Cassa depositi e prestiti

CDP GROUP
Consolidated Interim Financial Report
at 30 June 2013

Translation from the Italian original

Consolidated interim financial report at 30 June 2013

Cassa depositi e prestiti S.p.A.

Parent company of the CDP Group

REGISTERED OFFICE

ROME – Via Goito, 4

COMPANY REGISTER OF ROME

Entered in Company Register of Rome no. 80199230584

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

SHARE CAPITAL

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

Tax ID 80199230584 – VAT registration no. 07756511007

Board of Directors

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

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

State Accountant General	*Director*	*(1)*
Director General of the Treasury	*Director*	
	Director	*(2)*
	Director	*(2)*
	Director	*(2)*

(1) Giovanni De Simone, delegate of the State Accountant General.

(2) Appointment pending.

Board of Auditors

Angelo Provasoli	*Chairman*
Gerhard Brandstätter	*Auditor*
Andrea Landi	*Auditor*
Ines Russo	*Auditor*
Giuseppe Vincenzo Suppa	*Auditor*
Luciano Barsotti	*Alternate*

Non-Controlling Shareholders Support Committee

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

Parliamentary Supervisory Committee *

(*) Appointment pending.

Judge of the State Audit Court

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

Mauro Orefice

General Manager

Matteo Del Fante

Independent auditors

PricewaterhouseCoopers S.p.A.

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ON

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HIGHLIGHTS - CDP SPA

(millions of euros)

	2013	2012
RECLASSIFIED BALANCE SHEET DATA (balances at 30 June 2013 and 31 December 2012)		
Total assets	318,162	305,431
Cash and cash equivalents and other treasury investments	145,850	139,062
Loans to customers and banks	101,672	100,508
Equity investments and shares	33,029	30,570
Postal funding	236,309	233,631
Other direct funding	29,296	16,462
Equity	17,502	16,835
RECLASSIFIED PERFORMANCE DATA (accruing in 1st Half of 2013 and 2012)		
Net interest income	1,512	2,162
Gross income	2,110	2,006
Operating income	2,052	1,963
Net income (loss) for the period	1,731	1,454

NEW LENDING AND MANAGED RESOURCES - CDP SPA

(millions of euros)

	1st half 2013	1st half 2012
Public Entities and Local Development	3,381	404
Infrastructure	436	806
Enterprises	5,138	2,791
Total new lending and managed resources	**8,955**	**4,002**
Non-recurring transactions	908	1
Total	**9,863**	**4,003**

MAIN INDICATORS

(units; percentages)

	2013	2012
PERFORMANCE RATIOS (annualised, where material, on the basis of accruals for 1st half)		
Spread interest-bearing assets - liabilities	1.3%	1.8%
Cost/income ratio	2.5%	2.4%
ROE	20.6%	20.1%
CREDIT RISK RATIOS (balances at 30 June 2013 and 31 December 2012)		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.135%	0.118%
Net writedowns/Net loans to customers and banks	0.010%	0.020%
RATING (as of the date of approval of the financial statements)		
Fitch Ratings	BBB+	
Moody's	Baa2	
Standard & Poor’s	BBB	
OPERATING STRUCTURE		
Average no. of employees	529	512

HIGHLIGHTS - CDP GROUP

	(millions of euros)	
	2013	**2012**
RECLASSIFIED BALANCE SHEET DATA (balances at 30 June 2013 and 31 December 2012)		
Total assets	339,907	328,585
Cash and cash equivalents and other treasury investments	150,551	144,659
Loans to customers and banks	103,815	102,783
Equity investments and shares	22,350	21,290
Postal funding	236,309	233,631
Other direct funding	32,310	22,228
Equity	22,511	21,051
- pertaining to shareholders of the parent company	*18,538*	*18,181*
RECLASSIFIED PERFORMANCE DATA (accruing in 1st Half of 2013 and 2012)		
Net interest income	1,634	2,111
Gross income	1,780	2,374
Profit (loss) on banking and insurance operations	1,878	2,374
Operating income	2,582	2,993
Net income (loss) for the period	1,641	2,075
- pertaining to shareholders of the parent company	*1,435*	*1,929*

NEW LENDING AND MANAGED RESOURCES - CDP GROUP

(millions of euros)

Business lines	**1st half 2013**	**1st half 2012**
Public Entities and Local Development	4,094	914
Infrastructure	1,840	836
Enterprises	5,565	7,787
Total new lending and managed resources	**11,500**	**9,537**
Non-recurring transactions	1,792	1
Total	**13,291**	**9,538**

1. PRESENTATION OF THE GROUP

1.1 ROLE AND MISSION OF THE CDP GROUP

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

- leader in financing the investments of public entities;
- catalyst for infrastructure development;
- key player in supporting the Italian economy and national enterprise.

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

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

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

Group operations were further strengthened by the acquisitions of SACE S.p.A., Simest S.p.A. and Fintecna S.p.A., thereby enhancing CDP's ability to support Italian exports, the international expansion of enterprises, the financing of infrastructure projects and the leveraging of property assets.

By virtue of the control that CDP exercises over Terna S.p.A., the Terna Group, a major operator of electricity transmission grids and the operator and main owner of the high-voltage National Transmission Grid (NTG), is also part of the CDP Group and is consolidated on a line-by-line basis in the financial statements.

1.2 COMPOSITION AND STRUCTURE OF THE CDP GROUP

In addition to the parent company, Cassa Depositi e Prestiti S.p.A. ("CDP" or "parent company"): CDP GAS S.r.l. ("CDP GAS"), CDP Reti S.r.l. ("CDP Reti"), CDP Investimenti Società di Gestione del Risparmio S.p.A. ("CDPI SGR"), Fintecna S.p.A. ("Fintecna"), Fondo Strategico Italiano S.p.A. ("FSI"), SACE S.p.A. ("SACE"), Simest S.p.A. ("SIMEST") and Terna S.p.A. ("Terna") and their subsidiaries and associates.

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

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

For a breakdown of the companies included in the scope of consolidation, please see the annex to the consolidated interim financial statements. Compared with December 31, 2012, the only change in the scope of consolidation regards the acquisition by Fincantieri of 55.63% of STX OSV (subsequently renamed the VARD Group).

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

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

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

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

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

1) Any sort of financing of the state, regions, local authorities, public entities and public law bodies by using funds redeemable by way of postal savings passbooks and interest-bearing postal bonds, guaranteed by the state and distributed through Poste Italiane S.p.A. or its subsidiaries, and funds deriving from the issue of notes, the taking on of loans and other financial transactions, which can be guaranteed by the state.
2) Any sort of financing using funds guaranteed by the state, directed at public-interest initiatives "promoted" by the entities referred to in the previous point, to support the international expansion of enterprises (when such initiatives are secured by guarantees or insurance from SACE), or carried out in favour of small and medium-sized enterprises (SMEs) for the purpose of supporting the economy. The financial transactions can be conducted either directly (if for an amount equal to or greater than €25 million) or through the banking system, with the exception of operations in favour of SMEs, which may only be conducted through the banking system or the subscription of investment funds managed by an asset management company whose corporate purpose achieves one or more of the institutional missions of CDP. Financial transactions carried out for operations "promoted" by the entities referred to in the point above or directed at supporting the international expansion of enterprises (when such initiatives are secured by guarantees or insurance from SACE), can be carried out in favour of public or private entities, with the exclusion of natural persons, having legal personality.
3) Acquiring equity investments in companies of major national interest, as defined in the decree of the Minister for the Economy and Finance of 8 May 2011, having a stable financial position and performance and adequate profit-generating prospects. These equity investments can be acquired through corporate vehicles or investment funds in which CDP, possibly with other private or state-owned companies or public entities, holds an interest.
4) Any sort of financing of projects, plants, networks and other infrastructure intended to supply public services and for the reclaiming of land, using funds

derived from the issue of notes, the taking on of loans and other financial transactions, without state guarantee, without raising demand funds and by means of fund-raising exclusively from institutional investors.

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

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

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

ORGANISATIONAL AND ACCOUNTING SEPARATION

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

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

CDP’s implementation of this system of organisational and accounting separation was necessary to ensure compliance with EU regulations regarding state aid and domestic competition, in light of the fact that certain forms of CDP funding, such as postal bonds and passbook savings accounts, benefit from a state guarantee in the event of issuer default. The existence of this guarantee, which is justified, first and foremost, by the social and economic importance of postal savings (which was defined by the MEF decree of 6 October 2004 as a service of general economic interest on the same level as the activities of lending to public entities and public-law bodies under the Separate Account), makes it necessary to

distinguish between activities that are not of general economic interest and are, therefore, potentially conducted in competition with other market players.

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

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

Under CDP's organisational structure at 30 June 2013, the Separate Account encompasses the following business areas: Public Entities, the Operational Innovation Project, Economic Support, Public Interest Lending, Relationship Management and Postal Savings, while the Financing business area falls under the Ordinary Account.

Joint Services include the Corporate Centre areas and the governance and control bodies.

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

The contribution of the Separate Account and the Ordinary Account to the company's results is detailed in the annexes to the financial statements.

STRUCTURE

The Postal Savings area was established in the first half of 2013. Its duties are to ensure the effective distribution of postal savings. In addition, the Real Estate area was incorporated into the Relationship Management area during the period.

At 30 June 2013 CDP had 540 employees: 49 senior managers, 214 junior managers and 266 office personnel, 8 other associates (contract workers and interns) and 3 employees seconded from other entities.

During the period, there were 25 new hires and 9 departures, of whom 2 on leave.

1.2.2 COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

1.2.2.1 CDP Investimenti SGR S.p.A.

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

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

MISSION

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

On 16 July 2010 the company began operating the Fondo Investimenti per l'Abitare ("FIA"), whose institutional purpose is to expand the supply of social housing. The FIA primarily invests in real estate investment funds and local PSH initiatives, acquiring equity interests (including majority stakes) of up to a maximum of 80% of the capital/equity of the vehicle. On 9 March 2012 the fifth and final partial closing of subscriptions took place and the first subscription period of the FIA was completed, with subscribed funds of €2,028 billion.

On 16 May 2012 the board of directors of CDPI SGR approved an Action Plan for the company for the 2012-2015 period ("AP"), in effect as from 1 June 2012 and transmitted to the Bank of Italy on the same date. Among other aspects, the plan provides for the expansion of operations by means of:

- the launch of the "Investimenti per la Valorizzazione" family of funds devoted to the acquisition and development of properties of public entities and the establishment of new real estate funds that invest directly in properties in the PSH sector;
- the possible launch of new funds, including those formed with the contribution of properties, devoted to pension funds, local government and public entities, and religious institutions and orders to take existing buildings, including rented properties, for conversion into long-term lease properties.

In line with the AP and the overall strategy of the Group's activity in the real estate field developed with the parent company, on 17 July 2012 CDPI SGR established FIV Plus and FIV Core, real estate investment funds restricted to qualified investors devoted to the purchase of properties owned by public entities and companies controlled by them, both directly and indirectly, with unexploited potential value (FIV Plus) or already generating income (FIV Core). CDP invested €250 million in FIV Plus as part of the €1 billion in resources for subscribing those funds and any others that may be established by CDPI SGR with a view to leveraging the real estate assets of public entities.

The AP also provides for the launch of additional real estate investment funds restricted to qualified investors for direct investment in social housing, possible with the contribution of properties owned by institutions such as public entities or companies controlled by them, the pension funds of professional associations and religious orders. These new funds, generically denominated "direct housing investment funds", will be devoted to undertaking larger-scale public social housing initiatives in partnership with institutional players, who could participate as contributors/vendors of areas in which the initiatives could be implemented or of buildings.

As regards the competitive positioning of CDPI SGR, it must be borne in mind that it does not operate in competition with the other real estate fund managers in the Italian market, but rather as a facilitator and partner of other operators:

- in the case of the FIA, as the operator of the national fund within the Integrated Fund System for PSH (Prime Minister's Order of 16 July 2009 as amended), CDPI SGR operates as a second-level investor, primarily deploying the resources of the FIA in local real estate investment funds operated by the main fund managers in the Italian market;
- in the operation of the FIV Plus, CDPI SGR supports public entities, signing a specific protocol of understanding for the performance of due diligence on the properties to be valued that are compatible with the fund's investment policies. On the basis of the feasibility studies prepared by CDPI SGR the properties are put up for auction, enabling market investors to benefit from the preparatory work performed by CDPI SGR. If no bids are received, FIV Plus will acquire the property at a price considered appropriate by the board of directors of CDPI SGR, announced to all participants in the auction.

CDPI SGR's scope of operations therefore remains highly focused on sectors of general interest or the provision of support and assistance to the public administration and local authorities. The funds sponsored and operated by CDPI SGR are intended for institutional investors and public entities with medium/long-term investment horizons.

Acting under the provisions of the Prime Minister's Order of 10 July 2012, which permitted an increase in the threshold of investments in funds and target companies by the FIA to 40% (without prejudice to the need to preserve the participation of additional capital), on 16 April 2013 the fund investors approved a number of amendments to the rules set out by the board of directors of the fund management company. Accordingly, the cap on investments of FIA

resources in local initiatives was raised to 80%, without prejudice to the limit of 10% of the fund's subscribed capital on investments made in exception to that limit. The legislative and regulatory changes represent a response to the adverse economic conditions in the country, which in 2012 acted as a brake on the launch of local PSH real estate projects, above all due to the shortage of funds to invest as equity (the remaining 60%) supplementing the amount that before the change the FIA had been able to invest.

STRUCTURE

On the occasion of the annual update of the report on organisational structure of CDPI SGR at 31 March 2013, a number of changes were made to the organisation of the company, as summarised below:

- a new Strategy and Institutional Relations unit was created, charged with structuring company strategies for submission to the board of directors for approval, maintaining institutional relations with shareholders and investors in the funds operated by the company, lobbying and business development at the territorial level and maintaining relations with the press and the media in general. The new unit will incorporate the Institutional Relations and External Communications unit (IREC) and the Business Development unit. Following the creation of the Strategy and Institutional Relations unit, the Origination and New Products unit (originally reporting to the Management and Development area) and IREC (originally reporting directly to the General Manager) were eliminated;
- the Fund Manager Administration, Human Resources and Information Systems unit (originally known as Fund Manager Administration, Organization and Information Systems) within the Administration, Planning and Control area was assigned the duties previously performed by the Human Resources unit (on a co-sourcing basis with the parent company).

At 30 June 2013 CDPI SGR had 30 employees, of whom 6 senior managers, 14 junior managers and 10 office personnel, including the head of Legal Affairs seconded from the parent company on a 50% time-share basis. During the first half of the year, 5 employees joined the company and 1 left.

1.2.2.2. Fondo Strategico Italiano S.p.A.

FSI is a holding company that invests in companies in order to create value for its shareholders by promoting the growth, operating efficiency, consolidation and

the national and international competitive position of the companies in which it takes a stake.

The company was incorporated on 2 August 2011 with share capital of €1 billion. Subsequently, following an agreement with the Bank of Italy providing for the latter to take a stake in FSI against the contribution of its interest in Assicurazioni Generali S.p.A., the Extraordinary Shareholders' Meeting of FSI held on 20 March 2013 approved a capital increase for consideration.

Following that operation, the share capital of FSI was subscribed and fully paid up in the amount of €4,351,227,430, as follows:

- CDP holds 338,098,196 ordinary shares representing 77.702% of the share capital and voting rights of FSI;
- Fintecna holds 10,000,000 ordinary shares representing 2.298% of the share capital and voting rights of FSI;
- Bank of Italy holds 29,008,182 ordinary shares and 58,016,365 preference shares representing a total of 20% of the share capital and voting rights of FSI.

FSI acquires equity holdings – usually non-controlling interests – in companies of "major national interest" that have a stable financial position and performance, adequate profit-generating prospects and significant scope for growth, capable of generating value for investors.

MISSION

Within the framework of its investment initiatives, FSI seeks to distinguish itself as a proactive catalyst for large, financially sound companies that intend to pursue a strategic development plan.

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

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

of prospering in global markets and of generating wealth and sustainable employment.

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

FSI operates transparently in selecting and approving investments. To that end, FSI has established transparent operational processes to facilitate investment decisions and will implement governance guidelines for investments in line with the best market standards.

STRUCTURE

FSI's organisational structure is composed of four macro-areas. In addition to the Investment department, they include three operational units, namely the Equity Investments department, the Legal Affairs, Corporate and Compliance unit and the Administration, Control, Operational Support and Human Resources unit. The Investment Department is responsible for selecting, assessing and conducting investment transactions, as well as actively monitoring the investee companies, while the other units are responsible for corporate functions and the associated reporting of the investee companies as well as overseeing support and corporate governance processes.

At 30 June 2013, the company had 20 employees (as well as the Chief Executive Officer and the seconded CDP personnel involved in staff and support functions), of whom 9 in the Investment department and 11 in the other units (including administrative staff).

1.2.2.3. Fintecna Group

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

With effect from 1 December 2002, Fintecna and its residual assets were merged into IRI, which was in liquidation. With this operation, Fintecna, which was

already specialised in the management of liquidation activities and the related privatisation, acquired major interests in important national companies operating in the industrial sector, notably Fincantieri, Tirrenia di Navigazione and Società Stretto di Messina.

During the period from 2003 to 2005, Fintecna consolidated its presence in the real estate sector as a result of major acquisitions from the state amounting to around €1,250 million. At the end of 2006, the real estate assets were spun off to a separate company, Fintecna Immobiliare S.r.l., with the transfer of the portfolio on 1 January 2007. The same year saw the transfer to Fintecna, free of charge, of Patrimonio dello Stato S.p.A., with Fintecna responsible for divesting some of the property portfolio that the Ministry for the Economy and Finance had transferred at no cost to Patrimonio dello Stato S.p.A. in 2003 and 2004.

In the period from 2007 to 2010, specific legislation transferred to Fintecna or its wholly-owned subsidiaries the assets of Ente Partecipazioni e Finanziamento Industrie Manifatturiere, which was in compulsory receivership, and those of its subsidiaries in compulsory receivership. Fintecna also received the assets of two liquidated public entities, IGED and Italtrade, and those of the *Comitato per l'intervento nella SIR ed in settori ad alta tecnologia* and was assigned to manage the liquidation process. Fintecna designated three wholly-owned subsidiaries to carry out the winding-up: Ligestra S.r.l., Ligestra Due S.r.l. and Ligestra Tre S.r.l.

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

MISSION

Thanks to its history, the Fintecna Group has developed special expertise in the administration of equity investments and in privatisation processes, which include the rationalisation and reorganisation of companies in a state of industrial, financial and organisational distress.

The Fintecna Group has also become expert at carrying out special projects to help government departments deal with specific issues.

The following are the main current activities of the Group:

- the management of equity investments involving policy-setting, planning, coordination and control both of companies destined for divestment (privatisation/liquidation) and of companies that will be held longer period in the Fintecna portfolio;
- the specialised management of complex liquidation processes with a view to shortening timeframes and optimising the resources resulting from the liquidation process;
- the comprehensive and flexible management of the significant associated litigation, arising mainly from acquired companies, the aim of which is to reach arrangements that comply with legal requirements and cost effectiveness criteria while opening the way to the successful and rapid settlement of ongoing litigation;
- other activities, including providing support (under specific legislation) to the people affected by the earthquakes in Abruzzo in 2009 and Emilia in 2012, as well as the provision of professional assistance to the special commissioner in charge of overseeing the debt reduction plan of Roma Capitale, which Fintecna has assigned to its wholly-owned subsidiary, XXI Aprile S.r.l.

STRUCTURE

The main sectors of activity in which the Fintecna Group operates are:

- shipbuilding, through Fincantieri S.p.A. and its subsidiaries and associates. The Fincantieri Group designs, builds and sells merchant and military vessels, and carries out repairs and conversions. Its main business line is in the area of passenger ships (cruise ships and large ferries), mega-yachts (over 70 metres), military vessels and submarines. Fincantieri also operates in the field of mechanical engineering. Beginning in 2013, with the acquisition of the VARD Group, the group has become the world leader in the construction in offshore drilling support vessels;
- real estate, through Fintecna Immobiliare and its subsidiaries and associates, and through Quadrante S.p.A. The Fintecna Immobiliare Group purchases, manages, develops and then sells real estate portfolios, and offers complementary property-related services (such as agency services and asset, project and building management). On 27 June 2013, the board of directors approved the spinoff of the real estate holdings of Fintecna (specifically, the equity investments in real estate companies of Fintecna)

with CDP the beneficiary;

- liquidation activities through separate asset pools assigned to special purpose entities. The Fintecna Group holds several asset portfolios transferred to the State such as: (i) the assets of the former EFIM and former Italtrade (held through the Fintecna subsidiary Ligestra S.r.l.); (ii) the assets of IGED (held through the Fintecna subsidiary Ligestra Due S.r.l.) (iii) the assets of the *Comitato per l'intervento nella SIR e nei settori ad alta tecnologia* (held through the Fintecna subsidiary Ligestra Tre S.r.l.).

At 30 June 2013 the Fintecna Group had 20,198 employees, of whom 362 senior managers, 6,732 office personnel and junior managers and 13,104 production workers.

