly as a result of net income for the period, which more than offset dividends distributed in the half year period.

4.2.1.3 Indicators

Main indicators (reclassified data)

	30/06/2017	31/12/2016
STRUCTURE RATIOS (%)		
Loans/Total assets	27.9%	28.8%
Loans/Postal Funding	41.1%	41.1%
Equity investments/Final equity	137.2%	140.3%
Securities/Equity	216.5%	211.0%
Funding/Total liabilities	92.9%	92.8%
Equity/Total liabilities	6.4%	6.5%
Postal Savings/Total funding	72.9%	75.6%
PERFORMANCE RATIOS (%) [1]		
Net interest income/Gross income	102.8%	82.5%
Net commissions/Gross income	-48.3%	-54.1%
Dividends and gains (losses) on equity investments/Gross income	46.0%	73.3%
Commission expense/Gross income	-51.9%	-57.1%
Spread on interest-bearing assets and liabilities	1.0%	0.8%
Cost/income ratio	4.8%	4.9%
Net income/Opening equity (ROE)	10.5%	11.8%
Net income/Average equity (ROAE)	10.5%	11.7%
RISK RATIOS (%)		
Coverage of bad loans [2]	68.023%	64.482%
Net non-performing loans/Net loans to customers and banks [3, 4]	0.213%	0.196%
Net adjustments to loans/Net exposure [4]	0.012%	0.136%
PRODUCTIVITY RATIOS (millions of euro)		
Loans/Employees	140	154
Funding/Employees	468	496
Operating income/Employees [1]	4	4

1) For the year 2016, figures refer to 30/06/2016

2) Provision bad loans / Gross exposure to bad loans

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

4) Net exposure is calculated net of the provision for non-performing loans

The Structure ratios show that efforts to diversify funding were effective, as emphasised by the decline in postal funding as a percentage of the total compared to 2016. On the assets side, investments in government securities increased slightly, whereas assets associated with the core business (loans, receivables and equity investments) remained stable.

An analysis of performance ratios shows that there was an increase in the spread on interest-bearing assets and liabilities, which went from around 79 basis points at 30 June 2016 to around 105 basis points in the same period of 2017, mainly due to the increase in the yield on interest-bearing assets (+25 basis points). The increase in net interest income as a percentage of gross income compared to the figure recorded at 30 June 2016 emphasises the strong performance of net interest income.

The cost/income ratio (4.8%) was in line with 30 June 2016 notwithstanding the increase in overheads associated with the usual salary increases and the plan to increase the headcount. Return on equity (ROE) was 10.5%, down slightly on the first half of 2016 due mainly to the capital increase of euro 2.9 billion paid through the contribution by the Ministry of the Economy and Finance of a 35% equity interest in Poste Italiane S.p.A. in the second half of 2016.

The creditworthiness of the CDP loan portfolio remained very high, with a moderate risk profile, as highlighted by its excellent risk indicators. Net non-performing loans/Net loans to customers and banks was 0.21%; the coverage of bad loans was 68% (among the highest in the banking sector, in line with CDP's prudent approach); Net adjustments to loans/Net loans to customers and banks was 0.01%.

Productivity ratios remain at very high levels, with loans and receivables per employee of euro 140 million and funding per employee of euro 468 million. Due to the improvement in financial performance, operating income per employee was approximately euro 4.0 million.

See Annex 3 for further details on the foregoing indicators.

4.2.1.4 Outlook of operations

Looking forward, the implementation and realisation of the new 2016-2020 Business Plan will continue in 2017.

In a market situation subject to various elements of uncertainty, characterised by a scenario of slowly recovering rates and inflation performance that remains weak, CDP's earnings performance in 2017 is expected to remain at the levels reached in 2016.

4.2.2 GROUP COMPANIES

The CDP Group's reclassified balance sheet and income statement as at and for the period ended 30 June 2017 is presented below from a management accounting standpoint. For more information on the operating performance of the companies included in the scope of consolidation please see the sections dedicated to the performance of the companies subject/not subject to management and coordination.

A statement of reconciliation between the reclassified management schedules and the accounting schedules has also been appended in the interest of completeness of information.

4.2.2.1 Reclassified consolidated income statement

The Group's reclassified consolidated income statement, including a comparison with the first half of the previous year, is presented below.

Reclassified income statement

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Net interest income	**1,491**	**1,023**	**468**	**45.7%**
Gains (losses) on equity investments	952	(350)	1,302	n/s
Net commission income (expense)	(762)	(766)	4	-0.5%
Other net revenues (costs)	(204)	80	(284)	n/s
Gross income	**1,477**	**(13)**	**1,490**	**n/s**
Profit (loss) on insurance business	511	116	395	n/s
Profit (loss) on banking and insurance operations	**1,988**	**103**	**1,885**	**n/s**
Net recoveries (impairment)	(122)	(46)	(76)	n/s
Administrative expenses	(3,120)	(3,075)	(45)	1.5%
Other net operating income (costs)	5,304	5,131	173	3.4%
Operating income	**4,050**	**2,113**	**1,937**	**91.7%**
Net provisions for risks and charges	(46)	(12)	(34)	n/s
Net adjustments to PPE and intangible assets	(963)	(899)	(64)	7.1%
Other	(3)	-	(3)	n/s
Income taxes	(582)	(567)	(15)	2.6%
Net income for the period	**2,456**	**635**	**1,821**	**n/s**
Net income (loss) for the period pertaining to non-controlling interests	881	623	258	41.4%
Net income (loss) for the period pertaining to the Parent Company	**1,575**	**12**	**1,563**	**n/s**

The CDP Group's net income at 30 June 2017 was euro 2,456 million, up considerably on the same period in 2016. This result was influenced by several factors, including the positive change in net interest income and profits on insurance operations, the positive contribution made by companies not subject to management and coordination but fully consolidated in terms of other net income and the effects of equity investments carried at equity, where compared to the previous period.

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Interest expense on payables to customers	(1,993)	(1,936)	(57)	2.9%
Interest expense on payables to banks	(68)	(77)	9	-11.7%
Interest expense on securities issued	(320)	(412)	92	-22.3%
Interest income on debt securities	656	626	30	4.8%
Interest income on financing	3,132	2,732	400	14.6%
Interest on hedging derivatives	2	78	(76)	-97.4%
Other net interest	82	12	70	n/s
Net interest income	**1,491**	**1,023**	**468**	**45.7%**

Net interest income increased on the previous period to euro 1,491 million and referred mainly to the Parent Company. The balance of this item was partly eroded by the expenses connected with the debt of other group companies, particularly Snam, Terna, Italgas and Fincantieri, whose expenses amounted to euro 172 million, but were significantly lower than in the previous half year period (euro 236 million).

The result of the measurement according to the equity method of investees over which the Group has significant influence or which are subject to joint control, included under "Gains (losses) on equity investments", amounted to euro 952 million, marking a significant improvement on the first half of the previous year. Key contributing factors to this item were:

- the net effect of the measurement according to the equity method of ENI (euro 157 million), Poste Italiane (euro 179 million), SAIPEM (euro -29 million, inclusive of impairment) and the unrealised gains on the equity portfolio of the Snam Group (euro 69 million) and the Italgas Group (euro 11 million);
- the effect of fair value restatement of the investment in FSIA and its measurement according to the equity method (euro 598 million). Following the sale of the 30% equity investment in FSIA to Poste Italiane and pursuant to the governance agreements signed with the new shareholder, the CDP Group has lost control over the FSIA equity investment, which it now jointly controls. In accordance with the IFRS regarding loss of control, the assets and liabilities of the former subsidiary were therefore deconsolidated from the consolidated balance sheet and the residual equity investment was measured at fair value and then adjusted to its valuation at equity as a joint venture.

Net commission income (expense) (essentially attributable to the Parent Company) amounted to euro -762 million, essentially in line with the previous period.

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Net gain (loss) on trading activities	(184)	62	(246)	n/s
Net gain (loss) on hedging activities	(12)	(13)	1	-7.7%
Gains (losses) on disposal or repurchase financial transactions:	(5)	29	(34)	n/s
Net gain (loss) on financial assets and liabilities carried at fair value	(3)	2	(5)	n/s
Other net revenues (costs)	**(204)**	**80**	**(284)**	**n/s**

Other net revenues dropped by around euro 284 million mainly due to the negative trading result of SACE (euro 174 million) primarily in relation to exchange transactions, mitigated by the positive change in the fair value of options associated with investments in Open Fiber and Ansaldo Energia held by the investee company CDP Equity (euro 4 million). In detail, in the first half 2016, despite being low, the trading inflows of the SACE group did generate other revenues.

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Gross Premiums	291	282	9	3.2%
Change in premium reserve	178	(230)	408	n/s
Premiums paid in reinsurance	(59)	6	(65)	n/s
Effect of consolidation	21	(5)	26	n/s
Net premiums for the period	**431**	**53**	**378**	**n/s**
Net other income (expense) from insurance operations	80	63	17	27.0%
Profit (loss) on insurance business	**511**	**116**	**395**	**n/s**

Profit on insurance business of euro 511 million includes net premiums for the period and other income and expenses from insurance operations. Compared to the first half of 2016, net premiums for the period increased considerably as a result of the positive change in the net premium reserve, which at 30 June 2016 had dropped by euro 230 million. The change in technical provisions essentially reflects the downward performance of the portfolio finalised by the SACE group and the trend of the EUR/USD exchange rate. The change in the balance of other net income (expense) from insurance operations, when compared to the previous period, reflects the lower level of claims associated with the portfolio.

Overall, the banking and insurance components resulted in a margin for the period of euro 1,988 million, up considerably on the same period of the previous year (euro 103 million).

(millions of euro; %)	30/06/2017	30/06/2016	Change (+ / -)	(%) change
Profit (loss) on banking and insurance operations	**1,988**	**103**	**1,885**	**n/s**
Net recoveries (impairment)	(122)	(46)	(76)	n/s
Administrative expenses	(3,120)	(3,075)	(45)	1.5%
Other net operating income (costs)	5,304	5,131	173	3.4%
Operating income before adjustments to PPE and intangible assets	**4,050**	**2,113**	**1,937**	**91.7%**
Net adjustments to PPE, intangible assets and goodwill	(963)	(899)	(64)	7.1%
Operating income after adjustments to PPE and intangible assets	**3,087**	**1,214**	**1,873**	**n/s**

Administrative expenses, essentially unchanged compared to 30 June 2016, are primarily composed of expenses of the Parent Company (euro 72 million), the Snam group (euro 226 million), the Terna group (euro 244 million), the Italgas group (euro 387 million) and the Fincantieri group (euro 2,107 million).

The contribution of “Other net operating income and costs” was essentially stable at approximately euro 5.3 billion. This figure essentially includes revenues attributable to the core business of the Snam, Terna, Italgas and Fincantieri groups.

Adjustments to PPE and intangible assets increased slightly and were furthermore re-adjusted to reflect the amortisation/depreciation of assets recognised subsequent to Purchase Price Allocation (PPA), mainly referring to the Snam group (euro 391 million), Terna group (euro 283 million), Fincantieri group (euro 60 million) and Italgas group (euro 222 million).

The CDP Group’s effective tax rate for the first half of 2017 was 19.2%.

4.2.2.2 Reclassified consolidated balance sheet

Consolidated assets

The assets section of the reclassified consolidated balance sheet at 30 June 2017, included a comparison with the figures as at 31 December 2016, is presented below

Reclassified consolidated balance sheet

(millions of euro; %)	30/06/2017	31/12/2016	Change (+ / -)	(%) change
Assets				
Cash and cash equivalents	175,199	165,452	9,747	5.9%
Loans	105,637	112,380	(6,743)	-6.0%
Debt securities, equity securities and units in collective investment undertakings	57,692	55,144	2,548	4.6%
Equity investments	19,612	20,910	(1,298)	-6.2%
Trading and hedging derivatives	1,589	1,399	190	13.6%
Property, plant and equipment and intangible assets	43,133	43,094	39	0.1%
Reinsurers' share of technical reserves	603	613	(10)	-1.6%
Other assets	11,223	11,433	(210)	-1.8%
Total assets	**414,688**	**410,425**	**4,263**	**1.0%**

The Group’s total assets amounted to euro 414.7 billion, up by 1% (euro 4.2 billion) on the end of the previous financial year.

The changes in financial assets represented by cash and cash equivalents, loans and securities were primarily attributable to the performance of the Parent Company’s portfolios.

Securities, which include debt securities, equity securities and units in collective investment undertakings (the latter primarily purchased as investment initiatives), amounted to euro 57.7 billion, up from euro 55.1 billion recorded at the end of 2016 (+4.6%). In addition to government securities purchased by the Parent Company for primarily short-term treasury purposes, the item also includes the investments in the funds and investment funds commented on, with respect to the Parent Company, in section 4.1.1.2. The item also includes, albeit to a lesser extent, securities and investments held by SACE, whose portfolios are composed of bonds and other debt securities (of which assets held to maturity of euro 1.5 billion) and units in collective investment undertakings investing primarily in bonds and equities (euro 0.67 billion).

The decrease in equity investments was driven by opposing trends. In detail, changes in the period generated a net decrease in this item by around euro 1.3 billion, due mainly to:

- the effects of the equity investment in FSIA, as highlighted above;
- the effects of measurement according to the equity method, net of dividends received, particularly in relation to the equity investments in Eni (euro -1.2 billion) and Poste Italiane (euro -0.2 billion), which, despite achieving positive economic results, suffered the impact of the negative change in reserves in the period;
- the impairment of the equity investment in Saipem (euro -0.03 billion), in part offset by its measurement at equity.

Trading and hedging derivatives increased by euro 0.2 billion (13.6%) on the end of 2016, from euro 1.4 billion to euro 1.6 billion. This item includes the fair value (where positive) of hedging derivative instruments, including management hedges that do not qualify as hedges for accounting purposes. The increase in this item as at 30 June 2017 was mainly driven by the increase in the fair value of hedging derivatives held by the Parent Company CDP.

The overall balance of the item “Property, plant and equipment and intangible assets” was euro 43 billion, essentially in line with the figure recorded at the end of 2016. The slight increase was primarily due to investments made by the Terna, SNAM, Italgas and Fincantieri groups, offset by the decreases associated with the related Purchase Price Allocation processes.

The item “Reinsurers’ share of technical reserves” amounted to euro 0.6 billion at 30 June 2017, essentially in line with the figure recorded at the end of 2016.

Other assets, which declined by 1.8 % compared to 31 December 2016, were influenced by the contribution made by the Parent Company, in addition to those by Fincantieri (euro 3.6 billion), Snam (euro 2 billion), Terna (euro 1.7 billion) and Italgas (euro 0.6 billion).

Consolidated liabilities

The liabilities section of the reclassified consolidated balance sheet at 30 June 2017, included a comparison with the figures as at 31 December 2016, is presented below

Reclassified consolidated balance sheet

(millions of euro; %)	30/06/2017	31/12/2016	Change (+ / -)	(%) change
Liabilities and equity				
Funding	362,068	355,990	6,078	1.7%
- of which :				
- postal funding	*247,812*	*250,800*	*(2,988)*	*-1.2%*
- funding from banks	*40,807*	*38,206*	*2,601*	*6.8%*
- funding from customers	*41,093*	*38,876*	*2,217*	*5.7%*
- bond funding	*32,356*	*28,108*	*4,248*	*15.1%*
Liabilities held for trading and hedging derivatives	875	1,259	(384)	-30.5%
Technical reserves	2,496	2,794	(298)	-10.7%
Other liabilities	8,115	8,164	(49)	-0.6%
Provisions for contingencies, taxes and staff severance pay	6,542	6,539	3	0.0%
Total Equity	34,592	35,679	(1,087)	-3.0%
Total liabilities and equity	**414,688**	**410,425**	**4,263**	**1.0%**

CDP Group's total funding amounted to euro 362.1 billion at 30 June 2017, up by 1.7% on the figure recorded at the end of 2016.

Within this aggregate, postal funding decreased, as highlighted in the section referring to the performance of the Parent Company.

(millions of euro and %)	30/06/2017	31/12/2016	Change (+ / -)	(%) change
Due to central banks	**2,475**	**2,475**	**-**	**0.0%**
Due to banks	**38,332**	**35,731**	**2,601**	**7.3%**
Current accounts and demand deposits	82	1,650	(1,568)	-95.0%
Fixed-term deposits	1,055	910	145	15.9%
Repurchase agreements	23,453	18,696	4,757	25.4%
Other loans	13,379	14,139	(760)	-5.4%
Other payables	363	336	27	8.0%
Funding from banks	**40,807**	**38,206**	**2,601**	**6.8%**

The following components contributed to funding levels, albeit to a more moderate extent:

- funding from banks, the increase in which was primarily tied to the Parent Company's dealings in repurchase agreements;
- funding from customers, the increase in which was mainly due to the Parent Company's OPTES transactions of euro 35 billion at 30 June 2017 (euro 33 billion at the end of 2016);
- bond funding, composed primarily of securities issued under the EMTN programme, Commercial Papers of the Parent Company and bonds issued by SNAM, Terna and Italgas. The increase of euro 4.2 billion on the figure recorded at the end of 2016 also includes the bonds issued by Italgas as follows: (i) euro 1,500 million, issued on 19 January 2017 divided into two series, respectively with 5 year and 10 year maturities, both at fixed-rate, amounting to euro 750 million each and with annual coupon 0.50% and 1.625% respectively; (ii) euro 650 million issued on 14 March 2017, with maturity on 14 March 2024 and annual fixed-rate coupon of 1.125%.

Liabilities held for trading and hedging derivatives totalled euro 0.9 billion, essentially in line with 2016. This item includes the fair value (where negative), of hedging derivative instruments, including management hedges that do not qualify as hedges for accounting purposes. The item is essentially related to the Parent Company and, to a lesser extent, to the financial liabilities held by the SACE group for trading purposes (euro 0.1 billion).

Technical provisions refer solely to the SACE group and include provisions intended to cover, to the extent reasonably foreseeable, the commitments assumed with reference to the Group's insurance business. At 30 December 2017 this item stood at euro 2.5 billion, marking a slight decrease of euro 0.3 billion on the figure recorded at the end of 2016, essentially reflecting the changes in the premiums reserve.

Other liabilities, which totalled approximately euro 8.1 billion, include not only the liabilities of the Parent Company, but also significant balances relating to other Group companies, such as total trade payables (euro 4.4 billion) and contract work in progress (euro 0.6 billion). Other liabilities include "Liabilities associated with disposal groups", essentially related to the Italgas group and referring the real estate Complex on Via Ostiense in Rome, which is to be sold to Eni S.p.A..

Provisions for contingencies, taxes and staff severance pay stood at approximately euro 6.5 billion at 30 June 2017, essentially in line with the 2016 figure.

Total equity amounted to approximately euro 34.6 billion at 30 June 2017. The increase of euro 2.4 billion deriving from net income in the period was eroded by the negative change in the valuation reserves of equity investments accounted for using the equity method (euro -1.2 billion), by the distribution of dividends (euro -1.9 billion) and other effects. The overall change in equity during the period was euro -1.1 billion.

(millions of euro; %)	30/06/2017	31/12/2016	Change (+ / -)	(%) change
Equity attributable to the shareholders of the parent company	21,888	22,528	(640)	-2.8%
Non-controlling interests	12,704	13,151	(447)	-3.4%
Total Equity	**34,592**	**35,679**	**(1,087)**	**-3.0%**

4.2.2.3 Contribution of the business segments to the Group's results

The contribution of the business segments to the Group's financial performance at the level of the reclassified income statement and main items of the reclassified balance sheet is presented below:

Reclassified income statement by business segment at 30 June 2017

		Companies subject to management and coordination				
(millions of euro)	Support for the economy	International expansion	Other segments	Total (*)	Companies not subject to management and coordination	Total
Net interest income	**1,593**	**78**	**(8)**	**1,663**	**(172)**	**1,491**
Dividends	785	5	505	-	-	-
Gains (losses) on equity investments	-	-	(14)	(14)	966	952
Net commission income (expense)	(763)	15	3	(745)	(17)	(762)
Other net revenues (costs)	(22)	(175)	2	(195)	(9)	(204)
Gross income	**1,593**	**(77)**	**488**	**709**	**768**	**1,477**
Profit (loss) on insurance business	-	511	-	511	-	511
Profit (loss) on banking and insurance operations	**1,593**	**434**	**488**	**1,220**	**768**	**1,988**
Net recoveries (impairment)	(119)	(6)	4	(121)	(1)	(122)
Administrative expenses	(72)	(64)	(43)	(179)	(2,941)	(3,120)
Other net operating income (costs)	-	-	(19)	(19)	5,323	5,304
Operating income	**1,402**	**364**	**430**	**901**	**3,149**	**4,050**
Net Provisions for risks and charges	-	1	5	6	(52)	(46)
Net adjustment to property, plant and equipment and intangible assets	(3)	(3)	-	(6)	(957)	(963)
Other	-	-	1	1	(4)	(3)
Income (loss) for the period before tax	**1,399**	**362**	**436**	**902**	**2,136**	**3,038**
Income taxes						(582)
Net income for the period						**2,456**

(*) Total of the segments "Support for the economy", "International expansion" and "Other segments", net of elimination of dividends

Key reclassified balance sheet figures by business segment as at 30 June 2017

		Companies subject to management and coordination				
(millions of euro)	Support for the economy	International expansion	Other segments	Total	Companies not subject to management and coordination	Total
Loans and cash and cash equivalents	274,538	3,222	1,974	279,734	1,102	280,836
Debt and equity securities and units in collective investment undertakings	55,143	2,345	201	57,689	3	57,692
Equity investments	-	8	77	85	19,527	19,612
Property, plant and equipment/technical investments	287	100	46	433	34,780	35,213
Other assets (including Inventories)	124	145	1,557	1,826	7,488	9,314
Funding	334,376	1,550	1,260	337,186	24,882	362,068
- of which bonds	*14,294*	*522*	*412*	*15,228*	*17,128*	*32,356*

The figures set out above have been prepared by considering the contributions provided by the four segments identified, net of the effects of consolidation entries and before eliminating dividends, which are included in the column in which the three segments "Support for the economy", "International expansion" and "Other segments" are combined. The contributions of the three combined segments, which present a profit before tax of euro 0.9 billion, is collectively represented by the Parent Company and the companies subject to management and coordination, the latter considered net of their investments, included in companies not subject to management and coordination. The latter had a profit before tax of euro 2.1 billion.

Reclassified income statement by business segment at 30 June 2016

		Companies subject to management and coordination				
(millions of euro)	Support for the economy	International expansion	Other segments	Total (*)	Companies not subject to management and coordination	Total
Net interest income	**1,194**	**73**	**(8)**	**1,259**	**(236)**	**1,023**
Dividends	1,043	-	377	-	-	-
Gains (losses) on equity investments	-	-	-	-	(350)	(350)
Net commission income (expense)	(769)	15	4	(750)	(16)	(766)
Other net revenues (costs)	(22)	52	31	61	19	80
Gross income	**1,446**	**140**	**404**	**570**	**(583)**	**(13)**
Profit (loss) on insurance business	-	116	-	116	-	116
Profit (loss) on banking and insurance operations	**1,446**	**256**	**404**	**686**	**(583)**	**103**
Net recoveries (impairment)	(46)	(5)	8	(43)	(3)	(46)
Administrative expenses	(65)	(57)	(42)	(164)	(2,911)	(3,075)
Other net operating income (costs)	-	2	-	2	5,129	5,131
Operating income	**1,335**	**196**	**370**	**481**	**1,632**	**2,113**
Net Provisions for risks and charges	-	21	8	29	(41)	(12)
Net adjustment to property, plant and equipment and intangible assets	(4)	(2)	-	(6)	(893)	(899)
Income (loss) for the period before tax	**1,331**	**215**	**378**	**504**	**698**	**1,202**
Income taxes						(567)
Net income for the period						**635**

(*) Total of the segments "Support for the economy", "International expansion" and "Other segments", net of elimination of dividends

Key reclassified balance sheet figures by business segment as at 31 December 2016

		Companies subject to management and coordination				
(millions of euro)	Support for the economy	International expansion	Other segments	Total	Companies not subject to management and coordination	Total
Loans and cash and cash equivalents	269,921	3,954	2,161	276,036	1,796	277,832
Debt and equity securities and units in collective investment undertakings	52,004	2,931	205	55,140	4	55,144
Equity investments	-	8	81	89	20,821	20,910
Property, plant and equipment/technical investments	273	101	29	403	34,756	35,159
Other assets (including Inventories)	122	135	1,605	1,862	7,439	9,301
Funding	328,092	1,637	1,188	330,917	25,073	355,990
- of which bonds	*11,938*	*532*	*416*	*12,886*	*15,222*	*28,108*

4.2.2.4 Consolidated statement of reconciliation

Finally, the statement of reconciliation between equity and net income for the period at the level of the Parent Company and at Group level is provided below.

Reconciliation of equity and net income for the period of the Parent Company and consolidated equity and net income for the period

(millions of euro)	Net income for the period	Share capital and reserves	Total
Parent Company's financial data	**1,222**	**22,174**	**23,396**
Balance from financial statements of fully consolidated companies	1,847	26,665	28,512
Consolidation adjustments:			
- Carrying amount of directly consolidated equity investments	-	(19,637)	(19,637)
- Differences of purchase price allocation	(124)	7,128	7,004
- Dividends from fully consolidated companies	(728)	728	-
- Measurement of equity investments accounted for with the equity method	788	1,089	1,877
- Dividends of companies measured with the equity method	(567)	(3,721)	(4,288)
- Elimination of intercompany transactions	(79)	(131)	(210)
- Reversal of measurements in the separate financial statements	114	170	284
- Value adjustements	(35)	(152)	(187)
- Deferred tax assets and liabilities	58	(2,047)	(1,989)
- Other adjustments	(40)	(129)	(169)
- Non-controlling interests	(881)	(11,824)	(12,705)
Group's financial data	**1,575**	**20,313**	**21,888**

The figures shown in the table as “Group’s financial data” refer to net income pertaining to the Parent Company (euro 1,575 million) and Equity at Group level (euro 21,888 million).

3.

Half-yearly condensed consolidated financial statements at 30 June 2017

FORM AND CONTENT OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The half-yearly condensed consolidated financial statements at 30 June 2017 have been prepared in compliance with applicable regulations and are composed of the:

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

The Notes to the consolidated financial statements consist of:

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

The following are also included:

- Annexes
- Independent Auditor's Report
- Certification pursuant to Article 154-bis of Legislative Decree 58/98

The "Annexes" section, which is an integral part of the half-yearly financial report, includes the following annexes:

1. "The scope of consolidation" which in an integral part of the half yearly condensed consolidated financial statements;
2. The reconciliation statements between the financial statements and the reclassified financial statements relating to CDP S.p.A. and the CDP Group. The latter, in particular is aimed at providing criteria for the preparation of the reclassified consolidated balance sheet and reclassified income statement provided in the report on operations compared to the consolidated financial statements.
3. "Details of alternative performance measures – CDP S.p.A.".

The half-yearly report on operations includes Annexes 2 and 3.

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2017

CONSOLIDATED BALANCE SHEET

(thousands of euro)

Assets	30/06/2017	31/12/2016
10. Cash and cash equivalents	1,017	1,418
20. Financial assets held for trading	1,054,696	1,092,094
30. Financial assets designated at fair value	193,378	197,056
40. Financial assets available for sale	9,718,082	8,513,404
50. Financial assets held to maturity	34,295,712	33,773,865
60. Loans to banks	30,001,546	27,730,603
- *of which: separate asset pool*	*399,522*	*446,325*
70. Loans to customers	263,480,594	261,956,715
80. Hedging derivatives	1,371,834	1,109,475
90. Fair value change of financial assets in hedged portfolios (+/-)	(83,075)	-
100. Equity investments	19,611,574	20,570,087
110. Reinsurers' share of technical reserves	603,350	612,981
120. Property, plant and equipment	35,214,079	35,158,657
130. Intangible assets	7,919,113	7,935,337
- *of which goodwill*	*653,655*	*659,576*
140. Tax assets	1,966,759	2,085,765
a) current tax assets	766,961	781,699
b) deferred tax assets	1,199,798	1,304,066
150. Non-current assets and disposal groups held for sale	25,182	386,864
160. Other assets	9,313,998	9,300,976
Total assets	**414,687,839**	**410,425,297**

(thousands of euro)

Liabilities and equity	30/06/2017	31/12/2016
10. Due to banks	24,756,192	25,692,215
- of which secured by segregated asset pool	-	-
20. Due to customers	304,955,427	302,189,543
30. Securities issued	31,855,231	28,107,767
40. Financial liabilities held for trading	286,025	289,047
50. Financial liabilities designated at fair value	501,265	-
60. Hedging derivatives	589,056	970,235
70. Fair value change of financial liabilities in hedged portfolios (+/-)	34,687	38,206
80. Tax liabilities	3,685,453	3,589,252
a) current tax liabilties	357,480	117,253
b) deferred tax liabilties	3,327,973	3,471,999
90. Liabilities associated with non-current assets and disposal groups held for sale	6,204	74,557
100. Other liabilities	8,073,470	8,051,312
110. Staff severance pay	229,201	230,629
120. Provisions for risks and charges	2,627,127	2,719,258
a) post-employment benefits	-	-
b) other provisions	2,627,127	2,719,258
130. Technical reserves	2,496,004	2,794,066
140. Valuation reserves	1,069,157	2,342,285
170. Reserves	12,870,742	13,660,240
180. Share premium reserve	2,378,517	2,378,517
190. Share capital	4,051,143	4,051,143
200. Treasury shares (-)	(57,220)	(57,220)
210. Non-controlling interests (+/-)	12,704,892	13,151,146
220. Net income (loss) for the period	1,575,266	153,099
Total liabilities and equity	**414,687,839**	**410,425,297**

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

Items	30/06/2017	30/06/2016
10 Interest income and similar income	3,906,697	3,509,576
20 Interest expense and similar expense	(2,415,513)	(2,486,361)
30 Net interest income	**1,491,184**	**1,023,215**
40 Commission income	52,103	63,532
50 Commission expense	(814,079)	(829,891)
60 Net commission income (expense)	**(761,976)**	**(766,359)**
70 Dividends and similar revenues	733	542
80 Profits (losses) on trading activities	(183,599)	62,136
90 Fair value adjustments in hedge accounting	(12,544)	(13,638)
100 Gains (losses) on disposal or repurchase of:	(5,019)	29,133
a) loans	9,545	6,693
b) financial assets available for sale	(14,625)	22,440
c) financial assets held to maturity	61	-
110 Profits (losses) on financial assets and liabilities designated at fair value	(3,421)	2,043
120 Gross income	**525,358**	**337,072**
130 Net impairment losses/recoveries on:	(121,996)	(46,111)
a) loans	(15,975)	(35,378)
b) financial assets available for sale	(184,101)	(3,092)
d) other financial transactions	78,080	(7,641)
140 Financial income (expense), net	**403,362**	**290,961**
150 Net premium income	430,343	52,642
160 Net other income (expense) from insurance operations	80,211	63,752
170 Net income from financial and insurance operations	**913,916**	**407,355**
180 Administrative expenses	(3,119,979)	(3,074,598)
a) staff costs	(890,557)	(850,068)
b) other administrative expenses	(2,229,422)	(2,224,530)
190 Net accruals to the provisions for risks and charges	(46,109)	(11,560)
200 Net adjustments to/recoveries on property, plant and equipment	(676,285)	(666,409)
210 Net adjustments to/recoveries on intangible assets	(286,352)	(232,722)
220 Other operating income (costs)	5,304,507	5,131,320
230 Operating costs	**1,175,782**	**1,146,031**
240 Gains (losses) on equity investments	951,701	(350,118)
250 Gains (losses) on tangible and intangibile assets measured at fair value	494	-
270 Gains (losses) on disposal of investments	(4,159)	(932)
280. Income (loss) before tax from continuing operations	**3,037,734**	**1,202,336**
290. Income tax for the period on continuing operations	(581,880)	(567,305)
300 Income (loss) after tax on continuing operations	**2,455,854**	**635,031**
320 Net income (loss) for the period	**2,455,854**	**635,031**
330. Net income (loss) for the period pertaining to non-controlling interests	880,588	623,065
340. Net income (loss) for the period pertaining to shareholders of the Parent Company	**1,575,266**	**11,966**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro)

Items		30/06/2017	30/06/2016
10.	**Net income (loss) for the period**	**2,455,854**	**635,031**
	Other comprehensive income net of taxes not transferred to the income statement		
40.	Defined benefit plans	1,821	(3,413)
60.	Share of valuation reserves of equity investments accounted for using equity method	10,348	(4,638)
	Other comprehensive income net of taxes transferred to the income statement		
80.	Exchange rate differences	(33,670)	(35,808)
90.	Cash flow hedges	74,947	(24,638)
100.	Financial assets available for sale	(6,736)	102,394
120.	Share of valuation reserves of equity investments accounted for using equity method	(1,265,037)	(134,633)
130.	**Total other comprehensive income net of taxes**	**(1,218,327)**	**(100,736)**
140.	**Comprehensive income (items 10+130)**	**1,237,527**	**534,295**
150.	Consolidated comprehensive income pertaining to non-controlling interests	895,097	569,333
160.	**Consolidated comprehensive income pertaining to shareholders of the Parent Company**	**342,430**	**(35,038)**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 30 JUNE 2017

				Allocation of net income for previous year		Changes for the period												
							Equity transactions											
(thousands of euro)	Balance at 31.12.2016	Changes in opening balance	Balance at 01.01.2017	Reserves	Dividends and other allocations	Changes in reserves	Issues of new shares	Purchase of own shares	Interim dividends	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests	Comprehensive income for 30.06.2017	Equity at 30.06.2017	Equity Group at 30.06.2017	Equity Non-controlling interests at 30.06.2017
Share capital:	7,420,005	-	7,420,005	-	-	-	-	-	-	-	-	-	-	(138,889)	-	7,281,116	4,051,143	3,229,973
a) ordinary shares	7,420,005		7,420,005											(138,889)		7,281,116	4,051,143	3,229,973
b) preference shares																		
Share premium reserve	4,477,483		4,477,483			(222,624)								(5,452)		4,249,407	2,378,517	1,870,890
Reserves:	20,751,578	-	20,751,578	(958,934)	-	162,220	-	-	-	(97,832)	-	11,674	-	17,175	-	19,885,881	12,870,742	7,015,139
a) income	19,948,861		19,948,861	(959,009)		180,367				(97,832)				17,828		19,090,215	12,869,677	6,220,538
b) other	802,717		802,717	75		(18,147)						11,674		(653)		795,666	1,065	794,601
Valuation reserves	2,239,203		2,239,203			(4,088)								(24,751)	(1,218,327)	992,037	1,069,157	(77,120)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends	(205,133)	-	(205,133)	205,133	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(132,348)		(132,348)					(139,450)								(271,798)	(57,220)	(214,578)
Net income (loss)	1,128,422		1,128,422	753,801	(1,882,223)										2,455,854	2,455,854	1,575,266	880,588
Total Equity	**35,679,210**		**35,679,210**		**(1,882,223)**	**(64,492)**		**(139,450)**		**(97,832)**		**11,674**		**(151,917)**	**1,237,527**	**34,592,497**	**21,887,605**	**12,704,892**
Equity Group	**22,528,064**		**22,528,064**		**(986,901)**	**57,213**								**(53,201)**	**342,430**	**21,887,605**	**21,887,605**	
Equity Non-controlling interests	**13,151,146**		**13,151,146**		**(895,322)**	**(121,705)**		**(139,450)**		**(97,832)**		**11,674**		**(98,716)**	**895,097**	**12,704,892**		**12,704,892**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 30 JUNE 2016

				Allocation of net income for previous year		Changes for the period												
							Equity transactions											
(thousands of euro)	Balance at 31.12.2015	Changes in opening balance	Balance at 01.01.2016	Reserves	Dividends and other allocations	Changes in reserves	Issues of new shares	Purchase of own shares	Interim dividends	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests	Comprehensive income for 30.06.2016	Equity at 30.06.2016	Equity Group at 30.06.2016	Equity Non-controlling interests at 30.06.2016
Share capital:	7.818.813	-	7.818.813	-	-	-	2.286	-	-	-	-	-	-		-	7.821.099	3.500.000	4.321.099
a) ordinary shares	7.702.780		7.702.780				2.286									7.705.066	3.500.000	4.205.066
b) preference shares	116.033		116.033													116.033		116.033
Share premium reserve	2.061.579		2.061.579		(35.092)	1.674										2.028.161		2.028.161
Reserves:	22.685.229	892.208	23.577.437	(2.864.365)	(1.060)	141.762	-	-	-	-	-	-	-	-	-	20.853.774	13.749.768	7.104.006
a) income	21.778.799	892.208	22.671.007	(2.864.365)	(1.060)	251.010										20.056.592	13.730.535	6.326.057
b) other	906.430		906.430			(109.248)										797.182	19.233	777.949
Valuation reserves	2.033.553	78.770	2.112.323			228									(100.736)	2.011.815	2.110.748	(98.933)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Interim dividends	(98.699)	-	(98.699)	98.699	-	-	-	-	-	-	-	-	-	-	-			
Treasury shares	(60.549)		(60.549)													(60.549)	(57.220)	(3.329)
Net income (loss)	(858.592)	1.300	(857.292)	2.765.666	(1.908.374)										635.031	635.031	11.966	623.065
Total Equity	**33.581.334**	**972.278**	**34.553.612**		**(1.944.526)**	**143.664**	**2.286**								**534.295**	**33.289.331**	**19.315.262**	**13.974.069**
Equity Group	**19.226.871**	**972.278**	**20.199.149**		**(852.637)**	**3.788**									**(35.038)**	**19.315.262**	**19.315.262**	
Equity Non-controlling interests	**14.354.463**		**14.354.463**		**(1.091.889)**	**139.876**	**2.286**								**569.333**	**13.974.069**		**13.974.069**

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(thousands of euro)	30/06/2017	30/06/2016
A. OPERATING ACTIVITY		
1. Operations	**5,327,473**	**2,778,668**
- net income (loss) for the period (+/-)	2,455,854	635,031
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	59,646	124,330
- gains (losses) on hedging activities (-/+)	10,729	22,928
- net losses (recoveries) on impairment (+/-)	176,908	43,046
- net adjustments to/recoveries on property, plant and equipment and intangible assets (+/-)	951,139	899,104
- net accruals to the provisions for risks and charges and other costs/revenues (+/-)	46,109	11,560
- net premiums not received (-)	(197,580)	(180,025)
- other insurance income not received/paid (-/+)	(115,601)	(135,184)
- outstanding charges, taxes and tax credits (+/-)	(39,758)	(32,518)
- net adjustments to/recovieries on equity investments (+/-)	(853,712)	352,407
- other adjustments (+/-)	2,833,739	1,037,989
2. Cash flows generated by/used in financial assets	**2,099,365**	**(10,505,791)**
- financial assets held for trading	(18,812)	(122,994)
- financial assets designated at fair value	2,896	2,889
- financial assets available for sale	(1,402,950)	(2,929,604)
- loans to banks: on demand	-	-
- loans to banks: other	(2,993,418)	(4,122,120)
- loans to customers	6,496,198	(3,754,260)
- other assets	15,451	420,298
3. Cash flows generated by/used in financial liabilities	**6,087,592**	**22,324,451**
- due to banks: on demand	-	-
- due to banks: other	620,864	(2,642,090)
- due to customers	1,286,004	24,559,331
- securities issued	3,798,297	(202,400)
- financial liabilities held for trading	(3,022)	33,110
- financial liabilities designated at fair value	500,000	-
- other liabilities	(114,551)	576,500
Cash flows generated by/used in operating activities	**13,514,430**	**14,597,328**

	30/06/2017	30/06/2016
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by	**15,897,196**	**6,309,418**
- sale of equity investments	18,272	2,050
- dividends from equity investments	707,189	509,744
- sale of financial assets held to maturity	15,169,270	5,791,999
- sale of property plant and equipment	2,465	5,511
- sale of intangible assets	-	114
- sale of subsidiaries and business units	-	-
2. Cash flows used in	**(16,978,777)**	**(23,719,474)**
- purchase of equity investments	(36,776)	(906,275)
- purchase of financial assets held to maturity	(15,785,189)	(21,741,723)
- purchase of property, plant and equipment	(862,858)	(866,832)
- purchase of intangible assets	(288,526)	(204,644)
- purchases of subsidiaries and business units	(5,428)	-
Cash flows generated by/used in investing activities	**(1,081,581)**	**(17,410,056)**
C. FINANCING ACTIVITY		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- dividend distribution and other allocations	(1,980,055)	(1,944,526)
Cash flows generated by/used in financing activities	**(1,980,055)**	**(1,944,526)**
NET CASH FLOWS GENERATED/USED IN THE PERIOD	**10,452,794**	**(4,757,254)**

RECONCILIATION

Items *	30/06/2017	30/06/2016
Cash and cash equivalents at the beginning of period	**149,758,620**	**155,156,035**
Total net cash flows generated/used in the period	10,452,794	(4,757,254)
Cash and cash equivalents at end of period	**160,211,414**	**150,398,781**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Structure and content of the half-yearly condensed consolidated financial statements

The half-yearly condensed consolidated financial statements of the Cassa depositi e prestiti Group ("CDP Group" or "Group") have been prepared in compliance with the international accounting standards, and in particular IAS 34, which sets out the minimum content and the basis of preparation for interim financial reports.

The half-yearly condensed consolidated financial statements are expressed in thousands of euro and include the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity, the consolidated statement of cash flows and these notes to the consolidated financial statements, as well as the Board of Directors' report on operations at Group level.

The half-yearly condensed consolidated financial statements at 30 June 2017 give a clear, true and fair view of the Group's financial positions and results for the period. The figures shown in these statements correspond with the company accounting records and fully reflect the transactions conducted during the half-year period.

Basis of presentation

The financial statements and the related explanatory notes are expressed in thousands of euro, unless otherwise specified.

Items with zero balances for both the current and prior periods have been excluded. In the income statement, income is indicated as positive numbers, while expenses are shown in brackets where stated in tables including revenue items.

The figures of the items, sub-items, and the "of which" specifications in the consolidated financial statements and in the tables of the notes to the financial statements have been rounded as appropriate, while ignoring the fractions of amounts equal to or less than euro 500 and raising fractions greater than euro 500 to the next highest thousand. The rounded amounts for the various items are the sum of the rounded balances of sub-items.

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

Comparison and disclosure

As detailed below, the notes to the consolidated financial statements provide all the information required by law, as well as any supplemental information deemed necessary in order to give a true and fair view of the Group's financial position and results.

These financial statements comply with the requirements of Bank of Italy circular No. 262/2005, updated as at 15 December 2015, and include, in accordance with IAS 34, accounting data as at 30 June 2017 as well as the following comparative data:

- Consolidated balance sheet at 31 December 2016;
- Consolidated income statement for the period ended 30 June 2016;
- Consolidated statement of comprehensive income at 30 June 2016;
- Statement of changes in consolidated equity at 30 June 2016;
- Consolidated statement of cash flows at 30 June 2016;

CDP separate asset pools

KfW separate asset pool

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

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

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

CDP has allocated to this separate asset pool certain loans to banks provided by CDP under the "Fourth Agreement" and the "Fifth Agreement" entered into between CDP and ABI on 1 March 2012 and 5 August 2014, respectively, in addition to the loans that these banks have granted to the SMEs, which were transferred to CDP as guarantee for the above loans.

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

The funding of euro 400 million provided under the Loan Agreement and fully disbursed was fully repaid in advance by CDP on 30 June 2016. The KfW separate asset pool will be released in accordance with the procedures set out in the Loan Agreement or subsequent agreements between the parties.

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

Auditing of the financial statements

The half-yearly condensed consolidated financial statements of the CDP Group are subject to a limited audit by the independent auditing firm PricewaterhouseCoopers S.p.A., following award of the audit engagement for the 2011-2019 period by the Shareholders' Meeting of 25 May 2011.

Annexes

The half-year condensed consolidated financial statements include the Annex 1 "The scope of consolidation".

Accounting policies

General information

SECTION 1 - DECLARATION OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

These half-yearly condensed consolidated financial statements at 30 June 2017 have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, in force at 30 June 2017 and endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal of the Republic of Italy (Gazzetta Ufficiale) L. 243 on 11 September 2002.

In detail, the content of these half-yearly condensed consolidated financial statements complies with the international accounting standard IAS 34, which sets out the minimum content and the basis of preparation for interim financial reports. The CDP Group has exercised the option to prepare the half-yearly disclosure in the condensed format as opposed to the full disclosure envisaged for the consolidated annual report

To the extent applicable, these half-yearly condensed consolidated financial statements have been prepared on the basis of Circular No. 262 of the Bank of Italy of 22 December 2005 (as amended on 18 November 2009, 21 January 2014, 22 December 2014, and 15 December 2015), which establishes the mandatory layouts and preparation, as well as the contents of the explanatory notes.

The IFRS applied for preparation of these half-yearly condensed consolidated financial statements are found in the list given in “Section 5 – Other issues”.

SECTION 2 - GENERAL PREPARATION PRINCIPLES

The half-yearly condensed consolidated financial statements include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows (prepared according to the “indirect method”), and these explanatory notes, as well as the Board of Directors’ report on operations of the Group.

The consolidated financial statements and tables in the explanatory notes present not only the net balances relating to the period but also the corresponding comparative values of the income statement and balance sheet items for the previous financial year.

The consolidated balance sheet does not contain those items having a zero amount in the reference financial period and in the previous financial year. The consolidated income statement and the consolidated statement of comprehensive income do not contain those items having a zero amount in the reference financial period and in the previous one.

In the consolidated income statement, the consolidated statement of comprehensive income, and the tables in the explanatory notes, revenues are indicated without sign, while costs are shown in brackets where stated in tables including revenue items.

For the purposes of interpretation and to provide support in applying the financial reporting 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 (IASB) in 2001;
- Implementation Guidance, Basis for Conclusions, and any other documentation prepared by the IASB or IFRIC to supplement the IFRS issued;
- interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board, OIC) and the Italian Banking Association (ABI);
- documents issued by the EBA, ESMA and Consob concerning the application of specific IFRS rules.

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

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

Pursuant to the provisions of joint Bank of Italy/Consob/Isvap Document No. 2 of 6 February 2009 concerning disclosures on business continuity and in compliance with the requirements on the same issue contained in IAS 1 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 financial years, the CDP Group feels that it is appropriate to prepare its half-yearly condensed financial statements on a going-concern basis.

No assets have been offset with liabilities, nor income with expenses, unless expressly required or allowed by the instructions of the Bank of Italy or by an accounting standard or a related interpretation.

Use of estimates

The application of International Financial Reporting Standards in preparing the half-yearly consolidated financial statements requires the CDP Group to make accounting estimates that are considered reasonable and realistic according to the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities, costs, revenues, and the disclosures on contingent assets and liabilities as at the reporting date, as well as the amounts reported for revenues and costs for the reference period.

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

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

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

The description of the accounting policies used for the main half-yearly condensed consolidated financial statement items provides details on the main assumptions and assessments used in preparing the half-yearly condensed consolidated financial statements.

SECTION 3 - SCOPE AND METHODS OF CONSOLIDATION

Subsidiaries are consolidated on a line-by-line basis, while companies subject to joint control or significant influence are accounted for using the equity method. An exception is made for a number of equity investments in companies in liquidation or subsidiaries in the start-up phase without assets and liabilities, whose contribution to the consolidated financial statements is immaterial.

The figures of the subsidiaries used for line-by-line consolidation are those at 30 June 2017, as approved by the competent corporate bodies of the consolidated companies, adjusted as necessary to harmonize them with Group accounting policies and reclassified based on the layouts established by the Bank of Italy in Circular No. 262 of 22 December 2005, updated to 15 December 2015.

The following statement shows the companies consolidated on a line-by-line basis.

Equity investments in subsidiaries

	Company name	Headquarters	Registered office	Type of relationship [1]	Equity investment: Investor	Equity investment: % holding	% of votes [2]
1.	ACAM GAS S.p.A.	La Spezia	La Spezia	1	Italgas Reti SpA	100.00%	100.00%
2.	ACE Marine LLC	Green Bay - WI	Green Bay - WI	1	Fincantieri Marine Group LLC	100.00%	100.00%
3.	Bacini di Palermo S.p.A.	Palermo	Palermo	1	Fincantieri S.p.A.	100.00%	100.00%
4.	CDP Equity S.p.A.	Milan	Milan	1	CDP S.p.A.	97.13%	97.13%
	CDP Equity S.p.A.	Milan	Milan	1	Fintecna S.p.A.	2.87%	2.87%
5.	CDP Immobiliare S.r.l.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
6.	CDP Industries Estonia OÜ	Tallinn	Tallinn	1	CDP Technologies AS	100.00%	100.00%
7.	CDP Investimenti SGR S.p.A.	Rome	Rome	1	CDP S.p.A.	70.00%	70.00%
8.	CDP Reti S.p.A.	Rome	Rome	1	CDP S.p.A.	59.10%	59.10%
9.	CDP Technologies AS	Alesund	Alesund	1	Seaonics AS	100.00%	100.00%
10.	Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Genoa	1	Seaf S.p.A.	15.00%	15.00%
	Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Genoa	1	Fincantieri S.p.A.	71.10%	71.10%
11.	Delfi S.r.l.	Follo (SP)	Follo (SP)	1	Fincantieri S.p.A.	100.00%	100.00%
12.	Difebal S.A.	Montevideo	Montevideo	1	Terna S.p.A.	100.00%	100.00%
13.	Estaleiro Quissamã Ltda	Rio de Janeiro	Rio de Janeiro	1	Vard Group AS	50.50%	50.50%
14.	Fincantieri (Shanghai) Trading Co. Ltd	Shanghai	Shanghai	1	Fincantieri S.p.A.	100.00%	100.00%
15.	Fincantieri Australia Pty Ltd	Sydney	Sydney	1	Fincantieri S.p.A.	100.00%	100.00%
16.	Fincantieri Do Brasil Partecipacoes S.A.	Rio de Janeiro	Rio de Janeiro	1	Fincantieri Holding B.V.	20.00%	20.00%
	Fincantieri Do Brasil Partecipacoes S.A.	Rio de Janeiro	Rio de Janeiro	1	Fincantieri S.p.A.	80.00%	80.00%
17.	Fincantieri Holding B.V.	Amsterdam	Amsterdam	1	Fincantieri S.p.A.	100.00%	100.00%
18.	Fincantieri India Private Limited	New Delhi	New Delhi	1	Fincantieri Holding B.V.	99.00%	99.00%
	Fincantieri India Private Limited	New Delhi	New Delhi	1	Fincantieri S.p.A.	1.00%	1.00%
19.	Fincantieri Infrastructure S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
20.	Fincantieri Marine Group Holdings Inc.	Green Bay - WI	Green Bay - WI	1	Fincantieri USA Inc.	87.44%	87.44%
21.	FINCANTIERI MARINE GROUP LLC	Washington, DC	Washington, DC	1	Fincantieri Marine Group Holdings Inc.	100.00%	100.00%
22.	Fincantieri Marine Systems North America Inc.	Chesapeake - VI	Chesapeake - VI	1	Fincantieri Holding B.V.	100.00%	100.00%
23.	FINCANTIERI OIL & GAS S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
24.	Fincantieri S.p.A.	Trieste	Trieste	1	Fintecna S.p.A.	71.64%	71.64%
25.	Fincantieri SI S.p.A.	Trieste	Trieste	1	Seaf S.p.A.	100.00%	100.00%
26.	Fincantieri Sweden AB	Stockholm	Stockholm	1	Fincantieri S.p.A.	100.00%	100.00%
27.	Fincantieri USA Inc.	Washington, DC	Washington, DC	1	Fincantieri S.p.A.	100.00%	100.00%
28.	Fintecna SpA	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
29.	FIT - Fondo Investimenti per il Turismo	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
30.	FIT1 - Fondo Investimenti per il Turismo	Rome	Rome	4	FIT - Fondo Investimenti per il Turismo	100.00%	100.00%
31.	FIV Extra	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
32.	FIV Plus	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
33.	FMSNA YK	Nagasaki	Nagasaki	1	Fincatieri Marine Systems North America Inc.	100.00%	100.00%
34.	FSI Investimenti S.p.A.	Milan	Milan	1	CDP Equity S.p.A.	77.12%	77.12%
35.	Gasrule Insurance D.A.C.	Dublin	Dublin	1	SNAM S.p.A.	100.00%	100.00%
36.	Gestione Bacini La Spezia S.p.A.	La Spezia	La Spezia	1	Fincantieri S.p.A.	99.89%	99.89%
37.	GNL Italia SpA	San Donato Milanese	San Donato Milanese	1	SNAM S.p.A.	100.00%	100.00%
38.	ICD Software AS	Alesund	Alesund	1	Seaonics AS	100.00%	100.00%
39.	Industrial Control Design AS	Alesund	Alesund	1	ICD Software AS	100.00%	100.00%
40.	Isotta Fraschini Motori S.p.A.	Bari	Bari	1	Fincantieri S.p.A.	100.00%	100.00%
41.	Issel Nord S.r.l.	Follo (SP)	Follo (SP)	1	Delfi S.r.l.	83.50%	83.50%
42.	Issel Service S.r.l.	Follo (SP)	Follo (SP)	1	Issel Nord S.r.l.	100.00%	100.00%
43.	ITALGAS RETI S.P.A.	Turin	Turin	1	Italgas SpA	100.00%	100.00%
44.	ITALGAS S.P.A.	Milan	Milan	4	SNAM S.p.A.	13.50%	13.50%
	ITALGAS S.P.A.	Milan	Milan	4	CDP Reti S.p.A.	26.04%	26.04%
45.	MARINE INTERIORS S.p.A.	Trieste	Trieste	1	Seaf S.p.A.	100.00%	100.00%
46.	Marinette Marine Corporation	Marinette - WI	Marinette - WI	1	Fincantieri Marine Group LLC	100.00%	100.00%
47.	Monita Interconnector S.r.l.	Rome	Rome	1	Terna S.p.A.	95.00%	95.00%
	Monita Interconnector S.r.l.	Rome	Rome	1	Terna Rete Italia S.p.A.	5.00%	5.00%
48.	Napoletanagas SpA	Naples	Naples	1	Italgas Reti SpA	100.00%	100.00%
49.	Piemonte Savoia S.r.l.	Rome	Rome	1	Terna Interconnector S.r.l.	100.00%	100.00%
50.	Residenziale Immobiliare 2004 S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	74.47%	74.47%

	Company name	Headquarters	Registered office	Type of relationship (1)	Equity investment: Investor	% holding	% of votes (2)
51.	Rete S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
52.	Rete Verde 17 S.r.l.	Rome	Rome	1	Terna Plus S.r.l.	100.00%	100.00%
53.	Rete Verde 18 S.r.l.	Rome	Rome	1	Terna Plus S.r.l.	100.00%	100.00%
54.	SACE BT	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
55.	Sace do Brasil	San Paolo	San Paolo	1	SACE S.p.A.	100.00%	100.00%
56.	SACE FCT	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
57.	SACE Servizi	Rome	Rome	1	SACE BT	100.00%	100.00%
58.	SACE S.p.a.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
59.	Seaonics AS	Alesund	Alesund	1	Vard Group AS	56.40%	56.40%
60.	Seaonics Polska SP.Z O.O.	Gdansk	Gdansk	1	ICD Software AS	62.50%	62.50%
	Seaonics Polska SP.Z O.O.	Gdansk	Gdansk	1	Seaonics AS	37.50%	37.50%
61.	Seastema S.p.A	Genoa	Genoa	1	Fincantieri S.p.A.	100.00%	100.00%
62.	SIA ICD Industries Latvia	Riga	Riga	1	ICD Software AS	100.00%	100.00%
63.	Simest S.p.A.	Rome	Rome	1	SACE S.p.A.	76.01%	76.01%
64.	SNAM RETE GAS S.p.A.	San Donato Milanese	San Donato Milanese	1	SNAM S.p.A.	100.00%	100.00%
65.	SNAM S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	4	CDP Reti S.p.A.	30.10%	30.10%
66.	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
67.	SPE Santa Lucia Transmissora de Energia S.A.	San Paulo	San Paulo	1	Terna Plus S.r.l.	99.99%	99.99%
	SPE Santa Lucia Transmissora de Energia S.A.	San Paulo	San Paulo	1	Terna Chile S.p.A.	0.01%	0.01%
68.	SPE Santa Maria Transmissora de Energia S.A.	San Paulo	San Paulo	1	Terna Chile S.p.A.	0.01%	0.01%
	SPE Santa Maria Transmissora de Energia S.A.	San Paulo	San Paulo	1	Terna Plus S.r.l.	99.99%	99.99%
69.	Stogit S.p.A.	San Donato Milanese	San Donato Milanese	1	SNAM S.p.A.	100.00%	100.00%
70.	Storvik Aqua AS	Sunndalsøra	Sunndalsøra	1	Vard Group AS	94.64%	94.64%
71.	Storvik Aqua Ltd	Lochgilphead	Lochgilphead	1	Storvik Aqua AS	100.00%	100.00%
72.	Storvik SA			1	Storvik Aqua AS	95.00%	95.00%
73.	Tamini Transformers USA L.L.C.	Chicago	Chicago	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
74.	Tamini Trasformatori S.r.l.	Melegnano (MI)	Melegnano (MI)	1	Terna Plus S.r.l.	70.00%	70.00%
75.	Terna Chile S.p.A.	Santiago del Cile	Santiago del Cile	1	Terna Plus S.r.l.	100.00%	100.00%
76.	TERNA Crna Gora d.o.o.	Podgorica	Podgorica	1	Terna S.p.A.	100.00%	100.00%
77.	Terna Interconnector S.r.l.	Rome	Rome	1	Terna S.p.A.	65.00%	65.00%
	Terna Interconnector S.r.l.	Rome	Rome	1	TERNA RETE ITALIA S.p.A.	5.00%	5.00%
78.	Terna Peru S.A.C.	Lima	Lima	1	Terna Chile S.p.A.	0.01%	0.01%
	Terna Peru S.A.C.	Lima	Lima	1	Terna Plus S.r.l.	99.99%	99.99%
79.	TERNA PLUS S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
80.	TERNA RETE ITALIA S.p.A.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
81.	Terna SpA	Rome	Rome	4	CDP Reti S.p.A.	29.85%	29.85%
82.	Tes Transformer Electro Service Asia Private Limited	Magarpatta City, Hadapsar, Pune	Magarpatta City, Hadapsar, Pune	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
83.	Vard Accommodation AS	Tennfjord	Tennfjord	1	Vard Group AS	100.00%	100.00%
84.	Vard Accommodation Tulcea SRL	Tulcea	Tulcea	1	Vard Accommodation AS	99.77%	99.77%
	Vard Accommodation Tulcea SRL	Tulcea	Tulcea	1	Vard Electro Tulcea S.r.l.	0.23%	0.23%
85.	Vard Braila SA	Braila	Braila	1	Vard Group AS	5.88%	5.88%
	Vard Braila SA	Braila	Braila	1	Vard RO Holding S.r.l.	94.12%	94.12%
86.	Vard Contracting AS	Norway	Norvegia	1	Vard Group AS	100.00%	100.00%
87.	Vard Design AS	Alesund	Alesund	1	Vard Group AS	100.00%	100.00%
88.	Vard Design Liburna Ltd.	Rijeka	Rijeka	1	Vard Design AS	51.00%	51.00%
89.	Vard Electrical Installation and Engineering (India) Private Limited	New Delhi	New Delhi	1	Vard Electro AS	99.00%	99.00%
	Vard Electrical Installation and Engineering (India) Private Limited	New Delhi	New Delhi	1	Vard Tulcea SA	1.00%	1.00%
90.	Vard Electro AS	Sovik	Sovik	1	Vard Group AS	100.00%	100.00%
91.	Vard Electro Braila SRL	Braila	Braila	1	Vard Electro AS	100.00%	100.00%
92.	Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niteroi	Niteroi	1	Vard Electro AS	99.00%	99.00%
	Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niteroi	Niteroi	1	Vard Group AS	1.00%	1.00%
93.	Vard Electro Canada Inc.	Vancouver	Vancouver	1	Vard Electro AS	100.00%	100.00%
94.	Vard Electro Italy S.r.l.	Genoa	Genoa	1	Vard Electro AS	100.00%	100.00%
95.	Vard Electro Tulcea SRL	Tulcea	Tulcea	1	Vard Electro AS	99.96%	99.96%
96.	Vard Engineering Brevik AS	Brevik	Brevik	1	Vard Group AS	100.00%	100.00%
97.	Vard Engineering Constanta SRL	Costanza	Costanza	1	Vard Braila SA	30.00%	30.00%
	Vard Engineering Constanta SRL	Costanza	Costanza	1	Vard RO Holding S.r.l.	70.00%	70.00%
98.	Vard Engineering Gdansk sp. Z o. o.			1	Vard Engineering Brevik AS	100.00%	100.00%
99.	Vard Group AS	Alesund	Alesund	1	Vard Holdings Limited	100.00%	100.00%
100.	Vard Holdings Limited	Singapore	Singapore	1	Fincantieri Oil & Gas S.p.A.	78.13%	78.13%
101.	Vard Marine Inc.	Vancouver	Vancouver	1	Vard Group AS	100.00%	100.00%
102.	Vard Marine US Inc.			1	Vard Marine Inc.	100.00%	100.00%
103.	Vard Niterói SA	Rio de Janeiro	Rio de Janeiro	1	Vard Electro Brazil (Instalaçoes Eletricas) Ltda	0.01%	0.01%
	Vard Niterói SA	Rio de Janeiro	Rio de Janeiro	1	Vard Group AS	99.99%	99.99%
104.	Vard Offshore Brevik AS	Porsgrunn	Porsgrunn	1	Vard Group AS	100.00%	100.00%
105.	Vard Piping AS	Tennfjord	Tennfjord	1	Vard Group AS	100.00%	100.00%
106.	Vard Promar SA	Recife	Recife	1	Vard Group AS	100.00%	100.00%
107.	Vard RO Holding SRL	Tulcea	Tulcea	1	Vard Group AS	100.00%	100.00%
108.	Vard Seaonics Holding AS	Alesund	Alesund	1	Vard Group AS	100.00%	100.00%
109.	Vard Ship Repair Braila SA	Braila	Braila	1	Vard Braila SA	100.00%	100.00%
110.	Vard Shipholding Singapore Pte Ltd	Singapore	Singapore	1	Vard Holdings Ltd	100.00%	100.00%
111.	Vard Singapore Pte. Ltd.	Singapore	Singapore	1	Vard Group AS	100.00%	100.00%
112.	Vard Tulcea SA	Tulcea	Tulcea	1	Vard RO Holding S.r.l.	100.00%	100.00%
	Vard Tulcea SA	Tulcea	Tulcea	1	Vard Group As	0.00%	0.00%
113.	Vard Vung Tau Ltd	Vung Tau	Vung Tau	1	Vard Singapore Pte Ltd	100.00%	100.00%

Key

(1) Type of relationship:

1 = Majority of voting rights in ordinary shareholders' meeting

2 = Dominant influence in ordinary shareholders' meeting

3 = Agreements with other shareholders

4 = Other form of control

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

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

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

Compared with 31 December 2016, the greatest changes in the scope of line-by-line consolidation are represented by:

- the exclusion of the FSIA Investimenti companies from the scope of consolidation on a line by line basis following the sale to Poste Italiane S.p.A. of a 30% interest in the investee, which is now jointly controlled by virtue of the agreements signed with the buyer. The investee was therefore measured at equity at 30 June 2017.
- the inclusion in the scope of consolidation of Fondo Investimenti per il Turismo and Fondo Investimenti per il Turismo 1, whose units are wholly owned by CDP, directly or indirectly.

- the entry of the subsidiary CDP Equity in the share capital of Bonifiche Ferraresi Holding (20.37% stake). This investee has been classed among companies under significant influence.

Significant assessments or assumptions made to determine the scope of consolidation

Line-by-line consolidation

Line-by-line consolidation involves the line-by-line use of the aggregate amounts on the balance sheets and income statements of the subsidiaries. After the allocation to non-controlling interests, reported as a separate item, of their share of equity and net income, the value of the equity investment is cancelled against the residual value of the equity of the subsidiary.

Assets, liabilities, income and expenses between consolidated companies are totally eliminated.

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

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

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

Accounting for companies using the equity method

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

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

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

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

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

The most recent figures approved by the companies have been used to consolidate companies subject to joint control and equity investments in associates; in detail, figures as at 31 March/30 April 2017 have been considered for some equity investments.

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

Subsidiaries

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

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

- the purpose and structure of the investee, in order to identify the entity's objectives, the activities that generate its revenues and how such activities are governed;
- power, in order to understand whether the Group has contractual rights enabling it to govern relevant activities; to this end, only substantial rights that confer effective governance are considered;

- the exposure to the investee, in order to assess whether the Group has business relationships with the investee whose returns vary as a result of changes in the investee's performance;
- the existence of potential principal-agent relationships.

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

- direct or indirect ownership – through a subsidiary – of over fifty per cent of voting rights of an entity, unless it can be demonstrated – in exceptional cases – that such ownership does not constitute control;
- ownership of fifty per cent or less of the votes that can be exercised in the Shareholders' Meeting and unilateral ability to govern the main activities through:
  - control of over half of voting rights by virtue of an agreement with other investors;
  - power to determine the financial and operational policies of the entity by virtue of a clause of the Articles of Association or an agreement;
  - power to appoint or remove the majority of the members of the Board of Directors or the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body;
  - power to exercise the majority of voting rights in the meetings of the Board of Directors or those of the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body. Presence of the aforementioned factors was verified for equity investments in Snam, Terna and Italgas, over which, therefore, de facto control was ascertained.

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

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

Structured entities are considered as subsidiaries where:

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

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

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

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

Non-controlling interests are presented in the balance sheet under item 210. "Non-controlling interests", separately from liabilities and equity attributable to the Group. In the income statement, non-controlling interests are also presented separately under item 330. "Net income (loss) for the period pertaining to non-controlling interests".

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

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

Joint arrangements

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

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

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

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

Equity investments in jointly controlled companies are valued at equity.

Associate companies

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

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

Equity investments in associates are measured at equity.

SECTION 4 - EVENTS SUBSEQUENT TO THE REPORTING DATE

No events requiring changes to the figures approved occurred between the reporting date of these half-yearly condensed consolidated financial statements and the date of their approval by the Board of Directors.

Significant events after 30 June 2017

On 4 July 2017, the subsidiary Fincantieri and GE Power reached a significant milestone in the joint development of an innovative system to control emissions, aimed at reducing pollution in the maritime sector. This new solution - called "Shipboard Pollutant Removal System" (Shipboard PRS) - will help reduce emissions in accordance with the most stringent MARPOL (MARitime POLlution) directives, which will come into effect within 2020.

The corporate rationalisation plan implemented by Fintecna, which includes the merger of Ligestra and Ligestra Tre into Ligestra Due and the centralisation of activities under Fintecna, became effective as of 1 July and is expected to produce positive effects in terms of increasing operational efficiency.

On 25 July 2017, Snam signed a final agreement with Edison in relation to the acquisition of 100% of the share capital of Infrastrutture Trasporto Gas S.p.A. (ITG), the third largest Italian transporter of natural gas, which manages the 83.3 km natural gas pipeline between Cavarzere (in Veneto) and Minerbio (in Emilia Romagna), linking the Adriatic LNG regasification terminal with the national transportation network in Minerbio, as well as a 7.3% stake in Terminale GNL Adriatico S.r.l. (Adriatic LNG), the leading offshore infrastructure for the discharge, storage and regasification of LNG and the largest LNG terminal in Italy. The operation has a total value of euro 225 million, subject to price adjustments upon closing. Under an earn-out arrangement, Snam will make an additional payment to Edison if Adriatic LNG signs new agreements in relation to use of the terminal's capacity. The closing of the transaction is expected within the end of 2017 and is also subject, having regard to the equity investment in Adriatic LNG, to the pre-emption rights not being exercised by the current shareholders. The transaction will enable Snam to consolidate its position in the Italian gas transportation sector and also take advantage of additional synergies in the integrated management of the entire gas system, connecting an entry point previously not controlled directly by Snam to its own network.

Regarding electricity transmission and despatching, which is controlled by Terna, the following key changes occurred:

- on 4 July 2017 the company Piemonte Savoia S.r.l. was sold to the consortium Interconnector Italia SCpA. The related agreements also include the construction and operation of private infrastructures;

- on 14 July 2017 a Project Finance agreement worth 81 million dollars was signed in relation to the construction of a 500 kV transmission line in Uruguay, connecting the cities of Melo and Tacuarembó. The financing includes a 17-year loan of around 56 million dollars from the Inter-American Development Bank (IDB) and a 15-year loan of around 25 million dollars from Banca Bilbao Vizcaya Argentaria (BBVA). The entire loan has been classed as a "green loan" by Vigeo Eiris - an agency specialised in assessing the sustainability of business strategies and business management - given the positive impact the new transmission lines will have on the production of energy from renewable sources in Uruguay;

- on 19 July 2017, Terna S.p.A. successfully launched a fixed-rate bond issue for a total value of euro 1 billion, as part of its Euro Medium Term Notes (EMTN) programme worth euro 8,000,000,000, which has been assigned a "BBB" rating by Standard and Poor's, a "(P)Baa1 rating by Moody's and a "BBB+" rating by Fitch. The securities have a duration of 10 years, with maturity on 26 July 2027, and will pay a coupon of 1.375% with a spread of 50 bps compared to the midswap (the "Securities"). An application for the listing of the Securities will be submitted to the Luxembourg Stock Exchange. The transaction is part of the financial optimisation strategy launched to support investments in making the electricity grid evermore sustainable, safe and efficient;

- On 26 June 2017, an agreement was signed in Brazil with Planova - a Brazilian company engaged in the construction of civil-engineering and infrastructural works - to obtain two concessions to build and operate a total of around 500 km of electrical infrastructure over a period of 30 years. Subsequent to the signing on 2 February 2017, the transaction was finalised by the subsidiary Terna Plus and implemented by acquiring two Brazilian vehicles "SPE - Santa Maria Transmissora de Energia S.A." and "SPE - Santa Lucia Transmissora de Energia S.A.". The agreement gives the Terna Group title to the concession and the operation of the line, while all development, planning, and construction activities (EPC) will be assigned to Planova. Investments are expected to total euro 180 million.