Within the parent company, Fintecna, the number of employees went from 166 at end-2012 to 174 at 30 June 2013, the result of specific hires of young professionals in the targeted replacement of a number of staff who left in 2012 and to establish a pool of staff to cover turnover among employees with considerable seniority.

At the same date, the employees of the Fincantieri Group numbered 19,895, a significant rise compared with 31 December 2012 (+9,655), essentially due to the acquisition of the VARD Group. During the period, Fincantieri S.p.A. continued to implement the reorganisation plan provided for in the agreement with the Ministry of Labour and the majority of trade unions at the end of 2011. In addition, in the first half of the year major agreements were reached with all of the trade unions on measures to increase work flexibility (flexible weekly hours, six days for six hours, fourth punch in/out) at the Castellammare di Stabia, Sestri Ponente and Ancona facilities. As regards the reduction in production capacity, in the first half of 2013 the parent company registered the departure of 237 employees and recourse to the Extraordinary Wage Supplementation Fund for 1,139 employees.

1.2.2.4. SACE Group

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

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

MISSION

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

The SACE Group today serves over 25,000 customers in more than 180 countries around the world.

STRUCTURE

The SACE Group is made up the parent company, SACE, and the following subsidiaries:

- SACE BT, established in 2004, specialising in short-term credit insurance services;
- SACE Do Brasil, established in 2012;
- SACE Fct, established in 2010, specialising in the financing of trade receivables, with particular reference to government receivables;
- SACE SRV, established in 2007, a subsidiary of SACE BT specialising in the acquisition of business information, the management of applications and debt collection.

At 30 June 2013 the employees of the SACE Group numbered 711, of whom 36 executives, 268 management-level staff, 403 office staff and 3 producers. Of these, 460 worked for the parent company. The workforce expanded by 6 compared with 31 December 2012.

1.2.2.5. Other companies subject to management and coordination

CDP GAS S.R.L.

CDP GAS is an investment vehicle formed in November 2011 and wholly owned by CDP, through which, on 22 December 2011, an 89% interest in Trans Austria Gasleitung GmbH ("TAG") was acquired from Eni International B.V. Although it holds a 89% equity interest, CDP GAS classifies TAG as a jointly-controlled company under existing governance rules based on shareholders' agreements with the other shareholder, Gas Connect Austria.

TAG is the exclusive operator for the transport of gas in the nearly 400-km Austrian segment of the gas pipeline linking Russia to Italy through Ukraine, Slovakia and Austria. The infrastructure transports Russian gas to Italy, accounting for about 30% of Italy's gas imports, thus representing an asset of strategic importance to the country.

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

In the first half of 2013, CDP GAS hired one employee with professional skills in the gas sector. To date, the company has three employees, one of whom was seconded to TAG to act as managing director.

CDP RETI S.R.L.

CDP Reti is an investment vehicle, formed in October 2012 and wholly-owned by CDP, through which CDP purchased from ENI a stake of 30% less one share of the voting capital of Snam S.p.A. (SNAM) on 15 October 2012. As a result of the purchase of additional shares on the market, CDP Reti's holding in SNAM at 30 June 2013 amounted to 1,014,491,489 shares, equal to 30.0171% of the voting share capital and 30.00000002% of the issued share capital of SNAM.

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

1.2.3. TERNA GROUP

MISSION

Terna – Rete Elettrica Nazionale S.p.A. is a major operator of electricity transmission grids. It is the operator and the main owner of the high-voltage National Transmission Grid (NTG).

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

The current structure of the company is the result of the unification of ownership and operation of the NTG in November 2005 (in implementation of the Prime Minister's Order of 11 May 2004).

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

Terna is also a founding member of ENTSO-E, the major European network of transmission operators. The organisation acts as a cooperative entity at the European level to promote the internal market in electricity and cross-border trade and to provide coordinated management of electricity transmission grids.

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

STRUCTURE

At 30 June 2013 the Terna Group included, in addition to Terna, the following fully consolidated companies:

- Terna Rete Italia S.p.A., Terna Rete Italia S.r.l. (formerly Telat S.r.l.), Terna Storage S.r.l., Terna CG d.o.o, SunTergrid S.p.A. (formerly inTERNAtional S.p.A.) and Terna Plus S.r.l. directly controlled by Terna with a stake of 100%;
- Rete Solare S.r.l., an Italian company indirectly controlled through SunTergrid S.p.A., with a stake of 100%.

The Terna Group's scope of consolidation also includes the associated companies CESI S.p.A. (in which Terna has a 42.70% holding), CrnoGorski Elektroprenosni

Sistem AD – CGES (22.09%), Coreso S.A. (22.49%) and the joint venture ELMED ETUDES S.àr.l. (50%), all accounted for using the equity method.

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

Starting from 1 April 2012, in implementation of a decision of Terna's board of directors on 9 November 2011, the Terna Group has adopted a structure consisting of a parent company and two wholly-owned operating subsidiaries, in line with the strategies laid out in the business plan.

The reorganisation continued in 2013 with the approval by their respective shareholders' meetings of the merger of SunTergrid S.p.A. into Terna Plus S.r.l.. the transaction was designed to improve the operations of the companies of the Terna Group, increasing synergies and rationalising the development of the non-traditional activities of the group within Terna Plus.

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

The two operating companies are:

- Terna Rete Italia S.p.A. (a subsidiary formed by Terna on 23 February 2012), responsible under a four-year operations and management agreement for all traditional business activities (ordinary and extraordinary maintenance of the NTG, management and performance of projects to develop the grid);
- Terna Plus S.r.l., a company that carries out non-traditional business projects and has a flexible, lean operational structure.

At 30 June 2013, the Terna Group had 3,474 employees (3,433 at the end of 2012). Figures for both periods are reported net of terminations taking effect from 30 June and 31 December.

1.2.4. SIMEST

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

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

MISSION

As the development finance institution charged with supporting and promoting Italian companies' activities abroad, SIMEST has, since 1999, administered various forms of public support for the international expansion of Italian firms.

Its main activities include:

- investment in the equity of companies outside the EU by: (i) directly acquiring up to 49% of the share capital of foreign firms; (ii) the operation of a venture capital fund established by the Ministry for Economic Development, and (iii) investment in the capital of companies in Italy and within the EU by directly acquiring stakes of up to 49% of the share capital of Italian companies and/or their EU subsidiaries that develop investments in production and in innovation and research on market terms without subsidies (bailouts are not permitted);
- financing the activities of Italian companies abroad by: (i) supporting export credits for investment goods produced in Italy; (ii) financing feasibility studies and technical assistance programmes connected with investment projects; (iii) financing programmes for entering foreign markets;
- providing Italian companies seeking to internationalise their businesses with technical assistance and advisory services including: (i) seeking out foreign partners and investment opportunities, as well as foreign commercial contracts; (ii) prefeasibility and feasibility studies; (iii) advice on financial, legal and corporate issues concerning investment projects abroad.

ORGANISATIONAL STRUCTURE AND WORKFORCE

At 30 June 2013, the company had 155 employees, of whom 10 senior managers, 76 middle managers and 69 professionals. The decrease of 1 employee compared with 31 December 2012 (156 employees) is the net balance of 2 terminations during the period and 1 hiring in June.

2. THE MARKET

2.1 THE MACROECONOMIC SITUATION

The growth in world GDP in the advanced countries and the emerging economies has displayed a two-speed pattern in recent years, and the forecasts for 2013 appear to confirm this trend. According to the IMF,[1] the advanced economies are expected to grow by 1.2% this year, compared with an expansion of 5.3% in the emerging economies. Among the advanced countries, the economic recovery in the United States seems poised to continue, albeit at a slightly slower pace (1.9%), while the euro-area economy is forecast to contract again (-0.3%). Overall, global GDP is projected to expand by 3.3% in 2013.

Driven by the growth in the emerging economies, world trade rose significantly (3.6%) in 2012 and the figures for the first quarter of 2013 appear to confirm the trend.[2] At the same time, inflation remained moderate in the advanced economies for all of 2012 (2%), reflecting the slow growth in aggregate demand. Conversely, in the emerging economies, inflation remained high on average (5.9%), due above all to the increase in the prices of food commodities.

In Italy, the decline in GDP continued in the first three months of 2013 (-0.6% on the previous period and -2.4% year-on-year), with all components of aggregate demand contracting, including final domestic consumption (-2.7%), gross fixed capital formation (-7.5%), imports (-5.2%) and exports (-0.2%).[3] The weakness of domestic demand fostered a decrease in the consumer price index, which in March stood at 1.8%. With the contraction in the prices of energy products, the increase in producer prices was also limited.

Industrial production continued to contract. In April 2013, the seasonally adjusted index of industrial production showed a decline of 0.3% with respect to the previous month and one of 1% on the previous quarter. All sectors registered year-on-year decreases, especially that for durable goods (-5.8%) and capital and intermediate goods (-4.5%), while the energy segment posted a smaller decline (-2.3%).[4]

According to the most recent data, in the first quarter of 2013 the propensity to save of consumer households amounted to 9.3%, up 0.9 percentage points

1 See International Monetary Fund, *World Economic Outlook*, April 2013.
2 See Bank of Italy, *Economic Bulletin*, April 2013.
3 See Istat, *Conti Economici Trimestrali*, June 2013.
4 See Istat, *Produzione Industriale*, April 2013.

compared with both the previous quarter and the same quarter of 2012. The rise was driven by a recovery in the growth of household disposable income (+0.8% at current prices) and a decline in consumption (-0.1%).[5]

2.2 THE FINANCIAL MARKETS AND RATES

In May the ECB lowered its main refinancing rate by an additional 25 basis points, bringing it to a record low (0.5%). The decision was dictated by the deterioration in European economic conditions and the consequent downward revision of growth forecasts for the euro area. At the start of May, the 3-month Eonia and Euribor rates were 0.07% and 0.2% respectively.[6]

The broad easing of strains on the sovereign debt securities of the euro area contributed to stabilising the spread on 10-year bonds and had a beneficial impact on financial and monetary conditions in the countries involved, albeit to differing extents. The financing conditions for European banks gradually improved, although the volume of assets and bonds remained small. The spread on Italian 10-year bonds with respect to the equivalent German notes narrowed from about 320 basis points at the start of 2013 to 300 points in June.[7]

International equity markets rose during the first half of the year: the Morgan Stanley index, which includes the main international markets, rose by 6%,[8] while the S&P 500 in the United States gained about 12%.[9] Stock prices also rose moderately in Europe in the first six months of 2013 (Germany 4%, United Kingdom 4% and France 2%). Over the same period, the index of Borsa Italiana lost 4%.

In foreign exchange markets, the euro depreciated by 1.1% from the start of the year against the dollar, while appreciating by 14.0% against the yen, following a further easing of monetary conditions in Japan.[10]

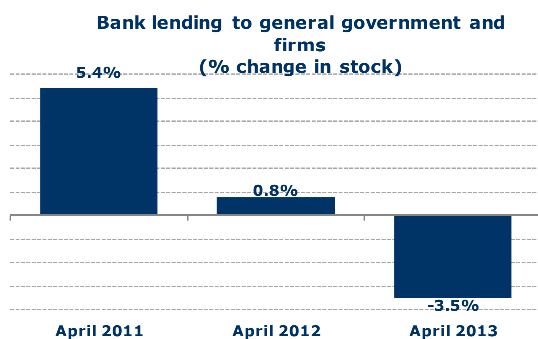
2.3 BANK LENDING AND HOUSEHOLD SAVINGS

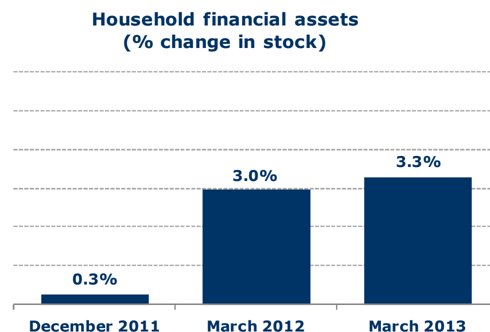
In the first half of 2013, the market in which CDP operates was affected by the general slowdown in lending by banks. In April, the volume of bank lending to

5 See Istat, *Reddito e Risparmio delle Famiglie e Profitti delle Società*, July 2013.
6 Datastream figures.
7 See *ABI Monthly Outlook*, June 2013.
8 Datastream figures.
9 Datastream figures.
10 See Bank of Italy, *Economic Bulletin*, April 2013.

general government entities, non-financial corporations and producer households had fallen 3.5% year-on-year, compared with the small but positive growth of 0.8% posted in April 2012. The decline was mainly driven by developments in lending to firms (non-financial corporations and producer households), which in April 2013 registered an especially large year-on-year decline of 4.2%, while lending to general government entities contracted by a smaller amount, with a decrease of 1%.

In March 2013, the stock of households' financial assets[11] rose by 3.3% year-on-year, lifted primarily by the growth in assets under management and bank funding in the form of deposits. In the current economic climate, the rise in deposits is explained in part by additional liquidity from – especially for households – the decline in consumption and an increase in precautionary saving (which grew more pronounced in the most recent months.





2.4 PUBLIC FINANCES

In the early months of 2013, the balances of the public finances deteriorated. In the first quarter of the year, net general government borrowing amounted to 7.3% of GDP (up 0.7 percentage points on the corresponding quarter of 2012). At the same time, the primary balance deteriorated by about one percentage point, going from -1.6% to -2.6% of GDP.[12]

The increase in net borrowing was due to a more than proportionate increase in total public sector expenditure compared with that in total revenues. In the first quarter of the year, total general government outlays rose by 1.3 percentage points compared with the first quarter of the previous year, rising from 48.7% to

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

12 See ISTAT, *Conto Economico Trimestrale delle Amministrazioni Pubbliche*, 4 July 2013.

50% of GDP. In the same period, total revenues rose by about 0.5 points, from 42.1% to 42.6% of GDP.[13] In the first quarter of 2013, general government debt as a proportion of GDP rose by 6 percentage points compared with the same quarter of 2012, expanding from 124% to 130% of GDP.[14]

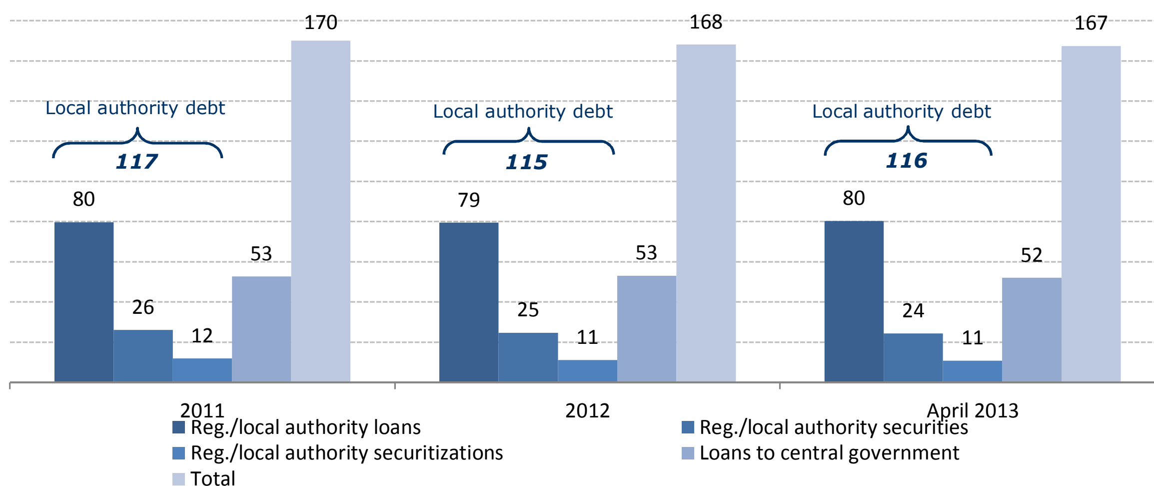
Analysing the debt of regional and local governments (municipalities, provinces, regions and other local authorities) and loans to central government departments, in April 2013 the stock of loans disbursed to regional and local governments amounted to €80 billion, an increase of about €1 billion compared with the end of 2012. At the same date, the volume of bonds issued by regional and local governments totalled €24 billion, a decrease of about €1 billion from December 2012, while securitisations and other forms of financial debt amounted to €11 billion, unchanged during the period.

Overall, in April 2013 the debt of regional and local governments came to €116 billion, an increase of about €1 billion on the end of 2012. The largest share of the debt is held by local governments (municipalities and provinces), which at the same date had a stock of debt amounting to about €57 billion (49% of the total), while the debt held by the regions came to about €42 billion (36% of the total) and that of other local authorities was about €17 billion (15% of the total).

Between December 2012 and April 2013, loans with costs borne by the central government diminished by about €1 billion, going from €53 billion to €52 billion. In the same period, the overall CDP market also contracted by €1 billion, slipping from €168 billion to €167 billion.

13 See ISTAT, *Conto Economico Trimestrale delle Amministrazioni Pubbliche*, 4 July 2013.
14 CDP, based on ISTAT data, *Conto economico delle risorse e degli impieghi - dati nazionali trimestrali* and Bank of Italy, *Base informativa pubblica on-line*.

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



2.5 THE REAL ESTATE MARKET

The outlook for the real estate sector is tied to developments in the macroeconomic framework: the deteriorating economy, combined with greater selectiveness on the part of banks, has kept the Italian real estate market in crisis.

In 2012 sales of homes contracted by more than 25%, falling to just over half the level of the peak recorded five years earlier.[15]

The number of transactions in the first quarter of the year fell by a further 14% year on year for the entire real estate sector.

As regards households' access to credit, in 2012 bank loans fell by half, due both to the persistence of restrictive terms and conditions, especially for riskier customers, and lower demand, associated with the decline in disposable income and the awareness of the increased selectiveness of the banks and the higher down payments required of borrowers.[16] Loans for the purchase of property fell to just over €26 billion, a decrease of nearly 50% compared with 2011.

15 Data from the *Osservatorio del mercato immobiliare* of the Revenue Agency (OMI)
16 Nomisma, *VI Rapporto sul mercato Immobiliare 2013*

2.6 FSI REFERENCE MARKET

An analysis of the FSI reference market at the European level shows a total of 70 transactions with a value of $61 billion in 2012, a decrease from the $83 billion posted in 2011 and about a quarter of the peak levels posted in 2006/2007. Investments was mainly directed at the industrial sector (30%) and health care (13%), with most operations taking place in the United Kingdom (42%) and Germany (27%). Transactions completed in Italy accounted for only 3% of the total (a historical low), despite generally more attractive prices.

Additionally, in Italy, the private equity market represented just 0.14% of GDP in 2011, compared with 0.59% in the United Kingdom, 0.48% in France and 0.24% in Germania, with a European average of 0.33%. Moreover, since 2006, 7 leading private equity firms (with funds under management of more than €1.5 billion) have reduced their direct presence in Italy, closing their regional offices.

As to FSI's domestic market in Italy, in the first half of 2013, one transaction was carried out with the involvement of FSI (the acquisition of 29.9% of Engineering by the One Equity Partners fund), with a secondary structure.

In 2012, by contrast, five transactions within the scope of FSI's operations were carried out, with a value of €1.5 billion (compared with €2.5 billion in 2011). It is important to note, however, that two out of five transactions in 2012 were completed by FSI and these were the only primary transactions, i.e. involving capital increases through the issue of new shares.

M&A transactions completed in 2012 in Italy in FSI's "fund buyer" segment

(millions of euros)

Target	Buyer	2011 revenues	New equity	Stake acquired	FSI scope of investment Min. Dec. 3/5/2011	Transaction structure
Kedrion	Fondo Strategico Italiano	277	**75**	19%	Industry	Primary
Metroweb	Fondo Strategico Italiano	56	**200**	46%	Industry	Primary
Alpitour	Wise, J. Hirsch and others	1,125	**100**	90%	Size	Secondary
Valentino Fashion Group	Mayhoola for Investments	322	**710**	100%	Size	Secondary
Cerved Group	CVC Capital Partners	267	**380**	100%	Size with 20% exception	Secondary
		Total invested by funds	**1,465**			

Source: Dealogic, Private Equity Monitor, Mergermarket, press reports

There were five transactions completed with industrial partners in 2012, compared with seven in 2011, with a sharp decline in the equity value involved. FSI valued most of the transactions completed: two transactions featured a significant debt restructuring or an acquisition in bankruptcy.

M&A transactions completed in 2012 in Italy in FSI's "industrial buyer" segment

(millions of euros)

Target	Buyer	2011 revenues	New equity	Stake acquired	FSI scope of investment Min. Dec. 3/5/2011	Transaction structure
Ducati	Audi	480	**860**	100%	Size	Secondary
Ospedale San Raffaele	Gruppo Ospedaliero San Donato	592	**405**	100%	Size	Acquisition in bankruptcy
Ferretti	Shandong Heavy Industry	521	**178**	75%	Size	Acquisition in reorganisation
Marazzi	Mohawk Industries	833	**n.a.**	100%	Size	Secondary
Avio*	General Electric	1,700**	**n.a.**	100%	Industry	Secondary

Source: Dealogic, Mergermarket, press reports

* FSI submitted a bid to acquire a minority stake that was not accepted

** Excluding Space business unit

2.7. THE ITALIAN ELECTRICITY MARKET

ELECTRICITY DEMAND IN ITALY

In the first half of 2013, the demand for electricity amounted to 155,727 GWh, down 3.9% with respect to the first half of 2012.