On 31 July 2017, the subsidiary CDP Equity acquired an additional 15% equity investment (1,500,000 shares) in Ansaldo Energia S.p.A from Leonardo S.p.A., thus increasing its investment from 44.94% to 59.94%. This transaction had already been agreed and regulated in a preliminary agreement signed on 23 December 2013. The transaction will not affect the relationship between the CDP Group and Ansaldo Energia, which, by virtue of the agreements signed with Shangai Electric Hongkong & Co. Limited (holding a 40% stake), remains subject to joint control by the two main shareholders.

SECTION 5 - OTHER ISSUES

IFRS in force and endorsed since 2017

No new international accounting standards or amendments to existing standards, having an effective date of 1 January 2017, have been issued or endorsed by the European Union.

New accounting standards and interpretations issued and endorsed by the European Union, but not yet in force (date of entry into effect for financial years beginning from 1 January 2018)

Listed below are the new standards and interpretations already issued and endorsed, but not yet in force and therefore not applicable to the preparation of these half-yearly condensed consolidated financial statements (unless, where permitted, it is chosen to adopt them in advance):

- European Commission Regulation (EU) no. 2016/2067 of 22 November 2016, published in Official Journal L. 323 of 29 November 2016, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards IFRS 9. The standard aims to improve the financial reporting of financial instruments by addressing concerns that arose in this area during the financial crisis. In particular, IFRS 9 addresses the call to move to a more forward-looking model for the recognition of expected losses on financial assets;
- European Commission Regulation (EU) no. 2016/1905 of 22 September 2016, published in Official Journal L. 295 of 29 October 2016, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards IFRS 15. This standard aims to improve the financial reporting of revenue and, therefore, to improve the comparability of revenue in financial statements.

IFRS 9: Financial Instruments

The endorsement of IFRS 9 by the European Commission completes and ends the process to replace IAS 39. This process is divided into three phases, named: "classification and measurement", "impairment", and "hedge accounting". Revision of the rules for macro hedge accounting still has to be completed, for which the IASB has decided to undertake a project separate from IFRS 9.

In extreme summary, the main innovations wrought by the new standard involve:

- the classification and measurement of debt instruments, based on the contextual analysis of the adopted business model and the characteristics of the contractual cash flows generated by the instrument, envisages three accounting categories: financial assets measured at amortised cost, financial assets measured at fair value through profit and loss ("FVTPL"), and financial assets measured at fair value through other comprehensive income ("FVOCI"). In contrast with the current IAS 39, the portfolios of financial assets available for sale and financial assets held to maturity, and the possibility of separating the embedded derivatives from hybrid contracts for financial assets alone, are eliminated. Instead, the current classification and measurement rules for financial liabilities as given in IAS 39 are confirmed;

- the classification of equity instruments in the FVTPL category, unless the option is exercised to classify the equity instruments not held for trading in the FVOCI category;
- the recognition of “own credit risk” (i.e. the change in value of the financial liabilities designated under the fair value option attributable to the change in the entity’s own credit quality) through other comprehensive income, instead of in the income statement as currently provided by IAS 39;
- a single impairment model, to be applied to all financial assets not measured at fair value through profit or loss, based on the concept of expected credit loss, compared with the previous concept of incurred loss. The aim of this new approach to impairment is to ensure more immediate recognition of losses than the present “Incurred Loss” model envisaged in IAS 39, according to which the losses have to be recognised if evidence is found of impairment losses after initial recognition of the asset. In detail, the new model envisages that the financial assets be allocated in three distinct “stages” in increasing order of deterioration of the credit quality:
    - stage 1: this involves the performing financial assets for which no significant credit impairment was recognised in comparison with the date of initial recognition. These assets are recognised on the basis of an expected loss one year out;
    - stage 2: this involves the performing financial assets whose credit quality has deteriorated significantly since initial recognition. These financial assets are also measured based on their lifetime expected credit loss;
    - stage 3: this involves the non-performing financial assets which, having suffered a significant increase in their credit risk since initial recognition, are measured based on their lifetime expected credit loss;
- hedge accounting, with the aim of guaranteeing greater alignment between accounting hedges and operating (or economic) hedge relationships established by the Risk Management Department;
- the impossibility of voluntarily interrupting a hedge accounting relationship if the aim of the hedge by Risk Management remains.

Mandatory application of the standard is scheduled to begin on 1 January 2018, with the possibility of early application of the entire standard or only of the amendments related to the accounting of own credit risk for financial liabilities measured at fair value.

At the end of 2016, CDP, with support from a leading consulting firm, launched a specific project to implement these new accounting rules.

To ensure uniform implementation of the new accounting rules within the CDP Group, in accordance with the recommendations of international authorities, this project includes the Parent Company and the companies under its management and coordination.

This project is structured in several phases so that the Group may not only implement the accounting changes but also make changes in the business strategies and business operations introduced by the principle itself, and thus design optimal solutions for all the business units involved by the mandatory adoption date.

Realisation of the project is based on the convergent involvement of the various organisational units at the Parent Company and the consolidated companies, such as Administration, accounting and Reporting, Risk Management, Business, Finance, ITC, Planning, Management Control and Organisation.

The process of compliance with the new accounting standard is divided into three parts, consistently with the key features of the new standard, i.e. “Classification & Measurement” (broken down in turn according to the securities and loans segment), “Impairment” and “Hedge Accounting”.

The same methodological approach is used for each part, which is broken down into three phases: Assessment, Design, and Implementation.

The “Assessment” phase is aimed at identifying the macro accounting impacts on the IT processes and systems.

The aim of the “Design” phase is to identify possible solutions for strategic decisions, definition of the target valuation models, definition of the functional specifications for implementation of the IT systems.

The last phase of “Implementation” is aimed at implementation of the IT systems and calculation of the impact resulting from first-time adoption.

The changes in book value of the financial instruments due to first-time adoption of the new standard will be recognised as a balancing entry in Equity at 1 January 2018.

The Assessment phase has been completed and the macro impacts resulting from adoption of the new IFRS 9 have been identified.

The Design phase is in progress, as is the Implementation phase.

In relation to the "Classification & Measurement" part, a preliminary analysis of existing portfolios (Loans and Securities) has been carried out, supplemented by a detailed analysis against the portfolio at the reporting date of the previous financial year. The portfolio has been subjected to allocation by Business Unit and therefore grouped into uniform sub-categories to allow the integrated study of products having the same characteristics, as opposed to those characterised by special clauses. Moreover, specific clauses have also been analysed.

The Business Model definitions associated with financial assets and, above all, with the Group's future operations have been analysed in detail.

The "Impairment" part focused on the preliminary analysis of all the material aspects of the accounting standard and then on the criteria associated with stage allocation, significant deterioration and expected losses.

The analyses conducted thus far have revealed that the loans area will be impacted the most. This discovery confirms the expectations of the banking sector in regard to the significance of the changes wrought by the new accounting standard. This is especially true for the new impairment model, with a consequent increase in impairment from what has been estimated with the current calculation model.

The project provides for a further phase of coordination with subsidiaries that are not subject to M&C in the broader scope of the CDP Group.

IFRS 15: Revenue from Contracts with Customers

The standard, published by the IASB on 28 May 2014, has introduced a single model for measuring all revenue deriving from contracts with customers and replaces the previous standards/interpretations on revenue (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18, SIC 31). According to this model, the entity has to recognise revenue according to the consideration to which it expects to be entitled in exchange for the goods or services provided, determined according to the following five steps:

1) identification of the contract, defined as an agreement having commercial substance between two or more parties that can generate rights and obligations;
2) identification of the performance obligations contained in the contract;
3) determination of the transaction price, i.e. the consideration expected for the transfer of goods or services to the customer;
4) allocation of the transaction price to each of the performance obligations, by reference to their standalone selling prices;
5) recognition of the revenue allocated to the individual obligation when it is satisfied, i.e. when the customer obtains control of the goods and services. This recognition acknowledges the fact that certain services may be provided at a specific time or over a period of time.

The new standard's impact on the recognition of revenue is currently under analysis. In fact, the CDP Group companies concerned are currently assessing the effects of the adoption of said standard, even though these are not expected to be significant.

Accounting standards, amendments and interpretations that have not yet been endorsed by the European Union at the reporting date of these financial statements

Certain accounting standards, interpretations and amendments had been issued by the IASB but not yet endorsed by the European Union at the approval date of these financial statements:

- IFRS 14: Regulatory Deferral accounts;
- IFRS 16: Leases;
- IFRS 17: Insurance contracts;
- IFRIC 22: Foreign currency transactions and advance consideration;
- IFRIC 23: Uncertainty over Income Tax Treatments;
- Amendments to IFRS 10 Consolidated financial statements and IAS 28, Investments in associates and joint ventures: Sale or contribution of assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 12: Income taxes on recognition of deferred tax assets for unrealized losses;
- Amendments to IAS 7: Statement of cash flows on disclosure initiative;
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions;
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 insurance contracts;
- Amendments to IAS 40: Investment property' relating to transfers of investment property;
- Clarifications to IFRS 15: Revenue from contracts with customers;
- Annual improvements to IFRS 2014–2016 Cycle.

IFRS 16: Leases

On 13 January 2016, the IASB published IFRS 16 (Leases), which is intended to replace the current accounting standard IAS 17, and the interpretations IFRIC 4 (Determining whether an Arrangement contains a Lease), SIC 15 (Operating Leases – Incentives), and SIC 27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The new standard gives a new definition of lease and introduces a principle based on control ("right of use") of an asset, to distinguish finance leases from service agreements, by identifying the following as discriminating elements: identification of the asset, the right to substitute the asset, the right to obtain substantially all economic benefits resulting from use of the asset and the right to direct the use of the asset underlying the agreement. The aim is to ensure greater comparability between financial statements due to the different accounting principles applied to operating leases and finance leases. The standard establishes a single model for recognition and measurement of leases by the lessee, which entails recognition of the leased asset, including those held under an operating lease, on the assets side of the balance sheet, with a balancing entry for the financial liability, while also offering the possibility of not recognising as finance leases those agreements whose objects are "low-value assets" and leases whose term is 12 months or less. In contrast, the new standard does not envisage significant changes for the lessors.

The directors do not expect that the application of IFRS 16 will have a material impact on the recognition of lease agreements or on the related disclosures made in the consolidated financial statements of the Group. Nevertheless, it is not possible to provide a reasonable estimate of the effects until the companies concerned have completed the ongoing detailed analysis of the associated agreements.

The new standard applies beginning 1 January 2019, with the envisaged possibility of early application, while the process of endorsement by the European Union is still under way.

Consultation on the draft version of the 5th update of Circular No. 262

By means of the communication dated 3 May 2017, the Bank of Italy launched a consultation procedure in relation to the draft version of the 5th update of Circular No. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation".

The consultation phase ended on 3 July 2017 and, at the date of the Board of Directors' approval of these half-yearly condensed consolidated financial statements, the Bank of Italy had yet to enact the related regulations.

The amendments made to the current version incorporate the changes introduced by the new international accounting standard IFRS 9, as highlighted above, and by the amendments made to IFRS 7 and IAS 1.

As described above, the key changes made in the draft version of Circular No. 262 under consultation concern:

- aspects relating to IFRS 9:
  - the adoption of new criteria for the classification and measurement of financial assets, based on the business model used by a business to manage financial assets and the characteristics of the financial flows originating from the instrument;
  - the adoption of a new calculation model for loan impairment, based on expected losses;
  - the review of hedge accounting rules, to ensure greater consistency with the risk management procedures adopted by companies and also provide more information on the risk management policies and on the effects of hedge accounting on the financial statements;
- alignment, where required in the statements and/or in the related disclosures, with the new supervisory consolidated financial reporting requirements, harmonised at European level ("FINREP"), with a view to avoiding the "twin track" approach.

Other information

The Board of Directors meeting of 2 August 2017 approved the half-yearly condensed consolidated financial statements, authorising their publication and disclosure in accordance with the timing and procedures established by the current regulations applicable to CDP

The main financial statement items

The condensed consolidated interim financial statements of the CDP Group at 30 June 2017 have been prepared by applying the same accounting standards as those used for preparation of the financial statements for the previous financial year, reflecting the amendments endorsed and in force with effect from the financial year 2017, as described in Section 5 – Other issues, A.1 General Information.

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

1 - FINANCIAL ASSETS HELD FOR TRADING

This item consists of financial assets, regardless of their technical form (debt securities, equity securities, units in UCITs, loans, derivatives) having the following characteristics:

- they are purchased for resale in the short-term to realise gains resulting from price changes;
- 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;
- they are derivatives (except for derivatives designated as hedging instruments for accounting purposes).

These also include the derivative contracts having a positive fair value, which are not part of effective accounting hedge relationships, but are operationally linked to interrelated financial assets/liabilities at fair value whose changes in value are recognised through profit or loss, on the basis of the option granted to the company (“Fair value option”).

The item also includes the derivatives embedded in financial instruments or other contracts, which have been split off from the host instrument and recognised separately in the accounts because:

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

In the event of accounting separation, the host instruments are accounted for in their own specific category.

If the conditions exist for splitting off an embedded derivative, but it is not possible to determine separately the value of the embedded derivative from the host instrument, the entire hybrid instrument is treated as a financial asset or liability at fair value.

Financial assets held for trading are initially recognised on the execution date for derivative contracts, at the settlement date for debt securities, equities, and units of UCITs, and on the disbursement date for loans. An exception is represented by those securities whose delivery is governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Upon initial recognition, financial assets held for trading are measured at fair value, which generally equals the transaction price, net of transaction costs or income that are immediately recognised through profit or loss.

Subsequent measurement is at fair value, with recognition of the measurement results in the item “Net gain (loss) on trading activities” in the income statement. The fair value is determined based on the official prices as of the reporting date if the financial instruments are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses. If the fair value of a financial asset becomes negative, it is recognised as a “Financial liability held for trading” on the balance sheet.

Dividends on equity instruments that are held for trading are recognised as “Dividends and similar revenues” in the income statement, when the right to receive payment is established.

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 transferred financial assets is retained, the asset remains on the financial statements of the CDP Group, even if legal title has been effectively transferred.

The gains and losses realised on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under “Net gain (loss) on trading activities” of the income statement. An exception is represented by the derivative contracts connected with the “Fair value option”, whose changes in fair value are recognised in the income statement item “Net gain (loss) on financial assets and liabilities carried at fair value”.

2 - FINANCIAL ASSETS AVAILABLE FOR SALE

This item consists of bonds (including the host contracts of hybrid instruments after the embedded derivative has been split off), equities (represented by equity investments not held for trading and not qualifying as subsidiaries, associates and joint ventures, including private equity investments and investments in private equity funds), units of UCITs, and loans.

Pursuant to IAS 39, the item in question represents a residual category that does not cover derivatives and financial assets classified as “Loans and Receivables”, “Financial assets held to maturity”, “Financial assets held for trading”, and “Financial assets at fair value”.

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

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

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

Unrealised gains or losses on financial assets available for sale are recorded in a specific equity reserve named the “Valuation reserve”, net of tax effects and also shown in the Statement of Comprehensive Income, until the financial asset is eliminated or impairment is recognised. Interest on the debt instruments and on loans receivable is recognised in the income statement according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that exactly discounts the estimated future receipts during the expected life of the financial instrument at the net carrying value of the financial asset.

Financial assets available for sale undergo impairment testing, at every annual or interim reporting date, to determine whether there is objective evidence of impairment.

When there is objective evidence that the financial asset available for sale might be impaired, the accumulated loss that was initially recognised in the “Valuation reserves” in Equity, is transferred to “Net adjustments for impairment of financial assets available for sale” in the income statement. Where the decline in the fair value of an equity instrument with respect to its initial cost value is significant or prolonged, an impairment is recognised through profit or loss. The CDP Group considers a reduction in fair value to be significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of over 24 months.

The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of a financial asset available for sale exceeds its fair value estimated at the reference date. Consequently, the amount transferred to the income statement is equal to the difference between the carrying value of the asset and the estimate of its current fair value.

If, after impairment is recognised in the income statement, the fair value of a financial asset available for sale increases as a result of an improvement in the counterparty’s credit rating, a reversal of impairment loss is recognised for the corresponding amount under the income statement item “Net impairment/reversals on financial assets available for sale”. Any reversals of investments in equity instruments are not recognised in the income statement but in an equity reserve, while any reversals of investments in debt instruments go through the income statement. The value of the instrument after the reversal 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 “Dividends and similar revenues” in the income statement when the right to receive payment is established.

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

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

3 - FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity include financial assets listed on regulated markets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

If a change in intention or ability leads to premature sales or reclassifications to another asset portfolio of a significant portion of the financial assets held to maturity as compared with the portfolio as a whole, the entire portfolio has to be reclassified under “Financial assets available for sale” and that portfolio cannot be used for at least two years (“Tainting rule”).

Financial assets held to maturity are initially recognised on the settlement date for debt instruments and equities or on the disbursement date for loans.

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

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

When there is objective evidence that the asset is impaired, the amount of that impairment is recognised in the income statement item “Net impairment of financial assets held to maturity”. This loss is measured as the difference between the carrying value of the asset and the discounted value of the estimated future cash flows, discounted at the original effective interest rate of the financial asset. If, in a subsequent year, the amount of the impairment diminishes and the reduction is due to improvement in the solvency of the counterparty after it was recognised, the previous recognised impairment is reversed. However, the reversal of impairment never results in a book value higher than what would result from application of the amortised cost if no impairment had occurred, and it is recognised in the same item on the income statement.

If the financial asset held to maturity is a hedge instrument used in a hedging relationship, only the credit risk and exchange rate risk may be hedged.

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

4 - LOANS AND RECEIVABLES

“Loans and receivables” refer to the portfolio of financial instruments contracted with customers and banks, having fixed or determinable payments, and which are not listed on an active market. This item also includes the debt instruments having the same characteristics, while excluding derivative contracts.

As envisaged in Circular No. 262 of the Bank of Italy, updated on 15 December 2015, the item in question is divided between “Loans to banks” and “Loans to customers”.

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

The item “Loans to customers” includes unlisted financial assets in respect of customers (loans, repo transactions, debt securities, operating receivables, etc.). The item also contains the liquidity represented by the balance on the current account held with the Central State Treasury. It also includes receivables due from Italian post offices and variation margins with clearing houses in respect of derivatives transactions.

Loans are recognised when the contract is executed, i.e. upon the unconditional acquisition of a right to payment of the amounts agreed, while debt instruments are recognised at the settlement date. If the contract date and the disbursement date are not the same, a commitment to disburse funds is recognised, and it terminates when the disbursement is made. Where the net amount disbursed does not equal the loan’s fair value because the interest rate is lower than the market rate or the rate normally applied for similar loans, initial measurement is carried out by discounting the future cash flows using an appropriate rate.

The initial recognition value is the fair value, corresponding to the amount disbursed inclusive of the transaction costs and commissions directly attributable to the disbursement or purchase as can be determined from the beginning of the transaction.

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

Upon signing the loan agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by the CDP Group earn interest that can be treated as a reimbursement of the interest income earned by the CDP Group on the non-disbursed portion.

The special-purpose loans issued by the CDP Group normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. With certain exceptions, the loan repayment schedule begins on 1 July or 1 January following the execution of the loan agreement. The accounting policy adopted by the CDP Group for special-purpose loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins, regardless of the amount actually disbursed.

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

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

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

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

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

Loans are periodically monitored to identify non-performing positions, namely those that have objective evidence of impairment that can give rise to a reduction in their expected realisable value. The CDP Group's classification of non-performing exposures into different risk categories (bad loans, unlikely to pay, non-performing past-due exposures and/or overdrawn positions) is based on the provisions of Bank of Italy Circular No. 272 of 30 July 2008, updated on 20 December 2016.

The amount of the adjustment is determined based on an individual or collective assessment of the level of impairment of the loans.

Performing loans are not subject to analytical testing (because they do not show objective signs of loss or because they are for an insignificant amount), but they do undergo collective/portfolio measurement. This type of measurement is used for uniform categories of exposures in terms of credit risk whose scope has been extended in the financial year, and the method used for collective testing is based on the internal parameters used for pricing loans. The estimate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the 1-year expected loss. These corrective parameters are determined by considering the degree of concentration of the loan portfolio ("concentration adjustments") and the expected time between the default event and the emergence of confirmation of default ("loss confirmation period").

Non-performing loans are measured individually. The impairment loss to be recorded on the loan is determined as the difference between the carrying amount of the loan at the time of measurement and the present value of the expected future cash flows, calculated by applying the original effective interest rate. However, for certain loans that are insignificant when considered individually, a portfolio measurement may be permitted. The expected future cash flows take account of estimated recovery time, the value of any guarantees and the expenses for the recovery of the loan.

The specific and portfolio adjustments are recognized in the income statement under the item “Net adjustments to loans”.

When the solvency of the counterparty improves to the extent that there is reasonable certainty of greater expected recovery of the loan and/or when receipts exceed the previously recognised value of the loan, the previously recognised impairment is reversed. Reversals are made up to the amount of the amortised cost that the loan would have had in the absence of impairment. 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 reversed (time value), given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans. Recovery of all or a part of previously impaired loans is recognised as a reduction to “Net adjustments to loans”.

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

5 - FINANCIAL ASSETS AT FAIR VALUE

This item consists of the financial assets (debt instruments, equity instruments, units in UCITs, loans) designated at fair value under the option granted by IAS 39, paragraph 9 (“Fair value option”). This designation is made if it permits obtaining more significant information because:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as ‘an accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Hybrid contracts containing an embedded derivative may also be classified in this item. In this case, the entire hybrid contract may be designated at fair value unless:

- the embedded derivative does not significantly modify the cash flows generated by the host contract, or
- it is clear and easily understandable that the separation of the embedded derivative is prohibited.

Equity instruments that do not have observable prices in an active market and whose fair value cannot be reliably determined cannot be classified in this item.

The CDP Group classifies in this category only the investments in hybrid contracts that contain an embedded optional component that has not been split-off from the host contract.

Initial recognition is at fair value at the settlement date, which generally equals the transaction price, without considering the expenses and income attributable to the transaction, which are instead recognised in the income statement.

After initial recognition, these assets are recognised at fair value, with allocation of the realised gains and losses (from the sale or repayment) and/or valuations (due to the change in fair value) in the item “Net gain (loss) on financial assets and liabilities carried at fair value” in the income statement.

The financial assets at fair value are derecognised when the contractual rights to the cash flows of the business terminate or when the financial asset is sold, transferring substantially all risks and rewards connected with it. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

6 - HEDGING TRANSACTIONS

Hedging transactions are executed to neutralise contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, if that particular risk should effectively materialise.

In accordance with IAS 39, hedging instruments are derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities whose fair value or cash flows are expected to offset the changes in fair value or cash flows of a designated hedge position (paragraphs 72-77 and Annex A, paragraph AG94). A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that:

a) exposes the company to the risk of a change in fair value or future cash flows and

b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101).

The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk are offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105-AG113).

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

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

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

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

At each annual or interim reporting date, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under financial instruments held for trading, while the hedged item continues to be measured in accordance with the criteria defined for its category. Hedge accounting also ceases when the hedging instrument expires, is sold or exercised or when the hedged item expires, is sold or is repaid.

Hedging derivatives are initially recognised at their fair value on the contract date. In particular:

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

The CDP Group has not concluded hedging transactions in relation to the latter type of operation.

If the hedge is not fully effective, the fair value change of the hedging instrument, to the extent of the ineffective portion, is immediately recognised through profit or loss, in the item “Net gain (loss) on hedging activities”.

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

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

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

The ineffectiveness of the hedge consists of the difference between the change in fair value of the hedging instruments and the change in fair value of the monetary amount hedged. The ineffective portion of the hedge is in any case included in “Net gain (loss) on hedging activities” of the income statement.

If the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated write-back/write-down recognised in Items 90 of Assets or 70 of Liabilities is recognised through profit or loss under interest income or expense, over the remaining lifetime of the hedged financial asset or liability.

If these assets and liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately in “Gains (Losses) on disposal/repurchase” of the income statement.

7 - EQUITY INVESTMENTS

“Equity investments” means investments in associates and joint ventures (IAS 28) and joint arrangements (IFRS 11).

Associates are companies in which the CDP Group holds, either directly or indirectly, at least 20% of the voting rights or, even with a lower voting interest, companies over which the CDP Group 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. Non-controlling interests are recognised in “Financial assets available for sale”, with the accounting treatment described above.

Joint arrangements involve companies where control is contractually shared between the CDP Group and one or more parties, or when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Equity investments are initially recognised at cost at the settlement date and subsequently measured using the equity method. The same provisions governing business combinations apply to acquisitions. Consequently, the difference between the acquisition price and the portion of acquired equity is allocated based on the fair value of the identifiable net assets of the associate. Any unallocated excess amount is considered as goodwill. The higher allocated price is not presented separately, but is included in the carrying amount of the investment (“equity method”).

Any positive difference between the value of the portion of equity of the investee and the cost of the investment is recognised as income. Application of the equity method also considers the treasury shares held by the investee.

The equity investments are tested for impairment at every annual or interim reporting date.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies, differs where these involve investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying amount to determine the recognition of any impairment losses.

The following are possible indicators of impairment:

- the recognition of losses or significantly lower results than budgeted or forecast in multi-year plans;
- the announcement or commencement of insolvency proceedings or restructuring plans;
- the receipt of a dividend that exceeds the total comprehensive income of the investee for the year or its accumulated income from previous years;
- a carrying amount of the equity investment in the separate financial statements that exceeds the amount, in the consolidated financial statements, of the corresponding portion of equity, including any goodwill.

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

- equity higher than market capitalisation;
- a reduction in the market price exceeding the carrying amount by over 40% or for more than 24 months.

The recoverable amount is the higher of the fair value of the unit, less costs of disposal and its value in use, being the present value of the future cash flows that the equity investment may generate, including the final disposal value of the investment.

If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. If the reasons causing the adjustment cease to exist, the impairments are reversed. These reversals have to be recognised in the income statement up to the amount of the previous write-down. Consequently, the reduction in the previously recognised impairment upon write-back of the value of the equity investment may not exceed the book value that would have existed if no impairment had been previously recognised. Both the adjustments and the reversals of impairment are recognised in the income statement at “Gains (losses) on equity investments”.

The investor’s interest in any losses of the investee that exceed the carrying amount of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses.

Dividends on equity instruments that are available for sale are recognised in “Dividends and similar revenues” when the right to receive payment is established.

Equity investments are derecognised in the balance sheet when the contractual rights to the cash flows deriving from ownership of the equity investments themselves expire or when they are sold, transferring substantially all risks and rewards connected with them.

8 - PROPERTY, PLANT AND EQUIPMENT

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

“Operating property, plant and equipment” consist of property, plant and equipment used for production purposes and to supply goods/services, which may be leased or held for administrative purposes.

In accordance with IAS 16, these assets are initially recognised at purchase cost, including incidental expenses directly related to the purchase, non-deductible VAT and costs for bringing the asset to working condition, increased by revaluations carried out under the provisions of specific laws. Borrowing costs directly attributable to the acquisition, construction or production of an asset have to be added to the value of the asset itself and capitalised pursuant to IAS 23.

Special maintenance and repair costs, incurred after initial recognition, which result in an increase in the future economic benefits, are recognised as an addition to the value of the assets. Instead, ordinary maintenance costs that do not generate future economic benefits are recognised in the income statement.

Subsequent measurement is at cost, net of depreciation and impairment (the latter in accordance with IAS 36).

These assets are systematically depreciated from the period they enter service in the production process and are, therefore, ready for use. They are depreciated on a straight-line basis over their residual life. Therefore, the depreciation allowances are calculated according to rates deemed adequate to represent the residual useful life of each asset.

Land and art works are not depreciated, instead, insofar as they have an indefinite useful life.

At every annual or interim reporting date, the recognised book value of the operating assets is tested for impairment. If signs of impairments are present, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement at “Net adjustments to property, plant and equipment”. If the reasons for which impairment was recognised cease to exist, the value of the asset is reversed. The adjusted value may not exceed the value that the asset would have had, net of the depreciation calculated in the absence of previous impairment.

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

Land and buildings are considered to be separable assets; therefore, they are treated as separate assets for accounting purposes, even if purchased together.

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

“Investment property” consists of real estate property held for investment purposes to be leased to third parties outside the CDP Group. These assets are initially recognised in accordance with IAS 40 at purchase or development cost, including directly attributable purchase/development costs. However, maintenance costs relating to these assets cannot be capitalised, but are recognised in the income statement.

Subsequent measurement of said property investments in the half-yearly condensed consolidated financial statements is at cost, net of depreciation and impairment, as set out in IAS 16 in relation to operating property, plant and equipment.

“Assets under construction and advances” are composed of advances or expenses incurred in respect of items of property, plant and equipment that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company’s production cycle, depreciation is suspended.

The carrying amount of an operating item of property, plant and equipment is eliminated from the balance sheet upon disposal or when no future economic benefits are expected from its use or disposal.

9 - INTANGIBLE ASSETS

“Intangible assets” includes, pursuant to IAS 38, non-monetary assets that are identifiable and do not have physical substance. They are held to be used for a multi-year period or an indefinite period. They consist mainly of concessions, licenses and trademarks, contractual relationships with customers, research and development costs and industrial patent and intellectual property rights.

Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a transaction related to a business combination and the fair value of identifiable net assets acquired. If this difference is negative (badwill) or if the goodwill is not justified by the future earnings capacity of the investee, the difference is recognised in the income statement.

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

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

If one of these elements is missing, the purchase or realisation cost is fully recognised as a cost in the income statement in the financial year that it is incurred.

Concessions, licenses, trademarks and similar rights arising from an acquisition are recognised at current values at the date of the acquisition. The value of the storage concessions, determined as indicated by the Ministry for Productive Activities (now the Ministry of Economic Development) in the decree of 3 November 2005, is recorded under the item “Other assets” of intangible assets valued at cost. More specifically, trademarks are not amortised but they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. Customer contracts arising from an acquisition are recognised at fair value as of the date of the acquisition. Contractual rights are amortised over the expected life of the relationship. Research costs are expensed in the period in which they are incurred. Costs for the development of new products and production processes are capitalised and recognised under intangible assets only if all of the following conditions are met:

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

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

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

If, regardless of the amortisation, there is objective evidence that the intangible asset is impaired, a test is performed to determine the adequacy of the carrying amount of the asset. Consequently, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement at “Net adjustments of intangible assets”. If the reasons for which impairment was recognised cease to exist, the value of the asset is written back. The adjusted value may not exceed the value that the asset would have had, net of the amortisation calculated in the absence of previous impairment.

Goodwill generated from the acquisition of subsidiaries is allocated to each identified cash generating unit (CGU). Within the CDP Group, cash generating units correspond to the individual legal entities. By virtue of being an intangible asset having an indefinite useful life, goodwill is not amortised but tested only for the adequacy of its carrying value. An impairment test is performed annually on goodwill, or whenever there is evidence of impairment. This involves comparing the carrying amount of goodwill and the recoverable amount of the CGUs to which the goodwill is attributed. If the carrying amount of goodwill is higher than the recoverable value of the CGU, the difference is recognised in the income statement at “Net adjustments of intangible assets”. Any reversals of impairment of goodwill may not be recognised.

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

Intangible assets are derecognised when sold or when future economic benefits are no longer expected.

10 - NON-CURRENT ASSETS AND DISPOSAL GROUPS

The balance sheet items "Non-current assets and disposal groups" and "Liabilities associated with disposal groups" include the assets or groups of assets/liabilities whose carrying value will be recovered mainly through sale rather than through their continuous use. Disposal processes have been initiated for these assets, whose sale is deemed highly likely.

These non-current assets (or disposal groups) are presented separately in the balance sheet items by "Other assets" and "Other liabilities". Initial recognition is done in compliance with the specific IFRS as applicable to each associated asset and liability while, subsequently, they are recognised at the lower of their carrying amount and fair value, net of sale costs, without any depreciation/ amortisation being envisaged.

The individual assets of the companies classified as held for sale are not amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised. Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets (or disposal groups) classified as held for sale through profit or loss. The corresponding balance sheet values for the previous year are not reclassified. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

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

The profits and losses net of tax that can be related to disposal groups of assets and liabilities are shown in the specific income statement item "Income (loss) after tax on disposal groups".

11 - CURRENT AND DEFERRED TAXES

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

The accounting entries related to current and deferred taxation include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of temporarily deductible differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences.

Current taxes, consisting of corporate income tax (IRES) and 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 year. They are calculated on the basis of applicable tax rates.

Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

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

Deferred taxes are recognised: i) under Tax assets, if they relate to "deductible temporary differences", which means the differences between statutory and tax values that will give rise to deductible amounts in future periods, to the extent that they are likely to be re-covered; and ii) under Tax liabilities, if they relate to "taxable temporary differences" representing liabilities because they are related to accounting entries that will become taxable in future tax periods.

If the deferred tax items regard transactions that directly affected equity, they are recognised in equity.

Some of the Group's Italian companies joined the "tax consolidation mechanism" regulated by articles 117-129 of the Consolidated Income Tax Law ("TUIR"), introduced into tax law by Italian Legislative Decree no. 344/2003. It consists of an optional tax system, according to which aggregate net taxable income or loss of each subsidiary that has joined the tax consolidation – inclusive of any tax withholding, deductions and tax credits – is transferred to the Parent Company, for which a single taxable income or a single tax loss is carried forward (resulting from the algebraic sum of its income/losses and those of the subsidiaries) and, as a result, a single tax payable/receivable.

12 - PROVISIONS FOR RISKS AND CHARGES

This item consists of the accruals set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or accrual date were uncertain at the reporting date.

Therefore, the accruals are recognised only when:

- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable/expected that a cost will have to be incurred to meet an obligation, or use of resources capable of producing economic benefits; and
- 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 allowance is measured as the present value (discounted at market rates as of the reporting date) of the charges that are expected to be incurred in order to settle the obligation.