ELECTRICITY GENERATION

In the first half of 2013, net domestic power generation decreased by 4.1% on the first half of 2012.

Breaking down the figures for generation by main source, net of ancillary services, there was a decrease in thermal power generation of 16.3%, coupled with a notable rise in hydroelectric generation, which expanded by 37.9%, and in generation from renewables (wind, photovoltaic and geothermal), which rose by 18.8%.

DISPATCHING AND SALES

Coverage of power demand in the first half of 2013 was guaranteed with adequate production margins. Available capacity was essentially in line with demand during peak winter and summer hours in 2012. The level of available capacity was partly determined on the basis of an assessment of the adequacy of the system, as well as the scheduling the unavailability of portions of the grid in coordination with the unavailability of power generation.

Foreign trade showed net imports of 21.2 TWh in the first half of 2013, down 2.0% on the year-earlier period.

The Single National Price on the Italian electricity exchange ("IPEX") was higher on average than prices on the French ("PNX") and German ("EEX") trading platforms, although it was lower than in the first half of 2012:

- IPEX €60.7/MWh (-21% year-on-year);
- PNX: €43.8/MWh (-8% year-on-year);
- EEX: €37.2/MWh (-12% year-on-year).

3. OPERATING PERFORMANCE

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

3.1.1. LENDING AND INVESTMENT OF THE CDP GROUP

During the first half of 2013, the Group mobilised and managed resources totalling over €11 billion, for an increase of over 20% compared with the same period of the previous year, thanks to an increase in volumes mobilised by the parent company and its main subsidiaries. The greatest contribution to the 2013 performance came from the Enterprises segment (48% of the total) and the Public Entities and Local Development segment (36% of the total). A significant portion of the total volumes mobilised in 2013 went towards infrastructure (16% of the total). Taking non-recurring transactions into account, the volume of resources mobilised and managed in 2013 came to over €13 billion (up about 40% compared with 2012).

New lending, investment and managed resources - CDP Group [17]

(millions of euros)

Business lines	1st half 2013	1st half 2012	% change
Public Entities and Local Development	**4,094**	**914**	**n/s**
of which CDP Spa	3,381	404	n/s
of which SACE Group	715	498	43%
of which CDPI SGR	1	20	-93%
of which intercompany transactions	(4)	(9)	-60%
Infrastructure	**1,840**	**836**	**120%**
of which CDP Spa	436	806	-46%
of which SACE Group	1,404	30	n/s
Enterprises	**5,565**	**7,787**	**-29%**
of which CDP Spa	5,138	2,791	84%
of which SACE Group	3,015	3,545	-15%
of which SIMEST	2,977	1,887	58%
of which intercompany transactions	(5,564)	(436)	n/s
Total new lending, investment and managed resources	**11,500**	**9,537**	**21%**
Non-recurring transactions	**1,792**	**1**	**n/s**
of which CDP Spa	908	1	n/s
of which FSI	884	-	n/s
Total	**13,291**	**9,538**	**39%**

17 New lending, investment and managed resources include SIMEST.

3.1.2. LENDING AND INVESTMENT OF THE PARENT COMPANY

During the first half of 2013, CDP mobilised nearly €9 billion in resources, more than doubling the figure for 2012 (+124%). This performance was due mainly to the start of operations of the fund for advances on general government trade payables, as well as to the capital increase subscribed in Fondo Strategico Italiano and the progress made in relation to the financing of operations to support exports and internationalisation for Italian businesses. Including non-recurring transactions in the first half of 2013 (payment of the balance for the Fintecna acquisition), resources mobilised came to nearly €10 billion, accentuating the growth since the same period of 2012.

Taking account of the results achieved during the first two years of CDP's 2011-2013 business plan, the cumulative total of resources mobilised comes to €49 billion, already surpassing the target set for the full three-year period (€43 billion).

New lending, investment and managed resources - CDP

(millions of euros)

Business lines	1st half 2013	1st half 2012	% change
Public Entities and Local Development	**3,381**	**404**	**736%**
of which Public Entities	3,376	395	755%
of which Equity Investments and Funds	5	9	-46%
Infrastructure	**436**	**806**	**-46%**
of which Public Interest Lending	58	142	-60%
of which Financing	342	631	-46%
of which Equity Investments and Funds	37	34	9%
Enterprises	**5,138**	**2,791**	**84%**
of which Economic Support	2,603	2,408	8%
of which Equity Investments and Funds	2,534	384	560%
Total new lending, investment and managed resources	**8,955**	**4,002**	**124%**
Non-recurring transactions	**908**	**1**	**n/s**
of which Equity Investments and Funds	908	1	n/s
Total	**9,863**	**4,003**	**146%**

More specifically, new lending and investment for the first half of 2013 is mainly attributable to: i) operations in favour of enterprises to support the economy (€2.6 billion, equal to 29% of the total); ii) financing of infrastructure development (€0.4 billion, or 4% of the total); iii) direct lending to public entities or advances on general government trade payables (totalling €3.4 billion, or 38% of the total); and iv) equity investments and investment funds in the amount of €2.6 billion (29% of the total).

3.1.2.1. Public Entities

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

The main financing products that the Public Entities area provides continue to include: ordinary loans and flexible specific-purpose loans for local authorities; loans without a pre-repayment grace period disbursed in one or more instalments for regional governments; and unsecured loans for non-territorial public entities.

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

Public Entities - Highlights

(millions of euros; %)

	2013	2012
BALANCE SHEET (balances at 30 June 2013 and 31 December 2012)		
Loans to customers and banks	85,258	85,418
Amounts to disburse on loans in repayment	7,499	7,388
Commitments to disburse funds	6,296	8,018
RECLASSIFIED INCOME STATEMENT (accruing in 1st half of 2013 and 2012)		
Net interest income	171	179
Gross income	172	180
Operating income	169	178
INDICATORS		
Credit risk ratios (balances at 30 June 2013 and 31 December 2012)		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.089%	0.086%
Net writedowns/Net loans to customers and banks	-	0.0002%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread interest-bearing assets - liabilities	0.4%	0.4%
Cost/income ratio	1.7%	1.7%
MARKET SHARE (STOCK at 31 March 2013)	**45.5%**	**44.7%**

Initiatives undertaken during the first half of 2013 included the granting, in accordance with the provisions of Decree Law 35 of 8 April 2013 concerning the payment of general government trade payables, of cash advances to local government entities drawn on national funds for a total of €3.2 billion. In particular, over 1,500 requests were submitted by local authorities and validated by CDP, for a total of about €5.8 billion. The amount actually granted out of the total available of €3.6 billion was determined, in accordance with the applicable legislation, on a proportionate basis equal to about 62% of the amount

requested. A total of €1.6 billion of these advances has already been disbursed, with the remaining €1.6 billion to be disbursed in February 2014.

At 30 June 2013, loans to customers and banks totaled €85,258 million, including adjustments for IFRS purposes, remaining essentially in line with the end of 2012 (€85,418 million). During the period, the amount of loans repaid was essentially the same as the amount of loans granted that began their repayment plans and disbursements of loans granted without a pre-repayment grace period.

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €90,199 million, a 2% decrease from the end of 2012 (€92,039 million). The change can be attributed to the fact that the volume of new lending was less than the principal repayments falling due at 30 June 2013.

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

(millions of euros)

	30/06/2013	31/12/2012	% change
Local authorities	44,705	44,786	-0.2%
Regions and autonomous provinces	25,674	25,690	-0.1%
Other public entities and public-law bodies.	13,525	13,544	-0.1%
Total amounts disbursed or in repayment	**83,904**	**84,021**	**-0.1%**
IAS/IFRS adjustments	1,354	1,397	-3.0%
Total loans to customers and banks	**85,258**	**85,418**	**-0.2%**
Total amounts disbursed or in repayment	**83,904**	**84,021**	**-0.1%**
Commitments to disburse funds	6,296	8,018	-21.5%
Total loans (including commitments)	**90,199**	**92,039**	**-2.0%**

CDP's market share reached 45.5% at 31 March 2013, compared with around 44.7% at the end of 2012. The core segment remains the overall stock of debt of local and regional governments and loans with repayment charged to central government.[18] Market share is measured based on actual amounts disbursed, which, for CDP, is equal to the difference between loans to customers and banks and amounts to be disbursed on loans being repaid.

The 10% decline (from €15,406 million at 31 December 2012 to €13,795 million at 30 June 2013) in loan amounts to be disbursed, including commitments, is mainly attributable to loans disbursed during the period, which more than offset the amount of new loans granted (excluding operations from central government funds related to cash advances for general government trade payables).

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

Public Entities - Stock of amounts to disburse

(millions of euros)

	30/06/2013	31/12/2012	% change
Amounts to disburse on loans in repayment	7,499	7,388	1.5%
Commitments to disburse funds	6,296	8,018	-21.5%
Total amounts to disburse (including commitments)	**13,795**	**15,406**	**-10.5%**

During the first half of 2013, a total of €143 million in new loans was granted, a decrease compared with 2012 (€395 million), and €3,233 million in cash advances on general government trade payables were recorded, for a total of €3,376 million in resources mobilised, a significant increase over 2012. Loans granted to non-territorial public entities declined during the first half of 2013, the effect of a large loan in the first half of 2012 (€123 million) for road and transport projects. In general, during the first half of 2013, the tendency of public entities to reduce their debt burdens continued, spurred by a variety of legislative initiatives, including those introduced by the 2012 Stability Act, which with regard to maximum borrowing ceilings requires entities with the greatest exposure to gradually lower their stock of debt.

Public Entities - Flow of new loans by type of beneficiary

(millions of euros)

	1st half 2013	1st half 2012	% change
Major local authorities	-	12	n/s
Other local authorities	10	54	-81.3%
Total local authorities	**10**	**66**	**-84.7%**
Regions	-	17	n/s
Non-territorial public entities	6	157	-96.3%
Total	**16**	**240**	**-93.3%**
Loans with repayment charged to state	127	155	-17.7%
Advances on general government payables	3,233	-	n/s
Grand total	**3,376**	**395**	**755.0%**
City of Rome debt management authority	-	-	n/s
Total Public Entities	**3,376**	**395**	**755.0%**

Disbursements totalled €2,791 million, also higher (+48%) than in 2012 (€1,880 million), due primarily to the advances on general government payables, which more than offset the contraction in the local authorities segment (-38%), associated with the decline in loans granted in recent years, and that in loans with costs borne by central government (-28%). During the period under review, funds were also disbursed to finance the past debt of the City of Rome for a total of €480 million.

Public Entities - Flow of disbursements by type of beneficiary

(millions of euros)

	1st half 2013	1st half 2012	% change
Major local authorities	349	561	-37.9%
Other local authorities	407	663	-38.6%
Total local authorities	**756**	**1,224**	**-38.3%**
Regions	3	13	-74.9%
Non-territorial public entities	82	104	-20.8%
Total	**841**	**1,341**	**-37.3%**
Loans with repayment charged to state	387	539	-28.2%
Advances on general government payables	1,562	-	n/s
Grand total	**2,791**	**1,880**	**48.4%**
City of Rome debt management authority	480	620	-22.6%
Total Public Entities	**3,271**	**2,500**	**30.8%**

During the first half of 2013, the contribution of the Public Entities area to the overall profitability of CDP declined slightly, with net interest income attributable to the area decreasing from €179 million in 2012 to €171 million in 2013, due to essential stability in the spread between assets and liabilities and the small decrease in the stock of loans. This trend can also be seen at the level of gross income (in the amount of €172 million, down 4% from 2012), as the amount of commissions accrued in the first half of 2013 was similar to those posted in the same period of 2012. Taking overhead costs into account, operating income for the area came to €169 million, contributing about 8% to CDP's overall operating income.

The spread between interest-bearing assets and liabilities for the first half of 2013 came to about 40 basis points, in line with the same period of 2012.

Finally, the cost-to-income ratio was 1.7%, also consistent with 2012.

The credit quality of the Public Entities area's loan portfolio showed virtually no problem positions and was essentially unchanged compared with 2012

In response to the financing needs of public entities, during the first half of 2013, CDP expanded its support and assistance services to help them leverage their property assets.

In March 2013, CDP launched the "*Valorizzazione online*" (VOL) platform, which was developed in cooperation with the Pension Fund for Surveyors (*Cassa di Previdenza ed Assistenza dei Geometri*) for the structured management of local government property surveying work As of 15 July 2013, 43 entities were

accredited on the VOL platform (with 35 properties registered, 3 of which completed).

The Relationship Management area (which, as of 2013, includes the Real Estate area), working in step with the Public Entities area, organised an eight-stop road show for the period March-May 2013 in order to promote this platform throughout the country. The initiative was conducted together with National Association of Italian Municipalities (ANCI), Fondazione Patrimonio Comune, with a view to fostering institutional cooperation in order to disseminate a culture of development based on national standards.

In this regard, CDP signed a protocol of intent with ANCI on 21 March 2013 in order to formalise the commitment to cooperate in the effort to support and assist local entities through the development of informational and promotional initiatives concerning the procedures for surveying, ensuring compliance and developing property resources. On 4 July 2013, within the scope of this protocol of intent, the first operating agreement was signed by CDP and ANCI with the goal of organising three web-based seminars between June and September 2013 in order to promote awareness of the procedures for surveying, ensuring compliance and developing properties among all local entities, particularly smaller authorities.

During the first half of 2013, local development work was conducted in order to identify investment opportunities compatible with the strategic guidelines of FIV Plus to be submitted to CDPI SGR.

Following these origination and scouting efforts, 146 properties with a total value of €888 million had been analysed, and investment opportunities involving 42 properties were submitted to CDPI SGR for a total estimated value of about €389 million. Based on these investment proposals, CDPI SGR agreed to begin the process envisaged for FIV for the purchase of 8 of these properties with a total value of €80 million, while 10 other properties, valued at €71 million, are still being analysed with the help of CDP.

3.1.2.2. Infrastructure

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

The scope of operations of the Public Interest Lending area concerns CDP's direct involvement in transactions of public interest promoted by public-law bodies for

which the economic and financial sustainability of the related projects has been verified.

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

Public Interest Lending - Highlights

(millions of euros; %)

	2013	2012
BALANCE SHEET DATA (balances at 30 June 2013 and 31 December 2012)		
Loans to customers and banks	721	182
Commitments to disburse funds and guarantees (off balance sheet)	3,081	3,549
RECLASSIFIED PERFORMANCE DATA (accruing in 1st Half of 2013 and 2012)		
Net interest income	1.8	0.1
Gross income	5.6	1.9
Operating income	4.4	1.4
INDICATORS		
Credit risk ratios (balances at 30 June 2013 and 31 December 2012)		
Gross bad debts and substandard loans/Gross loans to customers and banks	-	-
Net writedowns/Net loans to customers and banks	0.011%	0.0004%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread interest-bearing assets - liabilities	0.8%	0.62%
Cost/income ratio	12.9%	30.4%

The stock of loans at 30 June 2013 came to €721 million, up from the end of 2012 thanks to disbursements made during the year. At the same date, loans, including disbursement commitments and guarantees, totalled €3,803 million, up around 2% compared with 2012.

Public Interest Lending - Stock of loans to customers and banks

(millions of euros)

	30/06/2013	31/12/2012	% change
Project finance	640	100	540.2%
Loans with repayment charged to state	81	82	-0.4%
Total amounts disbursed or in repayment	**721**	**182**	**297.4%**
IAS/IFRS adjustments	(0.4)	(0.02)	n/s
Total loans to customers and banks	**721**	**182**	**297.2%**
Total amounts disbursed or in repayment	**721**	**182**	**297.2%**
Commitments to disburse funds and guarantees	3,081	3,549	-13.2%
Total loans (including commitments)	**3,803**	**3,731**	**1.9%**

During the first half of 2013, the challenging market limited project finance initiatives for public-interest projects, with just one increase in a previously approved loan related to a motorway project for a total value of €58 million. During the period under review, CDP continued its robust origination efforts

concerning the financing of infrastructure of key strategic interest to the country in the hope that a number of the financing projects currently being processed can come to completion once the current period of economic stress has passed.

Public Interest Lending - Flow of new loan agreements

(millions of euros)

	1st half 2013	1st half 2012	% change
Project finance	58	-	n/s
Loans with repayment charged to state	-	142	n/s
Total	**58**	**142**	**-59.5%**

Considering both new transactions and those related to previous periods, the total amount of disbursements for the first half of 2013 came to €540 million, mainly attributable to a high-value project finance transaction in the motorway sector.

Public Interest Lending - Flow of new disbursements

(millions of euros)

	1st half 2013	1st half 2012	% change
Project finance	540	-	n/s
Loans with repayment charged to state	-	-	n/s
Total	**540**	**-**	**n/s**

The area’s contribution to overall CDP performance came to over €4 million at the level of operating income. An improvement over 30 June 2012, the gain was mainly generated by commission income on the operations in its portfolio, partially offset by overheads for the year. The cost-to-income ratio for the area came to 13%, a clear improvement over the first half of 2012, as a result of the increase in revenues noted above.

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

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

Financing - Highlights

(millions of euros; %)

	2013	2012
BALANCE SHEET (balances at 30 June 2013 and 31 December 2012)		
Loans to customers and banks	5,413	5,485
Commitments to disburse funds and guarantees (off balance sheet)	1,312	1,185
RECLASSIFIED INCOME STATEMENT (accruing in 1st Half of 2013 and 2012)		
Net interest income	27	21
Gross income	31	28
Operating income	29	25
INDICATORS		
Credit risk ratios (balances at 30 June 2013 and 31 December 2012)		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.186%	0.167%
Net writedowns/Net loans to customers and banks	0.019%	0.087%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread interest-bearing assets - liabilities	1.0%	0.9%
Cost/income ratio	3.0%	5.0%

The total stock of loans disbursed at 30 June 2013 came to €5,413 million, including IAS/IFRS adjustments, a modest decline compared with the balance at the end of 2012 (€5,485 million). The change is mainly attributable to principal repayments, which were partially offset by the flow of new disbursements.

Including disbursement commitments and excluding IAS/IFRS adjustments, the total comes to €6,709 million, a 1% increase over 2012 (€6,644 million).

Financing - Stock of loans to customers and banks

(millions of euros)

	30/06/2013	31/12/2012	% change
Project finance	339	328	3.4%
Corporate finance	5,058	5,047	0.2%
Securities	-	83	n/s
Total amounts disbursed or in repayment	**5,397**	**5,458**	**-1.1%**
IAS/IFRS adjustments	16	26	-38.6%
Total loans to customers and banks	**5,413**	**5,485**	**-1.3%**
Total amounts disbursed or in repayment	**5,397**	**5,458**	**-1.1%**
Commitments to disburse funds and guarantees	1,312	1,185	10.7%
Total loans (including commitments)	**6,709**	**6,644**	**1.0%**

During the first half of 2013, new financing of €342 million was granted, a decrease compared with the level reached during the same period of 2012 (€631 million). Conversely, the number of loans agreed remained essentially in line with 2012 (slipping from 6 to 5 transactions), with a significant reduction in the average loan size. The new lending in 2013 primarily concerned financing provided to local multi-utilities and local public transportation entities, in addition to a new project financing initiative in the water-services sector.

Financing - Flow of new loan agreements

(millions of euros)

	1st half 2013	1st half 2012	% change
Project finance	8	6	43.6%
Corporate finance	334	625	-46.6%
Total	**342**	**631**	**-45.8%**

Disbursements in 2013 in respect of new loans and those from previous years totalled €181 million, primarily in the form of corporate finance initiatives.

Financing - Flow of new disbursements

(millions of euros)

	1st half 2013	1st half 2012	% change
Project finance	46	20	127.9%
Corporate finance	135	655	-79.4%
Total	**181**	**675**	**-73.2%**

The Financing area's contribution to CDP's performance for the first half of 2013 also increased. In particular, net interest income went from €21 million in the first half of 2012 to €27 million in 2013, due mainly to the increase in the spread between lending and funding rates. Taking commission income and overhead costs for the first half of 2013 into account, operating income came to €29 million (€25 million for 2012).

Finally, the cost-to-income ratio for the area was 3%, a sharp improvement compared with the first half of 2012 due to both the increase in revenues and a reduction in administrative expenses.

The credit quality of the Financing area's portfolio shows almost no problem positions and is essentially unchanged compared with 2012.

CDP's market share in the area of financing for infrastructure investments, which reflects the relatively recent start of CDP's operations in this sector, came to 4.1% at 31 March 2013, which is essentially in line with the end of 2012 and is up from the 3.5% of the end of 2011. The core segment remains the overall stock of debt relating to infrastructure in the following industries: motorways, ports and railway works; energy-related plant and networks; and infrastructure used in the operations of local public service organisations.[19] The growth in

19 Bank of Italy, *Money and Banking*, Table 2.5 (TSC20400) and Table 2.9 (TSC20810).

market share confirms the important role that CDP has been playing in this sector in recent years, posting growth of 9.6% between March 2012 and March 2013, while the market as a whole declined by 0.4%.

3.1.2.3. Enterprises

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

More specifically, subsidised loans primarily draw on CDP resources with state interest subsidies (the Revolving Fund to support enterprises and research investment), while also taking advantage, to a residual extent, of central government funding in the form of capital grants and subsidised loans (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund) or other subsidised financing (Kyoto Fund). Economic support measures already in place since 2009 include the funds available to banks for loans to SMEs and to assist in the reconstruction of the areas hit by earthquakes (Abruzzo in 2009 and parts of Emilia-Romagna, Veneto and Lombardy in 2012).

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

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

Economic Support - Highlights

(millions of euros; %)

	2013	2012
BALANCE SHEET (balances at 30 June 2013 and 31 December 2012)		
Loans to customers and banks	10,081	9,199
Amounts to disburse	32	33
Commitments to disburse funds (off balance sheet)	4,492	3,767
RECLASSIFIED INCOME STATEMENT (accruing in 1st half 2013 and 2012)		
Net interest income	36	28
Gross income	47	28
Operating income	35	26
INDICATORS		
Credit risk ratios (balances at 30 June 2013 and 31 December 2012)		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.407%	0.327%
Net writedowns/Net loans to customers and banks	0.061%	0.120%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread interest-bearing assets - liabilities	0.7%	0.7%
Cost/income ratio	4.3%	6.2%

With regard to new initiatives during the first half of 2013, CDP adjusted the criteria for calculating the spreads to be applied to the funding of the New SME Fund (investments and receivables from general government entities) in February in light of the developments in the level of capitalisation required of banks following adoption of the Basel 3 rules. This was done in order to reward banks with the highest capital levels while maintaining an appropriate risk/return profile. This change in criteria could potentially enable the product to have a positive impact on smaller Italian enterprises that continue to experience difficulties in obtaining credit.

In May, the CDP Board of Directors also approved a measure – already in place for the SMEs in Emilia-Romagna, Veneto and Lombardy that were affected by the 2012 earthquake – aimed at extending to 15 years the maturity of the funding provided to banks through the New SME – Investments Fund in order to finance SMEs in Abruzzo that were affected by the 2009 earthquake (compared with the maximum maturity of 10 years provided to all other parties involved). The measure went into effect on 3 June 2013 following the signing of a specific addendum to the convention of 1 March 2012 currently in effect between CDP and the ABI.

During the first half of 2013, the Ministry for the Environment began reviewing the allocation criteria and the operating model for the Kyoto Fund in implementation of the new legislative provisions introduced with Article 57 of Decree Law 83 of 22 June 2012.

As regards operations involving the "Export Bank" system, on 3 July 2013, CDP, the ABI, SACE, and SIMEST signed a new agreement with the goal of increasing financial support for Italian exporters. The main changes in this new agreement, which is expected to become operational by the end of October 2013, include (i) the ability of CDP to provide funding in currencies other than the euro and (ii) the rationalisation of the commercial offering of the CDP Group in the area of internationalisation. In June, the funding available to the "Export Bank" system was increased by a further €2 billion, to a total of €6 billion, given the extent to which resources already made available had been used and the large number of applications for funding received.

As regards the loan portfolio of the area, the stock of loans to customers and banks at 30 June 2013 came to €10,081 million, up from the end of 2012 (+10%), thanks mainly to the distributions made from the SME fund and the "2012 Earthquake Moratorium" fund, which, together, more than offset debt repayments and extinguishments made on the basis of the half-year reports, which mainly regarded the SME fund.

More specifically, the stock of SME loans reached €6,304 million (up 9% from 2012), whereas the balance of loans for the Abruzzo earthquake came to €1,891 million at 30 June 2013 as no more funds were available as of the end of 2012. The stock of loans disbursed as at the end of the first half of 2013 from the Revolving Fund to support enterprises and research investment came to €891 million (in line with the end of the previous year).

With the period for using the 2012 Earthquake Moratorium fund coming to an end, the stock of loans of this type came to €777 million at 30 June 2013, whereas the first disbursements related to the 2012 Earthquake Reconstruction fund were made during the first half of the year, bringing the stock of this product to €11 million. Finally, after the initial disbursements recorded in 2012, the stock from the Export Bank fund further increased to €176 million.

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €14,600 million, up more than 12% compared with the end of 2012, as the volume of new lending agreed more than offset principal repayments during the period.

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

(millions of euros)

	30/06/2013	31/12/2012	% change
SME support funds	6,304	5,774	9.2%
Export Bank	176	35	406.7%
Abruzzo earthquake reconstruction loans	1,891	1,921	-1.6%
Emilia earthquake reconstruction loans	11	-	n/s
Emilia earthquake moratorium fund	777	545	42.6%
FRI loans	891	880	1.2%
Intermodal systems loans (article 38.6, Law 166/02)	59	62	-4.9%
Total amounts disbursed or in repayment	**10,108**	**9,217**	**9.7%**
IAS/IFRS adjustments	(27)	(18)	48.1%
Total loans to customers and banks	**10,081**	**9,199**	**9.6%**
Total amounts disbursed or in repayment	**10,108**	**9,217**	**9.7%**
Commitments to disburse funds	4,492	3,767	19.3%
Total loans (including commitments)	**14,600**	**12,984**	**12.4%**

More specifically, amounts to be disbursed, including commitments, increased significantly compared with the end of 2012 (+19%) thanks to the large flow of new loans agreed during the period compared with a lower volume of new disbursements and the reduction in undisbursed portions of existing loans. Accordingly, this aggregate went from €3,799 million at the end of 2012 to €4,524 million at 30 June 2013.

Economic Support - Stock of amounts to disburse

(millions of euros)

	30/06/2013	31/12/2012	% change
Amounts to disburse *	32	33	-1.0%
Commitments to disburse funds	4,492	3,767	19.3%
Total amounts to disburse (including commitments)	**4,524**	**3,799**	**19.1%**

* State funds managed by CDP

The total volume of resources mobilised during the first half of 2013 through economic support instruments came to €2,603 million, up from the same period of 2012 (+8%). The increase can mainly be attributed to the significant volume of new funding made available within the scope of Export Bank operations (€1,753 million), which rose sharply during the first six months of the year. The volume of financing from the SME fund was also significant (€700 million), although down from the peak of last year when the first fund came to a close. During the year, activities to help the areas hit by the May 2012 earthquake, which began at the end of last year, continued and reached a total of loans agreed of €45 million. In addition, €71 million in loans were channelled through the Revolving Fund and €35 million through disbursements of central government funds.

With regard to Export Bank operations, seven new financing agreements for a total of €1,753 million were signed during the first six months of 2013. These new loans, guaranteed by SACE in its support of Italian exporters, mainly relate to the construction, shipbuilding and energy sectors.

Economic Support - Flow of new loans by product

(millions of euros)

	1st half 2013	1st half 2012	% change
SME support funds	700	1,733	-59.6%
Export Bank	1,753	-	n/s
Abruzzo earthquake reconstruction loans	-	552	n/s
Emilia earthquake reconstruction loans	11	-	n/s
Emilia earthquake moratorium fund	34	-	n/s
FRI loans	71	87	-19.1%
Disbursements/approvals - third-party funds under administration	35	35	0.7%
Total	**2,603**	**2,408**	**8.1%**

In the first half of 2013, €1,858 million of these loans were disbursed, in large part related to loans to SMEs (over 70% of the total), to the areas affected by the 2012 earthquake (about 15% of the total) and to the Export Bank system.

Economic Support - Flow of new disbursements by product

(millions of euros)

Product	1st half 2013	1st half 2012	% change
SME support funds	1,366	1,388	-1.6%
Export Bank	141	-	n/s
Abruzzo earthquake reconstruction loans	-	428	n/s
Emilia earthquake reconstruction loans	11	-	n/s
Emilia earthquake moratorium fund	235	-	n/s
FRI loans	70	99	-29.3%
Disbursements/approvals - third-party funds under administration	35	35	1.0%
Total	**1,858**	**1,950**	**-4.7%**

Regarding the financing to support SMEs, the total amount of loans agreed comes to €11,141 million, broken down as follows: (i) €8,000 million within the scope of the funds made available in 2009, which were completely depleted in 2012; (ii) €2,989 million related to the new SME fund made available in March 2012 in order to continue supporting SME access to credit; and (iii) €152 million related to financing aimed at providing smaller firms support in dealing with the adverse effects of delays in receiving payments from government entities.

Economic Support - SME support funds

(millions of euros)

Bank counterparties	Total resources	Loans agreed	% resources used	Loans disbursed *
SME (I - II - III Agreements)	8,000	8,000	100%	8,000
SME Investment	8,000	2,989	37%	2,165
SME government receivables	2,000	152	8%	151
Total SME support funds	**18,000**	**11,141**	**62%**	**10,316**

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

In terms of the contribution of the Economic Support area to CDP's performance in the first half of 2012, net interest income improved, going from €28 million for the first six months of 2012 to €36 million in 2013. This significant increase is mainly due to the widening of the spread between rates on assets and liabilities, which came to about 74 basis points (69 basis points in 2012), and to the increase in volumes handled.

Operating income grew similarly, from €26 million in the first half of 2012 to €35 million in 2013, thanks to commission income on new Export Bank operations.

Finally, the cost-to-income ratio for the area was 4%, a marked improvement over the 6% of the first half of 2012, due to the significant rise in the area's revenues.

As regards the credit quality of the loan portfolio for the Economic Support area in 2013, problem loans rose slightly, with all such positions being attributable to the Revolving Fund, and all are, in any event, secured by the central government as the guarantor of last resort.

3.1.3. THE ACTIVITIES OF COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

3.1.3.1. The activities of CDPI SGR

In the first half of 2013, the company's front office focused on investing the resources of the two funds under management. Regarding FIA, three new definitive resolutions for the subscription of units in target funds were approved for a total investment of about €82.3 million, and an investment approved in 2012 was increased by around €6.9 million, bringing the total of investments approved to €426.6 million.

As concerns the operation of FIV Plus, CDPI SGR began systematic efforts to identify and analyse potential investment opportunities during the first half of the year. With regard to the process of scouting, originating and defining investment commitments for the fund, the operating model of FIV Plus calls for a significant role to be played by the parent company, with CDP's Relationship Management area handling the following: marketing and first contact with regional and local governments and other public entities; and initial screening of their property portfolios. It brings the management team of CDPI SGR into the process when properties have been found that are compatible with the FIV Plus investment policies.

During the first half of the year, preliminary investment resolutions were approved, paving the way for feasibility studies regarding five properties located in Bologna, Turin, Florence, Padua and Venice.

In January 2013, the Board of Directors of CDPI SGR also approved the first definitive subscription resolution regarding the potential purchase by FIV Plus of two existing properties located in Milan and owned by the IRCCS Ca' Granda Foundation of Ospedale Maggiore Policlinico in Milan and approved the feasibility studies prepared by the management team, which included options for development. A purchase commitment for the two properties was then taken on behalf and in the name of FIV Plus for a price of about €17 million on the condition that sales procedures that the hospital's foundation have initiated are not successfully completed. Having been approved by the foundation's board of directors on 8 February 2013, this purchase commitment ensures the sale of the two properties for the public entity unless another solution is found. The foundation published the call for bids on 26 March 2013, with the deadline for presenting bids set for 4 July 2013. As no third-party buyers have presented bids to buy the properties, it is expected that FIV Plus will purchase the two properties in the coming months as specified in the call for bids.

3.1.3.2. The activities of FSI

During the first half of 2013, FSI continued its market analysis and monitoring for potential investment opportunities, while consolidating its positioning on the Italian equity investment market as one of the leading players in terms of capital, pipeline and execution capacity.

The main strengths identified comprised: (i) a meritocratic investment process directed at financially sound companies; (ii) a general preference for investing through the subscription of capital increases; (iii) the policy of acquiring minority

stakes, which facilitates relationships even with entrepreneurs less inclined to open up to the market; and (iv) the long-term time horizon, with market returns.

The requests received or identified to date focus on the idea that FSI can act as a "facilitator" in M&A processes or in the creation of company clusters, as in the local public services sector, in the acquisition of competitors abroad or in the creation of international distribution networks. As to the business sectors involved, particular interest was shown by engineering companies (important for exports) and in the traditional "Made in Italy" sectors (branded merchandise, tourism and retail, both in Italy and abroad).

All of FSI's contacts were analysed in detail. In some cases, this produced a variety of investment possibilities; in other cases, it was decided not to pursue the initiative as the proposed investments did not meet the requirements imposed by FSI's articles of association and/or its investment guidelines.

In addition to the arrival of the Bank of Italy as a company shareholder, the other significant events of the first half of 2013 included:

- the signing of a non-binding letter of intent on 22 March 2013 by FSI and Canova 2007 S.p.A., the holding company of the Finiper group, for the acquisition of an interest of up to 20% by FSI through a capital increase;
- the start of a joint venture together with Qatar Holding LLC ("QH") under the name IQ Made in Italy Investment Company S.p.A. ("IQ"). As a joint venture between FSI and QH, which hold equal shares in the company, IQ has wholly paid-in initial capital of €300 million (€150 million paid in by FSI), which can be increased to up to €2 billion after FSI and QH approve specific investments. IQ can invest in Italian companies that meet the conditions specified under articles 3 and 4 of the FSI bylaws (regarding minimum size and financial stability) and which operate in any of the following industries: (i) food production and distribution; (ii) fashion and luxury items; (iii) interior design and furnishings; (iv) recreation, tourism and lifestyle.

3.1.3.3. The activities of the Fintecna Group

SHIPBUILDING

During the first half of 2013, the financial packages related to agreements for the construction of two cruise ships for the Carnival group were finalised. The ferry segment remains an extremely challenging market, with demand declining and becoming concentrated mainly in smaller vessels. In the area of military vessels,

the U.S. subsidiary Fincantieri Marine Group received an order for the construction of two more littoral combat ships (LCS) and four RM-Ms (Response Boat – Medium) for the U.S. Coast Guard.

Of note in the offshore segment was the acquisition of a 55.63% stake in VARD. With this transaction, the Fincantieri group has doubled in size and reached the threshold of €4 billion in annual revenues. The group employs 20,000 people working in 21 shipyards on three continents and has become one of the world's four largest shipbuilders.

The order backlog at 30 June 2013 totalled €10.9 billion, with new orders for the period coming to €1.8 billion, thereby ensuring a workload of €6.8 billion.

This workload was once again not sufficient to absorb the full production capacity of all Italian shipyards in the short/medium term, which forced the Group to make recourse to the special wage supplementation mechanism (temporary lay-offs), with an average of 1,139 employees in the first half of 2013, which is a slight improvement from 2012.

REAL ESTATE

The developments in the real estate market mentioned above, with the reduction in transactions, with the lengthening of the time necessary to move properties, the price reductions demanded and the difficulties of households in gaining access to credit, combined with the problems peculiar to the residual real estate portfolio of the group, have adversely affected Fintecna Immobiliare's urban development programmes (with specific regard to partnership-based real estate projects, which form the core of the company's business activities), which are often characterised by complex planning processes and long completion times. The main problems continue to concern the renegotiation of debts falling due and the risk of disengagement by private-sector partners.

Therefore, the Group continues to study its business activities, especially the above-mentioned partnerships, with a view to exploiting any short to medium-term opportunities available to it.

LIQUIDATION ACTIVITIES

Liquidation activities continued in the first half of 2013 in accordance with the guidelines set and remained within the financial limits of the specific provisions reported in the financial statements at 31 December 2012. The targets set imply a commitment to resolving the complex issues that have arisen within the established limits and making use of the assigned risk provisions.

Specifically, Ligestra (former Efim and Italtrade assets) utilised provisions of €3.5 million in performing all its activities. The costs were covered in full, staying within the limits of the specific provisions.

The activities of Ligestra Due remained completely within the limits of the provisions, which were utilised in the amount of about €2 million. Real estate sales generated gains that were allocated to a newly created provision to be used in the event of losses from future sales.
Finally, pending the report of the appraisers specifying the transfer value of the assets, Ligestra Tre continued with its cost-cutting efforts and operating as liquidator for the companies it controls. Three years after the assets of the companies targeted for liquidation had been received by Ligestra Tre, no panel of appraisers had yet been appointed, so in 2011 the company went ahead and carried out its own appraisal of value to determine how the liquidation should proceed most effectively.

3.1.3.4. The activities of the SACE Group

During the first half of 2013, SACE continued providing support to export businesses, internationalisation projects and other projects of strategic importance making use of a variety of products, as supplemented by the contribution of the other Group companies. With the opening of new regional offices in 2012, the group's extensive presence throughout the country has strengthened relations with a growing number of enterprises.

The demand for insurance to cover the sale of capital goods remains high for high-risk countries and in the industries that are driving Italian exports. The renewed collaboration with banks such as the EIB and local institutions, synergies with the parent company (the new Export Bank agreement), and the study of changes and adaptations to products will help to achieve the strategic targets for this area.

In the areas of short-term trade credit and construction, the ongoing recession in the first part of the year has continued to have an impact on new orders, insolvency and defaults. Nonetheless, the downturn in business for SACE BT remains in line with expectations thanks, in part, to the debt collection efforts of SACE SRV, cost-containment efforts and the careful management of risks. Two new products, "Basicar" for construction risks and the new "Sviluppo Export" policy for export financing, have been launched in order to complete the group's commercial offering.

Recent legislation aimed at reducing government trade payables is gradually leading to changes in the supply-and-demand dynamics of the factoring industry. SACE Fct has been able to confirm its targets for the period with a business model that has been aligned to these new needs.

NEW LENDING AND MANAGED RESOURCES

During the first half of 2013, the contribution of the SACE Group to the resources mobilised and managed by the CDP Group (excluding SACE BT) came to over €5 billion, up 26% from the same period of 2012. The greatest contribution to the totals for 2013 came from the Enterprises segment, primarily in the form of transactions to support international expansion and exports by Italian businesses.
Within the Infrastructure segment, the greatest contribution came from a major transaction of over €1.3 billion in the motorway sector. Taking account of the volumes mobilised by SACE BT, the total comes to over €22 billion, essentially in line with 2012.

Through its network of offices in Italy and abroad and in concert with the financial intermediaries, SACE S.p.A. was able to ensure transactions totalling over €4 billion, thereby continuing to contribute to maintaining employment levels and to furthering Italy's internationalisation. During the first half of 2013, SACE Fct contributed turnover in excess of €1 billion, a significant increase over 2012, thereby helping to input liquidity into the economy.

New lending, investment and managed resources - SACE Group

(millions of euros)

Business lines	1st half 2013	1st half 2012	% change
Public Entities and Local Development	**715**	**498**	**43%**
of which SACE FCT	715	498	43%
Infrastructure	**1,404**	**30**	**n/s**
of which SACE SpA	1,404	30	n/s
Enterprises	**3,015**	**3,545**	**-15%**
of which SACE SpA	2,638	3,202	-18%
of which SACE FCT	376	343	10%
Total new lending, investment and managed resources (excluding SACE BT)	**5,134**	**4,074**	**26%**
SACE BT	16,916	18,255	-7%
Total new lending, investment and managed resources (SACE Group)	**22,050**	**22,328**	**-1%**

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

PORTFOLIO OF LOANS AND GUARANTEES

The total exposure of SACE, calculated as the sum of credit and guarantees issued (principal and interest) amounted to €34.6 billion, up 5% compared with the end of 2012. The total exposure in the portfolio of SACE BT decreased by 4% to about €37 billion. Total receivables of SACE Fct at 30 June 2013 amounted to €1 billion, down 16% compared with 31 December 2012.

(millions of euros)

Portfolio of credit and guarantees	30/06/2013	31/12/2012	% change
SACE	**34,598**	**32,937**	**5.0%**
Outstanding guarantees	33,827	32,193	5.1%
- principal	*28,771*	*27,532*	*4.5%*
- interest	*5,056*	*4,661*	*8.5%*
Performing credit	771	744	3.6%
SACE BT	**36,765**	**38,455**	**-4.4%**
Short-term credit	11,280	13,208	-14.6%
Surety - Italy	6,906	7,256	-4.8%
Other property damage	18,579	17,991	3.3%
SACE FCT	**1,042**	**1,235**	**-15.6%**
Outstanding receivables	1,042	1,235	-15.6%

3.1.4. EQUITY INVESTMENTS OF THE PARENT COMPANY

At 30 June 2013, equity investments and investments in investment funds totalled €33,029 million, which includes the value of the portfolio of equity investments, equal to €32,687 million, and of investment funds and other investment vehicles, which totalled €342 million.

EQUITY INVESTMENTS, INVESTMENT FUNDS AND OTHER INVESTMENT VEHICLES

(thousands of euros)

	31/12/2012	Change		30/06/2013
	Carrying amount	from inv./disinv.	from measurement	Carrying amount
Equity investments	30,276,418	2,519,512	(108,980)	32,686,949
Investment funds and other investment vehicles	293,205	56,619	(8,270)	341,554
Total	**30,569,623**	**2,576,131**	**(117,250)**	**33,028,504**

3.1.4.1. Subsidiaries and other shareholdings

At 30 June 2013, the carrying amount of the portfolio of equity investments showed growth of €2,410 million (+8%) over 31 December 2012.