Contingent – not probable – liabilities are not provided for. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The allowances are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item does not include the impairment resulting from impairment of the commitments to disburse funds, of the guarantees granted, and the credit derivatives assimilated to them pursuant to IAS 39, to the extent that they are included, if applicable, in "Other liabilities".

This item also includes the company pension plans, i.e. the provisions for long-term employment and benefits after termination of the employment relationship. However, no value has been recognised for the sub-account in question because there were no net amounts attributable to that item at the reporting date of these financial statements. For more information, reference is made to part 18, "Staff severance pay".

13 - DEBT AND SECURITIES ISSUED

"Due to banks" and "Due to customers" include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans, repo transactions) other than "Financial liabilities held for trading", "Financial liabilities at fair value through profit or loss", and debt securities under "Securities issued". This includes operating payables. In particular, the CDP Group includes in these items the amounts still to be disbursed for loans being repaid, as well as liabilities in respect of postal funding products.

Postal savings bonds issued by CDP are reported under "Due to banks" and "Due to customers", including those that have matured but have not yet been redeemed at the reporting date. These instruments are zero-coupon securities (where the interest accrued is paid when the principal is redeemed) with a step-up interest structure (the interest rate increases as the period for which the bond is held increases) and with principal and interest redeemed in a single payment upon maturity, although the bonds can be redeemed upon request of the underwriter at any time prior to their contractual maturity, with principal and interest paid in accordance with the period for which the bond was held. For financial instruments such as postal savings bonds, IAS 39 calls for the adoption of the amortised cost method and states that the effective interest rate to be used in calculating amortised cost must be equal to the internal rate of return of the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. CDP has therefore developed a statistical model for forecasting early redemption of postal savings bonds based on a time series of redemptions, which is used to price the new issues. The forecasting model used at the time of the bond issue is also used to determine the initial estimated amortisation plan for each series of postal savings bonds. Based on these estimated flows, the effective interest rate and the amortised cost to be recognised in the balance sheet are then calculated. Differences between the actual early redemptions and these estimates result in an adjustment to the remaining amortisation schedule. In such cases, the IFRSs state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

"Securities issued", both listed and unlisted, are measured net of repurchased securities. The item does not include the portion of the company's own debt securities issued but not yet placed with third parties.

These liabilities are recognised for the first time on the date that the raised funds are received or the debt instruments are issued.

These items are recognised at their fair value upon first-time recognition. That value normally corresponds to the amount received or the issue price, inclusive of the costs directly attributable to the individual fund raising operations or the costs incurred for the issue.

The financial liabilities are subsequently measured at amortised cost using the effective interest rate method, as defined in the pre-ceding paragraphs. An exception is represented by short-term financial liabilities, which are recognised at the received value, given the negligible effect of the time factor.

In hybrid debt instruments (indexed to equity instruments, indices, foreign currencies, etc.) the embedded derivative is separated from the host contract, when the criteria for separation envisaged in IAS 39 apply, and is recognised at its fair value under financial assets/liabilities for trading. The related changes in value are recognised in the income statement. The host contract is instead allocated an initial value corresponding to the difference between the total amount of the proceeds received and the fair value allocated to the embedded derivative. The contract is recognised and measured according to the criteria envisaged by the classification portfolio.

Payables and securities issued are eliminated when they mature or are extinguished. The elimination also takes place when there is a repurchase of previously issued bonds, with simultaneous recalculation of the residual payable only for the securities issued. The difference between the carrying amount of the liability and the amount paid to purchase it is recognised in the income statement.

14 - FINANCIAL LIABILITIES HELD FOR TRADING

This item includes all forms of financial liabilities (debt securities, loans, derivatives) 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.

In particular, this category of liabilities includes the negative value of the trading derivatives, which are not part of effective hedging relationships but are held to meet operating hedging requirements where the company wishes to standardise the measurement criterion between related assets and liabilities.

They also include the derivatives embedded in other financial instruments or contracts, which have financial and risk characteristics that are not strictly correlated with the host instrument or which meet the requirements to be classified themselves as derivatives. They are, therefore, recognised separately, after the embedded derivative has been separated from the host contract, which instead follows the accounting rules for its classification category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transaction costs or revenues. When the amount paid differs from the fair value, the financial liability is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is effected at the contract date for derivative contracts and at the settlement date for debt securities, with the exception of those for which delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Measurement after initial recognition is made at fair value, with recognition of the measurement results through profit or loss. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

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

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

15 - FINANCIAL LIABILITIES AT FAIR VALUE

This item includes debt securities issued by the CDP Group in relation to which, regardless of their technical form, the fair value option has been exercised in accordance with the requirements for recognition under said item, as specified in IAS 39.

Like in the case of “Financial assets measured at fair value”, this designation can be used if it enables more relevant information to be obtained because:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as ‘an accounting mismatch’) that would otherwise arise from measuring liabilities on different bases; or

- a group of financial liabilities, or of financial assets and liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These financial liabilities are recognised for the first time on the date the debt instruments are issued.

Initial recognition is at fair value, which generally equals the amount collected, without considering the transaction expenses and income attributable to the instrument issued, which are instead recognised in the income statement.

After initial recognition, these financial liabilities are recognised at fair value, with allocation of the realised gains and losses (from repayment or sale) and/or valuations (due to the change in fair value) to the item "Net gain (loss) on financial assets and liabilities carried at fair value" in the income statement.

Financial liabilities at fair value are derecognised from the balance sheet when the contractual rights to the related cash flows expire or when the financial liability is sold, transferring substantially all risks and rewards connected with it.

16 - TRANSACTIONS IN A FOREIGN CURRENCY

Transactions in a foreign currency are initially recognised in euros by translating the amount in the foreign currency into euros at the spot exchange rate prevailing on the date of the transaction.

In preparing the annual or interim financial statements, assets denominated in a foreign currency are accounted for as follows:

- monetary instruments are translated at the spot exchange rate quoted at the preparation date of the financial statements, by recognising exchange rate differences under "Net gain (loss) on trading activities" in the income statement (except for financial assets and liabilities at fair value, those subject to fair value and cash flow hedges, and the related hedges, whose exchange rate differences are recognised in item 110 of the income statement and item 90 of the income statement, respectively);
- non-monetary instruments, which are carried at cost, are translated at the exchange rate quoted on the date of the original transaction;
- non-monetary instruments recognised at fair value are translated at the spot rate quoted on the reporting date.

Exchange rate differences in respect of non-monetary items are treated using the same rules for gains and losses on the original instruments.

17 - INSURANCE ASSETS AND LIABILITIES

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

In accordance with IFRS 4, insurance liabilities related to actuarial reserves may continue to be accounted for in accordance with local GAAP. A review of the contracts written by the Group insurance companies found that they all qualify as insurance contracts. Technical provisions also include any provisions that necessitated necessary by the liability adequacy test. Claims provisions do not include compensation and equalisation provisions as they are not permitted under the IFRS. Reserves continued to be accounted for in compliance with the accounting standards adopted prior to IFRS, as all the existing policies fall within the scope of IFRS 4 (insurance contracts) and, specifically, this item includes:

- provision for unearned premiums, which comprises two sub-items: provision for premium instalments, determined on a pro rata basis, pursuant to Article 45 of Legislative Decree no. 173 of 26 May 1997; the provision for current liabilities, composed of the amounts to be set aside to cover claims and expenses that exceed the provision for premium instalments on existing contracts for which no claims arose at year-end, to meet the liability adequacy test requirements imposed by IFRS 4;
- the provision for claims, which includes provisions for claims reported but not yet paid on the basis of the forecast cost of the claim, including settlement and management expenses. The provisions or claims are determined on the basis of an estimate of the ultimate cost of covering charges relating to the indemnity paid, direct costs and payment for each individual claim.

18 – STAFF SEVERANCE PAY

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a "Post-employment benefit" and is classified as:

- a “Defined benefit plan” for the portion of staff severance pay accrued by employees until 31 December 2006,
- a “Defined contribution plan” for the portion of staff severance pay accrued by employees beginning 1° January 2007.

The accounting standard envisages that these portions of staff severance pay be recognised at their actuarial value. The accruing and accrued obligations are considered for discounting purposes (these obligations are, respectively, the discounted value of the expected future payments related to benefits accrued during the current financial year and the discounted value of future payments resulting from amounts accrued in previous financial years).

It should be noted that a number of CDP Group companies with a small number of employees and an immaterial staff severance pay amount, continued to report that liability as calculated on the basis of Italian statutory provisions (Article 2120 of the Italian Civil Code), given the immateriality of the effects of adopting IAS 19.

19 - OTHER INFORMATION

Other assets

Inventories

Inventories, including compulsory stock, are stated at the lower of their purchase or production cost and their net realisable value, represented by the amount that the business expects to obtain from their sale in the normal course of its activities. Cost is measured as the weighted average cost. The net realisable value is the selling price in the ordinary course of business less the estimated completion costs and those necessary to sell the good. Work in progress and semi-finished goods are valued at production cost, excluding financial charges and overheads. Sales and purchases of strategic gas do not generate an actual transfer of the risks and rewards associated with ownership and, therefore, do not result in changes in inventory.

Contract work in progress

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

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

Capitalised borrowing costs

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

Where funds are borrowed specifically, costs eligible for capitalisation are the actual financial expense incurred for that financing, less any income earned on the temporary investment of such borrowings. In regard to the general pool of assumed debt, the amount of financial expenses that can be capitalised is determined by applying a capitalisation rate to the expenses incurred for that asset which corresponds to 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.

The starting date of capitalisation is the date on which all of the following conditions were met for the first time: (a) the costs for the asset were incurred; (b) the financial expenses were incurred; and (c) the activities necessary to prepare the asset for its intended use or for sale were undertaken.

Capitalisation of the financial expenses ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

Other income statement items

Share-based payments

These are payments to employees as consideration for their work services performed. When specific conditions are met, the cost of employee service is remunerated through stock option plans, whose value is measured according to the fair value of the options granted to employees at the grant date.

The fair value of options granted is recognised in the income statement, under the item "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. That estimate is revised 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 for exercise, etc.), as well as the value of the underlying security at the grant date, volatility and the yield curve at the grant date, in line with the duration of the plan.

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

Grants

The revenues are recognised when it is probable that the economic benefits of the operation will flow to the entity. However, where the recoverability of an amount already included in the revenues is uncertain, the unrecoverable amount or the amount whose recovery is no longer probable are recognised as a cost.

Grants received in relation to specific assets whose value is recognised under non-current assets are, for plants already in operation before 31 December 2002, recognised under other liabilities and recognised in the income statement over the depreciation period of the related assets. Since 2003, grants for new plants entering service are recognised as a direct reduction of the value of the related asset.

Grants for operating expenses are recognised in full in the income statement when the conditions for recognition are satisfied.

Revenues

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

- revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- revenues from services are recognised with reference to the stage of completion of the service. If revenues cannot be reliably measured, they are recognised to the extent of recoverable costs;
- revenues from fees for the use of the National Transmission Grid (NTG) are determined on the basis of the rates set by the Authority for Electricity and Gas.

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

Net premium income

This macro-item includes accrued premiums in respect of contracts classifiable as insurance contracts pursuant to IFRS 4 and investment contracts with discretionary participation in profits considered equivalent to insurance contracts by IFRS 4.

Insurance contracts comprise all contracts under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the other party (the policyholder or other beneficiary) if a specified uncertain future event adversely affects the policyholder or the other beneficiary.

All contracts written by the Group can be classified as insurance contracts pursuant to IFRS 4. Premiums are reported net of cessions in reinsurance.

Interest income and expense

Interest income and expense is recognised in the income statement, on a pro-rated basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Interest also includes the net positive or negative balance of the differences and margins related to financial hedging derivatives.

Commission income and expense

Commissions income for revenues from services provided and commission expense for the costs of services received are recognised, based on the existence of contractual agreements, on an accrual basis, i.e. in the periods when the services are provided. When the amortised cost method is used, the commissions considered in calculating the effective interest rate are recognised instead as interest.

Dividends

As previously described, the dividends received from unconsolidated investees are recognised as income in the period in which they are approved for distribution.

The dividends from companies carried at equity reduce the carrying amount of the equity investments.

Emission rights

Costs relating to emission rights, determined on the basis of market prices, are recorded solely for the amount of carbon dioxide emissions exceeding the allocated emission rights. Costs relating to the purchase of emission rights are capitalised and recorded among intangible assets net of any negative balance between emissions and allocated rights. Proceeds relating to emission rights are recorded at the moment of their realisation through the sale of rights. In the event of sale, any purchased emission rights are under-stood to have been sold first. Cash credits allocated instead of the free allocation of emission rights are recorded in “Other income” in the income statement.

Business combinations

A business combination involves the transfer of control over a business activity or, more generally, a company.

Business combinations are recognised in accordance with the acquisition method, by which the assets transferred and liabilities assumed by the Group at the business combination acquisition date are recognised at fair value. Transaction costs are generally recognised in the income statement when those costs are incurred or the services are rendered.

For newly acquired companies, if the initial values for a business combination are incomplete by the end of the reporting period in which the combination occurs, the CDP Group reports in its consolidated financial statements provisional amounts for the item for which the accounting is incomplete.

In accordance with IFRS 3, paragraphs 45 ff., within twelve months of the acquisition date, the differences resulting from the business combination have to be allocated by recognising the fair value at the acquisition date of the identifiable assets acquired and liabilities assumed. The following items are an exception and are measured in accordance with their applicable standard:

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

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

After initial recognition, the goodwill acquired for consideration in a business combination is tested for impairment once annually or whenever there is evidence of impairment. For newly acquired companies, the difference between the acquisition price and equity is provisionally recognised as goodwill, if positive, or under liabilities if negative, net of goodwill, if any, recognised in the financial statements of the acquirees.

At the acquisition date, non-controlling interests are measured at fair value or as a proportionate share of the recognised amounts of the acquiree's identifiable net assets. The measurement method is selected on a transaction basis.

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

In the case of business combinations achieved in stages, the equity interest previously held by the Group in the acquiree is revalued at the fair value at the date control was acquired and any resulting gain or loss is recognised through profit or loss. Any changes in the value of the previously held equity investment that had been recognised in other comprehensive income are reclassified to the income statement as if the equity investment had been sold. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall adjust the provisional amounts to reflect new information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date.

Business combinations do not include those transactions aimed at obtaining control of one or more companies that do not constitute a business activity or if the business combination is carried out with reorganisation purposes, and thus between two or more entities already belonging to the same Group, and which do not cause changes in the control structure independently of the percentage of non-controlling interests before and after the transaction (referred to as "business combination under common control"). These transactions are considered to have no economic substance.

Disclosures on fair value measurement

QUALITATIVE DISCLOSURES

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assumption is that this refers to an ordinary transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded.

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

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

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1). An instrument is considered to be traded on an active market if prices are readily and regularly available on regulated markets, organised trading facilities, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions executed close to the valuation date. When there are no published prices on an active market or when, in reference to several indicators (e.g. the possibility of performing transactions at the quoted price and their number, the bid-ask spread, the effective trading volumes), it cannot be held that the price represents an active and regularly functioning market, the fair value of the financial instruments is determined by using measurement models and techniques whose purpose is to establish the price at which the asset or liability would be exchanged between market operators in an arm's length transaction at the valuation date. The fair value of unlisted financial instruments is classified under Level 2 or 3 according to whether or not the inputs used in the valuation model are observable and their significance within that model.

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

The level 2 inputs may need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it (through the use of statistical or “expert-based” techniques by those carrying out the measurement), the fair value measurement is classified under Level 3, if the inputs are not observable in the market or not directly available. This category also includes the parameters estimated on the basis of proprietary models or historic data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

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

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

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

The market parameters used as inputs for Level 2 valuations are selected on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments listed on active markets.

Specifically, the half-yearly condensend consolidated financial statements of CDP Group use fair value measurements assigned to level 2 for bonds receivable or payable whose measurement depends exclusively on observable market parameters, and the measurement of interest rate, currency, and plain vanilla equity derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them.

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

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. However, in view of the generalised use of framework netting arrangements that provide for the exchange of collateral, and considering the frequency of exchange of the collateral and the fact that it is established in the form of cash deposits, as well as the minimum ratings required from the counterparties, no adjustments of this kind have been made at 30 June 2017. With regard to the embedded derivatives in postal savings bonds which are separated out, the adjustment for the joint credit risk of CDP and the Italian Government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in the half-yearly condensend consolidated financial statements of CDP Group:
- the valuations of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- certain bonds whose valuation depends on the conditions of use by CDP Group established from time to time and/or spreads that are not directly observable or representative of the creditworthiness of the issuer/debtor;
- equity interests and other unlisted equity instruments that are measured using non-market parameters.

2. Valuation processes and sensitivity

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

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

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

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

Description of non-observable inputs used in the valuation process for the fair value measurement on a recurrent basis of instruments classified at Level 3 and the sensitivity of the fair value to changes in those inputs

Fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of possible and reasonable alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

Redemption profiles

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

The sensitivity analysis considered changes of 10% in the remaining principal, applied to the relevant expected percentage for the expiry of each option. If redemptions are lower than estimated, a condition has been established that the current level of remaining principal cannot be exceeded, and so the results of the analysis are asymmetric.

Equity multiple

Equity investments in unlisted companies are valued by applying a multiplication factor to the equity in line with what is estimated would be applied for a market transaction. At 30 June 2017, all the multiples, set based on expert appraisal, were 100%. Given that this parameter acts directly on the final fair value on the final fair value in a proportional manner, no sensitivity analysis has been reported.

NAV Adjustment

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. An increase in NAV coincides with an increase in fair value. For funds classified in Level 3, fair value adjustments may be needed to take account of certain specific characteristics; such adjustments would result in a transaction being priced below NAV. At 30 June 2017 adjustments of this kind were made to the NAVs of the some UCITS held in the portfolio determined on the basis of expert appraisal, taking into account the characteristics of limited liquidity of the units.

3. Hierarchy of fair value

IFRS 13 requires the provision of a description, with regard to the financial and non-financial assets and liabilities measured at fair value on a recurring basis, of the policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred separately for financial assets and liabilities and non-financial assets and liabilities (IFRS 13, paragraph 95). For all classes of assets and liabilities, the policies adopted by CDP Group require that the transfer from one level to another take place at the end of the reporting period.

The transfers are motivated by whether it becomes possible or impossible to reliably measure fair value, respectively, at Level 1, Level 2 or Level 3: for example, if the measurement of an instrument is classified as “Level 3” due to the non-observability of a significant input, if that input becomes observable in the market or if it becomes common to use a model that requires only observable inputs, or its estimate is not necessary then the measurement is transferred to Level 2, and the transfer occurs at the end of the reporting period.

QUANTITATIVE DISCLOSURES

Hierarchy of fair value

Assets and liabilities carried at fair value on a recurring basis: breakdown by level of fair value inputs

	30/06/2017			31/12/2016		
(thousands of euro)	L1	L2	L3	L1	L2	L3
1 Financial assets held for trading	740,714	298,217	15,765	791,797	298,586	1,711
2 Financial assets at fair value	-	-	193,378	-	-	197,056
3 Financial assets available for sale	8,741,640	4,056	972,386	7,592,616	4,056	916,732
4 Hedging derivatives	-	1,371,834	-	-	1,109,475	-
5 Property, plant and equipment	-	-	-	-	-	-
6 Intangible assets	-	-	-	-	-	-
Total	**9,482,354**	**1,674,107**	**1,181,529**	**8,384,413**	**1,412,117**	**1,115,499**
1 Financial liabilities held for trading	-	193,242	92,783	-	184,304	104,743
2 Financial liabilities at fair value	-	501,265	-	-	-	-
3 Hedging derivatives	-	589,056	-	-	970,235	-
Total	**-**	**1,283,563**	**92,783**	**-**	**1,154,539**	**104,743**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Changes for the year in financial assets carried at fair value on a recurring basis (Level 3)

(thousands of euro)	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
1 Opening balance	**1,711**	**197,056**	**916,732**	**-**	**-**	**-**
2 Increases	**14,243**	**-**	**327,448**	**-**	**-**	**-**
2.1 Purchases	13,282	-	301,853	-	-	-
- of which business combinations	-	-	3	-	-	-
2.2 Profits taken to:	961	-	25,525	-	-	-
2.2.1 Income statement	961	-	48	-	-	-
- of which capital gains	*961*	-	-	-	-	-
2.2.2 Equity	X	X	25,477	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	-	70	-	-	-
3 Decreases	**189**	**3,678**	**271,794**	**-**	**-**	**-**
3.1 Sales	-	-	5,861	-	-	-
3.2 Repayments	-	-	64,238	-	-	-
3.3 Losses taken to:	189	2,156	201,590	-	-	-
3.3.1 Income statement	189	2,156	183,776	-	-	-
- of which capital losses	*189*	2,156	183,776	-	-	-
3.3.2 Equity	X	X	17,814	-	-	-
3.4 Transfers from other levels	-	-	-	-	-	-
3.5 Other decreases	-	1,522	105	-	-	-
4 Closing balance	**15,765**	**193,378**	**972,386**	**-**	**-**	**-**

Changes for the year in financial liabilities carried at fair value on a recurring basis (Level 3)

(thousands of euro)	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
1 Opening balance	**104,743**	**-**	**-**
2 Increases	**41,508**	**-**	**-**
2.1 Purchases	-	-	-
2.2 Losses taken to:	41,508	-	-
2.2.1 Income statement	41,508	-	-
- of which: capital losses	*26,819*	-	-
2.2.2 Equity	-	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3 Decreases	**53,468**	**-**	**-**
3.1 Sales	44,373	-	-
3.2 Repayments	-	-	-
3.3 Profits taken to:	9,095	-	-
3.3.1 Income statement	9,095	-	-
- of which: capital gains	*3,571*	-	-
3.3.2 Equity	-	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4 Closing balance	**92,783**	**-**	**-**

4 Closing balance 92,783 - -

Disclosure of “day one profit/loss”

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

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

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

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

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

CDP has not recognised any “day one profit/loss” on financial instruments in accordance with the provisions of paragraph 28 of IFRS 7 and other related IFRS provisions.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

Assets

CASH AND CASH EQUIVALENTS - ITEM 10

Cash and cash equivalents: breakdown

(thousands of euro)	30/06/2017	31/12/2016
a) Cash	1,017	1,418
b) Free deposits with central banks	-	
Total	**1,017**	**1,418**

FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

Financial assets held for trading: breakdown by type

(thousands of euro) Items/Values	Banking Group	Insurance Group	Other entities	30/06/2017	31/12/2016
A On-balance-sheet assets					
1. Debt securities	-	156,060	-	156,060	156,651
1.1 Structured securities	-	-	-	-	-
1.2 Other debt securities	-	156,060	-	156,060	156,651
2. Equity securities	-	9,070	-	9,070	4,275
3. Units in collective investment undertakings	-	672,664	-	672,664	641,969
4. Loans	-	-	-		-
4.1 Repurchase agreements	-	-	-		-
4.2 Other	-	-	-		-
Total A	**-**	**837,794**	**-**	**837,794**	**802,895**
B Derivatives					
1. Financial derivatives	179,377	9,418	28,107	216,902	289,199
1.1 trading	-	9,418	16,020	25,438	72,937
1.2 associated with fair value option	-	-	-	-	-
1.3 other	179,377	-	12,087	191,464	216,262
2. Credit derivatives	-	-	-		-
2.1 trading	-	-	-		-
2.2 associated with fair value option	-	-	-		-
2.3 other	-	-	-		-
Total B	**179,377**	**9,418**	**28,107**	**216,902**	**289,199**
Total (A+B)	**179,377**	**847,212**	**28,107**	**1,054,696**	**1,092,094**

The financial derivatives shown in the table in relation to the banking Group include (for a value of approximately euro 103 million) options purchased by the Parent Company to hedge the embedded option component of Bonds indexed to baskets of shares. This option component was separated from the host instrument and was classified among financial liabilities held for trading.

FINANCIAL DESIGNATED ASSETS AT FAIR VALUE - ITEM 30

Financial assets designated at fair value: breakdown by type

(thousands of euro)

Items/Values	30/06/2017	31/12/2016
1. Debt securities	193,378	197,056
1.1 Structured securities	193,378	197,056
1.2 Other debt securities	-	-
2. Equity securities	-	-
3. Units in collective investment undertakings	-	-
4. Loans	-	-
4.1 Structured	-	-
4.2 Other	-	-
Total	**193,378**	**197,056**
Cost	**153,089**	**153,089**

The item includes the recognition of the convertible bond (CB) issued to Valvitalia by CDP Equity and sold to FSI Investimenti in the transfer transaction completed in 2014. The CB has a term of 7 years. It can be fully converted at any time and at FSI Investimenti's sole discretion (or compulsorily in the case of an IPO or other liquidity event) and has a coupon of at least 2%. This instrument has been measured at fair value, which amounted to euro 193 million at 30 June 2017. Il decremento rispetto al 31 dicembre 2015 è ascrivibile principalmente alla' variazione del fair The increase compared to 31 December 2016 is mainly due to the fair value change of Valvitalia, considered as the benchmark for estimating the price of the underlying assets of the CB.

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FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

Financial assets available for sale: breakdown by type

(thousands of euro)

Items/Values	Banking Group	Insurance Group	Other entites	30/06/2017	31/12/2016
1. Debt securities	8,740,571	-	-	8,740,571	7,591,089
1.1 Structured securities	-	-	-	-	-
1.2 Other debt securities	8,740,571	-	-	8,740,571	7,591,089
2. Equity securities	6,981	-	8,217	15,198	20,387
2.1 At fair value	4,915	-	1,624	6,539	11,607
2.2 At cost	2,066	-	6,593	8,659	8,780
3. Units in collective investment undertakings	958,257	-	4,056	962,313	901,928
4. Loans	-	-	-	-	-
Total	**9,705,809**	**-**	**12,273**	**9,718,082**	**8,513,404**

The increase on the end of 2016 (euro +1,205 million) reflects mainly the Parent Company's investments in Italian government securities, amounting to around euro 7,857 million at 30 June 2017 (euro +1,153 million at 31 December 2016).

FINANCIAL ASSETS HELD TO MATURITY - ITEM 50

Financial assets held to maturity: breakdown by type

(thousands of euro)	Banking Group	Insurance Group	Other entities	30/06/2017	31/12/2016
1. Debt securities	32,811,793	1,483,763	156	34,295,712	33,773,865
- structured	-	-	-	-	-
- other	32,811,793	1,483,763	156	34,295,712	33,773,865
2. Loans	-	-	-	-	-
Total	**32,811,793**	**1,483,763**	**156**	**34,295,712**	**33,773,865**

This item increased by euro 522 million on 31 December 2016 and mainly includes Italian government securities held in the Parent Company’s portfolio with a book value of euro 32,808 million.

LOANS TO BANKS - ITEM 60

Loans to banks: breakdown by type

(thousands of euro) Type of operations/securities	Banking Group	Insurance Group	Other entites	30/06/2017	31/12/2016
A. Due from central banks	**13,396,543**	**-**	**-**	**13,396,543**	**8,036,062**
1. Fixed-term deposits	-	-	-	-	-
2. Reserve requirement	13,396,543	-	-	13,396,543	8,036,062
3. Repurchase agreements	-	-	-	-	-
4. Other	-	-	-	-	-
B. Loans to banks	**14,331,505**	**193,156**	**2,080,342**	**16,605,003**	**19,694,541**
1. Loans	13,227,361	193,156	2,080,342	15,500,859	19,545,099
1.1 Current accounts and free deposits	797,050	105,348	2,041,502	2,943,900	3,561,225
1.2 Fixed-term deposits	274,105	87,808	38,840	400,753	971,360
1.3 Other financing	12,156,206	-	-	12,156,206	15,012,514
- Repurchase agreements	-	-	-	-	510,560
- Finance leasing	-	-	-	-	-
- Other	12,156,206	-	-	12,156,206	14,501,954
2. Debt securities	1,104,144	-	-	1,104,144	149,442
2.1 Structured	-	-	-	-	-
2.2 Other debt securities	1,104,144	-	-	1,104,144	149,442
Total	**27,728,048**	**193,156**	**2,080,342**	**30,001,546**	**27,730,603**

Loans to banks are primarily composed of:

- the Parent Company's balance on the reserve requirement management account, which increased to around euro 13,397 million (around euro +5,361 million on the figure recorded at the end of 2016);
- loans of approximately euro 12,156 million, mostly attributable to loans granted by the Parent Company to the banking system as part of initiatives to support SMEs;
- fixed-term deposits for approximately euro 401 million, of which about euro 274 million in respect of Credit Support Annexes (cash collateral) opened by the Parent Company to hedge counterparty credit risk on derivatives and euro 88 million due to the contribution from SACE;
- current account balances amounting to about euro 2,944 million.

No reverse repurchase agreements were entered into with banks.

At 30 June 2017, non-performing loans to banks pertaining to the Parent Company had a book value of around euro 609 thousand (not present as at 31 December 2016).

LOANS TO CUSTOMERS - ITEM 70

Loans to customers mainly regard lending operations under the Separate Account and Ordinary Account of CDP. The item also reports cash and cash equivalents held with the Central State Treasury.

The following table provides a breakdown of loans to customers by type of loan.

Loans to customers: breakdown by type

(thousands of euro)	30/06/2017			31/12/2016		
		Carrying amount			Carrying amount	
	Performing	Non performing		Performing	Non performing	
Type of operations/Values		Acquired	Other		Acquired	Other
Loans	**251,568,250**	**-**	**369,734**	**249,843,778**	**-**	**406,047**
1. Current accounts	487,687	-	-	488,104	-	-
1.1 Cash and cash equivalents held with Central State Treasury	157,348,512	-	-	147,845,566	-	-
2. Repurchase agreements	620,625	-	-	4,037,652	-	-
3. Loans	88,902,961	-	244,689	93,047,626	-	233,945
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	404	-	-	466	-	-
5. Finance leasing	-	-	-	-	-	-
6. Factoring	1,599,947	-	105,667	1,735,114	-	159,235
7. Other	2,608,114	-	19,378	2,689,250	-	12,867
Debt securities	**11,542,610**	**-**	**-**	**11,706,890**	**-**	**-**
8 Structured	-	-	-	-	-	-
9 Other debt securities	11,542,610	-	-	11,706,890	-	-
Total	**263,110,860**	**-**	**369,734**	**261,550,668**	**-**	**406,047**

Cash and cash equivalents held with the central State Treasury consists mainly of the balance on current account no. 29814 in the name of "Cassa DP SPA. - Gestione Separata", which comprises liquidity generated by Separate Account transactions executed by the Parent Company. Since 1 January 2016 the Ministry of the Economy and Finance has paid CDP interest at a floating 6-month rate equal to the weighted average (using weightings at 20% and 80%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs.

Reverse repurchase agreements, amounting to approximately euro 621 million, refer entirely to the Parent Company. The decrease of euro 3,417 million compared to 2016 reflects the decline in this type of transaction.

The volume of mortgage loans and other financing, totalling about euro 91,775 million, shows a decrease of about euro 4,209 million compared to 31 December 2016.

Factoring receivables, which total euro 1,706 million, regard loans granted by the subsidiary SACE Fct and show a decline of euro 189 million over 2016.

Debt securities, totalling around euro 11,543 million, mainly refer to the Parent Company and decreased by euro 164 million compared to the figure recorded at the end of 2016.

Non-performing positions amounted to about euro 370 million (of which about euro 245 million pertaining to the Parent Company), with a decrease of about euro 36 million compared to 31 December 2016.

Non-performing loans to customers pertaining to the Parent Company

(thousands of euro)	30/06/2017			31/12/2016		
Quality/Values	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Specific adjustments	Net exposure
Bad debts	91,236	(62,062)	29,174	83,093	(53,552)	29,541
Unlikely to pay	287,556	(106,860)	180,696	296,990	(116,703)	180,287
- of which: forbearance exposures	*86,714*	*(48,167)*	*38,547*	*74,058*	*(42,871)*	*31,187*
Impaired past-due exposures	34,940	(121)	34,819	24,171	(53)	24,118
Total	**413,732**	**(169,043)**	**244,689**	**404,254**	**(170,308)**	**233,946**

HEDGING DERIVATIVES - ITEM 80

Hedging derivatives: breakdown by type of hedge

(thousands of euro)	Banking Group	Insurance Group	Other entites	30/06/2017	31/12/2016
A. Financial derivatives:	**977,591**	**-**	**394,243**	**1,371,834**	**1,109,475**
1) Fair value	876,192	-	322,445	1,198,637	1,015,389
2) Cash flow	101,399	-	71,798	173,197	94,086
3) Investment in foreign operation	-	-	-		
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-
2) Cash flow	-	-	-	-	-
Total	**977,591**	**-**	**394,243**	**1,371,834**	**1,109,475**

FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS - ITEM 90

This item includes changes in fair value relating to interest rate exposures on the loan portfolio hedged with portfolio fair value-type hedges, equivalent to euro -83.1 million at 30 June 2017. Portfolio fair value hedging started at the beginning of 2017 for the purpose of hedging loans in the portfolio based on their diversified time-frames (bucket approach).

EQUITY INVESTMENTS - ITEM 100

Equity investments in companies subject to joint control or under significant influence: information on equity relationships

(thousands of euros)

Company name	Registered office	Operational headquarters	Type of relationship [1]	Equity investment		
				Investor	% holding	% of votes [2]
A. Jointly-controlled enterprises						
1. Accialtalia S.p.A.	Milan	Milan	7	CDP S.p.A.	27.50%	27.50%
2. Alfiere S.p.A	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
3. Ansaldo Energia	Genoa	Genoa	7	CDP Equity S.p.A.	44.94%	44.94%
4. AS Gasinfrastruktur Beteiligung GmbH	Vienna	Vienna	7	SNAM S.p.A.	40.00%	40.00%
5. Camper and Nicholsons International S.A.	Luxembourg	Luxembourg	7	Fincantieri S.p.A.	49.96%	49.96%
6. CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	Hong Kong	7	Fincantieri S.p.A.	40.00%	40.00%
7. ELMED Etudes S.a.r.l.	Tunis	Tunis	7	Terna S.p.A.	50.00%	50.00%
8. ETIHAD SHIP BUILDING LLC	Abu Dhabi	Abu Dhabi	7	Fincantieri S.p.A.	35.00%	35.00%
9. FSI SGR S.p.A.	Milan	Milan	7	CDP S.p.A.	49.00%	49.00%
10. FSIA INVESTIMENTI S.r.l.	Milan	Milan	7	FSI Investimenti S.p.A.	70.00%	70.00%
11. GasBridge 1 B.V.	Rotterdam	Rotterdam	7	SNAM S.p.A.	50.00%	50.00%
12. GasBridge 2 B.V.	Rotterdam	Rotterdam	7	SNAM S.p.A.	50.00%	50.00%
13. IQ Made in Italy Investment Company S.p.A.	Milan	Milan	7	FSI Investimenti S.p.A.	50.00%	50.00%
14. M.T. Manifattura Tabacchi S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	90.91%	90.91%
15. Manifatture Milano S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
16. Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	Sant'Angelo Lodigiano	7	Italgas Reti SpA	50.00%	50.00%
17. OpEn Fiber S.p.A.	Milan	Milan	7	CDP Equity S.p.A.	50.00%	50.00%
18. Orizzonte Sistemi Navali S.p.A.	Genoa	Genoa	7	Fincantieri S.p.A.	51.00%	51.00%
19. Pentagramma Perugia S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
20. Pentagramma Piemonte S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
21. Risparmio Holding S.p.A.	Rome	Rome	7	CDP S.p.A.	20.00%	20.00%
22. Saipem S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	7	CDP Equity S.p.A.	12.55%	12.55%
23. TIGF Holding S.A.S.	Pau	Pau	7	SNAM S.p.A.	40.50%	40.50%
24. Toscana Energia S.p.A.	Florence	Florence	7	Italgas Reti SpA	48.08%	48.08%
25. Trans Austria Gasleitung GmbH	Vienna	Vienna	7	SNAM S.p.A.	84.47%	84.47%
26. Umbria Distribuzione GAS S.p.A.	Terni	Terni	7	Italgas Reti SpA	45.00%	45.00%
27. Valvitalia Finanziaria S.p.A.	Milan	Milan	7	FSI Investimenti S.p.A.	0.50%	0.50%
B. Companies subject to significant influence						
1. African Trade Insurance Company	Nairobi	Nairobi	4	SACE S.p.A.	4.95%	4.95%
2. AS Dameco	Skien	Skien	4	Vard Offshore Brevik AS	34.00%	34.00%
3. B.F. S.p.A.	Milan	Jolanda di Savoia (FE)	4	CDP Equity S.p.A.	20.37%	20.37%
4. Brevik Technology AS	Brevik	Brevik	4	Vard Group AS	34.00%	34.00%
5. Bridge Eiendom AS	Brevik	Brevik	4	Vard Group AS	50.00%	50.00%
6. Castor Drilling Solution AS	Kristiansand S	Kristiansand S	4	Seaonics AS	34.13%	34.13%
7. CESI S.p.A.	Milan	Milan	4	Terna S.p.A.	42.70%	42.70%
8. CGES A.D.	Podgorica	Podgorica	4	Terna S.p.A.	22.09%	22.09%
9. CORESO S.A.	Bruxelles	Bruxelles	4	Terna S.p.A.	16.67%	16.67%
10. CSS Design Limited	British Virgin Islands (GB)	British Virgin Islands (GB)	4	Vard Marine Inc.	31.00%	31.00%
11. DOF Iceman AS			4	Vard Group AS	50.00%	50.00%
12. Eni S.p.A.	Rome	Rome	4	CDP S.p.A.	25.76%	25.76%
13. Europrogetti & Finanza S.p.A. in liquidazione	Rome	Rome	4	CDP S.p.A.	31.80%	31.80%
14. Fondo Italiano di Investimento SGR SpA	Milan	Milan	4	CDP S.p.A.	43.00%	43.00%
15. Galaxy S.àr.l. SICAR	Luxembourg	Luxembourg	4	CDP S.p.A.	40.00%	40.00%
16. Kedrion SpA	Castelvecchio Pascoli (LU)	Castelvecchio Pascoli (LU)	4	FSI Investimenti S.p.A.	25.06%	25.06%
17. Ligestra DUE S.r.l.	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%
18. Ligestra S.r.l.	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%
19. Ligestra TRE S.r.l.	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%
20. Møkster Supply AS	Stavanger	Stavanger	4	Vard Group AS	40.00%	40.00%
21. Møkster Supply KS	Stavanger	Stavanger	4	Vard Group AS	36.00%	36.00%
22. Olympic Challenger KS	Fosnavåg	Fosnavåg	4	Vard Group AS	35.00%	35.00%
23. Olympic Green Energy KS	Fosnavag	Fosnavag	4	Vard Group AS	29.50%	29.50%
24. Poste Italiane S.p.A.	Rome	Rome	4	CDP S.p.A.	35.00%	35.00%
25. Quattror SGR S.p.A.	Milan	Milan	4	CDP S.p.A.	40.00%	40.00%
26. Rem Supply AS	Fosnavåg	Fosnavåg	4	Vard Group AS	26.66%	26.66%
27. Rocco Forte Hotels Limited	London	London	4	FSI Investimenti S.p.A.	23.00%	23.00%
28. Taklift AS	Skien	Skien	4	Vard Group AS	25.47%	25.47%
29. Trans Adriatic Pipeline AG	Baar	Baar	4	SNAM S.p.A.	20.00%	20.00%
30. Trevi Finanziaria Industriale S.p.A	Cesena	Cesena	4	FSI Investimenti S.p.A.	16.86%	16.86%
31. Unifer Navale S.r.l.	Finale Emilia (MO)	Finale Emilia (MO)	4	Seaf S.p.A.	20.00%	20.00%

(thousands of euros)

Company name	Registered office	Operational headquarters	Type of relationship (1)	Equity investment		% of votes (2)
				Investor	% holding	
C. Unconsolidated subsidiaries (3)						
1. Alitalia Servizi S.p.A. in amm.ne straordinaria	Fiumicino (RM)	Fiumicino (RM)	1	Fintecna S.p.A.	68.85%	68.85%
2. ASSET COMPANY 1 S.r.L.	San Donato Milanese	San Donato Milanese	1	SNAM S.p.A.	100.00%	100.00%
3. ASSET COMPANY 2 S.r.L.	San Donato Milanese	San Donato Milanese	1	SNAM S.p.A.	100.00%	100.00%
4. Cagliari 89 Scarl in liquidazione	Monastir (CA)	Monastir (CA)	1	Fintecna S.p.A.	51.00%	51.00%
5. Cinecittà Luce S.p.A. in liquidazione	Rome	Rome	1	Ligestra Quattro S.r.l.	100.00%	100.00%
6. Consorzio Aerest in liquidazione	Rome	Rome	1	Fintecna S.p.A.	97.38%	97.38%
7. Consorzio Codelsa in liquidazione	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
8. Consorzio Edinsud in liquidazione	Naples	Naples	1	Fintecna S.p.A.	58.82%	58.82%
9. Consorzio G1 in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	99.90%	99.90%
10. Consorzio IMAFID in liquidazione	Naples	Naples	1	Fintecna S.p.A.	56.85%	56.85%
11. Consorzio Italtecnasud in liquidazione	Rome	Rome	1	Fintecna S.p.A.	75.00%	75.00%
12. Consorzio MED.IN. in liquidazione	Rome	Rome	1	Fintecna S.p.A.	85.00%	85.00%
13. Ligestra QUATTRO S.r.l.	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
14. Tirrenia di Navigazione S.p.A. in amm.ne straordinaria.	Naples	Naples	1	Fintecna S.p.A.	100.00%	100.00%
15. XXI APRILE S.r.l.	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
D. Uncosolidated associates (4)						
1. Altiforni Ferriere Servola S.p.A. in amm.ne straordinaria	Udine	Udine	4	Fintecna S.p.A.	24.10%	24.10%
2. Bonafous S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
3. Cinque Cerchi S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
4. Consorzio Condif in liquidazione	Rome	Rome	4	CDP Immobiliare S.r.l.	33.33%	33.33%
5. Consorzio Edinca in liquidazione	Naples	Naples	4	Fintecna S.p.A.	47.32%	47.32%
6. Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Mercogliano (AV)	4	Fintecna S.p.A.	45.46%	45.46%
7. Fonderit Etruria S.r.l. in fallimento	Campiglia Marittima (LI)	Campiglia Marittima (LI)	4	Fintecna S.p.A.	36.25%	36.25%
8. FOSIDER S.r.l. in A.S.	Bologna	Bologna	4	CDP Immobiliare S.r.l.	40.00%	40.00%
9. OMSAV S.p.A. in fallimento	Savona	Savona	4	Fintecna S.p.A.	30.00%	30.00%
10. Pentagramma Romagna S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
11. Quadrifoglio Brescia S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
12. Quadrifoglio Genova S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
13. Quadrifoglio Modena S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
14. Quadrifoglio Piacenza S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
15. Quadrifoglio Verona S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
16. S.P.S. S.p.A. in fallimento	Rome	Rome	4	Fintecna S.p.A.	20.40%	20.40%
17. Sviluppo Turistico culturale Golfo di Napoli S.c.a.r.l.	Naples	Naples	4	CDP Immobiliare S.r.l.	25.00%	25.00%

Key

(1) Type of relationship:

1= Majority of voting rights in ordinary shareholders' meeting

2 = Dominant influence in ordinary shareholders' meeting

3 = Agreements with other shareholders

4 = Companies subject to significant influence

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

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

7 = Joint control

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

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

(4) Participation in financial rights is equal to 89.2%

(5) It concerns companies estabilished to run some separate accounts whose revenues belong, for their majority, to Ministry for the Economy and Finance. For this reason these companies, even if are totally owned, are consolidated with the equity method

The main changes in the year, which generated a net decrease of euro 959 million, referred to:

- the effect of the restatement at fair value and measurement according to the equity method for the residual equity investment in FSIA Investimenti (euro 649 million) pursuant to the agreements signed in relation to the sale of a 30% stake in the foregoing investee to Poste Italiane;
- the measurement according to the equity method for the investments in Eni (euro -1,182 million) and Poste Italiane (euro -289 million), which, despite posting positive results, reported a significant decrease in valuation reserves in the half-year period;
- the measurement according to the equity method and the impairment recognised in relation to the equity investment in Saipem (the latter amounting to euro -35 million).

Concerning FSIA, at the beginning of the year, FSI Investimenti, a subsidiary of CDP Equity, finalised the sale to Poste Italiane of a 30% stake in FSIA Investimenti for euro 278 million and also defined new governance agreements with the new shareholder. Following the analysis of said agreements and the underlying relationship based on the IFRS, FSIA is now classed under companies subject to joint control and no longer as a subsidiary.

In the consolidated financial statements, this entailed the requirement to apply paragraph 25 of IFRS 10 and thus the need to deconsolidate the assets and liabilities of FSIA, which was previously consolidated line by line. The company was therefore recognised as an "equity investment" and initially measured at fair value (based on the sale price) and then accounted for using the equity method.

Please note that, with a view to correctly assessing the accounting effects of the transaction, the equity investment in SIA - a significant asset of FSIA - had already been measured in accordance with the equity method in the consolidated financial statements of the CDP Group prior to the sale.

Impairment testing of equity investments

In compliance with the provisions of the reference accounting standards, at every reporting date the company checks the presence of objective evidence that may give it reason to believe that the carrying amount of the equity investments is no longer fully recoverable.

The identification of this evidence, based on the existence of qualitative and quantitative indicators, as described in the accounting policies, and set out in detail in the internal policies, differs according to whether or not they are equity investments in companies whose shares are listed in active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying amount to determine the recognition of any impairment losses.

Certain indicators appeared at the reporting date, which entailed running impairment tests.

The interest in ENI features significantly in the equity investment portfolio of CDP, in quantitative terms. ENI’s risk profile is consequently linked to the principal factors that determine its value and profitability.

Given the presence of signs of impairment, including a market capitalisation below the associate’s book equity, the equity investment was tested for impairment.

Specifically, the value in use was determined on the basis of IAS 36, by using the Discounted Cash Flow (DCF) method as provided for in the accounting standard.

The plan used to construct the cash flows and the other information needed to calculate the DCF were taken from public sources. The impairment test identified that the value in use was higher than the carrying amount and, consequently, the carrying amount of the associate was confirmed.

With regard to the equity investment in Saipem, its direct Parent Company (CDP Equity) detected impairment indicators in relation to the market value of the shares, which was significantly lower than their carrying amount, and in relation to Saipem’s announcement of negative results and the consequent gap with budget targets.

Therefore, CDP Equity tested the equity investment for impairment and determined its value in use in accordance with IAS 36 and internal policies. The correctness of the outcome of the foregoing process was confirmed in a fairness opinion issued by an independent third party. The resulting value in use was taken into account in the measurement of the equity investment in the consolidated financial statements of the CDP Group, which included adjustments for around euro 35 million.

REINSURERS' SHARE OF TECHNICAL RESERVES - ITEM 110

Reinsurers' share of technical reserves: breakdown

(thousands of euro)	30/06/2017	31/12/2016
A. Non-life insurance	**603,350**	**612,981**
A1. Provision for unearned premiums	496,731	508,443
A2. Provision for claims outstanding	67,277	62,629
A3. Other	39,342	41,909
B. Life insurance	**-**	**-**
B1. Mathematical reserves	-	-
B2. Provision for claims outstanding	-	-
B3. Other	-	-
C. Technical reserves where the investment risk is borne by the insured	**-**	**-**
C1. Reserves for contracts whose benefits are linked to investment funds and market indices		-
C2. Reserves from the operation of pension funds		-
D. Total reinsurers' share of technical reserves	**603,350**	**612,981**

PROPERTY, PLANT AND EQUIPMENT - ITEM 120

Property, plant and equipment: breakdown of assets measured at cost

(thousands of euro) Items/Values	Banking Group	Insurance Group	Other entities	30/06/2017	31/12/2016
1. owned	**287,543**	**86,795**	**34,781,044**	**35,155,382**	**35,116,227**
a) land	117,406	55,510	431,180	604,096	602,954
b) buildings	59,645	29,742	2,228,514	2,317,901	2,323,955
c) movables	1,986	1,322	7,246	10,554	10,915
d) electrical plant	1,195	173	360,307	361,675	392,071
e) other	107,311	48	31,753,797	31,861,156	31,786,332
2. acquired under finance leases	**-**	**-**	**8,361**	**8,361**	**8,968**
a) land	-	-	-	-	-
b) buildings	-	-	1,335	1,335	1,622
c) movables	-	-	-	-	-
d) electrical plant	-	-	-	-	-
e) other	-	-	7,026	7,026	7,346
Total	**287,543**	**86,795**	**34,789,405**	**35,163,743**	**35,125,195**

Other property, plant and equipment refers primarily to investments by Terna, Snam and Italgas in plants instrumental for the performance of their business activity.

Investment property: breakdown

(thousands of euro)

Items/Values	30/06/2017	31/12/2016
1. Owned	**50,336**	**33,462**
a) land	3,655	3,655
b) buildings	46,681	29,807
2. Acquired under finance leases	**-**	**-**
a) land	-	-
b) buildings	-	-
Totale	**50,336**	**33,462**

INTANGIBLE ASSETS - ITEM 130

Intangible assets: breakdown by category

(thousands of euro)	30/06/2017		31/12/2016	
Assets/Values	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	**x**	**653,655**	**x**	**659,576**
A.1.1 pertaining to Group	x	653,655	x	659,576
A.1.2 non-controlling interests	x	-	x	-
A.2 Other intangible assets	**7,249,246**	**16,212**	**7,258,210**	**17,551**
A.2.1 Assets carried at cost	7,249,246	16,212	7,258,210	17,551
a) internally-generated intangible assets	117,476	-	125,729	-
b) other assets	7,131,770	16,212	7,132,481	17,551
A.2.2 Assets carried at fair value	-	-	-	-
a) internally-generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**7,249,246**	**669,867**	**7,258,210**	**677,127**

Other intangible assets, which include intangible assets resulting from business combinations involving the various companies of the Group, refer primarily to:

- concessions and licences worth euro 976 million, which mainly include the value of concessions for the storage of natural gas;
- infrastructure rights worth euro 4,691 million, of which euro 4,593 million referring to Italgas, and the remainder to Terna. The item includes the value of the public-private service concession agreements relating to the development, maintenance and operation of infrastructure under concession arrangements. Under the terms of the agreements, the operator holds the right to use the infrastructure in order to provide the public service;
- customer contracts valued at euro 135 million;
- trademarks worth euro 9 million;
- technological know-how worth euro 14 million;
- software licences worth euro 190 million.

Goodwill, recognised in the amount of euro 654 million, mainly consists of:

- euro 215 million for the Terna Group;
- euro 235 million for the SNAM Group;
- euro 64 million for the Italgas Group;
- the companies in the Vard group, included in the scope of consolidation in 2013, in relation to which goodwill of euro 140 million was recognised directly by the subsidiary Fincantieri.

In relation to TERNA, SNAM, and Italgas the CGUs to which goodwill was allocated coincide with the individual legal entities and the recoverable value is equivalent to the market value of the companies, determined on the basis of the average weighted with the volumes of the prices quoted in June.

The fair value for each of these three companies was higher than the value of their respective net assets, inclusive of the effects of purchase price allocation and goodwill.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES - ITEM 150 OF THE ASSETS AND ITEM 90 OF THE LIABILITIES

Non-current assets and disposal groups: breakdown by category

(thousands of euro)	30/06/2017	31/12/2016
A. Individual assets		
A.1 Financial assets	-	533
A.2 Equity investments	-	-
A.3 Property, plant and equipment	136	185
A.4 Intangible assets	20	30
A.5 Other non-current assets	-	5,781
Total A	**156**	**6,529**
B. Groups of assets (discontinued operations)		
B.1 Financial assets held for trading	-	13,196
B.2 Financial assets at fair value	-	-
B.3 Financial assets available for sale	-	-
B.4 Financial assets held to maturity	-	-
B.5 Loans to banks	-	2,548
B.6 Loans to customers	-	-
B.7 Equity investments	-	339,633
B.8 Property, plant and equipment	25,026	24,949
B.9 Intangible assets	-	-
B.10 Other assets	-	9
Total B	**25,026**	**380,335**
C. Liabilities associated with individual assets held for sale		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	459	5,103
Total C	**459**	**5,103**
D. Liabilities associated with disposal groups held for sale		
D.1 Due to banks	-	63,020
D.2 Due to customers	-	-
D.3 Securities issued	-	-
D.4 Financial liabilities held for trading	-	441
D.5 Financial liabilities at fair value	-	-
D.6 Provisions	5,745	5,970
D.7 Other liabilities	-	23
Total D	**5,745**	**69,454**

At 31 December 2016 the balance of this item mainly referred to assets and liabilities of FSIA, which was previously consolidated line by line and classified under assets and liabilities held for sale pursuant to the agreement with Poste Italiane S.p.A. relating to the sale of a 30% stake in the investee and the ensuing loss of control over the latter.

The transaction was completed on 15 February 2017, upon satisfaction of the conditions precedent, which included obtaining a waiver from the lending banks and the applicable antitrust authorisations, as highlighted in the Equity Investments section.

The residual balance of Non-current assets held for sale, amounting to euro 25 million, refers to a building complex owned by Italgas on Via Ostiense in Rome, for which the sale to Eni S.p.A. has been approved.

OTHER ASSETS - ITEM 160

Other assets: breakdown

(thousands of euro)	Banking Group	Insurance Group	Other entities	30/06/2017	31/12/2016
Payments on account for withholding tax on postal passbooks	102,949	-	-	102,949	102,949
Other tax receivables	88	4,854	103,357	108,299	136,828
Leasehold improvements	-	-	6,108	6,108	6,606
Receivables due from investees	230	-	115,038	115,268	105,195
Trade receivables and advances to public entities	4,876	-	32,571	37,447	28,833
Construction contracts	-	-	2,244,182	2,244,182	1,409,094
Advances to suppliers	580	861	178,107	179,548	177,023
Inventories	-	19	2,284,989	2,285,008	2,388,713
Advances to personnel	18	1,099	12,979	14,096	14,370
Other trade receivables	140	91,502	3,353,536	3,445,178	4,430,230
Other items	12,307	23,388	495,113	530,808	278,656
Accrued income and prepaid expenses	4,735	3,371	237,001	245,107	222,479
Total	**125,923**	**125,094**	**9,062,981**	**9,313,998**	**9,300,976**

The item includes assets that are not classified under the previous items.

The most significant amounts refer to:

- trade receivables for euro 3,445 million, referred mainly to SNAM for euro 914 million, Terna for euro 1,568 million, Fincantieri for euro 349 million, Italgas for 446 million and SACE for euro 92 million;
- contract work in progress for euro 2,208 million, mainly regarding the shipbuilding activities of Fincantieri;
- inventories of semi-finished goods and work in progress in the amount of euro 2,285 million, which include:
  - mandatory gas reserves valued at euro 495 million, kept at owned storage sites by the subsidiary Stogit;
  - the assets for sale represented by real estate and owned by CDP Immobiliare and FIV Extra for, respectively, euro 668 and euro 665 million;
  - the semi-finished goods inventories of the Fincantieri Group, amounting to about euro 400 million.

Liabilities

DUE TO BANKS - ITEM 10

Due to banks: breakdown by type

(thousands of euro)

Type of operations/Components of group	30/06/2017	31/12/2016
1. Due to central banks	**2,474,850**	**2,474,850**
2. Due to banks	**22,281,342**	**23,217,365**
2.1 Current accounts and demand deposits	82,015	1,649,589
2.2 Fixed-term deposits	2,308,806	2,113,843
2.3 Loans	19,531,017	19,116,966
2.3.1 Repurchase agreements	6,149,172	4,977,383
2.3.2 Other	13,381,845	14,139,583
2.4 Liabilities in respect of commitments to repurchase own equity instruments	-	-
2.6 Other payables	359,504	336,967
Total	**24,756,192**	**25,692,215**

The amounts “Due to central banks”, which refer exclusively to the Parent Company CDP, relate to the credit facilities granted by the ECB within the scope of Targeted-Longer Term Refinancing Operations (TLTRO II) and their balance is unchanged compared to 31 December 2016.

Fixed-term deposits, held by the Parent Company, mainly consist of:

- the balance of passbook savings accounts and postal savings bonds held by banks of roughly euro 1,432 million (up by approximately euro 146 million on the 2016 year-end balance);
- the amounts referred to Credit Support Annex contracts to hedge counterparty risk on derivative contracts of roughly euro 657 million (up by approximately euro 216 million on the 2016 year-end balance);
- the balance of interbank deposits of approximately euro 220 million (down by euro 167 million on the 2016 year-end balance).

Loans payable, totalling euro 19,531 million, mainly refer to:

- repurchase agreements entered into by the Parent Company (around euro 6,149 million) and loans received from the EIB (around euro 4,741 million) and, for the residual amount, from the Council of Europe Development Bank (CEB);
- loans granted by the banking system to SNAM for approximately euro 2,950 million, Terna for approximately euro 1,740 million, Fincantieri for euro 1,101 million and Italgas euro 1,499 million.

DUE TO CUSTOMERS - ITEM 20

Due to customers: breakdown by type

(thousands of euro)

Type of operations/Components of group	30/06/2017	31/12/2016
1. Current accounts and demand deposits	13,000	359,000
2. Fixed-term deposits	281,760,674	282,416,933
3. Loans	17,750,693	14,171,458
3.1 Repurchase agreements	17,304,256	13,718,223
3.2 Other	446,437	453,235
4. Liabilities in respect of commitments to repurchase own equity instruments	-	-
5. Other payables	5,431,060	5,242,152
Total	**304,955,427**	**302,189,543**

Loans to customers consist mainly of fixed-term deposits, which include:

- the balance of passbook savings accounts, equal to euro 110,968 million (down by euro 7,793 million on 31 December 2016), and postal savings bonds, equal to euro 135,299 million (up by euro 4,796 million compared to 31 December 2016), issued by the Parent Company;
- the balance of the MEF liquidity management transactions (OPTES) by CDP, totalling about euro 34,994 million.

Other payables mainly regard amounts not yet disbursed at the end of the year on loans being repaid granted by the Parent Company to public entities and public-law bodies, for approximately euro 5,028 million.

SECURITIES ISSUED - ITEM 30

Securities issued: breakdown by type

(thousands of euro)

Type of securities/Values	Banking Group	Insurance Group	Other entities	30/06/2017	31/12/2016
A. Securities					
1. Bonds	12,920,473	522,176	17,540,217	30,982,866	28,067,752
1.1 structured	49,611			49,611	51,333
1.2 other	12,870,862	522,176	17,540,217	30,933,255	28,016,419
2. Other securities	872,365			872,365	40,015
2.1 structured					
2.2 other	872,365			872,365	40,015
Total	**13,792,838**	**522,176**	**17,540,217**	**31,855,231**	**28,107,767**

With respect to the Banking Group, the balance of securities issued at 30 June 2017 refers to the Parent Company and includes:

- the bonds issued under the “Euro Medium Term Notes” (EMTN) and “Debt Issuance Programme” (DIP) programmes, with a stock of approximately euro 10,037 million (+ euro 1,029 million on the 2016 year-end balance). In the first half of 2017, as part of the “Debt Issuance Programme”, new issues were made for a total nominal value of euro 1,950 million, (of which euro 1 billion in support of the Separate Account and euro 950 million in support of the Ordinary Account).
- the first bond for retail investors issued in March 2015 for approximately euro 1,464 million, with a view to diversifying the source of funding for the development of public interest projects (fully part of the Separate Account);
- two bonds issued in December 2015, guaranteed by the Italian State, fully subscribed by Poste Italiane S.p.A., with a carrying amount of euro 1,511 million (part of the Separate Account);
- the stock of commercial paper with a carrying amount of about euro 872 million, marking a net improvement (up by euro 832 million) on the 2016 year-end balance, related to the “Multi-Currency Commercial Paper Programme”.

Securities issued pertaining to the Insurance Group refer to SACE's subordinated bond issues placed with institutional investors, with an annual coupon of 3.875% for the first 10 years and indexed to the 10-year swap rate plus 318.6 basis points for the following years. The bonds can be redeemed by the issuer initially after 10 years and then at every subsequent coupon payment date.

Securities issued by Other entities mainly refer to bond placements by SNAM (euro 8,246 million), Terna (euro 6,444 million) and Italgas (euro 2,139 million).

FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 40

Financial liabilities held for trading: breakdown by type

(thousands of euro)

Type of operations/Components of group	30/06/2017	31/12/2016
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	286,025	289,047
1.1 Trading	131,381	117,349
1.2 Associated with fair value option	-	-
1.3 Other	154,644	171,698
2. Credit derivatives	-	-
2.1 Trading	-	-
2.2 Associated with fair value option	-	-
2.3 Other	-	-
Total B	**286,025**	**289,047**
Total (A+B)	**286,025**	**289,047**

The item includes mainly:

- the value of the optional component of bonds indexed to baskets of shares that were separated from the host contract (approximately euro 87 million), issued by the Parent Company;
- the negative fair value of interest rate swaps (around euro 76 million) recorded in the Parent Company consolidated financial statements;
- the derivatives of SACE (mainly currency forward purchase/sale contracts) for euro 110 million.

FINANCIAL LIABILITIES AT FAIR VALUE - ITEM 50

Financial liabilities at fair value: breakdown by type

(thousands of euro)

Type of operations/Components of group	30/06/2017	31/12/2016
1. Due to banks	-	-
1.1 Structured	-	-
1.2 Others	-	-
2. Due to customers	-	-
2.1 Structured	-	-
2.2 Others	-	-
3. Debt securities	501,265	-
3.1 Structured	501,265	-
3.2 Others	-	-
Total	**501,265**	**-**

This item includes two structured securities issued by the Parent Company in the first half of 2017 as part of the aforementioned “DIP” programme, for a total nominal value of euro 500 million, in relation to which the embedded derivative was not separated.

HEDGING DERIVATIVES - ITEM 60

Hedging derivatives: breakdown by type of hedge

(thousands of euro)	30/06/2017	31/12/2016
A. Financial derivatives	**589,056**	**970,235**
1) Fair value	508,529	847,333
2) Cash flow	80,527	122,902
3) Investment in foreign operation	-	-
B. Credit derivatives	**-**	**-**
1) Fair value	-	-
2) Cash flow	-	-
Total	**589,056**	**970,235**

FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS - ITEM 70

Fair value change of hedged financial liabilities

(thousands of euro)

Adjustment of hedged liabilities/Components of the group	30/06/2017	31/12/2016
1. Positive adjustments of financial liabilities	34,687	38,206
2. Negative adjustments of financial liabilities	-	-
Total	**34,687**	**38,206**

This item reports the net change in the value of the portfolio of postal savings bonds issued by the Parent Company, which were macro hedged against interest rate risk. The hedging relationship was interrupted in 2009 in view of the termination of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of validity of the hedging relationship, was subsequently transferred to profit or loss on the basis of the amortised cost of the originally hedged postal savings bonds.

OTHER LIABILITIES - ITEM 100

Other liabilities: breakdown

(thousands of euro)

Type of operations/Values	Banking Group	Insurance Group	Other entities	30/06/2017	31/12/2016
Items being processed	24,940	23,623	-	48,563	10,148
Amounts due to employees	7,853	1,901	98,892	108,646	115,028
Charges for postal funding service	396,117	-	-	396,117	363,975
Tax payables	75,239	4,196	92,435	171,870	248,732
Construction contracts	-	-	620,369	620,369	785,249
Trade payables	13,892	43,121	4,364,948	4,421,961	4,546,416
Due to social security institutions	3,878	2,281	108,352	114,511	97,072
Write-downs of guarantees and commitments	86,275	-	-	86,275	167,563
Accrued expenses and deferred income	2,247	420	421,147	423,814	336,848
Other items of insurance companies	36,761	282	-	37,043	30,818
- due to insured for recovered amounts	-	45	-	45	-
- liabilities for premiums to be reimbursed	-	9	-	9	17,441
- processing expenses	-	228	-	228	35
- collections from factoring being processed	36,761	-	-	36,761	13,342
Other	77,538	20,227	1,546,536	1,644,301	1,349,463
Total	**724,740**	**96,051**	**7,252,679**	**8,073,470**	**8,051,312**

The item reports other liabilities not otherwise classified under the previous items and is analysed as follows.

For the Banking Group, the main items under this heading are:

- the payable to Poste Italiane of about euro 396 million, relating to the portion of commissions due in respect of the postal savings funding service not yet paid at the reporting date;
- tax payables totalling about euro 75 million, mainly regarding the substitute tax levied on interest paid on postal savings products;

The decrease in provisions for adjustments to guarantees issued and commitments, down from euro 167 million at 31 December 2016 to around euro 86 million at 30 June 2017 (down by around euro 82 million), referred to subscription commitments made by CDP in respect of Fondo Atlante (euro 78 million), called-up and paid in January 2017, for which provisions for adjustments were allocated as at 31 December 2016. At the time of payment of the called-up portion in January 2017, in view of the decrease in provisions for commitments, the value of the stake was reduced under item 40 of the balance sheet assets “Financial assets available for sale”.

With regard to Other Group entities, the item mainly regards:

- trade payables for about euro 4,365 million, mainly related to Terna (about euro 2,329 million), Fincantieri (about euro 1,426 million), SNAM (about euro 326 million), and Italgas (about euro 230 million);

- other SNAM items for euro 991 million, referred to payables for investing activities for euro 296 million and liabilities towards Cassa per i Servizi Energetici e Ambientali for euro 551 million. The latter mainly refer to accessory tariff components pertaining to natural gas transportation and distribution activities.

PROVISIONS FOR RISKS AND CHARGES - ITEM 120

Provisions for risks and charges: breakdown

(thousands of euro) Items/Components	Banking Group	Insurance Group	Other entities	30/06/2017	31/12/2016
1. Company pension plans	-	-	-	-	-
2. Other provisions	41,361	145,604	2,440,162	2,627,127	2,719,258
2.1 legal disputes	23,113	2,759	244,067	269,939	272,978
2.2 staff costs	15,117	6,875	147,409	169,401	192,074
2.3 other	3,131	135,970	2,048,686	2,187,787	2,254,206
Total	**41,361**	**145,604**	**2,440,162**	**2,627,127**	**2,719,258**

The accruals included in 2.3 “Other risks and charges”, totalling approximately euro 2,188 million at 30 June 2017, consist mainly:

- of approximately euro 589 million in provisions for the dismantling and reclamation of sites, recorded mainly for liabilities that are likely to be incurred to remove the structures and reclaim natural gas storage and transportation sites;
- of about euro 312 million in provisions for the reclamation and conservation of properties, as well as provisions for commitments in respect of contracts. The estimate of the liabilities recognised is based both on technical assessments (relating to the determination of works to be carried out or actions to be taken) and on legal assessments, bearing in mind contractual provisions in force;
- of about euro 60 million in potential liabilities for contractual guarantees issued to customers in line with market practices and conditions;
- of approximately euro 52 million in tax disputes.

TECHNICAL RESERVES - ITEM 130

Technical reserves: breakdown

(thousands of euro)	Direct business	Indirect business	Total 30/06/2017	Total 31/12/2016
A. Non-life insurance	**2,392,931**	**103,073**	**2,496,004**	**2,794,066**
A1. Provision for unearned premiums	1,861,230	99,345	1,960,575	2,178,591
A2. Provision for outstanding claims	530,430	3,728	534,158	614,489
A3. Other	1,271	-	1,271	986
B. Life insurance				
B1. Mathematical reserves				
B2. Provision for claims outstanding				
B3. Other				
C. Technical reserves where the investment risk is borne by the insured				
C1. Reserves for contracts whose benefits are linked to investment funds and market indices				
C2. Reserves from the operation of pension funds				
D. Total technical reserves	**2,392,931**	**103,073**	**2,496,004**	**2,794,066**

GROUP EQUITY - ITEMS 140, 170, 180, 190, 210 AND 220

The share capital of the Parent Company of euro 4,051,143,264 at 30 June 2017 is fully paid up and is composed of 342,430,912 ordinary shares, without par value.

At 30 June 2017, the Company held treasury shares with a value of euro 57,220,116.