Equity investments

(thousands of euros)

	31/12/2012		Change		30/06/2013	
	% holding	Carrying amount	from inv./disinv. (*)	from measurement	% holding	Carrying amount
A. Listed companies						
1. Eni S.p.A.	25.76%	15,281,632	-	-	25.76%	15,281,632
2. Terna S.p.A.	29.85%	1,315,200	-	-	29.85%	1,315,200
B. Unlisted companies						
3. SACE S.p.A.	100.00%	6,050,000	-	-	100.00%	6,050,000
4. CDP Reti S.r.l.	100.00%	3,517,360	-	-	100.00%	3,517,360
5. Fintecna S.p.A.	100.00%	2,500,000	-	(109,447)	100.00%	2,390,553
6. Fondo Strategico Italiano S.p.A.	90.00%	900,000	2,519,512	-	77.70%	3,419,512
7. CDP GAS S.r.l.	100.00%	467,366	-	-	100.00%	467,366
8. Simest S.p.A.	76.00%	232,500	-	-	76.00%	232,500
9. Sinloc S.p.A.	11.29%	5,983	-	3	11.29%	5,986
10. F2i SGR S.p.A.	16.52%	2,137	-	435	16.52%	2,572
11. Istituto per il Credito Sportivo	21.62%	2,066	-	-	21.62%	2,066
12. CDP Investimenti SGR S.p.A.	70.00%	1,400	-	-	70.00%	1,400
13. Fondo Italiano d'Investimento SGR S.p.A.	12.50%	774	-	29	12.50%	803
14. Europrogetti & Finanza S.p.A. in liquidazione	31.80%	-	-	-	31.80%	-
Total		**30,276,418**	**2,519,512**	**(108,980)**		**32,686,949**

More specifically, during the first half of 2013, CDP's portfolio of equity investments changed with the subscription of a capital increase on 22 March 2013 in Fondo Strategico Italiano in conjunction with the entry of the Bank of Italy as a shareholder through the transfer of a 4.47% interest in Assicurazioni Generali S.p.A. Following this capital increase, total resources invested by CDP in FSI came to €3,419.5 million, while CDP's stake in FSI was diluted from 90% to 77.7% (or 80% if the share held by the subsidiary Fintecna S.p.A. is considered).

During the first half of the year, the balance of the final price for the transfer of the equity interest in Fintecna S.p.A. from the MEF was also paid.

As a result of the special dividend discussed below, the equity investment in Fintecna underwent impairment testing in accordance with applicable accounting standards. This resulted in the need to recognise a writedown of about €110 million in the value of the investment in the separate financial statements of the parent company. No adjustment was necessary at the consolidated level.

As part of the process of rationalising the Group's real estate activities, on 26 June 2013, the Board of Directors of CDP approved the plan for the spin-off of the real estate assets and liabilities of the Fintecna Group, and specifically: the

equity investments in Fintecna Immobiliare S.r.l. (and its subsidiaries) and in Quadrante S.p.A.; various land and buildings and other related items, for an effective value of the equity to be spun off of about €381 million based on the corresponding carrying amounts at 31 December 2012.

The aim of the transaction, and the broader process of rationalisation, is to implement a more efficient structure for the Group by transferring the equity interests in the real estate sector to areas of the Group that are better able to develop them and by centralising the various functions involved in this segment.

Details of the transaction can be found in the spin-off plan filed with the Company Register on 28 June 2013. Following the resolutions approved by the shareholders of Fintecna on 30 July 2013 and by the CDP Board of Directors on 31 July 2013 (in accordance with Article 2502 of the Italian Civil Code), the related minutes will be filed with the Company Register. Given this timing and in consideration of the period granted for any objections to be filed (in accordance with Article 2503 of the Civil Code), the transaction is expected to take effect on 1 November 2013.

As concerns the separation of organisation and accounting, equity investments in the CDP portfolio in the first half of 2103, regardless of their classification for financial reporting purposes, fall within the scope of the Separate Account, with the exception of the interests held in CDP GAS, CDPI SGR, F2i SGR S.p.A. and Fondo Italiano d'Investimento SGR S.p.A., which fall under the Ordinary Account, as well as FSI, for which the initial investment was classified under Joint Services, with subsequent contributions falling within the scope of the Separate Account.

Dividends accruing in the first half of 2013, on an unchanged scope of consolidation basis, came to about €659 million, mainly attributable to the equity investments in ENI (€505.5 million), Terna (€78 million) and CDP GAS (€75 million). The figure represents an increase of over €31 million (+5%) compared with the same period of 2012.

Total dividends for the first half of the year came to about €1.5 billion thanks to the new companies that have joined the Group. The most significant contribution came from Fintecna (€500 million, €400 million of which in the form of a special dividend), SACE (€234 million), CDP Reti (€102 million) and SIMEST (around €5 million).

3.1.4.2 Investment funds and other investment vehicles

At 30 June 2013, the portfolio of investment funds and corporate investment vehicles totalled some €342 million, up about €48 million (+16%) compared with 31 December 2012.

Investment funds and other investment vehicles

(thousands of euros)

		31/12/2012		Change		30/06/2013		
	Sector	**% holding**	**Carrying amount**	**from inv./disinv.**	**from measurement**	**% holding**	**Carrying amount**	**Residual commitment**
A. Investment vehicles								
1. Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)	Infrastructure	38.93%	51,573	2,229	(93)	38.93%	53,709	85,496
2. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa (Marguerite Fund)	Infrastructure	14.08%	18,590	10,400	(580)	14.08%	28,410	64,350
3. Galaxy S.àr.l. SICAR	Infrastructure	40.00%	2,348	-	-	40.00%	2,348	-
4. European Energy Efficiency Fund SA, SICAV-SIF (EEEF)	Energy							
- A units		5.95%	210	1,169	(0)	5.95%	1,379	58,261
- C units		4.53%	80	180	(0)	4.53%	260	
B. Investment funds								
1. F2i - Fondi Italiani per le Infrastrutture	Infrastructure							
- A units		8.10%	100,179	25,002	(207)	8.10%	124,974	18,007
- C units		0.04%	550	137	(1)	0.04%	686	
2. Fondo Italiano d'Investimento	SMEs and export finance	20.83%	52,166	14,809	(4,897)	20.83%	62,078	165,014
3. Fondo Investimenti per l'Abitare	Social housing	49.31%	34,993	3,418	(1,765)	49.31%	36,647	944,915
4. F2i - Secondo Fondo Italiano per le Infrastrutture	Infrastructure	17.39%	17,869	(1,013)	(348)	16.39%	16,508	82,690
5. Fondo Immobiliare di Lombardia - Comparto Uno (formerly Abitare Sociale 1)	Social housing	9.39%	7,789	-	(370)	7.62%	7,418	11,000
6. Fondo PPP Italia	Infrastructure and PPP projects	14.58%	6,828	(12)	173	14.58%	6,989	6,709
7. FIV Plus	Public housing	100.00%	31	300	(183)	100.00%	147	249,600
Total			**293,205**	**56,619**	**(8,270)**		**341,554**	**1,686,042**

During the first half of 2013, the portfolio changed mainly as a result of draw-downs/redemptions called by the funds. In particular, the changes can be attributed to the draw-downs requested by: Fondo F2i, Fondo Italiano d'Investimento, Marguerite and Fondo Investimenti per l'Abitare, in connection with their own investment activities.

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

3.1.5. Treasury and funding activities of the parent company

3.1.5.1. Treasury management and short-term funding

With regard to the investment of financial resources, the following table reports the aggregates for cash and cash equivalents, along with an indication of the alternative forms of investing financial resources, such as securities issued by Italian public entities.

Stock of investments of financial resources

(millions of euros)

	30/06/2013	31/12/2012	% change
Cash and cash equivalents and other treasury investments	145,850	139,062	4.9%
- Treasury current account	*127,871*	*132,704*	*-3.6%*
- Reserve requirement	*5,312*	*446*	*n/s*
- Other liquidity and deposits - Separate Account	*2,902*	*2,580*	*12.5%*
- Repurchase agreements	*7,169*	*-*	*n/s*
- Deposits (assets) - Ordinary Account	*942*	*978*	*-3.6%*
- Deposits (assets) on Credit Support Annex transactions	*1,654*	*2,354*	*-29.7%*
Debt securities	24,425	24,347	0.3%
- Separate Account	*23,129*	*23,062*	*0.3%*
- Ordinary Account	*1,296*	*1,285*	*0.9%*
Total	**170,275**	**163,409**	**4.2%**

Stock of short-term funding from banks

(millions of euros)

	30/06/2013	31/12/2012	% change
Deposits and repurchase agreements - Separate Account	25,180	26,979	-6.7%
Deposits and repurchase agreements - Ordinary Account	1,627	1,607	1.2%
Deposits (liabilities) on Credit Support Annex transactions	521	626	-16.7%
Total	**27,328**	**29,213**	**-6.5%**
Net interbank position - Ordinary Account	-685	-630	8.8%
Net deposits on Credit Support Annex transactions	1,133	1,728	-34.5%

At 30 June 2013, the balance on the current account with the Central State Treasury, where CDP funding through the Separate Account is deposited, came to about €127.9 billion, a decrease of 3.6% from the figure for the end of 2012 (€132.7 billion) with the start of early repayment of the three-year ECB refinancing operations (LTROs) and the payment of the balance for the Fintecna investment. Also impacting this balance was the fact that 30 June was a Sunday,

so the receipt of loan payments due on that date were actually recognised on 1 July. With regard to OPTES transactions, it should be noted that CDP, as the counterparty authorised to manage MEF liquidity, carried out funding activities during the first six months of 2013 for an average daily total of about €14.5 billion. While maintaining financial equilibrium, the liquidity was used as follows: i) to meet reserve requirements; ii) to invest in very short-term Italian government securities; and iii) to carry out repurchase transactions to invest short-term liquidity with Italian government securities as collateral.

The liquidity deposited for the reserve requirement came to €5,312 million at 30 June 2013, against a reserve requirement of around €2,500 million for CDP. The liabilities of CDP that are subject to the reserve requirement are those that have a maturity 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 and its remuneration is designed to ensure the accounting separation of the Separate Account and the Ordinary Account.

Regarding the deposits for credit support annex (CSA) transactions, which were established under guarantee agreements to limit the counterparty risk associated with transactions in derivative instruments, at 30 June 2013 there was a net creditor balance of €1,133 million, a decrease compared the balance posted at the end of 2012 (€1,728 million). This change is attributable to the change in the fair value of the derivative instruments associated with these deposits. CSA deposits are also managed in a manner that ensures accounting separation between the two Accounts.

For short-term treasury management operations under the Ordinary Account, CDP uses money market instruments such as deposits and repurchase agreements in order to optimise the timing and cost of consolidation with medium and long-term funding. To invest any excess liquidity, CDP uses deposits with banks with high credit ratings and short-term Italian government securities. The net position on the money market at 30 June 2013 came to a negative €685 million, compared with the net negative €630 million at the end of 2012. This was mainly attributable to repurchase agreements financing short-term Italian government securities until maturity. The liabilities for repurchase agreements are balanced by investments in government securities totalling €1,296 million.

As for the Separate Account, the balance of the securities portfolio remained essentially unchanged in the first half of 2013 compared with the end of 2012, at €23.1 billion.

3.1.5.2. Developments in medium and long-term funding

With regard to funding under the Separate Account other than postal savings, following the voluntary termination of the covered bond programme, approved by CDP in November 2011, and the consequent security repurchase programme of 2012, the last series (no. 2) outstanding matured in January 2013, thereby bringing an end to this form of funding.

As regards funding not backed by state guarantee, which falls under the Ordinary Account, in consideration of the current balances of deposits and the funding needs planned for 2013, no new issues were made under CDP's Euro Medium-Term Notes programme.

As regards the credit facilities granted by the European Investment Bank (EIB), during the first half of 2013 a new project finance agreement was signed to finance a motorway project in the total amount of €350 million (Separate Account). The financing was disbursed in its entirety during the period. CDP also requested and obtained an additional disbursement for €11 million under the Ordinary Account, thereby bringing the total amount of disbursements to €361 million. The characteristics of these credit facilities are shown below.

Flow of medium/long-term funding

(millions of euros)

EIB credit facility	Separate/Ordinary Account	Date of issue/funding	Nominal value
Draw (maturity date 31-Dec-2027)	Separate Account	30-Apr-13	350
Draw (maturity date 30-Jun-2028)	Ordinary account	14-Jun-13	11
Total			**361**

During the first half of the year, an EIB credit facility in the total amount of some €43 million was repaid ahead of schedule, thereby bringing net funding in that area to €318 million.

Both the funds raised through EMTN issues and the funding related to the EIB financing continue to be used for infrastructure financing.

For the sake of full disclosure, the table below shows CDP's overall position in medium and long-term funding at 30 June 2013, compared with the end of 2012, by product type.

Stock of medium/long-term funding

(millions of euros)

	30/06/2013	31/12/2012	% change
Medium/long-term funding from banks	**3,338**	**3,026**	**10.3%**
EIB credit facilities	3,338	3,026	10.3%
- of which Separate Account	*350*	*-*	*n/s*
- of which Ordinary Account	*2,988*	*3,026*	*-1.3%*
Bond funding	**3,845**	**6,407**	**-40.0%**
Covered bond programme	-	2,562	n/s
- Securities issued	*-*	*2,563*	*n/s*
- IAS/IFRS adjustment	*-*	*(0.5)*	*n/s*
EMTN programme	3,845	3,845	0.0%
- Securities issued	*3,846*	*3,846*	*0.0%*
- IAS/IFRS adjustment	*(0.2)*	*(1)*	*-72.2%*
Total medium/long-term funding from banks and bond funding	**7,183**	**9,433**	**-23.8%**

3.1.5.3. Developments in postal savings

At 30 June 2013, the total stock of postal savings, including passbook savings accounts and savings bonds pertaining to CDP, came to €236,309 million, compared with €233,631 million at the end of 2012, an increase of over 1%.

More specifically, the carrying amount of postal passbook savings accounts reached €102,769 million, while savings bonds, which are measured at amortised cost, came to €133,540 million.

Stock of postal savings

(millions of euros)

	30/06/2013	31/12/2012	% change
Postal passbook savings accounts	102,769	98,778	4.0%
Postal savings bonds	133,540	134,853	-1.0%
Total	**236,309**	**233,631**	**1.1%**

The increase in postal savings was essentially due to the increase in net funding that CDP posted in passbook accounts, while there was a slight decrease in the stock of savings bonds (-1%), with net redemptions being only partially offset by interest accrued during the period.

Postal savings remains a major component of household savings, amounting to about 14.4% of the aggregate at 31 March 2013, broadly unchanged on that at the end of 2012.[20] The reference segment is the stock of funding from households (held through financial assets), specifically in the following forms: deposits and current accounts, bonds, government securities, asset management products and insurance (life insurance).

Net funding from passbooks was a positive €3,446 million, up significantly from the same figure for the first half of 2012 when net funding came to €1,392 million. This increase is attributable to the positive results achieved by the SMART ordinary passbook, which is a new type of registered ordinary passbook that was launched on 1 January 2013. One of the innovations of the Smart passbook is the ability to access the online postal savings system, along with a bonus interest rate that rewards investors who meet specific conditions as described in the related information pamphlet, such as: i) maintaining the Smart passbook until at least 31 December 2013 and activating the passbook card; and ii) making monthly deposits of at least €300 beginning with the month following

20 Bank of Italy, *Supplement to the Statistical Bulletin*; Assogestioni – *Mappa trimestrale del Risparmio Gestito*; ANIA – *Flussi e reserve tecniche settore Vita*; Bank of Italy, *Money and Banking*; Bank of Italy, *Financial Accounts*.

the one in which the passbook account was opened and until 31 December 2013 or maintaining a balance equal to or greater than 90% of the starting balance until 31 December 2013. During the first half of the year, net funding by way of the SMART passbook totalled €3,719 million, while a total of €8,606 million migrated to the SMART passbook from other types of passbook, thereby bringing total funding for the product of €12,325 million.

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

Passbook accounts - Net funding

(millions of euros)

	Deposits	Withdrawals	Net funding 1st half 2013	Net funding 1st half 2012
Registered passbook accounts	55,568	52,111	3,457	1,460
- Ordinary	*49,538*	*50,246*	*-708*	*1,400*
- SMART ordinary	*5,177*	*1,458*	*3,719*	*-*
- Time deposits	*-*	*0.01*	*-0.01*	*-0.03*
- Minors	*359*	*175*	*184*	*129*
- Judicial	*494*	*232*	*262*	*-68*
Bearer passbook accounts	3	13	-10	-69
- Ordinary	*3*	*13*	*-10*	*-69*
- Time deposits	*-*	*0.001*	*-0.001*	*-*
Total	**55,571**	**52,124**	**3,446**	**1,392**

Gross subscriptions of postal savings bonds in the first half of 2013 came to €14,358 million, up 11% from 2012 due mainly to the renewal of CDP bonds that reached maturity during the period, which were of significant amount in 2013. The types of postal savings bonds that posted increased subscription volumes were the following: 3x4 bonds (39% of total subscriptions); 3-year "Fedeltà" bonds (15% of total subscriptions); the 3x4 "*Fedeltà*" (13% of total subscriptions); and the bonds indexed to Italian inflation (11% of total subscription).
As regards the expansion of the range of postal savings products offered by CDP, in addition to the 3-year "*Fedeltà*" bond and the 3x4 "*Fedeltà*" bond, the *Renditalia*, *Europa*, *RisparmiNuovi* and *Impresa* bonds were also introduced during the year. The *Renditalia* and *Europa* bonds are indexed to 6-month Italian treasury bills (BOT) and to the EuroStoxx 50 equity index, respectively. The *RisparmiNuovi* and *Impresa* bonds target specific categories of investor, with the former being intended for those looking to invest new liquidity and the latter being for SMEs and the self-employed. Also of note is the introduction of a product dedicated to beneficiaries of succession proceedings through Poste Italiane (the *EreditàSicura* bond) on 10 July.
For reasons related to the optimisation of the range of products offered, some of the bonds offered by CDP in 2012 were no longer subscribable as of the date of

preparation of this half-year report, specifically indexed bonds, *Premia* bonds, and the 18-month, 2-year and 3-year "Plus" bonds.

Postal savings bonds - CDP net funding

(millions of euros)

	Subscriptions	Redemptions	Net funding 1st half 2013	Net funding 1st half 2012	% change
Ordinary bonds	479	2,997	-2,518	-3,445	-26.9%
Fixed-term bonds	-	37	-37	-53	-29.2%
Indexed bonds	0.2	1,075	-1,074	-518	107.2%
BFPPremia bonds	-	676	-676	-1,014	-33.3%
Inflation indexed bonds	1,544	1,049	494	-855	n/s
Bonds for minors	349	105	244	252	-3.3%
18-Month bonds	530	4,300	-3,771	-1,350	179.3%
18-Month Plus bonds	637	6,715	-6,078	2,828	n/s
BFP3x4 bonds	5,609	428	5,182	1,189	335.6%
7Insieme bonds	210	47	163	546	-70.2%
3-year Plus bonds	102	220	-118	2,617	n/s
2-year Plus bonds	467	111	357	970	-63.2%
Fedeltà bonds	63	14	49	-	n/s
BFP3x4 *Fedeltà* bonds	1,846	55	1,791	-	n/s
BFP *Renditalia* bonds	216	5	211	-	n/s
BFP *Europa* bonds	40	-	40	-	n/s
BFP *Impresa* bonds	14	-	14	-	n/s
BFP *RisparmiNuovi* bonds	119	1	118	-	n/s
3-year BFP *Fedeltà* bonds	2,133	12	2,121	-	n/s
Total	**14,358**	**17,847**	**-3,490**	**1,167**	**n/s**

Net CDP funding from postal savings bonds came to a negative €3,490 million, as compared with net positive funding of €1,167 million in the first half of 2012. This result was mainly due to the high level of redemptions on maturing 18-month ordinary and "Plus" bonds and the dematerialised nature of such redemptions, which made management of the conversions by the sales network more difficult. For bonds pertaining to the MEF, on the other hand, redemptions came to €3,331 million, down about 7% compared with the same period of 2012. As a result, total net funding on savings bonds (CDP+MEF) for the first half of 2013 came to a negative €6,821 million, compared with a net negative €2,421 million in the first half of 2012.

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

(millions of euros)

	CDP net funding	MEF redemptions	Net funding 1st half 2013	Net funding 1st half 2012	% change
Ordinary bonds	-2,518	3,011	-5,529	-6,175	-10.5%
Fixed-term bonds	-37	320	-358	-912	-60.8%
Indexed bonds	-1,075	-	-1,075	-518	107.3%
BFPPremia bonds	-676	-	-676	-1,014	-33.3%
Inflation indexed bonds	494	-	494	-855	n/s
Bonds for minors	244	-	244	252	-3.3%
18-Month bonds	-3,771	-	-3,771	-1,350	179.3%
18-Month Plus bonds	-6,078	-	-6,078	2,828	n/s
BFP3x4 bonds	5,182	-	5,182	1,189	335.6%
7Insieme bonds	163	-	163	546	-70.2%
3-year Plus bonds	-118	-	-118	2,617	n/s
2-year Plus bonds	357	-	357	970	-63.2%
Fedeltà bonds	49	-	49	-	n/s
BFP3x4 *Fedeltà* bonds	1,791	-	1,791	-	n/s
BFP *Renditalia* bonds	211	-	211	-	n/s
BFP *Europa* bonds	39	-	39	-	n/s
BFP *Impresa* bonds	14	-	14	-	n/s
BFP *RisparmiNuovi* bonds	118	-	118	-	n/s
3-year BFP *Fedeltà* bonds	2,121	-	2,121	-	n/s
Total	**-3,490**	**3,331**	**-6,822**	**-2,421**	**181.7%**

If passbook accounts are also considered, total net funding (CDP+MEF) came to a negative €3,375 million, a further decline from the net negative €1,030 million posted in the first half of 2012.
Of particular note is the fact that the reduction in net funding from CDP savings bonds was only partially offset by the decline in redemptions of MEF bonds and, above all, by the improvement in net funding from passbooks.

Total net postal savings funding (CDP+MEF)

(millions of euros)

	Net funding 1st half 2013	Net funding 1st half 2012	% change
Postal savings bonds	**-6,822**	**-2,421**	**181.7%**
- of which: pertaining to CDP	*-3,490*	*1,167*	*n/s*
- of which: pertaining to MEF	*-3,331*	*-3,588*	*-7.2%*
Passbook savings accounts	3,446	1,392	147.7%
CDP net funding	-44	2,559	n/s
MEF net funding	-3,331	-3,588	-7.2%
Total	**-3,375**	**-1,030**	**227.8%**

3.1.6. THE TREASURY AND FUNDING ACTIVITIES OF THE FINTECNA GROUP

The funding of the Fintecna Group amounted to about €1 billion (of which €526 million in current funding). Of the total, €825 million are attributable to the Fincantieri Group (including the construction loans of the VARD Group in the amount of about €0.4 billion). The remainder pertains to the real estate sector, notably Fintecna Immobiliare S.r.l. (€177 million). The increase on 2012 is mainly attributable to: (i) the consolidation of the debt of the VARD Group at 30 June in the amount of about €0.5 billion; (ii) the consolidation of the debt of Valcomp 3 in the amount of €69 million; and (iii) new borrowing by Fincantieri S.p.A. in the amount of about €100 million.

At 30 June 2013, the balance of cash and cash equivalents of the Fintecna Group was about €0.9 billion. The decline compared with 31 December 2012, equal to about €0.4 billion, is mainly due to the net impact of: (i) the ordinary and special dividends distributed by the parent company (€0.5 billion); (ii) the impact of the acquisition of VARD by Fincantieri (€0.2 billion); and (iii) the partial disposal of the securities portfolio of Fintecna S.p.A. (€0.4 billion).

The balance of debt securities was €1.2 billion, and was made up of government securities in the amount of about €0.9 billion (BTPs and CCTs) and two bonds

issued by banks totalling €360 million. Compared with 31 December 2012, the balance shows a decrease of more than 300 million following the net disinvestment of government securities in the period.

Of total liquidity and debt securities, 80% pertains to the parent company, Fintecna, which holds it as an asset against "provisions" on the liability side of its balance sheet.

Stock of investments of financial resources

(millions of euros)

	30/06/2013	31/12/2012	% change
Cash and cash equivalents and other treasury investments	913	1,289	-29.2%
Debt securities	1,227	1,568	-21.8%
Total	**2,140**	**2,857**	**-25.1%**

3.1.7 THE TREASURY ACTIVITIES OF THE SACE GROUP

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

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

At 30 June 2013 the balance of cash and cash equivalents of SACE was about €1.2 billion, of which about €200 million in current accounts held with banks and about €1 billion million in time deposits. Equity investments and shares include units in investment funds and investment vehicles and, to a lesser extent, shares. The overall balance of debt securities was €4.8 billion, a decline of 3% compared with the end of 2012, mainly as a result in changes in the portfolio of financial assets held for trading.

Stock of investments of financial resources

(millions of euros)

	30/06/2013	31/12/2012	% change
Cash and cash equivalents and other treasury investments	1,207	1,132	6.6%
Equity investments and shares	850	662	28.3%
Debt securities	4,781	4,950	-3.4%
Total	**6,838**	**6,744**	**1.4%**

3.2. THE TERNA GROUP

NATIONAL TRANSMISSION GRID

The number of plants belonging to the Terna Group at 30 June 2013, compared with 31 December 2012, is shown in the following table:

	Terna Group		
	30/06/2013	31/12/2012	Change
No. of stations	468	468	-
No. of transformers	652	650	+2
MVA	137,574	136,809	+765
No. of bays	5,059	5,047	+12
Lines - km	57,487	57,439	+48
No. of 3-phase power lines	4,088	4,077	+11
km	63,492	63,447	+45

DEVELOPMENT OF THE NATIONAL TRANSMISSION GRID

On 29 January 2013, in compliance with the Ministerial Decree of 20 April 2005 (regarding the concession, as amended by decree of the Ministry for Economic Development of 15 December 2010) and Legislative Decree 93/2011, the 2013 Development Plan was sent to the competent authorities for approval.

The Plan, as approved by the Terna board of directors on 19 December 2012, underwent the consultation procedures with the Users' Consultative Committee[21] (16 December 2012 and 21 February 2013), which issued a favourable opinion with regard to both the development measures and the 2013 Plan as a whole.

[21] The Users' Consultative Committee, established with the Prime Minister's Order of 11 May 2004, expresses a non-binding opinion on the Development Plan as required by Competition Authority Decision no. 14542 of 4 August 2005.

The 2013 Development Plan is composed of a main document and three detailed annexes, as described below:

- the 2013 Development Plan is the main document, which discusses the reference framework the objectives and the criteria used in planning the Transmission Grid in a domestic and European context, the forecasting scenarios and the new development needs that emerged in 2012, action priorities and the expected results of implementation of the Development Plan itself;
- Annex 1 – Details of developments in the regulatory framework contains a detailed discussion of recent legislative and regulatory measures affecting the sector;
- Annex 2 – Main features of the electrical system and markets discusses the main developments and trends in the national electrical system in recent years;
- Annex 3 – Technical and financial assessments provides details on the analysis of the financial sustainability of the main development initiatives.

The 2013 Development Plan envisages investments of about €7.9 billion in the 2013-2022 period,[22] broken down into €3 billion in the first five years and €4.3 billion in the second five, thanks to which efficiency gains for the electrical system will reduce costs by more than €1.5 billion per year. In addition, implementation of the Plan will expand the NTG by more than 5,000 km of new power lines and more than 160 new transformer stations with new transformation capacity of about 43,900 MVA.

The 2014 edition of the European Ten-Year Network Development Plan (TYNDP 2014) is being prepared under the ENTSO-E, as envisaged under the EU Regulation for the Third Energy Package. That plan calls for Terna to be directly involved in the Regional Forum, both Continental Central South and Continental South East, in which Terna is a member.

SEA procedure for the Development Plan

The process for obtaining approval from the Ministry for Economic Development (the proceeding authority) requires the release of a reasoned opinion, following completion of the SEA procedure, from the Ministry for the Environment (the competent authority) together with the Ministry for Cultural Heritage.

22 Including investment in the installation of distributed storage systems.

On 21 December 2012, following approval of the 2011 Development Plan and incorporating the comments set out in the reasoned opinion, Terna published the Environmental Report relating to the 2012 Development Plan, the consultation phase for which in relation to the SEA process was concluded on 19 February 2013. The issue of the reasoned opinion is pending. Pursuant to Legislative Decree 152/2006, the competent authority is required to issue the opinion within 90 of the end of the consultation phase.

WORK PERFORMED DURING THE PERIOD

The most important projects carried out in the first half of 2013 and still in progress involved activities to reduce network congestion, connect new generation plants (especially those using renewable energy resources) and increase the reliability of the NTG with ever greater attention to environmental and safety issues.

The following is a description of the major works that are currently in progress and those that were completed in the first half of 2013:

- new 380 kV "Sorgente-Rizziconi" underwater connection: work began on the second 150 kV section of the Scilla station, while power was switched on at the Sorgente station (Sicily); in addition, work on the site for the Villafranca station (Sicily) continued. The first and second three-phase connection for the underwater cables between Villafranca and Favazzina have been laid, as have the fibre-optic cables; work on protecting the underwater cables was also completed. Excavation of the tunnel at Favazzina is under way, as is excavation of the well for the adjacent area at Scilla. Work on the 380 kV aerial line in Calabria, between Rizziconi and Scilla, is 70% complete, and work on the foundations and mounting of the supports (nearly entirely tubular) of the power line between Villafranca and Sorgente, in Sicily, is under way;
- 380 kV stations to connect renewable-resource plants: work is under way on the definitive construction of the Erchie station; work on the Manfredonia station and associated 380 kV connections continued; preparatory work to open the worksite for the 150 kV Camerelle station is under way;
- work is at an advanced stage on the construction of the new 380 kV double three-phase power line connecting the 380 kV Trino station (in the province of Vercelli) with the Lacchiarella station (in the province of Milan), for a total length of over 100 km; cable laying has been completed for more than half of the distance;

- work on the 380 kV "Foggia-Benevento" power line (about 85 km long) continued, with construction of the foundation and installation of the support bases under way;
- work is at an advanced state of completion for the 380 kV "Feroleto-Maida" power line (around 13 km long);
- work on various 150 kV power line connections for the Aliano station (Basilicata), the Lacchiarella station (Lombardy), and the Villafranca station (Sicily) is close to completion, while that near the Avellino station is under way;
- work is close to completion on the expansion (construction of new 150 kV section and installation of new 380/150 kV autotransformer) of the existing stations of Foggia (Puglia) and Scandale (Calabria), for the purpose of connecting new generators;
- work continues on the installation of a 380kV shunt reactor rated at 285 MVar at the Teramo station and one at the Piossasco station (Piedmont);
- the completion reconstruction of the 132 kV power line between Biella and Cerreto Castello (Piedmont), about 6 km long, was concluded entirely in 2013;
- work at the Avellino station continues: archeological surveys were completed and construction of civil works is under way.

Also in the first half of 2013, the following work sites were opened:

- the installation of 380 kV shunt reactors rated at 285 MVAr at the stations of Vignole (Piedmont), Marginone (Tuscany) and Udine (Friuli), as well as the installation of 220 kV shunt reactors rated at 185 MVAr at the Castelluccia station (Campania);
- the construction of the Capri station (Campania) for the interconnection of the island to the mainland; the contract for the installation of the underwater cable was awarded;
- the new 1000 MW direct current underwater connection between Italy and Montenegro, with a length of 415 km between Cepagatti (Pescara) and Tivat (Montenegro): most of the land has been acquired and design of the underwater cables and the two conversion stations is at an advanced stage of completion.

3.3 SIMEST

NEW LENDING, INVESTMENT AND MANAGED RESOURCES

In the first half of 2013, SIMEST's contribution to the resources mobilised and managed by the CDP Group amounted to nearly €3 billion, up almost 60% over the same period of 2012. The contribution, which was focused on the "Enterprise" segment, mainly regarded management of funds on behalf of central government (with particular regard to the management of subsidies) and to a lesser extent the acquisition of direct and indirect equity investments through the venture capital fund, which is discussed in greater detail in the following sections.

New lending, investment and managed resources - SIMEST

(millions of euros)

Business lines	1st half 2013	1st half 2012	% change
Enterprises	**2,977**	**1,887**	**58%**
Direct equity investments	21	16	32%
Venture Capital Fund	5	4	54%
Total equity	***26***	***19***	***36%***
Law 394/81 Fund (loans approved)	80	43	88%
Law 295/73 Fund (deferred principal amount approved)	2,871	1,825	57%
Total resources managed for the state	***2,951***	***1,868***	***58%***
Total new lending, investment and managed resources	**2,977**	**1,887**	**58%**

EQUITY INVESTMENTS

In the first six months of 2013, a total of 28 projects were approved, including:

- 25 new investment projects;
- 3 revisions of previously approved projects.

The companies in which SIMEST approved investment in 2013 envisage:

- a total investment by SIMEST of €58.4 million;
- total share capital of €450.9 million;
- total investment of €926.9 million.

The geographical breakdown of investments approved in the first half of 2013 shows that Central and South America are the main areas of interest for Italian companies investing abroad, both with regard to the number of projects approved and the SIMEST commitment in terms of the size of the equity stake to be acquired. Interest in China also remains high.

In the first half of 2013, SIMEST acquired 15 new equity investments for a total of €20.5 million. More specifically:

- 12 new investments in foreign companies pursuant to Law 100/1990 ("non-EU") for a total of around €15.2 million;
- 3 new equity investments in Italian and EU companies for €5.3 million.

SIMEST also subscribed 4 plan revisions in companies in which it already held an interest at 31 December 2012 (non-EU Europe).

Acquisitions were made primarily in the mechanical and electrical engineering sectors (46.6%), followed by rubber/plastics and services (about 13.3% each). New investments primarily targeted the Americas (40.0%), Asia (33.0%), the EU (20%) and non-EU Europe (7%).

In the period, 7 investments (non-EU Europe) were divested under the agreements in place with our partners for a total of €6 million, taking account of writedowns.

INVESTMENTS OF THE VENTURE CAPITAL FUND

The activity of the Venture Capital Fund in the first six months of 2013 was diminished as a result of the expiry of the agreement between SIMEST and the Ministry for Economic Development and the concomitant expiry of the term of the members of fund's deliberative body, the Guidance and Oversight Committee.

Activities for the renewal of the agreement and the appointment of new members of the Committee are under way and could continue to impact the operations of the fund in the coming months.

In the first six months of 2013, a total of 13 investments were approved by the Guidance and Oversight Committee. The projects approved envisage:

- a total commitment under the Unified Venture Capital Fund of €6.5 million;
- cumulative investments by the foreign companies of €68.3 million, funded by share capital of €65 million.

In the first six months of 2013, acquisitions of equity investments through the Unified Venture Capital Fund totalled €5.3 million and involved 10 new equity investments in companies abroad. In implementation of agreements with our partner companies, 5 investments were sold for €3.5 million;

The geographical distribution of new investments by the fund showed China (2 equity investments for a total of €1.3 million) being overtaken by Brazil (3 investments totalling €1.1 million). The other acquisitions were made in a number of different countries (Mexico, India, Croatia and Russia).

INTERNATIONAL EXPANSION FINANCIAL SUPPORT FUNDS

As part of the financial assistance it provides to Italian companies for expanding operations abroad, SIMEST manages two funds: the Fund established by Article 3 of Law 295/1973 and the Revolving Fund established by Article 2 of Law 394/1981.

Law 295/1973 Fund

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

- export credits, which are aimed at supporting sectors involved in the production of capital goods (plant, machinery, infrastructure, public transportation, telecommunications, etc.) that offer deferrals of payment on medium/long-term orders to foreign customers. In the first half of 2013, operations with a total deferred principal amount of €2,735 million were approved, an increase of 54.1% on the amount approved (€1,775 million) in the same period of 2012 and equal to 63% of the amount approved in all of 2012 (€4,348 million). This performance is even more impressive if we consider the well-known difficulties firms face in accessing credit.
  Out of the €2,735 million in deferred principal amount approved in the first half of this year, €1,444 million (53%) relates to the supplier credit programme for medium-sized plant, machinery and parts, 24% of which for SMEs. The remaining €1,291 million (47%) allocated to the buyer credit programme was used almost entirely for transactions involving large companies under major supply contracts involving large orders;
- support for investment in foreign companies, with the incentive mechanisms envisaged under Article 4 of Law 100/90, which provide for Italian firms to receive interest rate support for loans taken out to finance part of their equity investments in foreign companies in non-EU countries in which SIMEST has acquired an interest. In the first half of 2013, operations were approved with a value of €135.5 million in terms of subsidised loans, exceeding the amount approved for 2012 as a whole, which came to €114.7 million.

Law 394/81 Revolving Fund

Bearing in mind that financing for strengthening capitalisation has been suspended since December 2011 and that the revival of operations under the fund is affected by the state of resources available under the Law 394/81 Fund, with a decree of 21 December 2012, published in the *Gazzetta Ufficiale* on 11 April 2013, the Ministry for Economic Development introduced a new programme (marketing and/or promotion of Italian branded goods and services) to finance participation in trade fairs and exhibitions in non-EU markets by SMEs.

The activity of the Revolving Fund in the first half of 2013 consisted of:

- loans at facilitated interest rates for foreign market penetration programmes. In the first half of 2013, loans approved numbered 83 (53 in the same period of 2012), and their value amounted to €78.9 million, an increase of about 90% over the same period of 2012 (€41.5 million);
- loans at facilitated interest rates for pre-feasibility and feasibility studies and technical assistance programmes. In the first half of 2013, a total of 10 loans were approved, of which 2 technical assistance programmes for a total of €1.3 million (in the same period of 2012, 8 operations were approved in the amount of €1.1 million).

4. FINANCIAL POSITION AND PERFORMANCE

4.1 PARENT COMPANY

The financial position and performance of the parent company at 30 June 2013 is presented below. In order to facilitate understanding of the results for the period, the analysis of the balance sheet and income statement uses the statements reclassified based on operational criteria.

4.1.1. RECLASSIFIED BALANCE SHEET

4.1.1.1. ASSETS

The assets of the parent company from the reclassified balance sheet at 30 June 2013 can be grouped into the following aggregates:

Reclassified balance sheet

(millions of euros)

	30/06/2013	31/12/2012	% change
ASSETS			
Cash and cash equivalents and other treasury investments	145,850	139,062	4.9%
Loans to customers and banks	101,672	100,508	1.2%
Debt securities	24,425	24,347	0.3%
Equity investments and shares	33,029	30,570	8.0%
Assets held for trading and hedging derivatives	788	1,012	-22.2%
Property, plant and equipment and intangible assets	215	214	0.7%
Accrued income, prepaid expenses and other non-interest-bearing assets	11,427	8,972	27.4%
Other assets	756	748	1.2%
Total assets	**318,162**	**305,431**	**4.2%**

At the end of the period, total assets came to €318 billion, a 4% increase from the end of the previous year, when the total was €305 billion.

The stock of cash and cash equivalents (with the available balance on the treasury account equal to €128 billion) was about €146 billion, an increase of about 5% over the end of 2012. Excluding the liquidity management operations (OPTES), equal to about €12 billion, the balance came to about €134 billion, down from the €139 billion posted at the end of 2012 as a result of investments in equity, the start of the early repayment of the LTRO financing and the delay in the collection of loan instalments owing to the fact that 30 June was a Sunday.

The stock of loans to customers and banks came to about €102 billion, an increase of 1% compared with the end of 2012. The rise was primarily attributable to the expansion of activities in support of the economy and, to a lesser extent, the contribution of operations associated with infrastructure development financing.

Debt securities totalled over €24 billion, in line with the end of 2012.

At 30 June 2013, the carrying amount of equity investments and shares was equal to about €33 billion, an increase on the €31 billion reported at the end of 2012 (+8%). This result is mainly ascribable to the subscription of a capital increase of about €2.5 billion carried out by FSI and, to a smaller degree, drawings on the investment funds and investment vehicles which CDP has subscribed.

Assets held for trading and hedging derivatives decreased by 22% compared with the end of 2012. This aggregate reports the fair value (if positive) of derivative instruments used for hedging, which includes operational hedge positions that are not recognised as hedging derivatives for accounting purposes: at 30 June 2013, the change in this balance mainly reflected the early extinguishment of the options acquired to hedge the corresponding option component of the equity-linked bonds (indexed bonds and *BFPPremia* bonds).

The total balance of property, plant and equipment and intangible assets came to €215 million, of which €209 million in property, plant and equipment and the remainder in intangible assets. The increase was attributable to a larger volume of investments made during the period compared with the depreciation and amortisation charge recognised on existing assets. More specifically, there was a decrease in capital expenditure in the period (equal to more than €5.1 million in the first half of 2013, compared with €7.1 million in the year-earlier period) as a result of lower spending on IT and new fittings, partly offset by an increase in expenditure for renovations of buildings owned by CDP.

Accrued income, prepaid expenses and other non-interest-bearing assets increased significantly compared with the end of 2012, going from €8,972 million to €11,427 million. The change was mainly attributable to the rise in past-due loans to be settled as a result of the payment date for instalments falling due at the end of June being a Sunday, partially offset by the combined impact of (i) a reduction in interest accrued on cash and cash equivalents and (ii) a decrease in the fair value of the hedged risk in respect of hedged loans.

Finally, other assets amounted to €756 million, up slightly on the €748 million posted at the end of 2012. The item includes current and deferred tax assets, payments on account for withholding tax on interest on postal passbooks and other sundry assets.