Share capital - Number of shares of the Parent Company: changes for the year

Items/Type	Ordinary	Other
A. Shares at start of the year	**342,430,912**	**-**
- fully paid	342,430,912	-
- partly paid	-	-
A.1 Treasury shares (-)	(4,451,160)	-
A.2 Shares in circulation: opening balance	**337,979,752**	**-**
B. Increases	**45,980,912**	**-**
B.1 New issues	-	-
- for consideration:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**337,979,752**	**-**
D.1 Treasury shares (+)	4,451,160	-
D.2 Shares at end of the period	-	-
- fully paid	342,430,912	-
- partly paid	-	-

Group equity: breakdown

(thousands of euro)	30/06/2017	31/12/2016
1. Share capital	4,051,143	4,051,143
2. Share premium reserve	2,378,517	2,378,517
3. Reserves	12,870,742	13,660,240
4. Tresury shares	(57,220)	(57,220)
5. Valuation reserves	1,069,157	2,342,285
6. Equity instruments	-	-
7. Profit (loss) for the period	1,575,266	153,099
Total group equity	**21,887,605**	**22,528,064**

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

INTEREST - ITEMS 10 AND 20

Interest income and similar income: breakdown

(thousands of euro)

Items/Technical forms	Debt securities	Loans	Other	30/06/2017	30/06/2016
1. Financial assets held for trading	2,796	-	-	2,796	2,196
2. Financial assets at fair value	1,745	-	-	1,745	1,498
3. Financial assets available for sale	47,273	-	-	47,273	45,188
4. Financial assets held to maturity	475,910	-	-	475,910	488,846
5. Loans to banks	3,989	118,181	-	122,170	146,187
6. Loans to customers	123,792	3,028,049	-	3,151,841	2,674,016
7. Hedging derivatives	x	x	2,008	2,008	77,991
8. Other assets	x	x	102,954	102,954	73,654
Total	**655,505**	**3,146,230**	**104,962**	**3,906,697**	**3,509,576**

Interest income accrued at 30 June 2017 amounted to approximately euro 3,907 million (up by approximately euro 397 million on the first half of 2016) and mainly comprised:

- interest income on loans to banks and customers, amounting to about euro 1,810 million (down by euro 74 million on 30 June 2016);
- interest income on cash and cash equivalents of the Parent Company held with the Central State Treasury, account no. 29814, amounting to around euro 1,336 million (up by approximately euro 488 million on 30 June 2016);
- interest income on debt securities, amounting to about euro 656 million (up by euro 30 million on 30 June 2016);
- interest income on “other assets” amounting to around euro 103 million (up by euro 29 million on 30 June 2016).
- the positive balance of differentials on hedging transactions, amounting to euro 2 million (down by euro 76 million on 30 June 2016).

Sub-item “8. Other assets” includes, amongst others, interest accrued on financial liabilities which, due to negative remuneration, gave rise to an income (interest income). This is in line with the EBA’s instructions where the sign of the economic component prevails over the nature of the balance sheet item.

Interest expense and similar expenses: breakdown

(thousands of euro)

Items/Type	Payables	Securities	Other	30/06/2017	30/06/2016
1. Due to central banks	-	X	-	-	870
2. Due to banks	68,042	X	-	68,042	76,415
3. Due to customers	1,992,724	X	-	1,992,724	1,935,701
4. Securities issued	X	320,358	-	320,358	412,031
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	X	34,389	34,389	61,344
8. Hedging derivatives	X	X	-	-	-
Total	**2,060,766**	**320,358**	**34,389**	**2,415,513**	**2,486,361**

Interest expense at 30 June 2017 related mainly to:

- remuneration of the Parent Company’s postal funding, amounting to approximately euro 2,012 million;
- interest expense on securities issued by insurance companies (approximately euro 10 million) and interest accrued on securities issued by other companies (approximately euro 179 million) and by the Parent Company (euro 131 million).

The sub-item “Other liabilities and provisions” includes, amongst others, interest accrued on financial assets that, due to negative remuneration, gave rise to a charge (interest expense).

COMMISSION - ITEMS 40 AND 50

Commission income: breakdown

(thousands of euro)

Type of services/Amounts	30/06/2017	30/06/2016
a) guarantees issued	18,017	20,882
b) credit derivatives	-	-
c) management, intermediation and advisory services:	2,715	4,266
1. trading of financial instruments	-	-
2. trading of currencies	-	-
3. management of portfolios	2,715	4,266
3.1. individual	-	-
3.2. collective	2,715	4,266
4. custody and administration of securities	-	-
5. custodian bank	-	-
6. placement of securities	-	-
7. receipt and transmission of orders	-	-
8. advisory services	-	-
8.1. for investments	-	-
8.2. for structured finance	-	-
9. distribution of third party services	-	-
9.1. management of portfolios	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2 insurance products	-	-
9.3. other products	-	-
d) collection and payment services	-	-
e) servicing for securitisations	-	-
f) factoring services	6,810	7,943
g) collection services	-	-
h) management multilateral trading systems	-	-
i) maintenance and management of current accounts	-	-
j) other services	24,561	**30,441**
Total	**52,103**	**63,532**

Commission on guarantees issued, amounting to around euro 18 million, are entirely attributable to the Parent Company.

Commission income from other services includes commission income accrued by the Parent Company on agreements signed with the Ministry of the Economy and Finance in relation to the management of assets and liabilities transferred to the MEF pursuant to article 3 of Italian Ministerial Decree of 5 December 2003, as well as commission income from the management of the Kyoto Fund and the Revolving Fund supporting enterprises and investment in research (FRI) and from other services provided (approximately euro 2 million).

Commission income also includes revenues amounting to euro 9 million accrued by the subsidiary SIMEST for the management of public funds and around euro 7 million for services linked to factoring transactions of the subsidiary SACE Fct. Asset management commissions refer to the core business of the subsidiary CDPI SGR.

Commission expense: breakdown

(thousands of euro)

Services/Amounts	30/06/2017	30/06/2016
a) guarantees received	6,443	7,252
b) credit derivatives	-	-
c) management and intermediation services:	799,987	816,686
1. trading of financial instruments	34	-
2. trading of currencies	-	-
3. management of portfolios	905	-
3.1 Own portfolio	905	-
3.2 Third-party portfolio	-	-
4. custody and administration of securities	-	-
5. placement of financial instruments	799,048	816,686
6. door-to-door selling of financial instruments, products and services	-	-
d) collection and payment services	2,289	2,154
e) other services	5,360	3,799
Total	**814,079**	**829,891**

Commission expense is almost exclusively attributable to the Parent Company and mainly refers to remuneration due in the period to Poste Italiane S.p.A. for managing postal savings products, equivalent to around euro 793 million (down by euro 16 million on 30 June 2016).

The agreement between CDP and Poste Italiane S.p.A. modifies the fee structure and no longer provides for a commission directly attributable to the issue of new postal bonds, but rather a comprehensive fee for the activities involved in providing the service, which is fully expensed in the year in which it accrues. The fee structure is consistent with the developments in the service provided by Poste Italiane S.p.A., which now emphasises the overall management of postal savings rather than merely providing placement services.

DIVIDENDS AND SIMILAR REVENUES - ITEM 70

The balance of this item at 30 June 2017 was euro 1 million (0.5 million at 30 June 2016) and refers mainly to units of UCIs.

PROFITS (LOSSES) ON TRADING ACTIVITIES- ITEM 80

The net loss on trading activities amounted to euro 184 million (against a profit of euro 62 million at 30 June 2016), of which euro 175 million referring to the Group’s insurance companies and deriving from losses on exchange rate differences (euro 79 million), losses on derivatives indexed to currencies (euro 42 million) and capital losses on units of UCIs (euro 63 million).

FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - ITEM 90

Fair value adjustments in hedge accounting were negative by euro 13 million, marking an improvement of euro 1 million compared to 30 June 2016. The measurement component closed with a net loss of euro 11 million and the disposals component was also negative (euro 2 million).

PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - ITEM 100

This item closed with a loss of euro 5 million (against a profit of euro 29 million at 30 June 2016) and refers entirely to operations of the Parent Company. In detail, this item includes the net loss realised on the sale of debt securities under financial assets available for sale (approximately euro 15 million), partly offset by fees received from customers on the early repayment of mortgage loans (around euro 10 million) and the gain realised on the sale of the equity investment in Sinloc (around euro 0.3 million).

PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE - ITEM 110

This item includes:

- the negative impact of the fair value adjustment of a debt security (euro 2 million);
- the loss of euro 1 million accrued on two securities issued by the Parent Company in the first half 2017 (total nominal value euro 500 million) under the Debt Issuance Programme ("DIP"), which were not separated from the embedded derivative.

NET LOSSES/RECOVERIES ON IMPAIRMENT - ITEM 130

This item, totalling approximately euro -122 million, refers to the net balance between impairment losses and recoveries on loans, available-for-sale financial assets and other financial transactions, calculated on an analytically and collective basis. The recoveries from interest refer to the recoveries connected with the passing of time, deriving from the accrual of interest during the period based on the original effective interest rate used to calculate the value adjustments.

Net losses/recoveries on loan impairment: breakdown

(thousands of euro)	Writedowns			Writebacks				30/06/2017	30/06/2016
	Specific			Specific		Portfolio			
Type of operations/P&L items	Writeoffs	Other	Portfolio	A	B	A	B		
A. Loans to banks	**-**	**-**	**(3,496)**	**-**	**-**	**-**	**-**	**(3,496)**	**(31,672)**
- Loans	-	-	(3,028)	-	-	-	-	(3,028)	(31,672)
- Debt securities	-	-	(468)	-	-	-	-	(468)	
B. Loans to customers	**-**	**(9,734)**	**(16,884)**	**231**	**8,498**	**-**	**5,410**	**(12,479)**	**(3,706)**
Impaired loans acquired	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
- Loans	-	-	X	-	-	X	X	-	-
- Debt securities	-	-	X	-	-	X	X	-	-
Other receivables	**-**	**(9,734)**	**(16,884)**	**231**	**8,498**	**-**	**5,410**	**(12,479)**	**(3,706)**
- Loans	-	(9,734)	(15,449)	231	8,498	-	5,410	(11,044)	(3,359)
- Debt securities	-	-	(1,435)	-	-	-	-	(1,435)	(347)
C. Total	**-**	**(9,734)**	**(20,380)**	**231**	**8,498**	**-**	**5,410**	**(15,975)**	**(35,378)**

Key

A = From interest

B = Other writebacks

Net impairment losses/recoveries on financial assets available for sale: breakdown

	Writedowns		Writebacks		30/06/2017	30/06/2016
(thousands of euro)	Specific		Specific			
Type of operations/P&L items	Writeoffs	Other	A	B		
A. Debt securities					-	
B. Equity securities		(325)	X	X	(325)	
C. Units in collective investment undertakings		(183,776)	X		(183,776)	(3,092)
D. Loans to banks					-	
E. Loans to customers					-	
F. Total		**(184,101)**			**(184,101)**	**(3,092)**

Key

A = From interest

B = Other writebacks

The adjustment of euro 184 million refers to the impairment of the investment in Fondo Atlante.

Net impairment losses/recoveries on other financial transactions: breakdown

(thousands of euro) Type of operations/P&L items	Writedowns			Writebacks				30/06/2017	30/06/2016
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees issued	-	-	(434)	-	69	-	3,264	2,899	(4,476)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	(3,312)	-	-	-	211	(3,101)	(3,165)
D. Other operations	-	-	-	-	78,282	-	-	78,282	-
E. Total		**-**	**(3,746)**		**78,351**		**3,475**	**78,080**	**(7,641)**

Key

A = from interest

B = other writebacks

Fondo Atlante

The Parent Company holds 500 units of the alternative investment fund Fondo Atlante (out of a total of 4,249), against a total commitment of euro 500 million, of which, approximately euro 439 million paid up and approximately euro 61 million still to be called up.

The investment in the fund is classified under financial assets available for sale and is therefore measured at fair value.

At 30 June 2017, the total value of the units held by CDP in Fondo Atlante totalled around euro 39 million, calculated on the basis of the unit value communicated by the manager Quaestio Capital Management Sgr, equivalent to euro 78,100.986. The value of the units reflects the zeroing of the value of two investee banks located in the Veneto region (Veneto Banca S.p.A. and Banca Popolare di Vicenza S.p.A.), which have been placed under compulsory administrative liquidation.

Consequently, further net impairment losses totalling euro 106 million were necessarily recorded at 30 June 2017, of which euro 184 million for adjustments recognised under item 130.b “Net impairment losses/recoveries on financial assets available for sale”, in part offset by the recovery of approximately euro 78 million made on the line item 130.d “Net impairment losses/recoveries on other financial transactions” to reflect the transfer to the income statement of adjustments made as at 31 December 2016 on commitments called-up and paid in January 2017.

NET INSURANCE PREMIUMS - ITEM 150

Net insurance premiums: breakdown

(thousands of euro)

Premiums from insurance activity	Direct work	Indirect work	30/06/2017	30/06/2016
A. Life insurance				
A.1 Gross premium income recognised (+)	-	-	-	-
A.2 Premiums transferred to reinsurance (-)	-	X	-	-
A.3 Total	-	-	-	-
B. Non-life insurance				
B.1 Gross premium income recognised (+)	223,193	15,821	239,014	203,725
B.2 Premiums transferred to reinsurance (-)	(44,231)	X	(44,231)	(51,256)
B.3 Change in gross amount of provision for unearned premiums (+/-)	222,568	(2,417)	220,151	(157,695)
B.4 Change in reinsurer's share of provision for unearned reserves (-/+)	15,167	242	15,409	57,868
B.5 Total	416,697	13,646	430,343	52,642
C. Total net premium income	**416,697**	**13,646**	**430,343**	**52,642**

NET OTHER INCOME (EXPENSE) FROM INSURANCE OPERATIONS - ITEM 160

Net other income (expense) from insurance operations: breakdown

(thousands of euro)	30/06/2017	30/06/2016
1. Net change in technical provisions	(2,849)	(3,165)
2. Claims accrued and paid during the period	95,619	68,354
3. Other net profit (loss) on insurance operations	(12,559)	(1,437)
Total	**80,211**	**63,752**

Staff costs - Item 180A

Staff costs: breakdown

(thousands of euro) Type of expenses	Banking group	Insurance group	Other entities	30/06/2017	30/06/2016
1) Employees	**54,440**	**32,492**	**790,452**	**877,384**	**832,834**
a) wages and salaries	39,505	20,419	546,312	606,236	573,657
b) social security costs	212	29	29,978	30,219	68,907
c) staff severence pay	247	430	9,752	10,429	16,998
d) pension costs	8,825	5,718	154,019	168,562	119,029
e) allocation to staff severance pay	55	112	7,945	8,112	2,432
f) allocation to provision for post-employment benefits	-	-	351	351	-
- defined contribution	-	-	351	351	-
- defined benefit	-	-	-	-	-
g) payments to external supplementary pensions funds:	2,520	1,685	20,649	24,854	20,394
- defined contribution	2,520	1,685	19,377	23,582	19,276
- defined benefit	-	-	1,272	1,272	1,118
h) costs arising from share-based payment arrangements	-	-	-		0
i) other employee benefits	3,076	4,099	21,446	28,621	31,417
2) Other personnel in service	**648**	**121**	**4,434**	**5,203**	**4,004**
3) Board of Directors and Board of Auditors	**700**	**367**	**6,903**	**7,970**	**13,230**
4) Retired personnel	**-**	**-**	**-**	**-**	
Total	**55,788**	**32,980**	**801,789**	**890,557**	**850,068**

Other administrative expenses - Item 180B

Other administrative expenses: breakdown

(thousands of euro) Type of expenses/Amounts	Banking group	Insurance group	Other entities	30/06/2017	30/06/2016
IT costs	10,014	2,595	53,779	66,388	58,563
General services	4,146	1,039	1,799,087	1,804,272	1,840,675
Professional and financial services	4,429	3,576	206,955	214,960	189,379
Publicity and marketing expenses	995	470	12,335	13,800	9,281
Other personnel-related expenses	1,016	1,228	12,190	14,434	15,982
Utilities, duties and other expenses	2,720	3,500	105,622	111,842	106,845
Information resources and databases	802	2,520	129	3,451	3,414
Corporate bodies	169	-	106	275	391
Total	**24,291**	**14,928**	**2,190,203**	**2,229,422**	**2,224,530**

NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES - ITEM 190

Net accruals to provisions for risks and charges: breakdown

(thousands of euro)

Type of transactions/Amounts	Accruals	Reversal of excess	30/06/2017
Net provisions for legal disputes	(1,616)	1,058	(558)
Net provisions for sundry expenses for personnel	(6,120)	920	(5,200)
Net provisions for tax disputes	(1,707)	278	(1,429)
Net sundry provisions	(58,215)	19,293	(38,922)
Total	**(67,658)**	**21,549**	**(46,109)**

NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY, PLANT AND EQUIPMENT - ITEM 200

Net adjustments to/recoveries on property, plant and equipment: breakdown

(thousands of euro)

Assets/P&L items	Banking Group	Insurance Group	Other Entities	30/06/2017
A. Property, plant and equipment				
A.1 Owned	(2,092)	(1,090)	(672,558)	(675,740)
- For operations	(2,092)	(1,090)	(672,558)	(675,740)
- For investment				-
A.2 Acquired under finance leases			(545)	(545)
- For operations			(545)	(545)
- For investment				-
Total	**(2,092)**	**(1,090)**	**(673,103)**	**(676,285)**

NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - ITEM 210

Net adjustments to/recoveries on intangible assets: breakdown

(thousands of euro)

Assets/P&L items	Banking Group	Insurance Group	Other Entities	30/06/2017
A. Intangible assets				
A.1 Owned	(1,230)	(1,107)	(284,015)	(286,352)
- Internally generated by the company		(1,025)	(15,887)	(16,912)
- Other	(1,230)	(82)	(268,128)	(269,440)
A.2 Acquired under finance leases				-
Total	**(1,230)**	**(1,107)**	**(284,015)**	**(286,352)**

OTHER OPERATING INCOME (COSTS) - ITEM 220

Other operating costs: breakdown

(thousands of euro) Type of expenses/Amounts	Banking group	Insurance group	Other entities	30/06/2017	30/06/2016
Depreciation of leasehold improvements	-	-	499	499	541
Ordinary maintenance costs of buildings for investment use	-	-	-	-	-
Other	1,057	3,330	114,458	118,845	71,642
Total	**1,057**	**3,330**	**114,957**	**119,344**	**72,183**

Other operating income: breakdown

(thousands of euro) Type of expenses/Amounts	Banking group	Insurance group	Other entities	30/06/2017	30/06/2016
Income for company engagements to employees	206	-	199	405	331
Recovery of expenses	643	-	2,404	3,047	11,422
Rental income and other income from property management	-	276	78,785	79,061	38,964
Revenues from industrial management	-	-	5,291,688	5,291,688	5,132,258
Other	271	2,603	46,776	49,650	20,528
Total	**1,120**	**2,879**	**5,419,852**	**5,423,851**	**5,203,503**

Revenues from industrial operations refer to:

- Fincantieri in the amount of euro 2,237 million;
- Snam in the amount of euro 1,236 million;
- Terna in the amount of euro 1,044 million;
- Italgas in the amount of euro 774 million.

Income from property management is primarily attributable to FIV Extra and CDP Immobiliare.

GAINS (LOSSES) ON EQUITY INVESTMENTS - ITEM 240

Gains on equity investments, amounting to euro 952 million (against a loss of euro 350 million at 30 June 2016) include the effects of measurement at equity for companies subject to joint control or significant influence, as well as the effect of the sale of a portion of the equity investment in the former subsidiary FSIA and the restatement at fair value of the residual equity investment.

In detail, the balance of this item is mainly attributable to:

- the positive effect of the measurement according to the equity method of the equity investments in ENI (euro 157 million), Poste Italiane (euro 179 million) and Trans Austria Gasleitung (euro 44 million);
- the impact of the aforementioned sale of a portion of the equity investment in FSIA, which, inclusive of the measurement at equity, resulted in the recognition of a positive income component totalling euro 598 million;
- the negative effect of the measurement at equity of Ansaldo Energia (euro 14 million) and the overall negative effect of the measurement at equity and the value adjustment made on the equity investment in Saipem (the latter for euro 35 million).

INCOME TAX FOR THE PERIOD ON CONTINUING OPERATIONS - ITEM 290

Current taxes amounted to euro -581.9 million compared to euro -567.3 million at 30 June 2016. For many of the companies included in the consolidation scope, the change in the period reflected the reduction, from 1 January 2017 onwards, of the IRES rate from 27.5% to 24%, a provision which was not applicable, among others, to the Parent company and to SACE.

The flow of taxes into the Group from the Snam, Terna, Italgas and Fincantieri groups amounted to -397.5 million euro. In particular, the aggregate tax of the Snam and Italgas groups generated a higher charge of around euro 10 million, mainly as a result of the two opposite sign performances of an increasing taxable amount for the period and a decreasing ACE benefit (Aid for Economic Growth) partially offset against the reduction of the IRES rate for the Italgas group and the Snam group.

The Terna group's taxes also showed a decrease, amounting in total to euro -6.8 million, essentially depending on the lower tax rate mentioned above.

The Parent Company, whose gross tax flow was on the rise and amounted to euro 226 million, was affected by the different mix of economic components that generated a higher tax base and, therefore, a higher current tax charge.

RISK MONITORING

Within the organisational structure of the Parent Company, the Chief Risk Officer (CRO), who reports directly to the Chief Executive Officer (CEO), is responsible for the governance of all types of risk and the clearly presenting the overall risk profile and solidity of CDP to the Board of Directors. As part of this mandate, the CRO coordinates the activities of the Risk Management and Anti-Money Laundering (RMA) Unit, of the Compliance Service and of the Lending Department. RMA is responsible for supporting the CRO with the governance and monitoring of all types of risks, rendering transparent the overall risk profile of CDP and the capital requirements associated with each category of risk.

These types of risk are defined by the Risk Policy approved by the Board of Directors in 2010 and subsequently updated as necessary. They are classifiable in terms of market risks (which include equity risk, interest rate risk, inflation risk, and exchange rate risk), liquidity risk, credit risk (which includes concentration and counterparty risks), operating risks, and reputation risks. The Risk Policy is updated semi-annually and includes the Risk Management Rules and the related documents, each of which focuses on a specific category of risks (e.g. interest rate risk) or area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy represents a key tool used by the Board of Directors to define the risk appetite of CDP, the tolerance thresholds, risk limits, risk management policies, and framework of related organisational processes.

The Risk Management and Anti-Money Laundering Area is structured into the following Services:

- Credit and Counterparty Risk
- Financial Engineering and Fair Value Measurement
- Market and Liquidity Risks (ALM)
- Operating risks
- Equity Investment Risks
- Loan monitoring and control
- Anti-Money Laundering.

The Head of the Equity Investments Risk Service is also attributed the role of coordinating risk management at group level.

The Board Risk Committee is set up within the Board of Directors and has control and guidance functions with respect to risk management and the assessment of the adoption of new products. The CEO is supported by the Internal Risks Committee. This technical and advisory body gives op inions on policy and control issues concerning the overall risk profile of CDP and operating assessment of especially important risks.

The RMA verifies compliance with the limits set by the Board of Directors and the operating limits established by the CEO, recommending corrective measures to the Internal Risk Committee that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and participating in capital management activities.

The Financial Engineering and Fair Value Measurement unit is also responsible for providing the company with certified calculation models.

Within the group companies, the bodies participating in the risk and control management systems consist not only of top management but also second level control functions (Risk Management, Compliance, Anti-Money Laundering) and third level control functions (Internal Auditing).

1. CREDIT RISK

The principles followed by the Parent Company in its lending activities are set out in the Lending Rules, which also govern the lending process and the roles of the units involved.

The Lending Department, which reviews loans, is responsible inter alia for issuing the internal rating and estimate of the Loss Given Default. These parameters are used for management purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy. This latter document is approved by the CEO, who applies the methods adopted by CDP for the assignment of internal ratings to counterparties and in producing internal estimates of the recovery rate for individual financing operations. The Lending Department is also responsible for monitoring existing loans, as regards performance of the loans themselves and the evolution of the counterparty’s financial situation and developments in their industry.

RMA is responsible for the methods used to determine the risk-adjusted pricing, monitoring the risk-adjusted return, and the measured portfolio concentration. RMA regularly monitors the overall performance of loan portfolio risk, inter alia to identify those corrective measures designed to optimise the risk/return profile.

The credit risk responsibilities of RMA also include:

- performing specific controls to ensure that the performance of individual exposures is properly monitored, and especially the performance of non-performing loans, that the classifications are consistent, that the accrued provisions are adequate, and that the recovery process is adequate;
- the preparation of Guidelines, Regulations and Policies on ratings and recovery rate;
- the definition, selection, and implementation of models, methods, and instruments of the internal rating system, guaranteeing that it is constantly monitored and updated.

In regard to non-performing counterparties, the Lending Department reviews any proposals made for restructuring – possibly with the support of other departments for more complex cases – while RMA performs second level control. Contractual amendment requests for performing loans (“waivers”) are managed instead by the Management Middle Office Department.

In particular, the Board of Directors of the Parent Company has set out the risk assumption guidelines for the subsidiaries included in the “credit group”,[22] which establish a specific governance process for the most important transactions in terms of risk. The risk policies applied to the credit portfolio of the Parent Company are based on modular structure, consisting of a hierarchical structure for the adopted protections. The same structure was used to define the guidelines for tracing responsibility back to the Parent Company for specific transactions that are the most critical in terms of risk. A non-binding opinion by the Parent Company has to be obtained in these cases.

The management of credit risk connected with the factoring activities operated by SACE Fct is regulated by internal corporate regulations. These apply from the initiation of contact and preliminary assessment of the counterparty, to possible management of credit collection.

The factoring process is broken down into the following phases: (i) an investigation aimed at preparing an initial assessment of the counterparty; (ii) a decision based on the thresholds and delegations of authority deriving from assessment of its creditworthiness; (iii) execution of the relationship, (iv) revision of the expiring credit facilities, with a new review and decision-making process; (v) operating management and management of anomalous loans, requiring possible value adjustments, the commencement of judicial or extra-judicial proceedings for credit recovery or, if it is decided not to pursue legal action, the preparation of an irrecoverable credit report.

The entire group adopts procedures for the credit risk management and measurement aimed at assessing the quality of credit assets. This is done both when the loan is first granted/approved and through the lifetime of the loan, by monitoring the performance of portfolio positions.

In regard to the credit risk management and control policies of the Separate Account, the Parent Company adopts a system for approving loans to local entities. This system can be used to classify each loan in uniform risk categories, by adequately defining the risk level associated with the individual entities, with the aid of quantitative parameters that are differentiated by type of entity and their individual dimensions. This loan approval system uses qualitative and quantitative criteria to identify the cases where the debtor’s creditworthiness requires further analysis.

For the Ordinary Account and loans to private-sector parties under the Separate Account portfolio, CDP uses a validated proprietary model to calculate portfolio credit risk. With the same system CDP also calculated the economic capital associated with the entire loan portfolio, with the sole exception of positions associated with country risk.

RMA monitors compliance with the system of limits and the for composition of the loan portfolio, which are in integral part of the Risk Policy. The limits are set according to the credit rating of each counterparty, and become more rigorous as

[1] CDP’s credit group, as defined internal management purposes, comprises CDP S.p.A., SACE S.p.A., SACE FCT S.p.A., SACE BT S.p.A. and Simest S.p.A.

the rating and recovery rate decrease, according to proportions based on the extent of capital being used. RMA also carries out stress tests on the risk metrics of the loan portfolio.

The methods adopted for the allocation of internal ratings aim to ensure compliance with an adequate level of transparency and consistency, including through traceability of the allocation process.

Developed by specialised outsourcers, the internal rating models used as benchmark tools in the internal rating assignment process are broken down according to the principal types of CDP customers, according to their size, legal form, and sector.

Consistently with agency rating practice, the scale of ratings adopted by CDP is broken down into 21 classes, of which 10 are for “investment grade” positions and 11 for “speculative grade”. A class is also used for counterparties in default. Given the limited number of historical defaults in the CDP portfolio, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using databases acquired from a specialised provider.

Default is defined in accordance with supervisory regulations issued by the Bank of Italy for banks.

The internal estimates of Loss Given Default take into account the different types of guarantees, as well as recovery times, and are differentiated by category of customer.

The rating system is used in the loan approval process (for private individuals also in the setting of risk-adjusted prices), for monitoring loan performance, to calculate general provisions, within the limits framework and to measure the use of capital. The risk assessment assigned to the counterparty is updated at least annually. Regardless, it is reviewed at any time during the year whenever events occur or information is acquired that significantly affect the credit rating.

In accordance with its own operations, SACE Fct has developed an internal scoring model for the assessment of public counterparties and, more specifically, of municipalities and provinces. In that area, the Company complements the qualitative rating given by the AIDA PA rating tool (rating on 11 classes) with another six indicators, representing the creditworthiness of the public counterparties. The internally determined score is compared with the appropriate thresholds. Scores higher than those thresholds qualify the analysed counterparty for a positive rating.

2. COUNTERPARTY RISK

In order to mitigate the counterparty risk generated by transactions in derivatives, new loans are allowed only with counterparties with which framework netting arrangements, supported by Credit Support Annex, that provide for the exchange of collateral (under ISDA 2002) are possible.

With respect to the mitigation of the risk related to securities financing transactions, most repurchase agreements were entered into with the central counterparty Cassa di Compensazione e Garanzia, benefiting from robust protections against counterparty risk. Transactions not carried out with central counterparties are subject to framework netting arrangements that provide for the exchange of collateral (GMRA - Global Master Repurchase Agreement, under ISMA 2000).

3. INTEREST RATE RISK

As part of its activities, the Parent Company is exposed to interest rate risk in all its forms: repricing, yield curve, basis and optionality. It also monitors inflation risk within the same conceptual and analytical framework as interest rate risk on the banking book. The interest rate and the inflation risks can affect the profits and economic value of the Group.

With respect to specific activities, CDP faces a substantial level of interest rate risk for the structure of assets and liabilities: a considerable portion of the CDP balance sheet consists of funding through Ordinary Fixed-rate Bonds with an early redemption option, while the stock of loans is mainly fixed rate. Other types of Postal Savings Bonds also include an early redemption option whose value is significantly affected by interest rates and inflation.

The basic approach taken by CDP to measuring and managing interest rate risk is an “economic value perspective”, which complements the “profitability perspective”. The economic value perspective corresponds to the long-term representation of the profitability perspective, as economic value is essentially equal to the discounted sequence of future net interest income.

From this perspective, CDP analyses its exposure and risk profile by assessing balance sheet items that are sensitive to interest rates, quantifying their reaction to small changes (sensitivity analysis) and major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and composite indicators representing the economic capital necessary for the risks involved.

This monitoring structure is translated into the calculation of value at risk (VaR), which CDP calculates using methods based on historical simulation.

To quantify and monitor the interest rate risk of the banking book, CDP measures VaR both over short time horizons – such as over one day or ten days – and annually, which is more suited to internal assessment of capital adequacy, with particular regard to risk pertaining to the banking book. The short-term and annual measures of VaR share the same combination of models for valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is used for backtesting, because there is a larger pool of figures available over that interval.

VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risk. More specifically, limits have been established on the impact on the economic value of parallel shifts (+/- 100 basis points) in the yield curve and the inflation curve. In addition to these limits, further, more granular limits are in place, which are set by the Chief Executive Officer.

CDP also assesses the impact of interest rate risk on income for shorter horizons using internal planning and ALM systems, specifically quantifying the impact of parallel shifts in the yield curve on net interest income.

CDP's ALM approach seeks to limit the volume of hedging derivatives by exploiting "operational hedges" between fixed-rate assets and liabilities. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance Area.

The measurement and the monitoring of interest rate risk are performed by the RMA and are discussed within the Finance Committee. The Board of Directors approves risk management policies and the associated monitoring methods and received periodic reports on the results achieved.

SACE Fct monitors and manages interest rate risk according to the provisions of the specific policy and by setting appropriate operating limits. Risk management is ensured by the Budget and Treasury Service, in close collaboration with the Risk Management Service, through operating management of assets and liabilities in compliance with the guidelines defined by the Board of Directors.

The Company carefully monitors any mismatching between assets and liabilities. Interest risk originates especially from final purchases of receivables (where the consideration to be paid is determined by discounting the face value of the acquired receivables at the pre-set interest rate). These transactions constitute fixed-rate transactions of an uncertain duration, insofar as the maturity date of the transaction also has to consider any period estimated for any delays in final receipt.

The interest rate risk associated with standard transactions with and without recourse is minimal. The reason is that these are variable rate transactions with monthly repricing financed through floating or fixed rate funding with short-term maturities (from 1 to 3 months).

CDP Investimenti SGR is not directly exposed to interest rate and inflation risks resulting from its own activity but in reference to investments of liquidity. It invests principally in fixed rate securities issued by the Italian Government and in the postal savings bonds issued by the Parent Company.

4. LIQUIDITY RISK

Liquidity risk is construed in the sense of "asset liquidity risk" and of "funding liquidity risk".

Since the Parent Company, SACE Fct and CDP Investimenti SGR do not engage in trading activities, the exposure to liquidity risk in the sense of asset liquidity risk[23] is limited.

For the Parent Company, liquidity risk becomes significant mainly in the form of funding liquidity risk[3], in view of the dominant weight of demand deposits (passbook savings accounts) and bonds redeemable on demand (postal savings bonds) in the liabilities of the Separate Account.

In order to ensure that any scenario of uncontrolled redemptions remains remote, CDP benefits from the mitigating effect of the state guarantee on postal savings. In addition to the key function of that guarantee, the ability of CDP to ensure that such a scenario does in fact remain remote is based on its capital strength, on the protection and promotion of the

[2] Asset liquidity risk means the impossibility, for a financial institution or a generic investor, of monetizing assets on the market without significantly reducing their price.

[3] Funding liquidity risk means the impossibility, for a financial institution, to meet its obligations by collecting liquidity at non-penalising conditions or monetising assets held.

reputation of postal savings with the public, on safeguarding CDP's reputation in the market and on liquidity management. With regard to the latter, CDP adopts a series of specific measures to prevent the emergence of unexpected funding requirements and to be able to meet them if it should prove necessary.

To this end, a lower limit on the stock of liquid assets has been established, which is monitored by the RMA, together with a number of aggregates that represent the capacity of CDP to cope with potential crisis situations. As an operational protection measure for liquidity risk, CDP has adopted a Contingency Funding Plan (CFP). The CFP sets out the processes and strategies used by CDP to manage possible liquidity crises, whether of systemic origin – caused by an unexpected deterioration in monetary and financial market conditions – or due to idiosyncratic difficulties at CDP itself.

As regards the Ordinary Account, CDP raises funds through the market or the European Investment Bank (EIB), adopting approaches, opportunities and constraints more similar to those of ordinary banks.

CDP prevents the emergence of unexpected liquidity requirements by developing effective loan disbursement forecasting systems, setting structural limits on maturity transformation, monitoring the short-term liquidity position, carried out on a continuous basis by the Finance area, and monitoring liquidity gaps at short, medium and long term, which is performed by the RMA.

Management of treasury activities by Finance enables CDP to raise funds using repos, for both the Separate and Ordinary Accounts.

CDP can also take part in European Central Bank refinancing operations, as it holds a significant stock of eligible negotiable and non-negotiable assets.

As a further control, both for the Separate and the Ordinary Account, RMA monitors an incremental available liquidity buffer, in a stress scenario, through transactions with the European Central Bank and refinancing on the liquid securities market.

The controls put in place are corroborated by a stress test used in order to assess the potential effects of an extremely unfavourable scenario on the liquidity position.

With regard to SACE Fct activities, the "Liquidity Risk Policy" defines the roles and responsibilities of the corporate bodies and corporate units involved in the process and the methods of measuring, managing, and monitoring liquidity risk. Moreover, a Contingency Funding Plan defines the strategies for management of a possible liquidity crisis and the specific procedures to be implemented in response to adverse funding raising situations.

In regard to liquidity risk, CDPI SGR is potentially exposed to the risk of a cash shortfall caused by the reduction in the management fees received on the funds under management, calculated as a percentage of the net aggregate value (FIA[4]) and of the total value of the assets (FIV and FIT[5]).

Any fluctuations in the value of units in collective investment undertakings and/or the real estate in which the managed funds invest, would consequently impact the management fees received. At this time, that risk appears insignificant[24].

From an operating point of view, liquidity risk is monitored through careful planning of Company cash flows (financial forecast), prepared by the Administration, Finance and Control unit and updated monthly.

5. OPERATIONAL RISKS

CDP has adopted the guidelines established by the Basel Committee for the banking industry and incorporated by the Bank of Italy in Circular no. 285 of 17 December 2013 as the benchmark for managing operational risk.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such risk includes, among others, losses resulting from internal or external fraud, human error, employment relationships and workplace safety, business disruption, system unavailability, breach of contract, process management, damage to company assets and natural disasters.

Operational risk includes legal risk but not strategic or reputational risk.

The "legal risk" is the risk of incurring losses resulting from violations of laws or regulations, from contractual or constructive liability or from other disputes.

The operational risk management system is a set of structured processes, functions and resources for identifying, assessing and controlling the above-mentioned risks. Its main objective is to ensure effective prevention and mitigation of such risks.

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[4] Fondo Investimenti per l'Abitare.

[5] Respectively: Fondo Investimenti per la Valorizzazione and Fondo Investimento Turismo.

[6] Example: by simulating a 5-year time horizon, the prudent assumptions of (i) missed growth in received management fees as compared with the levels recorded during the last year and (ii) 8% growth on annual basis in management costs and staff, the cash gaps would not appear.

Apart from adopting best practice in the banking sector as a reference, CDP pays particular attention to industrial sector benchmarks for the management of operational risks. The methodological and organizational framework implemented is aimed at capturing the company's actual risk profile, similarly to what occurs in the most advanced corporates, which actively manage operational risks even though they are not subject to capital requirements.

The objective is to improve corporate processes and the Internal Control System, so as to lay the foundations for more targeted mitigation measures and to make a more accurate quantification of the associated economic capital, currently estimated using the Basic Indicator Approach.

The Operational Risks Service operating within the Risk Management and Anti-Money Laundering Area, is the Organizational Unit responsible for designing, implementing and monitoring the methodological and organizational framework for the assessment of the exposure to operational risks, the initiation of remediation measures - in agreement with the organization units involved - and the preparation of reporting to the Top Management.

The framework adopted involves the inclusion of information on operational losses classified according to specified Loss Event Types (i.e. a Model of loss events), Loss Effect Types (i.e. a Model of loss types) and Risk Factors (i.e. a Model of risk factors).

With a view to implementing integrated management of events, so as to combine into a single decision-making step the assessment of mitigation actions defined during both Risk Assessment and Loss Data Collection, a dedicated Working Group was established to (i) assess the corrective actions defined to control operational risks and (ii) identify the owners responsible for their implementation.

The corrective actions selected by the Working Group are initiated after obtaining the authorization of the Risks Committee, to which the solutions approved by the Working Group are submitted. The Operational Risk unit monitors the status of the corrective actions initiated by periodically checking their progress with the individuals responsible for the actions taken and/or to be taken.

The results of the activities performed are shared and disseminated through dedicated reports, which detail operational risk exposures and detected losses. In this way, information on operational risks is provided to the Top Management and the managers of the Organizational Units involved, in order to enable the implementation of the most appropriate corrective actions.

In line with the mission of the Operational Risk Unit, which is to develop and disseminate awareness of operational risks within the Company, training courses addressed to all the staff involved in the analyses have been organised.

Other periodical actions organised by the Operational Risk Unit for the staff concerned include the delivery of training, also in the form of on-the-job training. These actions ensure that the bank officers concerned have appropriate knowledge of the process and of its attendant responsibilities, so as to make the best use of support tools.

The aim is to put in place a coordinated approach at all levels within the Company, which can be achieved by wide dissemination of operational risk awareness.

6. RISK OF MONEY LAUNDERING AND FINANCING OF TERRORISM

Group-level strategic decisions about managing the risk of money laundering and financing of terrorism are the responsibility of the Parent Company's corporate bodies, which set out counterparty acceptance policies, introducing the obligation to refrain from establishing any type of relationship under certain conditions which may expose the company to an unacceptable level of risk. In this respect, the Parent Company involves the subsidiaries' control departments in the decisions about the relevant risk management policies and procedures, in the manners that it deems most appropriate.

The Parent Company's Anti-Money Laundering function promotes group-level coordination of the assessment methodologies and procedures to supervise the operating activities related to the management of the risk of money laundering and financing of terrorism. Where applicable, a specific anti-money laundering function was established in each subsidiary which, by closely operating with the specific function of the Parent Company, monitors the effectiveness of the processes related to the anti-money laundering legislation in the relevant company.

Each group company's legal representatives entrusted the anti-money laundering managers with the power to report suspicious transactions to the UIF (Financial Intelligence Unit). The information obtained as part of these activities is shared among the anti-money laundering functions and becomes common information capital, ensuring effective collaboration within the entire group.

7. EQUITY INVESTMENT RISKS

CDP has a significant portfolio of equity investments (listed and unlisted) and of fund units. The measurement and management criteria applied to equity investments and fund units are set out in the Risk Regulation and include, inter alia, specific stress tests, in particular, in respect of the most quantitative equity investments in listed companies.

Price risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with shares, in particular the market prices of such securities and related derivatives, or changes in the current and future profitability of the investment in such instruments.

In order to monitor and manage equity investment risks, CDP also considers investments in units of investment funds, including real estate funds, as equity investments.

In line with the net economic value approach, equity risk is quantified in terms of VaR (with a one-year time horizon). The VaR gives a proxy of the risk that the listed and liquid securities – even when they are not recognised at their current fair value – do not recover any impairment over time. It is calculated on the basis of hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments for the long term.

8. COMPLIANCE RISK

The Compliance function operates using a risk-based approach applied to the entire company operations ensuring, above all, effective preventive controls, with a view to pro-active and dynamic risk management.

In this respect, it: i) ensures daily monitoring of the new national and international legislation, assessing any impact on the company's processes; ii) provides consultancies and support, including in relation to governance issues, personal data processing, conflicts of interest and related parties, international penalties, market abuse; iii) validates beforehand all company procedures to ensure their compliance with applicable regulations; iv) participates in internal committees. This function also carries out ex post controls, assessing the adequacy of the organisational measures in place and the correct application of the compliance risk prevention procedures, while identifying the related corrective actions.

With respect to management and coordination, the Compliance function regularly coordinates all CDP Group's Compliance units, issuing guidelines, providing consultancies, ensuring operational and methodological support, sharing work tools, while receiving periodic information flows. Finally, the Compliance function has direct responsibility for the compliance activities related to some CDP Group companies, in accordance with specific outsourcing and co-sourcing agreements.

9. REPUTATIONAL RISK

Given CDP's peculiar nature, the ex ante management of the reputational risk is extremely important. The Compliance and Anti-money laundering functions apply an internally-developed methodology in assessing the reputational risk related to lending transactions, based on specific “risk indicators” (Country Risk, Counterparty Risk, Economic Sector Risk).

The outcome of the assessed lending transactions supplements the investigation documentation of the Business Areas, supporting advisory or decision-making bodies.

10. LEGAL DISPUTES

As regards the conversion of preference shares into ordinary CDP shares, following the exercise of the right of withdrawal, in June 2013 Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona filed a suit involving a claim of about euro 432 million.

The experts’ assessment commenced on 3 October 2016. The Experts (CTUs) filed their report on 27 June 2017. On 12 July hearing, the judge postponed the hearing to 25 October 2017.

The defence team appointed by CDP has informed us that the risk of a ruling against CDP in the first instance proceedings, previously reported as possible, should now be re-defined as probable. The defence team feels that a favourable judgement can be reasonably expected (in the various levels of proceedings) on the grounds that the arguments made previously to the Court are well-grounded.

The defence team also determined that, considering the complexity and peculiarity of the lawsuit, the state of the trial, and the extreme uncertainty regarding the valuation criteria that will be applied, any reliable estimate of the CDP obligations, today, would be arbitrary.

With regard to Separate Account customers, at 30 June 2017, 74 lawsuits were pending with a total estimated liability, net of the conversion of preference shares into ordinary shares, of about euro 28 thousand. Of these cases, 2 concern disputes with suppliers.

Conversely, there are no situations that concern serial disputes that could suggest the presence of critical issues in procedures or with respect to laws and regulations. Indeed, the reasons behind the individual disputes are never recurring and often refer to facts and circumstances of other bodies which participate in the same proceedings as CDP.

There are currently no pending disputes in relation to the Ordinary account and, therefore, no potential liabilities for CDP's financial statements.

Finally, with respect to labour disputes, at 30 June 2017, 25 lawsuits were pending, whose overall claims were estimated at about euro 3 million; potential estimated costs, both in absolute and relative terms, are altogether negligible with respect to the volumes in CDP's Financial Statements.

11. OTHER MATERIAL RISKS

As part of its activities, CDP is exposed to other market risks, in addition to the equity risks related to its investment portfolio and the interest rate and inflation risks related to the banking books.

Specifically, CDP is exposed to the equity risk arising from the issue of Postal Savings Bonds indexed to the Euro Stoxx 50. This risk is hedged from a management accounts perspective by purchasing options that mirror those embedded in the Bonds, taking into account the redemption profile and the amount expected at expiration upon issue, calculated using estimates from the proprietary model of customer repayment behaviour.

The hedged notional amount estimated upon issue is monitored periodically, at least every quarter, to check that it matches the expected profile re-weighted on the actual redemptions observed. As part of the early redemption option granted to investors, the hedged notional at the inception may be in overhedge in a specific time of the bond's life: the hedging policy is optimised on the portfolio of options sold, checking the net position on options with the same financial features (in terms of payoff, strike, fixing date of the underlying index), in order to ensure that the cash flows payable, should the embedded options expire in the money, are entirely hedged.

The net exposure is assessed and monitored including by applying stress scenarios which provide for the joint reduction of the Euro Stoxx 50 index and a volatility of -8% (spot) and -25% (proportional). The results of monitoring activities and stress tests are used, inter alia, to determine any plans to unwind the hedges in place and to check the effectiveness of the management hedges for EMIR purposes.

CDP may assume the exchange rate risk by granting loans and issuing or purchasing foreign currency bonds.

Generally speaking, CDP undertakes such activities only if covered by appropriate exchange rate hedges. Hedges usually coincide with the signing of Cross Currency Swaps (CCSs) which translate foreign currency flows into Euros. Alternatively, the position may be refinanced with funding in the currency corresponding to the commitment, using a strategy that minimises existing risks.

12. MONITORING THE RISKS OF COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

Management and monitoring of subsidiaries' risks are the responsibility of the Parent Company's RMA.

Under the Management and Coordination Regulation, the Parent Company shall set:

- the principles and guidelines of material risks (credit, market, operational, etc.), and the risk processes, systems and models, in accordance with the mandatory requirements applicable to Supervised Companies;
- the risk appetite framework;
- risk identification and control guidelines, checking the adequacy of the related procedures;
- monitoring the evolution of corporate risks and compliance with operational limits.

Again in accordance with the Management and Coordination Regulation, the subsidiaries:

- discuss risk-assumption rules with the Parent Company prior to their approval or change;
- prepare, at a frequency adequate to the type of risk, the periodic reporting required, ensuring compliance with the Parent Company's functional requirements;
- regularly describe the main risk profiles and their evolution.

BUSINESS COMBINATIONS

TRANSACTIONS IN THE PERIOD

Business combinations

(thousands of euro) Company names	Date of transaction	(1)	(2)	(3)	(4)
Issel Nord S.r.l.	13/06/2017	9,000	83.5%	n.a.	n.a.

Key

(1) = Cost of transaction

(2) = Percentage of voting rights in the Ordinary Shareholders' Meeting

(3) = Total Group revenues

(4) = Group net Profit (Loss)

n.a.= not available

Acquisition of Issel Nord S.r.l.

On 13 June 2017 the subsidiary Fincantieri, via Delfi S.r.l., acquired an 83.5% interest in Issel Nord S.r.l., a company specialised in engineering and IT technologies applied in the defence sector. The agreement also provides for a call option to acquire the remaining interest of 16.5%, which Fincantieri can exercise within two years of the acquisition at a pre-agreed price.

The following table shows the consideration paid for the acquisition of the company, and gives breakdown of the assets acquired and liabilities assumed at the date of the transaction:

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	2	-	2
40. Financial assets available for sale	3	-	3
60. Loans to banks	2,085	-	2,085
110. Property, plant and equipment	3,378	-	3,378
120. Intangible assets	21	-	21
130. Tax assets	221	-	221
150. Other assets	6,116	-	6,116
Total acquired assets	**11,826**	**-**	**11,826**
Liabilities			
10. Due to banks	482	-	482
80. Tax liabilities	157	-	157
100. Other liabilities	2,328	-	2,328
110. Staff severance pay	1,867	-	1,867
130. Valuation reserves	1	-	1
Total liabilities assumed	**4,835**	**-**	**4,835**
Net acquired assets	**-**	**-**	**6,991**
Goodwill	-	2,009	2,009
Cost of business combination	**-**	**-**	**9,000**

The acquisition price allocation process, still ongoing, resulted in the recognition of goodwill of euro 2 million. This figure is provisional and subject to change until the price allocation process is completed. The acquisition price of euro 9 million was in part paid at the acquisition date (euro 7.5 million) and in part deferred via the aforesaid call option to be exercised in accordance with the terms and conditions of the agreement (euro 1.5 million).

BUSINESS COMBINATIONS CARRIED OUT AFTER THE REPORTING DATE

No business combinations were completed in the period running from the reporting date of the half-yearly condensed consolidated financial statements to the date of their approval by the Board of Directors.

TRANSACTIONS WITH RELATED PARTIES

1. INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

The following table reports the remuneration paid in the first half of 2017 to members of the management and control bodies and key management personnel of the Parent Company and the wholly-owned subsidiaries.

DIRECTORS' AND STATUTORY AUDITORS' REMUNERATION

(thousands of euro)	Directors	Board of Statutory Auditors	Key management personnel
(a) short-term benefits	6,767	1,129	9,537
(b) post-employment benefits	74	-	613
(c) other long-term benefits	-	-	1,456
(d) severance benefits	-	-	-
(e) share-based payments	-	-	-
Total	**6,841**	**1,129**	**11,606**

PARENT COMPANY DIRECTORS' AND STATUTORY AUDITORS' REMUNERATION

(thousands of euro) Name	Position		Period in office	End of term (*)	Compensation and bonuses
Directors					
Claudio Costamagna	Chairman		01/01/2017-30/06/2017	2017	148
Mario Nuzzo	Vice Chairman		01/01/2017-30/06/2017	2017	18
Fabio Gallia	Chief Executive Officer		01/01/2017-30/06/2017	2017	131
Maria Cannata	Director		01/01/2017-30/06/2017	2017	(**)
Carla Patrizia Ferrari	Director		01/01/2017-30/06/2017	2017	18
Stefano Micossi	Director		01/01/2017-30/06/2017	2017	18
Alessandro Rivera	Director		01/01/2017-30/06/2017	2017	(**)
Alessandra Ruzzu	Director		01/01/2017-30/06/2017	2017	18
Andrea Sironi	Director		01/01/2017-30/06/2017	2017	18
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003)					
Roberto Ferranti	Director	(1)	01/01/2017-30/06/2017	2017	18
Vincenzo La Via	Director	(2)	01/01/2017-30/06/2017	2017	(**)
Piero Fassino	Director		01/01/2017-30/06/2017	2017	18
Massimo Garavaglia	Director		01/01/2017-30/06/2017	2017	18
Achille Variati	Director	(3)	01/01/2017-30/06/2017	2017	-
Board of Statutory Auditors					
Carlo Corradini	Chairman		01/01/2017-30/06/2017	2018	20
Alessandra Dal Verme	Statutory Auditor		01/01/2017-30/06/2017	2018	(**)
Giusella Finocchiaro	Statutory Auditor		01/01/2017-30/06/2017	2018	15
Luciano Barsotti	Statutory Auditor		01/01/2017-30/06/2017	2018	15
Ines Russo	Statutory Auditor		01/01/2017-30/06/2017	2018	15

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

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

(1) Delegate of the State Accountant General.

(2) Director General of the Treasury

(3) Director Achille Variati does not receive any compensation in accordance with Art. 5, paragraph 9 of Law No. 135 del 2012.

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

The following information on transactions concluded between the CDP Group and related parties in the first half of 2017 is provided to satisfy the disclosure requirements of IAS24.

The related parties of the CDP Group are:

- the Ministry of the Economy and Finance (MEF);
- the companies of the CDP Group subject to joint control or under significant influence, and their subsidiaries;
- the direct and indirect subsidiaries or associates of the MEF;
- key management personnel of the CDP Group, their close family members and any companies controlled by them, even jointly;
- post-employment benefit plans for employees of the CDP Group.

Certain transactions between the CDP Group and related parties, notably those with the Ministry of the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative provisions.

The CDP Group did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the financial position or performance of the Group. Indeed, all transactions with related parties were carried out on an arm's length basis and form part of the Group's ordinary operations.

The following table shows assets, liabilities, guarantees and commitments as at 30 June 2017, as well as the financial transactions concluded in the first-half of the year, broken down by type of related party:

(thousands of euro)

Related parties	Assets	Liabilities	Off-balance sheet	Costs/Revenues
MEF	238,558,660	36,675,551	2,497,507	2,564,375
Associates and joint operations of the CDP Group and their subsidiaries	1,466,134	985,160	158,978	292,256
Direct and indirect MEF subsidiaries and associates	3,276,494	71,008	1,496,214	1,009,380
Key management personnel	-	-	-	-
Others	-	4,498	-	(1,449)
Total transactions with related parties	**243,301,288**	**37,736,217**	**4,152,699**	**3,864,562**

The Group's transactions with the MEF involved mainly the Parent Company and referred to cash held on an account with the State Treasury, loan transactions, government securities held in the portfolio and management of the MEF's liquidity (OPTES). Income statement items consist mainly of interest accrued on cash and cash equivalents held on an account with the State Treasury and on other financial assets and commission income on fees payable in relation to the management of loans, funds and postal savings products held by the MEF.

Group transactions with the companies of the CDP Group subject to joint control or under significant influence, and their subsidiaries, mainly included:

- transactions concluded by the Snam group with ENI, referring mainly to electricity supplied to conduct the business activity;
- transactions concluded by CDP Equity with Valvitalia S.p.A. and Open Fiber;
- financial transactions concluded by Fintecna with two companies under significant influence - Ligestra Due and Ligestra Tre.

The main transactions concluded in the first half of 2017 between the CDP Group and the direct or indirect subsidiaries and associates of the MEF were as follows:

- loans provided by the Parent Company to E-distribuzione S.p.A. and Ferrovie dello Stato Italiane S.p.A.;
- transactions concluded by the Terna group with the Enel group, mainly referring to fees for use of the National Transmission Grid and other "non-energy" items.

Transactions with Other related parties referred mainly to the Pension Fund.

SHARE-BASED PAYMENTS

Long-term performance share plan of Snam S.p.A.

On 11 April 2017 the ordinary Shareholders' Meeting of Snam S.p.A. approved the 2017-2019 long term performance share plan, giving the powers necessary to fully implement the Plan to the Board of Directors and, on its behalf, to the Chief Executive Officer, with the power to sub-delegate. The adoption of a long-term performance share plan aims to bring Snam in line with market practice and strengthen the link between value creation for shareholders and the remuneration paid to the management. The Plan applies to the Chief Executive Officer and to a maximum number of 20 executives who hold offices that have the greatest impact on value creation or are strategically important in terms of achieving Snam's multi-year objectives.

In implementation of the foregoing mandate, on 20 June 2017 the Board of Directors resolved: (i) to grant the annual incentive to the Chief Executive Officer; (ii) to approve the Regulation of each annual allocation; (iii) to identify Beneficiaries on the basis of specific criteria; (iv) the terms of implementation.

The Plan provides for three cycles of annual assignment of three-yearly targets (so-called Rolling Plan) for the years 2017, 2018 and 2019. At the end of the three-year performance period, beneficiaries will be entitled to the free assignment of company shares if the conditions underlying the Plan are satisfied. At the end of the Plan's vesting period, the beneficiaries will also receive a Dividend Equivalent, consisting in a number of additional shares equivalent to the ordinary and extraordinary dividends distributed by Snam in the vesting period, which would have accrued on the number of shares effectively assigned to the beneficiaries on the basis of their performance and in accordance with the terms and conditions set out in the Plan. Entitlement to the shares is subject to meeting the performance targets, which are measured as the average yearly performance against the parameters established for the three-year vesting period, with impact on EBITDA, adjusted net income and sustainability.

The maximum number of shares backing the plan is 3,500,000 shares for each year of the Plan. The Plan will terminate in 2022, that is, on expiry of the three-year vesting period linked to the last assignment of shares (2019). The Chief Executive Officer and the other eligible executives will be subject to a lock-up period of two years on 20% of the shares assigned, as recommended in the Corporate Governance Code.

The Plan was finalised in the second half of the year, by acceptance of the Letter of assignment and the related Regulation. No effects are therefore to be reported in the half-year consolidated financial statements as at 30 June 2017.

Long-term performance share plan of Fincantieri S.p.A.

On 19 May 2017 the Shareholders' Meeting of Fincantieri S.p.A. approved the first cycle of the medium-/long-term management share-based incentive plan called 2016-2018 Performance Share Plan ("Plan"), as well as the related Regulation. The related project was approved by the Board of Directors on 10 November 2016.

The Plan is divided into three cycles, each having a duration of three years, and provides for the free assignment of shares to the beneficiaries identified by the Board of Directors, up to a maximum number of 50,000,000 Fincantieri S.p.A. ordinary shares with no par value, provided that the foregoing beneficiaries meet the specific performance targets established in relation to 2016-2018 (first cycle), 2017-2019 (second cycle) and 2018-2020 (third cycle). The targets identified for the first cycle of the Plan are Total Shareholder Return ("TSR") and EBITDA, which provide objective criteria for measuring value creation by the Company over the long term. The performance targets for the second and third cycles of the Plan will be identified upon assignment of the related rights by the Board of Directors.

The vesting period for all beneficiaries will be three years, from the date the rights are granted to the date the shares are assigned to the beneficiaries. Therefore, on meeting the performance targets and satisfying the other conditions set out in the Plan Regulation, the shares accrued in relation to first cycle will be vested and assigned to the beneficiaries within 31 July 2019, while those accrued in relation to the second and third cycles will be vested and assigned respectively within the 31 July 2020 and 31 July 2021.

The Plan also contemplates a lock-up period in relation to a portion of the shares assigned to the Company's board members or key management personnel.

The shares to be assigned will be made available in one of the following ways: i) the purchase of own shares pursuant to art. 2357 and 2357-ter of the Italian civil code, subject to approval by the Shareholders' Meeting; ii) the issue, pursuant to art. 2349 of the Italian civil code, of a maximum number of 50,000,000 ordinary shares without par value, having the same characteristics as outstanding shares and without increasing the share capital, subject to approval by the extraordinary Shareholders' Meeting.

In the first cycle of the Plan, 11,832,008 FINCANTIERI S.p.A. shares were assigned to the beneficiaries identified by the Board of Directors on 15 December 2016. The performance targets consisted of two components:

- a “market based” component (equal to 30% of the total rights assigned) linked to Fincantieri’s performance in terms of the TSR associated with the FTSE ITALY ALL SHARE Index and the Peer group identified by the Company;
- a “non-market based” component (equal to 70% of the total rights assigned) linked to the achievement of Group EBITDA targets measured against pre-established targets.

The overall fair value of the first cycle of the Plan, equal to euro 8,925,086, was established at the grant date (the same date the Plan was approved by the Shareholders’ Meeting). The “market based” component was calculated according to the Monte Carlo method, under which appropriate assumptions can be applied to define a significant number of alternative scenarios within a given time period. Unlike the “market based” performance target, the “non-market based” component (EBITDA) is immaterial in terms of the fair value calculation but is updated quarterly to take into account expectations in terms of the number of rights accruable based on EBITDA performance measured against the targets established in the Plan. To estimate the number of rights accrued as at 30 June 2017 it has been assumed that the targets will be met.

INFORMATION ON OPERATING SEGMENTS AT CONSOLIDATED LEVEL

INFORMATION ON OPERATING SEGMENTS

This section of the Explanatory notes to the consolidated financial statements has been drafted in compliance with IFRS 8 Operating Segments.

Operating segment disclosures are presented by showing separately the contribution given by four sectors to the Group's results:

- Support for the economy: represented by the Parent Company's financial data;
- International expansion: represented by the SACE group's financial data;
- Other sectors: represented by the financial data of the Companies subject to management and coordination, except for those included in the previous sector and without their equity investments, which are reported instead under the heading "Companies not subject to management and coordination". The segment therefore includes CDP Reti, Fintecna, CDP Equity, FSI Investimenti, CDP Investimenti SGR, the funds FIV Plus, FIV Extra, FIT and FIT1 and CDP Immobiliare[25].
- Companies not subject to management and coordination: represented by the financial data of the companies consolidated line by line (Snam, Terna, Italgas and Fincantieri) and by the financial data from consolidation with the equity method of ENI, Poste Italiane, Saipem, Ansaldo Energia, FSIA Investimenti, Open Fiber, Kedrion, IQ Made in Italy, Valvitalia, Trevi Finanziaria Industriale, Rocco Forte Hotels and the other associates or companies subject to joint control.

The reported financial data were prepared considering the contribution of the four segments already net of the effects of consolidation entries, but without the elimination of dividends, which has instead been performed in the column aggregating the three segments "Support for the economy", "International expansion" and "Other sectors".

Thus, the contribution of the three segments taken together, whose year-end profit before tax amounts to euro 0.9 billion, is represented by the Parent Company and the companies under its management and coordination.

This aggregate figure is impacted significantly by the weight of the economic data of the "Support for the economy" segment in terms of Net interest income, Net fee and commission income and Net impairment losses, the latter concerning loans and receivables and Fondo Atlante.

The sector "Companies not subject to management and coordination" reports a pre-tax profit of euro 2.1 billion. The result of gross income includes the decrease in charges on current debt and gains from use of the equity method to measure investee companies, which saw an improvement on the previous period. This item includes the positive results of ENI and Poste Italiane, income from the equity investment in Snam and the positive contribution of FSIA as a result of the sale of a portion of the equity investment and the subsequent restatement of the residual equity investment at fair value. On the contrary, the contribution from Saipem and Ansaldo Energia was negative.

The pre-tax profit for the period benefits from the high contribution from the core business results of the companies recorded under "Other net operating income", which offset administrative expenses of euro 3 billion and the amortisation/depreciation charges for the period of euro 1 billion linked to technical investments and to the effects of purchase price allocations on those assets.

Balance sheet figures too show the significant weight of the "Support for the economy" sector, in particular under property, plant and equipment and in funding from Companies not subject to management and coordination.

The following tables present the reclassified income statement figures and the main reclassified balance sheet figures for the first half of 2017, for the comparative period and for 31 December 2016.

[25] The segment includes the equity investments of CDP Immobiliare and Fintecna (except for Fincantieri), since they are representative of the company's business.

Reclassified consolidated balance sheet at 30/06/2017

(thousands of euro)	Companies subject to management and coordination: Support for the economy	Companies subject to management and coordination: International expansion	Companies subject to management and coordination: Other segments	Total	Companies not subject to management and coordination	Total
Loans and cash and cash equivalents	274,538,559	3,221,823	1,974,099	279,734,481	1,101,922	280,836,403
Debt and equity securities and units in collective investment undertakings	-	8,010	76,601	84,611	19,526,963	19,611,574
Equity investments	55,142,647	2,345,112	200,783	57,688,542	3,178	57,691,720
Property, plant and equipment/technical investments	287,365	99,810	46,445	433,620	34,780,459	35,214,079
Other assets (including Inventories)	123,620	145,418	1,556,787	1,825,825	7,488,173	9,313,998
Funding	334,376,389	1,549,608	1,260,433	337,186,430	24,881,685	362,068,115
- of which bonds	*14,294,103*	*522,176*	*412,316*	*15,228,595*	*17,127,901*	*32,356,496*

Reclassified consolidated balance sheet at 31/12/2016

(thousands of euro)	Companies subject to management and coordination: Support for the economy	Companies subject to management and coordination: International expansion	Companies subject to management and coordination: Other segments	Total	Companies not subject to management and coordination	Total
Loans and cash and cash equivalents	269,920,250	3,953,964	2,161,417	276,035,631	1,796,773	277,832,404
Debt and equity securities and units in collective investment undertakings	52,003,801	2,930,988	205,097	55,139,886	3,667	55,143,553
Equity investments	-	7,954	81,492	89,446	20,820,274	20,909,720
Property, plant and equipment/technical investments	272,567	100,712	29,579	402,858	34,755,799	35,158,657
Other assets (including Inventories)	121,794	135,344	1,604,691	1,861,829	7,439,147	9,300,976
Funding	328,091,969	1,636,938	1,188,148	330,917,055	25,072,471	355,989,526
- of which bonds	*11,937,841*	*531,533*	*416,126*	*12,885,500*	*15,222,267*	*28,107,767*

Reclassified consolidated income statement at 30/06/2017

(thousands of euro)	Support for the economy	Companies subject to management and coordination: International expansion	Companies subject to management and coordination: Other segments	Total (*)	Companies not subject to management and coordination	Total
Net interest income	**1,593,457**	**77,717**	**(7,882)**	**1,663,292**	**(172,108)**	**1,491,184**
Dividends	784,728	5,464	505,159	730	3	733
Gains (losses) on equity investments	-	56	(13,675)	(13,619)	965,320	951,701
Net commission income (expense)	(762,686)	14,840	2,542	(745,304)	(16,672)	(761,976)
Other net revenues (costs)	(22,232)	(175,369)	1,749	(195,852)	(8,731)	(204,583)
Gross income	**1,593,267**	**(77,292)**	**487,893**	**709,247**	**767,812**	**1,477,059**
Profit (loss) on insurance business	-	510,554	-	510,554	-	510,554
Profit (loss) on banking and insurance operations	**1,593,267**	**433,262**	**487,893**	**1,219,801**	**767,812**	**1,987,613**
Net recoveries (impairment)	(119,634)	(6,272)	4,235	(121,671)	(325)	(121,996)
Administrative expenses	(71,654)	(63,213)	(42,887)	(177,754)	(2,942,225)	(3,119,979)
Other net operating income (costs)	156	(304)	(18,864)	(19,012)	5,323,519	5,304,507
Operating income	**1,402,135**	**363,473**	**430,377**	**901,364**	**3,148,781**	**4,050,145**
Net Provisions for risks and charges	(25)	1,293	5,159	6,427	(52,536)	(46,109)
Net adjustment to property, plant and equipment and intangible assets	(3,261)	(2,408)	(206)	(5,875)	(956,762)	(962,637)
Other	(3)	-	507	504	(4,169)	(3,665)
Income (loss) for the period before tax	**1,398,846**	**362,358**	**435,837**	**902,420**	**2,135,314**	**3,037,734**
Income taxes						(581,880)
Net income for the period						**2,455,854**

(*) Total of the segments "Support for the economy", "International expansion" and "Other segments", net of elimination of dividends

Reclassified consolidated income statement at 30/06/2016

(thousands of euro)	Support for the economy	Companies subject to management and coordination: International expansion	Companies subject to management and coordination: Other segments	Total (*)	Companies not subject to management and coordination	Total
Net interest income	**1,193,892**	**73,312**	**(8,258)**	**1,258,946**	**(235,731)**	**1,023,215**
Dividends	1,042,780	81	376,522	542	-	542
Gains (losses) on equity investments	-	-	109	109	(350,227)	(350,118)
Net commission income (expense)	(769,037)	15,107	3,942	(749,988)	(16,371)	(766,359)
Other net revenues (costs)	(21,673)	51,255	30,616	60,198	19,476	79,674
Gross income	**1,445,962**	**139,755**	**402,931**	**569,807**	**(582,853)**	**(13,046)**
Profit (loss) on insurance business	-	116,394	-	116,394	-	116,394
Profit (loss) on banking and insurance operations	**1,445,962**	**256,149**	**402,931**	**686,201**	**(582,853)**	**103,348**
Net recoveries (impairment)	(45,955)	(5,284)	8,220	(43,019)	(3,092)	(46,111)
Administrative expenses	(65,091)	(56,921)	(42,096)	(164,108)	(2,910,490)	(3,074,598)
Other net operating income (costs)	(439)	2,029	822	2,412	5,128,908	5,131,320
Operating income	**1,334,477**	**195,973**	**369,877**	**481,486**	**1,632,473**	**2,113,959**
Net Provisions for risks and charges	(133)	21,831	7,955	29,653	(41,213)	(11,560)
Net adjustment to property, plant and equipment and intangible assets	(3,354)	(2,228)	(232)	(5,814)	(893,317)	(899,131)
Other	(1)	-	65	64	(996)	(932)
Income (loss) for the period before tax	**1,330,989**	**215,576**	**377,665**	**505,389**	**696,947**	**1,202,336**
Income taxes						(567,305)
Net income for the period						**635,031**

(*) Total of the segments "Support for the economy", "International expansion" and "Other segments", net of elimination of dividends