DEVELOPMENTS IN LOANS TO CUSTOMERS AND BANKS

At 30 June 2013, loans to customers and banks totalled €101,672 million, up from €100,508 million at the end of 2012. The greatest contribution continued to come from the Public Entities area, although there was also an increase from the previous year in the relative volume of lending for the Economic Support area, particularly related to the SME support funds, and the 2012 Earthquake Moratorium and Reconstruction fund. The contribution of the Public Interest Lending area also rose.

Stock of loans to customers and banks

(millions of euros)

	30/06/2013	31/12/2012	% change
Public Entities	85,258	85,418	-0.2%
Economic Support	10,081	9,199	9.6%
Financing	5,413	5,485	-1.3%
Public Interest Lending	721	182	297.2%
Other	199	225	-11.7%
Total loans to customers and banks	**101,672**	**100,508**	**1.2%**

The overall balance for commitments to disburse funds and guarantees came to €15,181 million, down from €16,520 million at the end of 2012. This trend is mainly attributable to the decline in the contribution of the Public Entities area, due to the flow of disbursements during the period, only partly offset by the Economic Support area and the Financing area, attributable to the volume of new loans during the period, which outstripped the volume of new disbursements, and the reduction in undisbursed loans granted previously.

Commitments to disburse funds and guarantees

(millions of euros)

	30/06/2013	31/12/2012	% change
Public Entities	6,296	8,018	-21.5%
Economic Support	4,492	3,767	19.3%
Financing	1,312	1,185	10.7%
Public Interest Lending	3,081	3,549	-13.2%
Total commitments to disburse funds and guarantees	**15,181**	**16,520**	**-8.1%**

4.1.1.2. Liabilities and equity

The reclassified liabilities and equity of CDP at 30 June 2013 can be grouped into the following aggregates:

Reclassified balance sheet

(millions of euros)

	30/06/2013	31/12/2012	% change
LIABILITIES AND EQUITY			
Funding	296,273	282,335	4.9%
- of which: postal funding	*236,309*	*233,631*	*1.1%*
- of which: funding from banks	*30,669*	*32,242*	*-4.9%*
- of which: funding from customers	*25,450*	*10,055*	*153.1%*
- of which: funding from bonds	*3,845*	*6,407*	*-40.0%*
Liabilities held for trading and hedging derivatives	2,235	3,109	-28.1%
Accrued expenses, deferred income and other non-interest-bearing liabilities	666	695	-4.3%
Other liabilities	1,109	1,528	-27.4%
Provisions, taxes and staff severance pay	376	928	-59.5%
Equity	17,502	16,835	4.0%
Total liabilities and equity	**318,162**	**305,431**	**4.2%**

Total funding at 30 June 2013 came to €296 billion (+5% from the end of 2012). Within this aggregate, postal funding grew slightly (up 1% from the end of 2012), with the stock, which comprises passbook savings accounts and postal savings bonds, amounting to about €236 billion.

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

- funding from banks (which decreased from more than €32 billion at the end of 2012 to about €31 billion at the end of the first half of 2013), mainly attributable to the start of the early repayment of the LTRO financing from the ECB, only partly offset by draws on EIB credit lines;
- funding from customers, the balance of which, equal to more than €25 billion, was more than double that at the end of 2012, mainly due the (i) stock generated by OPTES operations; (ii) the increase in funds held by FSI with the parent company following the capital increase; and (iii) the portion of specific-purpose loans in repayment at 30 June 2013 and not yet disbursed;
- funding from bonds, which declined by 40% from the end of 2012 to about €4 billion due to the closure of the covered bond programme.

Liabilities held for trading and hedging derivatives posted a decrease compared with the end of 2012 (-28%) to stand at €2,235 million. The aggregate includes the fair value (if negative) of derivative instruments used for hedging, including operational hedges that are not recognised as hedge positions for accounting purposes. The decline registered in the period reflects the reduction in the embedded option component associated with the early repayment of indexed bonds and *BFPPremia* bonds.

Accrued expenses, deferred income and other non-interest-bearing liabilities amounted to €666 million at the end of the first half of 2013, broadly unchanged on the end of 2012.

Developments in the other aggregates can be summarised as follows: (i) the decrease in other liabilities, the stock of which totalled €1,109 million at the end of the period, mainly due the decline in the liability in respect of Poste Italiane for the remuneration of fund-raising services in the postal savings system; and (ii) the decrease in provisions for contingencies, taxes and staff severance pay (equal to €376 million), essentially due to a decline in payables related to current and deferred taxes.

Finally, equity at the end of June 2013 came to €17.5 billion. The increase over the end of 2012 (+4%) was due to the combined impact of net income for the period (€1,731 million), only partially offset by dividends paid to shareholders in the period in respect of 2012 net income.

4.1.1.3. BALANCE SHEET RATIOS

Main indicators (reclassified data)

	2013	2012
Loans to customers and banks/Total assets	32.0%	32.9%
Loans to customers and banks/Postal funding	43.0%	43.0%
Equity investments and shares/Equity	1.89x	1.82x
Gross bad debts and substandard loans/Gross loans to customers and banks	0.135%	0.118%
Net bad debts and substandard loans/Net loans to customers and banks	0.064%	0.049%
Net writedowns/Net loans to customers and banks	0.010%	0.020%

In the first half of 2013, the growth funding from postal savings was in line with that in the stock of loans to customers and banks, thereby leaving the ratio of the stock of postal savings funding to total loans to customers and banks essentially unchanged.

The ratio of equity investments and shares to the company's total equity increased as a result of new investments CDP made during the period.

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

4.1.2. RECLASSIFIED INCOME STATEMENT

4.1.2.1. FINANCIAL PERFORMANCE

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

Reclassified income data

(millions of euros)

	1st half 2013	1st half 2012	Change (+ / -)	% change
Net interest income	**1,512**	**2,162**	**(650)**	**-30.1%**
Dividends and gains (losses) on equity investments	1,390	628	762	121.4%
Net commissions	(825)	(815)	(10)	1.2%
Other net costs and revenues	33	31	1	4.7%
Gross income	**2,110**	**2,006**	**104**	**5.2%**
Net writedowns	(11)	(2)	(10)	558.4%
Overheads	(52)	(47)	(5)	9.6%
of which: administrative expenses	*(48)*	*(44)*	*(5)*	*10.8%*
Operating income	**2,052**	**1,963**	**90**	**4.6%**
Net income	**1,731**	**1,454**	**278**	**19.1%**

The results achieved in the first half of 2013 were very positive for CDP, thanks above all to the contribution of equity investments, which more than offset the expected contraction in net interest income.

Net interest income amounted to €1,512 million, down more than 30% on the same period of 2012 as a result of the larger contraction in lending rates than in the cost of funds. Net interest income did benefit from income (about €124 million) from the closure of one of the portfolios of a securitization of receivables carried out in 2002 and the consequent return of receivables and other assets still outstanding to CDP.

The performance of net interest income was more than offset at the level of gross income thanks to the increase in dividends, largely due to the new companies that have entered the CDP Group. The slight increase in commission expense on postal savings was proportionate to the increase in the amounts under management.

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

Breakdown of overheads

(thousands of euros)

	1st half 2013	1st half 2012	Change (+ / -)	% change
Staff costs	**27,014**	**24,822**	**2,192**	**8.8%**
Other administrative expenses	**20,625**	**16,819**	**3,806**	**22.6%**
Professional and financial services	2,158	1,598	560	35.1%
IT expenses	8,605	8,144	461	5.7%
General services	3,678	3,225	454	14.1%
Publicity and marketing expenses	723	851	(128)	-15.0%
- of which for mandatory publicity	*430*	*474*	*(44)*	*-9.3%*
Information resources and databases	781	665	116	17.4%
Utilities, taxes and other expenses	4,530	2,120	2,410	113.6%
Corporate bodies expenses	151	217	(66)	-30.5%
Total net administrative expenses	**47,639**	**41,641**	**5,998**	**14.4%**
Expenses rebilled to third parties	578	1,863	(1,286)	-69.0%
Total administrative expenses	**48,217**	**43,504**	**4,713**	**10.8%**
Net adjustments of property, plant and equipment and intangible assets	3,719	3,888	(169)	-4.4%
Total	**51,936**	**47,392**	**4,544**	**9.6%**

Staff costs in the first half of 2013 came to €27 million, an increase of 9% compared with the same period of 2012. The increase mainly reflects the expansion in the workforce to strengthen CDP's skill set as envisaged in the 2011-2013 Business Plan, ordinary wage developments and higher expenses for employee services.

Other administrative expenses also increased, reflecting the full implementation of the initiatives contained in the Business Plan, but nevertheless expanded by less than revenues. The change was the primarily the result of: (i) higher costs for a series of legal and technical services to support new business initiatives; (ii) higher IT costs due to the acceleration in spending on the technological innovation projects envisaged in the 2011-2013 Business Plan; and (iii) increased expenses connected with renovation of the Company's buildings.

Taking into account the other residual items and taxes, net income for the period amounted to €1,731 million, up 19% on the first half of 2012.

Excluding the effects in 2013 of the special Fintecna dividend and the impairment of that equity investment, net income for the two periods would have been virtually equal, at about €1.5 billion, with a different contribution of dividends and gains (losses) on equity investments.

Reclassified income data - pro forma excluding non-recurring items

(millions of euros)

	1st half 2013	1st half 2012	Change (+ / -)	% change
Net interest income	**1,512**	**2,162**	**(650)**	**-30.1%**
Dividends and gains (losses) on equity investments	1,100	628	472	75.2%
Net commissions	(825)	(815)	(10)	1.2%
Other net costs and revenues	33	31	1	4.7%
Gross income	**1,820**	**2,006**	**(186)**	**-9.3%**
Net writedowns	(11)	(2)	(10)	558.4%
Overheads	(52)	(47)	(5)	9.6%
Operating income	**1,762**	**1,963**	**(201)**	**-10.2%**
Net income	**1,459**	**1,454**	**6**	**0.4%**

4.1.2.2. PERFORMANCE INDICATORS

Main indicators (reclassified data)

	2013*	2012*
Net interest income/Gross income	71.6%	107.8%
Net commissions/Gross income	-39.1%	-40.6%
Other revenues/Gross income	67.4%	32.9%
Commission expense/Postal funding	0.7%	0.7%
Spread on interest-bearing assets - liabilities	1.3%	1.8%
Cost/income ratio	2.5%	2.4%
Cost/income ratio (including commission expense on postal funding)	30.4%	30.8%
Net income/Opening equity (ROE)	20.6%	20.1%
Net income/Average equity (ROAE)	20.2%	19.3%

* Annualised where material.

Analysing the indicators, we find a decrease in the spread between lending and funding rates, which went from about 180 basis points in the first half of 2012 to about 130 basis points in the same period of 2013.

Compared with 2012, there was essentially no change in the indicators of operating efficiency, such as the cost-to-income ratio, which went from 2.4% in 2012 to 2.5% in 2013. This reflects an increase in overhead costs in line with that in the results of financial operations.

Finally, the return on equity (ROE) for the first half of 2013 increased compared with the same period of 2012, going from 20.1% to 20.6%, reflecting the developments in net income for the period.

4.1.3. RECONCILIATION

The following table reconciles the financial statements prepared in accordance with Bank of Italy circular no. 262/2005, as amended, and the aggregates as reclassified on an operational basis.

The reclassifications mainly regarded the following:

- the allocation to specific and distinct items of interest-bearing amounts and non-interest-bearing amounts;
- the revision of portfolios for IAS/IFRS purposes with their reclassification into uniform aggregates in relation to products and business lines.

Balance sheet - Assets

		ASSETS - Reclassified schedules							
(millions of euros)	1st half 2013	Cash and cash equivalents and other treasury investments	Loans to customers and banks	Debt securities	Equity investments and shares	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Accrued income, prepaid expenses and other non-interest-bearing assets	Other assets
ASSETS									
10. Cash and cash equivalents	0.003	0.003							
20. Financial assets held for trading	478					478			
40. Financial assets available for sale	6,510			6,148	351			12	
50. Financial assets held to maturity	17,981			17,412				570	
60. Loans to banks	22,631	12,524	9,499					609	
70. Loans to customers	236,602	133,326	92,173	865				10,237	
80. Hedging derivatives	310					310			
100. Equity investments	32,678				32,678				
110. Property, plant and equipment	209						209		
120. Intangible assets	7						7		
130. Tax assets	477								477
150. Other assets	280								280
Total assets	**318,162**	**145,850**	**101,672**	**24,425**	**33,029**	**788**	**215**	**11,427**	**756**

Balance sheet - Liabilities and equity

(millions of euros)	1st half 2013	LIABILITIES AND EQUITY - Reclassified schedules					
		Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest-bearing liabilities	Other liabilities	Provisions, taxes and staff severance pay	Equity
LIABILITIES AND EQUITY							
10. Due to banks	31,835	31,545		290			
20. Due to customers	261,115	260,883		232			
30. Securities issued	3,989	3,845		144			
40. Financial liabilities held for trading	375		375				
60. Hedging derivatives	1,807		1,807				
70. Adjustment of financial liabilities hedged generically	54		54				
80. Tax liabilities	370					370	
100. Other liabilities	1,109				1,109		
110. Staff severance pay	1					1	
120. Provisions	5					5	
130. Valuation reserves	957						957
160. Reserves	11,371						11,371
180. Share capital	3,500						3,500
190. Treasury shares	-57						-57
200. Net income for the period	1,731						1,731
Total liabilities and equity	**318,162**	**296,273**	**2,235**	**666**	**1,109**	**376**	**17,502**

4.2. THE IMPACT OF CONSOLIDATION

The financial position and performance of the CDP Group at 30 June 2013 is presented below. For more detailed information on financial position and performance, please see the separate reports and financial statements of the other CDP Group companies, which contain all the accounting information and an analysis of the performance of these companies.

Regarding the Group's performance, it should be noted that for the first time the related figures include the contribution of the SACE Group, the Fintecna Group and SIMEST following completion of their acquisition near the end of 2012.

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

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

4.2.1. RECLASSIFIED CONSOLIDATED BALANCE SHEET

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

Reclassified consolidated balance sheet

(millions of euros)

	30/06/2013					31/12/2012	% change
ASSETS	**CDP Group**	***Parent company***	***of which financial operations (excl. Parent company)***	***of which non-financial operations***	**Eliminations/ adjustments**	**CDP Group**	
Cash and cash equivalents and other treasury investments	150,551	145,850	5,196	2,803	(3,297)	144,659	4.1%
Loans to customers and banks	103,815	101,672	2,257	608	(722)	102,783	1.0%
Debt securities	30,337	24,425	4,791	1,227	(106)	30,764	-1.4%
Equity investments and shares	22,350	33,029	1,381	4,528	(16,587)	21,290	5.0%
Reinsurers' share of technical provisions	96	-	96	-	-	106	-9.3%
Assets held for trading and hedging derivatives	1,467	788	55	624	-	1,799	-18.4%
Property, plant and equipment and intangible assets	13,846	215	105	11,412	2,113	12,981	6.7%
Accrued income, prepaid expenses and other non-interest-bearing assets	11,625	11,427	28	172	(2)	9,147	27.1%
Other assets	5,820	756	316	4,875	(128)	5,056	15.1%
Total assets	**339,907**	**318,162**	**14,225**	**26,249**	**(18,729)**	**328,585**	**3.4%**

At 30 June 2013, the total assets of the CDP Group came to about €340 billion, up about 3% compared with the end of 2012. The rise was mainly attributable to the increase in "Cash and cash equivalents and other treasury investments", "Accrued income, prepaid expenses and other non-interest-bearing assets", "Equity investments" and "Loans to customers and banks".

The stock of cash and cash equivalents rose to nearly €151 billion (up almost €6 billion on the end of 2012). In addition to the items discussed in relation to the parent company, the remainder of this aggregate also includes deposits and other liquid assets attributable to FSI and the SACE Group in relation to financial operations, which total about €5.2 billion, and the cash of the Terna Group, the Fintecna Group, CDP Reti and CDP GAS, related to non-financial operations, which total some €2.8 billion. More specifically: (i) the increase in the treasury investments of the SACE Group (up about €0.3 billion) in shares and investment fund units; (ii) the increase in the FSI deposit with the parent company (eliminated during consolidation) following the completion of the capital increase of FSI with the payment in cash of about €2.5 billion by CDP, net of the investment in IQ Made in Italy carried out in the period; (iii) the reduction in the deposit of CDP Reti with the parent company (equal to about €830 million, also eliminated in consolidation) following payment of the third instalment for the equity interest in SNAM; (iv) the decrease in the cash and cash equivalents of the Fintecna Group, mainly due to the dividend paid to the parent company (€0.5 billion), the impact of the acquisition of VARD by Fincantieri (€0.2 billion), slightly offset by the effects of the partial disinvestment of the securities portfolio (€0.4 billion) of Fintecna S.p.A.; and (v) the decrease in the liquidity of the Terna Group (about €0.8 billion), of which about €500 million for investments in the period and about €250 million in dividends.

The stock of loans to customers and banks (essentially attributable to the parent company) increased compared with the end of 2012 (+1%), rising to €104 billion at 30 June 2013. The balance related to financial operations not attributable to the parent company, which amounted to €2.3 billion, includes the balance related to the SACE Group (about €1.9 billion), which is mainly related to the operations of SACE Fct (around €0.9 billion) and to receivables from foreign countries by subrogation originally transferred by the MEF. The aggregate also includes the equity investments held by SIMEST for a total of €392 million. The allocation of these equity investments under loans to customers takes account of the characteristics of the SIMEST transactions, which include the obligation of the partner to repurchase the stake upon expiration of the agreements. The balance related to non-financial operations, about €600 million, includes: (i) the portion attributable to the Fintecna Group, which is mainly related to financing granted

by Fintecna to Ligestra S.r.l. and Ligestra Due S.r.l. (about €255 million) and to receivables due to Fincantieri; (ii) the revolving shareholder loan granted by CDP GAS to TAG for the purpose of providing the company with financial support in conjunction with analogous financing granted to CDP GAS by the parent company, the latter of which has been eliminated in consolidation.

At 30 June 2013, debt securities amounted to about €30 billion, down 1% compared with the end of 2012. In addition to the developments discussed in relation to the parent company, the balance is attributable to (i) the SACE Group in the amount of about €4.8 billion, down some €170 million mainly as a result of the net disposal of financial assets held for trading and (ii) to the Fintecna Group in the amount of €1.2 billion, down more than €300 million after the net disinvestment of government securities during the period.

Equity investments and shares increased by about 5% from their level at December 2012, reaching around €22 billion. The change in this aggregate is mainly attributable to: (i) the contribution to FSI of the equity holding of the Bank of Italy in Assicurazioni Generali as part of the capital increase noted earlier and the subsequent measurement of the holding at market prices (for a value of €936 million); (ii) the investment in IQ Made in Italy during the period, in the amount of €150 million; and (iii) the measurement using the equity method of the equity interests of CDP Reti and CDP GAS in SNAM and TAG, respectively. The contribution of the parent company to the change is essentially eliminated at the consolidated level.

Reinsurers’ share of technical provisions, which includes reinsurers’ commitments under reinsurance agreements with the SACE Group, was slightly down compared with 31 December 2012, standing at about €100 million.

Assets held for trading and hedging derivatives amounted to €1.5 billion, down 18% from the end of 2012. The aggregate reports the fair value (if positive) of derivative instruments used for hedging, which includes operational hedges that are not recognised as such for accounting purposes. Apart from the developments discussed in relation to the parent company, the rest of the change in this aggregate is essentially attributable to the Terna Group (down €164 million) related to the decrease, owing to the rise in interest rates, in the fair value of the derivative instruments used to hedge the interest rate risk on bond issues. The SACE Group made a smaller contribution to the change, through the mark-to-market difference in its derivatives positions outstanding at 30 June 2013.

Property, plant and equipment and intangible assets totalled nearly €14 billion, up 7% over the end of 2012, pertaining almost entirely to non-financial operations. The Terna Group reports a figure of €10.1 billion (€9.8 billion at the end of 2012), of which nearly all (about €9.65 billion) relates to property, plant and equipment, with an additional €460 million in respect of intangible assets. The variation compared with the end of 2012 is attributable to ordinary changes during the period in respect of capital expenditure, disposals, and depreciation and amortisation. More specifically, the total capital expenditure by the Terna Group in the first half of 2013 amounted to about €500 million (almost entirely relating to property, plant and equipment), while depreciation and amortisation, disposals and other negative changes came to about €200 million. The change in the balance for the Group also includes about €590 million in respect of the contribution of the Fintecna Group, due to an increase of €332 million in intangible assets in respect of the goodwill generated from the VARD acquisition, the consolidation of the property, plant and equipment of VARD in the amount of €188 million and, for the remainder, the net capital expenditure of the Fintecna Group in the period.

Accrued income, prepaid expenses and other non-interest-bearing assets increased by more than 27% compared with the end of 2012, going from €9,147 million to €11,625 million, almost entirely attributable to the parent company. Readers are invited to consult the discussion of the item with regard to the parent company for more information.