ANNEXES

ANNEX 1

Scope of consolidation

Company name	Registered office	Investor	% holding	Consolidation method
Parent company				
Cassa depositi e prestiti S.p.A	Rome			
Consolidated companies				
ACAM GAS S.p.A.	La Spezia	Italgas Reti SpA	100.00%	Line-by-line
ACE Marine LLC	Green Bay - WI	Fincantieri Marine Group LLC	100.00%	Line-by-line
AS Dameco	Skien	Vard Offshore Brevik AS	34.00%	Equity
AS Gasinfrastruktur Beteiligung GmbH	Vienna	SNAM S.p.A.	40.00%	Equity
ASSET COMPANY 1 S.r.L.	San Donato Milanese	SNAM S.p.A.	100.00%	At cost
ASSET COMPANY 2 S.r.L.	San Donato Milanese	SNAM S.p.A.	100.00%	At cost
Accialtalia S.p.A.	Milan	CDP S.p.A.	27.50%	Equity
African Trade Insurance Company	Nairobi	SACE S.p.A.	4.95%	Equity
Alfiere S.p.A	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Alitalia Servizi S.p.A. in amm.ne straordinaria	Fiumicino (RM)	Fintecna S.p.A.	68.85%	At cost
Altiforni Ferriere Servola S.p.A. in amm.ne straordinaria	Udine	Fintecna S.p.A.	24.10%	At cost
Ansaldo Energia	Genoa	CDP Equity S.p.A.	44.94%	Equity
B.F. S.p.A.	Milan	CDP Equity S.p.A.	20.37%	Equity
Bacini di Palermo S.p.A.	Palermo	Fincantieri S.p.A.	100.00%	Line-by-line
Bonafous S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Brevik Technology AS	Brevik	Vard Group AS	34.00%	Equity
Bridge Eiendom AS	Brevik	Vard Group AS	50.00%	Equity
CDP Equity S.p.A.	Milan	CDP S.p.A.	97.13%	Line-by-line
		Fintecna S.p.A.	2.87%	Line-by-line
CDP Immobiliare S.r.l.	Rome	CDP S.p.A.	100.00%	Line-by-line
CDP Industries Estonia OÜ	Tallinn	CDP Technologies AS	100.00%	Line-by-line
CDP Investimenti SGR S.p.A.	Rome	CDP S.p.A.	70.00%	Line-by-line
CDP Reti S.p.A.	Rome	CDP S.p.A.	59.10%	Line-by-line
CDP Technologies AS	Alesund	Seaonics AS	100.00%	Line-by-line
CESI S.p.A.	Milan	Terna S.p.A.	42.70%	Equity
CGES A.D.	Podgorica	Terna S.p.A.	22.09%	Equity
CORESO S.A.	Bruxelles	Terna S.p.A.	16.67%	Equity
CSS Design Limited	British Virgin Islands (GB)	Vard Marine Inc.	31.00%	Equity
CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	Fincantieri S.p.A.	40.00%	Equity
Cagliari 89 Scarl in liquidazione	Monastir (CA)	Fintecna S.p.A.	51.00%	At cost
Camper and Nicholsons International S.A.	Luxembourg	Fincantieri S.p.A.	49.96%	Equity
Castor Drilling Solution AS	Kristiansand S	Seaonics AS	34.13%	Equity
Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Seaf S.p.A.	15.00%	Line-by-line
		Fincantieri S.p.A.	71.10%	Line-by-line
Cinecittà Luce S.p.A. in liquidazione	Rome	Ligestra Quattro S.r.l.	100.00%	At cost
Cinque Cerchi S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Consorzio Aerest in liquidazione	Rome	Fintecna S.p.A.	97.38%	At cost
Consorzio Codelsa in liquidazione	Rome	Fintecna S.p.A.	100.00%	At cost
Consorzio Condif in liquidazione	Rome	CDP Immobiliare S.r.l.	33.33%	At cost
Consorzio Edinca in liquidazione	Naples	Fintecna S.p.A.	47.32%	At cost
Consorzio Edinsud in liquidazione	Naples	Fintecna S.p.A.	58.82%	At cost
Consorzio G1 in liquidazione	Rome	CDP Immobiliare S.r.l.	99.90%	At cost
Consorzio IMAFID in liquidazione	Naples	Fintecna S.p.A.	56.85%	At cost
Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Fintecna S.p.A.	45.46%	At cost
Consorzio Italtecnasud in liquidazione	Rome	Fintecna S.p.A.	75.00%	At cost
Consorzio MED.IN. in liquidazione	Rome	Fintecna S.p.A.	85.00%	At cost
DOF Iceman AS	Norway	Vard Group AS	50.00%	Equity
Delfi S.r.l.	Follo (SP)	Fincantieri S.p.A.	100.00%	Line-by-line
Difebal S.A.	Montevideo	Terna S.p.A.	100.00%	Line-by-line
ELMED Etudes S.a.r.l.	Tunis	Terna S.p.A.	50.00%	Equity
ETIHAD SHIP BUILDING LLC	Abu Dhabi	Fincantieri S.p.A.	35.00%	Equity
Eni S.p.A.	Rome	CDP S.p.A.	25.76%	Equity
Estaleiro Quissamã Ltda	Rio de Janeiro	Vard Group AS	50.50%	Line-by-line
Europrogetti & Finanza S.p.A. in liquidazione	Rome	CDP S.p.A.	31.80%	Equity
FINCANTIERI MARINE GROUP LLC	Washington, DC	Fincantieri Marine Group Holdings Inc.	100.00%	Line-by-line
FINCANTIERI OIL & GAS S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
FIT - Fondo Investimenti per il Turismo	Rome	CDP S.p.A.	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
FIT1 - Fondo Investimenti per il Turismo	Rome	FIT - Fondo Investimenti per il Turismo	100.00%	Line-by-line
FIV Extra	Rome	CDP S.p.A.	100.00%	Line-by-line
FIV Plus	Rome	CDP S.p.A.	100.00%	Line-by-line
FMSNA YK	Nagasaki	Fincatieri Marine Systems North America Inc.	100.00%	Line-by-line
FOSIDER S.r.l. in A.S.	Bologna	CDP Immobiliare S.r.l.	40.00%	At cost
FSI Investimenti S.p.A.	Milan	CDP Equity S.p.A.	77.12%	Line-by-line
FSI SGR S.p.A.	Milan	CDP S.p.A.	49.00%	Equity
FSIA INVESTIMENTI S.r.l.	Milan	FSI Investimenti S.p.A.	70.00%	Equity
Fincantieri (Shanghai) Trading Co. Ltd	Shanghai	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Australia Pty Ltd	Sydney	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Do Brasil Partecipacoes S.A.	Rio de Janeiro	Fincantieri Holding B.V.	20.00%	Line-by-line
		Fincantieri S.p.A.	80.00%	Line-by-line
Fincantieri Holding B.V.	Amsterdam	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri India Private Limited	New Delhi	Fincantieri S.p.A.	1.00%	Line-by-line
		Fincantieri Holding B.V.	99.00%	Line-by-line
Fincantieri Infrastructure S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Marine Group Holdings Inc.	Green Bay - WI	Fincantieri USA Inc.	87.44%	Line-by-line
Fincantieri Marine Systems North America Inc.	Chesapeake - VI	Fincantieri Holding B.V.	100.00%	Line-by-line
Fincantieri S.p.A.	Trieste	Fintecna S.p.A.	71.64%	Line-by-line
Fincantieri SI S.p.A.	Trieste	Seaf S.p.A.	100.00%	Line-by-line
Fincantieri Sweden AB	Stockholm	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri USA Inc.	Washington, DC	Fincantieri S.p.A.	100.00%	Line-by-line
Fintecna S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
Fonderit Etruria S.r.l. in fallimento	Campiglia Marittima (LI)	Fintecna S.p.A.	36.25%	At cost
Fondo Italiano di Investimento SGR SpA	Milan	CDP S.p.A.	43.00%	Equity
GNL Italia SpA	San Donato Milanese	SNAM S.p.A.	100.00%	Line-by-line
Galaxy S.àr.l. SICAR	Luxembourg	CDP S.p.A.	40.00%	Equity
GasBridge 1 B.V.	Rotterdam	SNAM S.p.A.	50.00%	Equity
GasBridge 2 B.V.	Rotterdam	SNAM S.p.A.	50.00%	Equity
Gasrule Insurance D.A.C.	Dublin	SNAM S.p.A.	100.00%	Line-by-line
Gestione Bacini La Spezia S.p.A.	La Spezia	Fincantieri S.p.A.	99.89%	Line-by-line
ICD Software AS	Alesund	Seaonics AS	100.00%	Line-by-line
IQ Made in Italy Investment Company S.p.A.	Milan	FSI Investimenti S.p.A.	50.00%	Equity
ITALGAS RETI S.P.A.	Turin	Italgas S.p.A.	100.00%	Line-by-line
ITALGAS S.P.A.	Milan	SNAM S.p.A.	13.50%	Line-by-line
		CDP Reti S.p.A.	26.04%	Line-by-line
Industrial Control Design AS	Alesund	ICD Software AS	100.00%	Line-by-line
Isotta Fraschini Motori S.p.A.	Bari	Fincantieri S.p.A.	100.00%	Line-by-line
Issel Nord S.r.l.	Follo (SP)	Delfi S.r.l.	83.50%	Line-by-line
Issel Service S.r.l.	Follo (SP)	Issel Nord S.r.l.	100.00%	Line-by-line
Kedrion S.p.A.	Castelvecchio Pascoli (LU)	FSI Investimenti S.p.A.	25.06%	Equity
Ligestra DUE S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
Ligestra QUATTRO S.r.l.	Rome	Fintecna S.p.A.	100.00%	At cost
Ligestra S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
Ligestra TRE S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
M.T. Manifattura Tabacchi S.p.A.	Rome	CDP Immobiliare S.r.l.	90.91%	Equity
MARINE INTERIORS S.p.A.	Trieste	Seaf S.p.A.	100.00%	Line-by-line
Manifatture Milano S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Marinette Marine Corporation	Marinette - WI	Fincantieri Marine Group LLC	100.00%	Line-by-line
Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	Italgas Reti SpA	50.00%	Equity
Monita Interconnector S.r.l.	Rome	Terna S.p.A.	95.00%	Line-by-line
		Terna Rete Italia S.p.A.	5.00%	Line-by-line
Møkster Supply AS	Stavanger	Vard Group AS	40.00%	Equity
		Vard Group AS	36.00%	Equity
Napoletanagas S.p.A.	Naples	Italgas Reti S.p.A.	100.00%	Line-by-line
OMSAV S.p.A. in fallimento	Savona	Fintecna S.p.A.	30.00%	At cost
Olympic Challenger KS	Fosnavåg	Vard Group AS	35.00%	Equity
Olympic Green Energy KS	Fosnavåg	Vard Group AS	29.50%	Equity
OpEn Fiber S.p.A.	Milan	CDP Equity S.p.A.	50.00%	Equity
Orizzonte Sistemi Navali S.p.A.	Genoa	Fincantieri S.p.A.	51.00%	Equity
Pentagramma Perugia S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Pentagramma Piemonte S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Pentagramma Romagna S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Piemonte Savoia S.r.l.	Rome	Terna Interconnector S.r.l.	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Poste Italiane S.p.A.	Rome	CDP S.p.A.	35.00%	Equity
Quadrifoglio Brescia S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Genova S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Modena S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Piacenza S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Verona S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
QuattroR SGR S.p.A.	Milan	CDP S.p.A.	40.00%	Equity
Rem Supply AS	Fosnavåg	Vard Group AS	26.66%	Equity
Residenziale Immobiliare 2004 S.p.A.	Rome	CDP Immobiliare S.r.l.	74.47%	Line-by-line
Rete S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Rete Verde 17 S.r.l.	Rome	Terna Plus S.r.l.	100.00%	Line-by-line
Rete Verde 18 S.r.l.	Rome	Terna Plus S.r.l.	100.00%	Line-by-line
Risparmio Holding S.p.A.	Rome	CDP S.p.A.	20.00%	Equity
Rocco Forte Hotels Limited	London	FSI Investimenti S.p.A.	23.00%	Equity
S.P.S. S.p.A. in fallimento	Rome	Fintecna S.p.A.	20.40%	At cost
SACE BT	Rome	SACE S.p.A.	100.00%	Line-by-line
SACE FCT	Rome	SACE S.p.A.	100.00%	Line-by-line
SACE Servizi	Rome	SACE BT	100.00%	Line-by-line
SACE S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
SIA ICD Industries Latvia	Riga	ICD Software AS	100.00%	Line-by-line
SNAM RETE GAS S.p.A.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	Line-by-line
SNAM S.p.A.	San Donato Milanese (MI)	CDP Reti S.p.A.	30.10%	Line-by-line
SPE Santa Lucia Transmissora de Energia S.A.	San Paolo	Terna Plus S.r.l.	99.99%	Line-by-line
		Terna Chile S.p.A.	0.01%	Line-by-line
SPE Santa Maria Transmissora de Energia S.A.	San Paolo	Terna Chile S.p.A.	0.01%	Line-by-line
		Terna Plus S.r.l.	99.99%	Line-by-line
Sace do Brasil	San Paolo	SACE S.p.A.	100.00%	Line-by-line
Saipem S.p.A.	San Donato Milanese (MI)	CDP Equity S.p.A.	12.55%	Equity
Seaonics AS	Alesund	Vard Group AS	56.40%	Line-by-line
Seaonics Polska SP.Z O.O.	Gdansk	ICD Software AS	62.50%	Line-by-line
		Seaonics AS	37.50%	Line-by-line
Seastema S.p.A	Genoa	Fincantieri S.p.A.	100.00%	Line-by-line
Simest S.p.A.	Rome	SACE S.p.A.	76.01%	Line-by-line
Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Stogit S.p.A.	San Donato Milanese	SNAM S.p.A.	100.00%	Line-by-line
Storvik Aqua AS	Sunndalsøra	Vard Group AS	94.64%	Line-by-line
Storvik Aqua Ltd	Lochgilphead	Storvik Aqua AS	100.00%	Line-by-line
Storvik SA	Chile	Storvik Aqua AS	95.00%	Line-by-line
Sviluppo Turistico culturale Golfo di Napoli S.c.a.r.l.	Naples	CDP Immobiliare S.r.l.	25.00%	At cost
TERNA Crna Gora d.o.o.	Podgorica	Terna S.p.A.	100.00%	Line-by-line
TERNA PLUS S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
TERNA RETE ITALIA S.p.A.	Rome	Terna S.p.A.	100.00%	Line-by-line
TIGF Holding S.A.S.	Pau	SNAM S.p.A.	40.50%	Equity
Taklift AS	Skien	Vard Group AS	25.47%	Equity
Tamini Transformers USA L.L.C.	Chicago	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Trasformatori S.r.l.	Melegnano (MI)	Terna Plus S.r.l.	70.00%	Line-by-line
Terna Chile S.p.A.	Santiago del Cile	Terna Plus S.r.l.	100.00%	Line-by-line
Terna Interconnector S.r.l.	Rome	Terna S.p.A.	65.00%	Line-by-line
		TERNA RETE ITALIA S.p.A.	5.00%	Line-by-line
Terna Peru S.A.C.	Lima	Terna Chile S.p.A.	0.01%	Line-by-line
		Terna Plus S.r.l.	99.99%	Line-by-line
Terna S.p.A.	Rome	CDP Reti S.p.A.	29.85%	Line-by-line
Tes Transformer Electro Service Asia Private Limited	Magarpatta City, Hadapsar, Pune	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tirrenia di Navigazione S.p.A. in amm.ne straordinaria.	Naples	Fintecna S.p.A.	100.00%	At cost
Toscana Energia S.p.A.	Florence	Italgas Reti SpA	48.08%	Equity
Trans Adriatic Pipeline AG	Baar	SNAM S.p.A.	20.00%	Equity
Trans Austria Gasleitung GmbH	Vienna	SNAM S.p.A.	84.47%	Equity
Trevi Finanziaria Industriale S.p.A	Cesena	FSI Investimenti S.p.A.	16.86%	Equity
Umbria Distribuzione GAS S.p.A.	Terni	Italgas Reti S.p.A.	45.00%	Equity
Unifer Navale S.r.l.	Finale Emilia (MO)	Seaf S.p.A.	20.00%	Equity
Valvitalia Finanziaria S.p.A.	Milan	FSI Investimenti S.p.A.	0.50%	Equity
Vard Accommodation AS	Tennfjord	Vard Group AS	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Vard Accommodation Tulcea SRL	Tulcea	Vard Accommodation AS	99.77%	Line-by-line
		Vard Electro Tulcea S.r.l.	0.23%	Line-by-line
Vard Braila SA	Braila	Vard Group AS	5.88%	Line-by-line
		Vard RO Holding S.r.l.	94.12%	Line-by-line
Vard Contracting AS	Norway	Vard Group AS	100.00%	Line-by-line
Vard Design AS	Alesund	Vard Group AS	100.00%	Line-by-line
Vard Design Liburna Ltd.	Rijeka	Vard Design AS	51.00%	Line-by-line
Vard Electrical Installation and Engineering (India) Private Limited	New Delhi	Vard Tulcea SA	1.00%	Line-by-line
		Vard Electro AS	99.00%	Line-by-line
Vard Electro AS	Sovik	Vard Group AS	100.00%	Line-by-line
Vard Electro Braila SRL	Braila	Vard Electro AS	100.00%	Line-by-line
Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niteroi	Vard Electro AS	99.00%	Line-by-line
		Vard Group AS	1.00%	Line-by-line
Vard Electro Canada Inc.	Vancouver	Vard Electro AS	100.00%	Line-by-line
Vard Electro Italy S.r.l.	Genoa	Vard Electro AS	100.00%	Line-by-line
Vard Electro Tulcea SRL	Tulcea	Vard Electro AS	99.96%	Line-by-line
Vard Engineering Brevik AS	Brevik	Vard Group AS	100.00%	Line-by-line
Vard Engineering Constanta SRL	Costanza	Vard RO Holding S.r.l.	70.00%	Line-by-line
		Vard Braila SA	30.00%	Line-by-line
Vard Engineering Gdansk sp. Z o. o.	Poland	Vard Engineering Brevik AS	100.00%	Line-by-line
Vard Group AS	Alesund	Vard Holdings Limited	100.00%	Line-by-line
Vard Holdings Limited	Singapore	Fincantieri Oil & Gas S.p.A.	78.13%	Line-by-line
Vard Marine Inc.	Vancouver	Vard Group AS	100.00%	Line-by-line
Vard Marine US Inc.		Vard Marine Inc.	100.00%	Line-by-line
Vard Niterói SA	Rio de Janeiro	Vard Electro Brazil (Instalaçoes Eletricas) Ltda	0.01%	Line-by-line
		Vard Group AS	99.99%	Line-by-line
Vard Offshore Brevik AS	Porsgrunn	Vard Group AS	100.00%	Line-by-line
Vard Piping AS	Tennfjord	Vard Group AS	100.00%	Line-by-line
Vard Promar SA	Recife	Vard Group AS	100.00%	Line-by-line
Vard RO Holding SRL	Tulcea	Vard Group AS	100.00%	Line-by-line
Vard Seaonics Holding AS	Alesund	Vard Group AS	100.00%	Line-by-line
Vard Ship Repair Braila SA	Braila	Vard Braila SA	100.00%	Line-by-line
Vard Shipholding Singapore Pte Ltd	Singapore	Vard Holdings Ltd	100.00%	Line-by-line
Vard Singapore Pte. Ltd.	Singapore	Vard Group AS	100.00%	Line-by-line
Vard Tulcea SA	Tulcea	Vard RO Holding S.r.l.	99.996%	Line-by-line
		Vard Group As	0.004%	Line-by-line
Vard Vung Tau Ltd	Vung Tau	Vard Singapore Pte Ltd	100.00%	Line-by-line
XXI APRILE S.r.l.	Rome	Fintecna S.p.A.	100.00%	At cost

ANNEX 2

Statements of reconciliation of accounting and operating figures relating to CDP S.p.A.

Statements of reconciliation between the balance sheet/income statement figures shown in the financial statements and the reclassified figures shown in section 4.2.1 of the Report on Operations are provided below.

Balance sheet assets - Reconciliation

(millions of euro) ASSETS	30 June 2017	Cash and cash equivalents	Loans	Debt securities	Equity investments	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Accrued income, prepaid expenses and other non-interest-bearing assets	Other assets
10. Cash and cash equivalents	0	0	-	-	-	-	-	-	-
20. Financial assets held for trading	180	-	-	-	-	180	-	-	-
40. Financial assets available for sale	10,770	-	-	9,058	1,680	-	-	31	-
50. Financial assets held to maturity	32,808	-	-	32,533	-	-	-	276	-
60. Loans to banks	27,687	14,429	13,238	-	-	-	-	20	-
70. Loans to customers	261,362	158,957	88,697	9,067	-	-	-	4,641	-
80. Hedging derivatives	985	-	-	-	-	985	-	-	-
90. Fair value change of financial assets in hedged portfolios	(83)	-	-	-	-	(83)	-	-	-
100. Equity investments	30,430	-	-	-	30,430	-	-	-	-
110. Property, plant and equipment	287	-	-	-	-	-	287	-	-
120. Intangible assets	8	-	-	-	-	-	8	-	-
130. Tax assets	986	-	-	-	-	-	-	-	986
150. Other assets	207	-	-	-	-	-	-	-	207
Total assets	**365,629**	**173,386**	**101,935**	**50,658**	**32,111**	**1,082**	**296**	**4,968**	**1,194**

Balance sheet liabilities and equity - Reconciliation

(millions of euro) LIABILITIES AND EQUITY	30 June 2017	Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest bearing liabilities	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Equity
10. Due to banks	15,674	15,689	-	(16)	-	-	-
20. Due to customers	310,284	310,149	-	135	-	-	-
30. Securities issued	13,885	13,500	-	384	-	-	-
40. Financial liabilities held for trading	163	-	163	-	-	-	-
50. Financial liabilities at fair value	501	501					
60. Hedging derivatives	525	-	525	-	-	-	-
70. Fair value change of financial liabilities in hedged portfolios	35	-	35	-	-	-	-
80. Tax liabilities	344	-	-	-	-	344	-
100. Other liabilities	781	-	-	-	781	-	-
110. Staff severance pay	1	-	-	-	-	1	-
120. Provisions for risks and charges	40	-	-	-	-	40	-
130. Valuation reserves	893	-	-	-	-	-	893
160. Reserves	14,908	-	-	-	-	-	14,908
170. Share premium reserves	2,379	-	-	-	-	-	2,379
180. Share capital	4,051	-	-	-	-	-	4,051
190. Treasury shares	(57)	-	-	-	-	-	(57)
200. Net income (loss) for the period	1,222	-	-	-	-	-	1,222
Total liabilities and equity	**365,629**	**339,840**	**723**	**504**	**781**	**385**	**23,396**

Income statement – Reconciliation

(millions of euro) INCOME STATEMENT	30 June 2017	Net interest income	Dividends	Gains (losses) on equity investments	Net commission income (expense)	Other net revenues (costs)	Gross income	Net recoveries (impairment)	Overheads	Other operating income (costs)	Operating income	Provisions for risks and charges and other	Income taxes	Net income
10. Interest income and similar revenues	3,806	3,806	-	-	-	-	3,806	-	-	-	3,806	-	-	3,806
20. Interest expense and similar charges	(2,228)	(2,228)	-	-	-	-	(2,228)	-	-	-	(2,228)	-	-	(2,228)
40. Commission income	55	-	-	-	55	-	55	-	-	-	55	-	-	55
50. Commission expense	(796)	-	-	-	(796)	-	(796)	-	-	-	(796)	-	-	(796)
70. Dividends and similar revenues	785	-	785	-	-	-	785	-	-	-	785	-	-	785
80. Net gain (loss) on trading activities	0	-	-	-	-	0	0	-	-	-	0	-	-	0
90. Net gain (loss) on hedging activities	(3)	-	-	-	-	(3)	(3)	-	-	-	(3)	-	-	(3)
100. Gains (losses) on disposal or repurchase	(5)	-	-	0	-	(5)	(5)	-	-	-	(5)	-	-	(5)
110. Gains (losses) on financial assets/liabilities designated at fair value	(1)	-	-	-	-	(1)	(1)	-	-	-	(1)	-	-	(1)
130. Writedowns for impairment	(120)	-	-	(105)	-	-	(105)	(14)	-	-	(120)	-	-	(120)
150. Administrative expenses	(71)	-	-	-	-	-	-	-	(71)	-	(71)	-	-	(71)
160. Net provisions	(0)	-	-	-	-	-	-	-	-	-	-	(0)	-	(0)
170. Net adjustments of property, plant and equipment	(2)	-	-	-	-	-	-	-	(2)	-	-	-	-	(2)
180. Net adjustments of intangible assets	(1)	-	-	-	-	-	-	-	(1)	-	-	-	-	(1)
190. Other operating income (costs)	2	-	-	-	-	-	-	-	1	1	2	-	-	2
210. Gains (losses) on equity investments	27	-	-	27	-	-	27	-	-	-	27	-	-	27
240. Gains (losses) on disposal of investments	(0)	-	-	-	-	-	-	-	-	-	-	(0)	-	(0)
260. Income tax for the period on continuing operations	(226)	-	-	-	-	-	-	-	-	-	-	-	(226)	(226)
Total income statement	**1,222**	**1,578**	**785**	**(78)**	**(741)**	**(9)**	**1,535**	**(14)**	**(73)**	**1**	**1,452**	**(0)**	**(226)**	**1,222**

CDP Group Statement of reconciliation of accounting and operating figures

In order to ensure consistency between the consolidated financial statements, prepared on an accounting basis and the aggregates presented on an operational basis, the balance sheet and income statement reconciliation statements are shown below.

These reclassifications mainly concerned: the allocation of interest-bearing amounts and non-interest-bearing amounts to specific and distinct items; the revision of portfolios for IFRS purposes with their reclassification into uniform aggregates in relation to both products and business lines.

Consolidated balance sheet - Assets - Reconciliation

(millions of euro) ASSETS - Balance sheet items	30/06/2017	Cash and cash equivalents and other treasury investments	Loans to customers and banks	Debt securities, equity securities and units in collective investment undertakings	Equity investments	Trading and hedging derivatives	Property, plant and equipment and intangible assets	Reinsureres' share of technical reserves	Other assets
10. Cash and cash equivalents	1	1							
20. Financial assets held for trading	1,055			838		217			
30. Financial assets designated at fair value	193			193					
40. Financial assets available for sale	9,718			9,718					
50. Financial assets held to maturity	34,296			34,296					
60. Loans to banks	30,001	16,741	12,156	1,104					
70. Loans to customers	263,481	158,457	93,481	11,543					
80. Hedging derivatives	1,372					1,372			
90. Fair value change of financial assets in hedged portfolios (+/-)	(83)								(83)
100. Equity investments	19,612				19,612				
110. Reinsurers' share of technical provisions	603							603	
120. Property, plant and equipment	35,214						35,214		
130. Intangible assets	7,919						7,919		
140. Tax assets	1,967								1,967
150. Non-current assets and disposal groups held for sale	25								25
160. Other assets	9,314								9,314
Total assets	**414,688**	**175,199**	**105,637**	**57,692**	**19,612**	**1,589**	**43,133**	**603**	**11,223**

Consolidated balance sheet - Liabilities and equity - Reconciliation

(millions of euro) LIABILITIES AND EQUITY - Balance sheet items	30/06/2017	Funding	Liabilities held for trading and hedging derivatives	Technical reserves	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Total Equity
10. Due to banks	24,756	24,756					
20. Due to customers	304,956	304,956					
30. Securities issued	31,855	31,855					
40. Financial liabilities held for trading	286		286				
50. Financial liabilities designated at fair value	501	501					
60. Hedging derivatives	589		589				
70. Fair value change of financial liabilities in hedged portfolios	35				35		
80. Tax liabilities	3,686					3,686	
90. Liabilities associated with disposal groups held for sale	6				6		
100. Other liabilities	8,074				8,074		
110. Staff severance pay	229					229	
120. Provisions for risks and charges	2,627					2,627	
130. Technical provisions	2,496			2,496			
140. Valuation reserves	1,069						1,069
170. Reserves	12,871						12,871
180. Share premium reserve	2,379						2,379
190. Share capital	4,051						4,051
200. Treasury shares	(57)						(57)
210. Non-controlling interests	12,704						12,704
220. Net income (loss) for the period	1,575						1,575
Total liabilities and equity	**414,688**	**362,068**	**875**	**2,496**	**8,115**	**6,542**	**34,592**

Consolidated income statement - Reconciliation

(millions of euro) INCOME STATEMENT-Financial statement items	30/06/2017	Net interest income	Gains (losses) on equity investments	Net commission income (expense)	Other net revenues (costs)	Gross Income	Profit (loss) on insurance business	Profit (loss) on banking and insurance operations	Net recoveries (impairment)	Administrative expenses	Other net operating income (costs)	Operating income	Net provisions for risks and charges	Net adjustments on PPE and intangible assets	Other	Income taxes	Net income (loss) for the period
10. Interest income and similar income	3,907	3,907				3,907		3,907				3,907					3,907
20. Interest expense and similar expense	(2,416)	(2,416)				(2,416)		(2,416)				(2,416)					(2,416)
40. Commissin income	52			52		52		52				52					52
50. Commissin expense	(814)			(814)		(814)		(814)				(814)					(814)
70. Dividends and similar revenues	1		1			1		1				1					1
80. Net gain (loss) on trading activities	(184)				(184)	(184)		(184)				(184)					(184)
90. Net gain (loss) on hedging activities	(12)				(12)	(12)		(12)				(12)					(12)
100. Gains (losses) on disposal or repurchase	(5)				(5)	(5)		(5)				(5)					(5)
110. Net gain (loss) on financial assets and liabilities carried at fair value	(3)				(3)	(3)		(3)				(3)					(3)
130. Net adjustments for impairment	(122)								(122)			(122)					(122)
150. Net premium income	431						431	431				431					431
160. Net othe income (expense) from insurance operations	80						80	80				80					80
180. Administrative expenses	(3,120)									(3,120)		(3,120)					(3,120)
190. Net provisions for risks and charges	(46)												(46)				(46)
200. Net adjustments of property, plant and equipment	(676)													(676)			(676)
210. Net adjustments of intangible assets	(287)													(287)			(287)
220. Other operating income (costs)	5,304										5,304	5,304					5,304
240. Gains (losses) on equity investments	951		951			951		951				951					951
250. Gains (Losses) on tangible and intangible assets measured at fair value	1														1		1
270. Gains (losses) on disposal of investments	(4)														(4)		(4)
290. Income tax for the period on continuing operations	(582)															(582)	(582)
320. Net income (loss) for the period	**2,456**	**1,491**	**952**	**(762)**	**(204)**	**1,477**	**511**	**1,988**	**(122)**	**(3,120)**	**5,304**	**4,050**	**(46)**	**(963)**	**(3)**	**(582)**	**2,456**
330. Net income (loss) for the period pertaining to non-controlling	881																881
340. Parent Company's net income (loss) for the period	**1,575**																**1,575**

ANNEX 3

Details of alternative performance measures - CDP S.p.A.

In support of the comments on the results for the period, paragraph 4.2.1 of the Report on operations also presents and illustrates the reclassified income statement and balance sheet of CDP S.p.A. A reconciliation between the latter and the Parent Company's financial statements at 30 June 2017 is provided in Annex 2, as required by Consob in Communication No. 6064293 of 28 July 2006. With a view to providing further information on the Parent Company's performance, the Report on operations contains financial information and a number of alternative performance measures, including for example, the cost/income ratio and Net non-performing loans/net loans to customers and banks. In accordance with the guidelines published on 5 October 2015 by the European Securities and Markets Authority (ESMA/2015/1415), details of the calculation method and the content of the aforementioned indicators are provided below.

STRUCTURE RATIOS

Loans / Total assets: measures loans to customers and banks, as shown in the aggregate account (Annex 2), against total assets, as shown in the financial statements

Loans / Postal funding: measures loans to customers and banks, as shown in the aggregate account (Annex 2), against total Postal funding, inclusive of the nominal value of Savings Bonds and Passbook Savings Accounts, interest accrued and premiums on the related options

Equity investments / Final equity: measures equity investments and shares, as shown in the aggregate account (Annex 2), against Equity, as shown in the financial statements

Securities / Equity: measures debt securities, as shown in the aggregate account (Annex 2), against Equity, as shown in the financial statements

Funding / Total liabilities: measures Total Funding, as shown in the aggregate account (Annex 2), against total liabilities, as shown in the financial statements

Postal Funding / Total Funding: measures Postal Funding, inclusive of the nominal value of Savings Bonds and Passbook Savings Accounts, interest accrued and premiums on the related options, against Total Funding, as shown in the aggregate account (Annex 2)

PROFITABILITY RATIOS

Net Interest Income / Gross Income: measures Net Interest Income, as shown in the financial statements, against Gross Income, as shown in the aggregate account (Annex 2)

Net Commission Income / **Gross Income**: measures Net Commission Income, as shown in the financial statements, against Gross Income, as shown in the aggregate account (Annex 2)

Dividends and Gains (Losses) on Equity investments / Gross Income: measures the performance of the equity investments portfolio, considered as the sum of dividends and gains (losses) on equity investments, as shown in the aggregate account (Annex 2), against Gross Income, as shown in the aggregate account (Annex 2)

Commission Expense/Gross income: measures Commission Expense, as shown in the financial statements, against Gross Income, as shown in the aggregate account (Annex 2)

Spread on interest-bearing assets and liabilities: measures the difference between the return on assets (measured as the ratio of interest income to average interest-bearing assets) and the cost of liabilities (measured as the ratio of interest expense to average interest-bearing liabilities).

Average interest-bearing assets are measured as the average at two dates (31/12/2016 and 30/06/2017) of Cash and Cash Equivalents, Loans to customers and banks and Debt securities, as shown in the aggregate account (Annex 2).

Average interest-bearing liabilities are measured as the average at two dates (31/12/2016 and 30/06/2017), of Funding, as shown in the aggregate account (Annex 2)

Cost / Income Ratio: measures the ratio of Overheads to Operating Income, as respectively shown in the aggregate account (Annex 2).

INDEPENDENT AUDITOR'S REPORT

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

To the Shareholders of
Cassa Depositi e Prestiti SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Cassa Depositi e Prestiti SpA and its subsidiaries (the Cassa Depositi e Prestiti Group) as of 30 June 2017, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity, the consolidated statement of cash flows and the related explanatory notes. The directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34, applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution no. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Cassa Depositi e Prestiti Group as of 30 June 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome, 4 August 2017

PricewaterhouseCoopers SpA

Signed by

Lorenzo Pini Prato
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

PricewaterhouseCoopers SpA

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CERTIFICATION OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE 58/1998

1. The undersigned Fabio Gallia, in his capacity as Chief Executive Officer, and Fabrizio Palermo, in his capacity as Manager responsible for preparing the Company's financial reports of Cassa depositi e prestiti S.p.A., hereby certify, taking into account 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 actual application of the administrative and accounting procedures for the preparation of the half-yearly condensed consolidated financial statements at 30 June 2017, during the first half of 2017.
2. The assessment of the appropriateness of the administrative and accounting procedures followed in preparing the half-yearly condensed consolidated financial statements at 30 June 2017 was based on a process developed by Cassa depositi e prestiti S.p.A. in line with the *Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission*, which is a generally accepted framework at international level;
3. In addition, we certify that:

   3.1 the half-yearly condensed consolidated financial statements at 30 June 2017:
      a. have been prepared in compliance with the applicable international accounting standards endorsed by 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 view of the performance and financial position of the issuer and of the companies included in the scope of consolidation;

   3.2 The interim directors' report includes a reliable analysis of the important events which occurred during the first half of the year and their impact on the half-yearly condensed consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year.

Rome, 04 August 2017

The Chief Executive Officer	The Manager responsible for preparing the Company's financial reports
Fabio Gallia	Fabrizio Palermo

Cassa depositi e prestiti S.p.A.

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