Finally, other assets amounted to about €5.8 billion, up 15% from the end of 2012. For the Terna Group, the aggregate, which indudes tax assets and trade receivables, amounted to €2.2 billion. The increase of some €200 million over the end of 2012 is mainly attributable to the change in trade receivables in respect of pass-through items originated by the electricity dispatching operations of Terna. For the Fintecna Group, the aggregate includes construction contracts, inventories, payments on account and tax assets totalling €2.7 billion, up more than €700 million compared with the end of 2012 as a result of the consolidation of the assets of the VARD Group. The balance attributable to SACE, in the amount of €277 million, also includes tax assets and trade receivables.

Reclassified consolidated balance sheet

(millions of euros)

	30/06/2013					31/12/2012	% change
LIABILITIES AND EQUITY	**CDP Group**	***Parent company***	***of which financial operations (excl. Parent company)***	***of which non-financial operations***	**Eliminations/ adjustments**	**CDP Group**	
Funding	302,299	296,273	138	10,003	(4,116)	290,493	4.1%
- of which: postal funding	*236,309*	*236,309*	*-*	*-*	*-*	*233,631*	*1.1%*
- of which: funding from banks	*33,680*	*30,669*	*101*	*2,910*	*-*	*34,633*	*-2.8%*
- of which: funding from customers	*22,190*	*25,450*	*37*	*710*	*(4,007)*	*9,396*	*136.2%*
- of which: funding from bonds	*10,120*	*3,845*	*-*	*6,384*	*(109)*	*12,833*	*-21.1%*
Liabilities held for trading and hedging derivatives	2,374	2,235	13	137	(12)	3,295	-28.0%
Accrued expenses, deferred income and other non-interest-bearing liabilities	957	666	-	294	(3)	977	-2.1%
Other liabilities	5,587	1,109	83	4,081	315	5,991	-6.7%
Insurance provisions	2,548	-	2,578	-	(30)	2,570	-0.8%
Provisions for contingencies, taxes and staff severance pay	3,631	376	301	2,162	791	4,209	-13.7%
Equity	22,511	17,502	11,112	9,571	(15,675)	21,051	6.9%
- of which pertaining to shareholders of the parent company	*18,538*					*18,181*	*2.0%*
Total liabilities and equity	**339,907**	**318,162**	**14,225**	**26,249**	**(18,729)**	**328,585**	**3.4%**

Total funding at 30 June 2013 came to more than €300 billion, up 4% over the end of 2012.

Within this aggregate, postal funding, attributable to the parent company, continued to grow. For a more complete analysis, please see the earlier discussion.

The aggregate also includes funding from banks, which declined from about €35 billion at 31 December 2012 to about €34 billion at the end of the first half of 2013. The change relating to financial operations is mainly attributable to the parent company, the discussion of which readers may consult for more details. As regard non-financial operations, the balance regarding the Fintecna Group (about €1 billion) shows an increase of about €700 million compared with 31 December 2012, owing to the consolidation of the debt of VARD (€515 million) and Valcomp 3 (€69 million), as well as new borrowing by Fincantieri S.p.A. (about €100 million). The decline registered by the Terna Group in the period (about €30 million, for a balance of about €1.9 billion) is essentially due to the decrease in loans and other financing from the EIB as a result of repayment of amounts falling due on existing borrowings. The balance pertaining to the SACE Group also fell, by €45 million, as a result of the repayment of existing borrowings in the amount of €50 million. Finally, as concerns SIMEST, funding from banks refers to the use of credit lines granted mainly by banks that are shareholders in the company.

Funding from customers amounted to about €22.1 billion, more than double the level at the end of 2012. In addition to the amount attributable to the parent company, this aggregate includes the financing granted by CDP to CDP GAS (in

the amount of €199 million, down about €25 million on the end of 2012) and to Terna (€500 million). Deposits with the parent company and financing granted by the parent company to other companies of the Group are eliminated in consolidation. In addition to the developments discussed above, the change compared with the end of 2012 is attributable to the payment by CDP Reti to ENI of the final instalment of the price for the acquisition of SNAM (€879 million) and the virtual elimination of the debtor exposure of Fincantieri S.p.A. in respect of the joint venture Orizzonte Sistemi Navali (with a negative impact of about €130 million).

Funding from bonds decreased by about €2.7 billion (-21%) from the end of 2012. In addition to the decline registered by the parent company discussed earlier, the balance for the Terna Group also fell by about €160 million, essentially due to changes in the fair value of hedged risk.

The item "Liabilities held for trading and hedging derivatives" reports the fair value (if negative) of derivatives used for hedging, including operational hedges that are not recognised as such for accounting purposes. The change in the balance of this aggregate at the consolidated level is largely attributable to the parent company (for a more complete analysis see the discussion elsewhere) and to Terna, with a small negative impact due to developments in interest rates during the period (a decrease of €38 million).

Accrued expenses, deferred income and other non-interest-bearing liabilities amounted to about €957 million, almost unchanged from the end of 2012 (a decrease of €20 million). The parent company contributed €666 million to this figure and the Terna Group accounted for €264 million.

The balance of other liabilities came to about €5.6 billion (down 7% from the end of 2012), of which €2.3 billion attributable to the Terna Group, €1.7 billion to the Fintecna Group, €76 million to CDP GAS and the remainder to financial operations. The balance also reflects the provisional allocation of the difference between the purchase price of the equity investments and the value of the equity of the companies that joined the scope of consolidation in 2012, in the amount of about €407 million. The decrease in the balance for non-financial operations, which also includes the trade payables and other liabilities of the various groups, came to about €165 million. As regards the Terna Group, the change is mainly attributable to the decline in trade payables, partly offset by the rise in tax liabilities and other items. For the Fintecna Group, the rise for the period (about €220 million) is attributable to the inclusion of the VARD Group in the scope of consolidation. The liability of CDP GAS in respect of the dividend to pay to the

parent company, equal to €75 million, is entirely eliminated at the consolidated level. With regard to financial operations, the decrease of €46 million in the balance is essentially attributable to the SACE Group for (i) the payment of trade payables; (ii) the payment of claims to the insured and (iii) the reduction in collections to be processed of SACE Fct. SIMEST partly offset the decline, mainly owing to amounts due to shareholders for dividends approved from 2012 net income (€6.3 million), of which the parent company's share is eliminated at the consolidated level.

The balance of about €2.55 billion for insurance provisions includes the provisions set aside, on the basis of reasonable forecasts, against the commitments undertaken as part of the Group's insurance business. At 30 June 2013, the balance was entirely attributable to the SACE Group.

Provisions for contingencies, taxes and staff severance pay, in the amount of €3.6 billion, decreased compared with the end of 2012, essentially attributable to the parent company, to which readers are referred for more information. Smaller changes (accounting for an overall decrease of about €60 million) were registered by the Fintecna, SACE and Terna groups. More specifically, the increase of about €85 million for the Fintecna Group (attributable to tax liabilities and, to a lesser extent, provisions for risks) was more than offset by the changes posted by the SACE Group (-€75 million) and Terna (-€69 million), mainly in respect of tax liabilities.

Equity at 30 June 2013 amounted to about €22.5 billion, up on the €21.1 billion posted at the end of 2012. This was attributable to the net income generated by the various Group companies, offset by dividends paid to shareholders out of income for 2012. Around €18.5 billion of total equity pertains to the shareholders of the parent company (an increase of 2% on 2012) and about €4.0 billion to non-controlling interests (up 40% compared with 31 December 2012, essentially due to the entry of the Bank of Italy as a shareholder of FSI following the capital increase discussed elsewhere).

Equity

	30/06/2013	31/12/2012
		(millions of euros)
Equity attributable to the shareholders of the parent company	18,538	18,181
Non-controlling interests	3,972	2,870
Total equity	**22,511**	**21,051**

4.2.2. Reclassified consolidated income statement

The following table presents the situation of the CDP Group, with specific reporting of the contributions of financial operations (CDP, SACE Group, SIMEST Group, CDPI SGR and FSI) and non-financial operations (Terna Group, Fintecna Group, CDP GAS and CDP Reti). For the sake of clarity, consolidation eliminations and adjustments have been allocated either to the parent company or to the respective scope of operations of the consolidated companies.

Reclassified income statement *(millions of euros)*

	30/06/2013				30/06/2012	% change
	CDP Group	*Parent company*	*of which financial operations (excl. Parent company)*	*of which non-financial operations*	CDP Group	
Net interest income	**1,634**	**1,527**	108	**(1)**	**2,111**	**-22.6%**
Dividends and gains (losses) on equity investments	556	369	19	168	1,048	-46.9%
Net commission income	(806)	(825)	23	(4)	(811)	-0.6%
Other net costs and revenues	395	31	309	55	26	n/s
Gross income	**1,780**	**1,103**	**458**	**218**	**2,374**	**-25.1%**
Profit (loss) on insurance operations	98	-	98	-	-	n/s
Profit (loss) on banking and insurance operations	**1,878**	**1,103**	**557**	**218**	**2,374**	**-20.9%**
Net writebacks (writedowns)	(15)	(11)	(3)	-	(2)	n/s
Overheads	(2,490)	(52)	(61)	(2,377)	(466)	434.5%
of which: administrative expenses	*(2,213)*	*(48)*	*(59)*	*(2,106)*	*(235)*	*n/s*
Other operating income (costs)	2,932	1	3	2,928	856	242.7%
Operating income	**2,582**	**1,044**	**497**	**1,041**	**2,993**	**-13.7%**
Net income	**1,641**	**727**	**335**	**579**	**2,075**	**-20.9%**
Net income (loss) for the year pertaining to non-controlling interests	206				146	40.7%
Net income (loss) for the year pertaining to shareholders of the parent company	**1,435**				**1,929**	**-25.6%**

The net income of the CDP Group decreased compared with the first half of 2012, mainly due to developments in "net interest income" and "dividends and gains (losses) on equity investments". In addition, as noted early, the performance of the Group reflects the financial impact of the initial consolidation of CDP Reti, the SACE Group, the Fintecna Group and SIMEST, which were not present in the first half of 2012.

Group net income in the first half of 2013 amounted to €1,641 million (€1,435 million of which pertaining to the shareholders of the parent company), a decrease of 21% over the first half of 2012.

More specifically, net interest income came to €1,634 million, a decrease of 23% (-€477 million) from 2012. This performance is mainly attributable to the narrowing of the spread between lending and funding rates registered by the parent company, partly offset by (i) the positive impact of financial operations, notably the contribution of the SACE Group (+€97 million) and SIMEST (+€11 million), and (ii) the positive contribution of non-financial operations, essentially attributable to the Fintecna Group (+€32 million) and the decrease in net financial expense posted by the Terna Group (+€20 million).

Dividends and gains (losses) on equity investments, amounting to €556 million at the consolidated level, are attributable to the parent company in the amount of €369 million, non-financial operations in the amount of €168 million and other companies considered under financial operations in the amount of €19 million. More specifically, the balance of dividends and gains (losses) on the equity investments of the parent company essentially reflects the share of ENI net income (€369 million), significantly down on the first half of 2012 (a decrease of about €640 million), as well as income from investment funds and other investment vehicles (about €445 thousand). As regards the other companies under financial operations, FSI contributed about €17 million in dividends from Assicurazioni Generali (about €14 million) and Kedrion (about €3 million). For non-financial operations, the contributions of CDP Reti and CDP GAS were a positive €139 million and €34 million, respectively, on the basis of the measurement at equity of the equity interests held, respectively, in SNAM and TAG. This was only partly offset by the negative contribution of the Fintecna Group, equal to €6 million. The contribution of the parent company to consolidated results differs from the figures in the separate financial statements as accrued dividends (totalling about €1.5 billion), with the exception of those received from investment funds and other investment vehicles, are fully eliminated in consolidation.

Net commission expense amounted to €806 million (down 1% compared with the first half of 2012), essentially borne by the parent company. The balance also includes the management fee income reported by CDPI SGR, which amounted to about €5 million in the period, for its operation of the FIA and the FIV Plus, as well as the contribution of the SACE Group, which in the first half of 2013 posted net revenues from commissions of about €5 million.

These factors were accompanied by the positive effects of other net revenues, equal to €395 million at the consolidated level, up €370 million compared with the first half of 2012, mainly due to the gains on trading and hedging operations in respect of: (i) the SACE Group (about +€309 million and not included in the scope of consolidation in the first half of 2012), (ii) the Fintecna Group (about +€53 million thanks to the adjustment of the portfolio of government securities cited earlier) and (iii) the parent company (about €31 million), as discussed in the relevant section of the report.

The net profit from insurance operations, equal to €98 million, reports net premium income and other income and charges from insurance operations. The item is being included in the formation of consolidated net income for the first time and is entirely attributable to the SACE Group.

Overhead costs include staff costs and other administrative expenses, as well as value adjustments of property, plant and equipment and intangible assets. The aggregate increased by about €2 billion over the first half of 2012, to €2.5 billion, of which €52 million pertaining to the parent company, €61 million pertaining to other financial operations (essentially the SACE Group, in the amount of €46 million, and SIMEST, in the amount of €10 million) and €2,377 million to non-financial operations (of which €1,958 million for the Fintecna Group and €418 million for the Terna Group). The change in overheads at the Group level is essentially attributable to the first-time consolidation of the Fintecna Group, the SACE Group and SIMEST.

Other operating income (costs) showed €2,932 million in net other operating income, an increase of about €2.1 billion compared with the first half of 2012. For the Fintecna Group and the Terna Group, the figure is composed of operating income representing revenues from the non-financial core businesses of the two groups. For the Fintecna Group, other operating income (costs) in the first half of 2013 amounted to about €2,012 million, while for Terna the balance came to €916 million, up €62 million compared with the first half of 2012.

Considering other residual items and income tax, net income for the period amounted to €1,641 million, down 21% from the €2,075 million achieved in the first half of 2012.

In particular, the contribution of financial operations came to €1,062 million (down €763 million compared with the first half of 2012), of which €727 million attributable to the parent company (down €1,097 million compared with the first half of 2012) and €335 million (the balance was essentially nil in the first half of 2012) to the other companies under financial operations (of which: SACE in the amount of €307 million, FSI in the amount of €18 million, SIMEST in the amount of €8 million and CDPI SGR in the amount of €2 million). Non-financial operations posted net income of €579 million, an increase of about €328 million compared with the first half of 2012, mainly attributable to the impact of the consolidation of the Fintecna Group and CDP Reti (with net income of €140 million and €144 million, respectively, in the first half of 2013), and the net income of Terna (up €46 million compared with the first half of 2012).

The performance of the CDP Group can be analysed on the basis of the contribution of the main business areas of the parent company and the consolidated companies to operating income. More specifically:

Reclassified income statement

(thousands of euros)

	Operating income 1st half 2013	Operating income 1st half 2012	% change
Financial operations	**1,541,751**	**2,343,750**	**-34.2%**
- of which Finance area of the parent company	*954,775*	*1,445,350*	*-33.9%*
- of which Public Entities area of the parent company	*169,464*	*177,835*	*-4.7%*
- of which other areas of the parent company	*(79,868)*	*720,262*	*n/s*
- of which financial operations excluding the parent company	*497,381*	*303*	*n/s*
Non-financial operations	**1,040,560**	**649,622**	**60.2%**
Total CDP Group	**2,582,311**	**2,993,371**	**-13.7%**

In the first half of 2013, the Finance area of the parent company made a substantial contribution to consolidated performance (37% of the total), despite the decrease of 34% from the same period of 2012, owing to the trend in the net interest income of the parent company. The balance attributable to the Public Entities area of the parent company contracted slightly, contributing 7% to overall operating income. The aggregate "other areas of the parent company", groups the Financing area, the Public Interest Lending area, the Economic Support area and equity investments, as well as the costs attributable to the other functions and costs and revenues not otherwise allocable. That aggregate

shows a significant decline, essentially attributable to the reduced contribution of ENI.

The remaining companies under the financial operations segment of the Group also made a significant contribution (equal to 19% of Group operating income; it was essentially nil in the first half of 2012), thanks to the first-time consolidation of the performance data for SACE and SIMEST.

The increase in the period for the non-financial operations of the Group (+60% compared with the first half of 2012) is also due to the first-time consolidation of the results of the Fintecna Group and CDP Reti (of which €165 million for Fintecna and €136 million for CDP Reti), as well as the significant improvement in the operating income of the Terna Group (up €93 million compared with the first half of 2012).

4.2.3. Reconciliation with consolidated equity and net income

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

(thousands of euros)

2013 1ST HALF	Net income	Capital and reserves	Total
PARENT COMPANY FINANCIAL STATEMENTS	**1,731,427**	**15,770,662**	**17,502,089**
Balance from financial statements of fully consolidated companies	965,554	19,717,710	20,683,264
Consolidation adjustments:	(1,261,858)	(18,385,074)	(19,646,932)
- carrying amount of fully consolidated equity investments		*(17,603,337)*	*(17,603,337)*
- provisional allocation		*(476,385)*	*(476,385)*
- goodwill		*295,669*	*295,669*
- reclassifications	*5,080*	*(5,080)*	*-*
- revaluation of property, plant and equipment and intangibles		*2,340,100*	*2,340,100*
- elimination of revaluation of divested intangible assets		*(62,298)*	*(62,298)*
- depreciation/amortisation of revaluation of non-current assets	*(22,550)*	*(369,578)*	*(392,128)*
- dividends from fully consolidated companies	*(993,539)*	*993,539*	*-*
- transfer - impairment separate financial statements	*109,447*		*109,447*
- valuation of equity investments accounted for with equity method	*(136,781)*	*1,043,414*	*906,633*
- elimination of intercompany transactions	*(1,288)*	*(196)*	*(1,484)*
- deferred tax assets and liabilities	*(16,448)*	*(774,457)*	*(790,905)*
- non-controlling interests	*(205,779)*	*(3,766,465)*	*(3,972,244)*
CONSOLIDATED FINANCIAL STATEMENTS	**1,435,123**	**17,103,298**	**18,538,421**

	Net income	Capital and reserves	Total
Parent Company	1,731,427	15,770,662	17,502,089
ENI consolidation	(134,793)	1,028,914	894,121
Terna consolidation	(1,628)	153,618	151,990
SACE consolidation	77,015	-	77,015
FINTECNA consolidation	(269,559)	(12,012)	(281,571)
Other	32,661	162,116	194,777
CONSOLIDATED FINANCIAL STATEMENTS	**1,435,123**	**17,103,298**	**18,538,421**

RECONCILIATION OF OPERATIONAL AND FINANCIAL STATEMENT FIGURES

The following schedule reconciles the consolidated financial statements and the aggregates as reclassified on an operational basis.

These reclassifications mainly concerned: the allocation, to specific and distinct items, of interest-bearing amounts and non-interest-bearing amounts; the revision of portfolios for IAS/IFRS purposes with their reclassification into uniform aggregates in relation to both products and business lines.

Consolidated balance sheet - Assets

		ASSETS - Reclassified schedules								
millions of euros	**1st half 2013**	**Cash and cash equivalents and other treasury investments**	**Loans to customers and banks**	**Debt securities**	**Equity investments and shares**	**Reinsurers' share of technical provisions**	**Assets held for trading and hedging derivatives**	**Property, plant and equipment and intangible assets**	**Accrued income, prepaid expenses and other non-interest-bearing assets**	**Other assets**
ASSETS										
10. Cash and cash equivalents	0.3	0.3								
20. Financial assets held for trading	4,514	850		3,123			540			
40. Financial assets available for sale	8,434		2	7,015	1,396				21	
50. Financial assets held to maturity	19,564			18,974					590	
60. Loans to banks	26,888	16,375	9,499	360					653	1
70. Loans to customers	238,882	133,326	94,314	865	137				10,240	
80. Hedging derivatives	1,006						927		80	
100. Equity investments	20,817				20,817					
110. Reinsurers' share of technical provisions	96					96				
120. Property, plant and equipment	12,698							12,698		
130. Intangible assets	1,148							1,148		
140. Tax assets	988									988
160. Other assets	4,871								40	4,831
Total assets	**339,907**	**150,551**	**103,815**	**30,337**	**22,350**	**96**	**1,467**	**13,846**	**11,625**	**5,820**

Consolidated balance sheet - Liabilities and equity

millions of euros	1st half 2013	LIABILITIES AND EQUITY - Reclassified schedules						
		Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest-bearing liabilities	Other liabilities	Insurance provisions	Provisions, taxes and staff severance pay	Equity
LIABILITIES AND EQUITY								
10. Due to banks	34,849	34,556		293				
20. Due to customers	257,891	257,623	15	230	24			
30. Securities issued	10,379	10,120		258				
40. Financial liabilities held for trading	409		409					
60. Hedging derivatives	1,910		1,897	13				
70. Adjustment of financial liabilities hedged generically (+/-)	54		54					
80. Tax liabilities	1,774						1,774	
100. Other liabilities	5,726			163	5,564			
110. Staff severance pay	151						151	
120. Provisions	1,706						1,706	
130. Technical provisions	2,548					2,548		
140. Valuation reserves	265							265
170. Reserves	13,389							13,389
180. Share premium reserve	6							6
190. Share capital	3,500							3,500
200. Treasury shares (-)	(57)							(57)
210. Non-controlling interests (+/-)	3,972							3,972
220. Net income (loss) for the period	1,435							1,435
Total liabilities and equity	**339,907**	**302,299**	**2,374**	**957**	**5,587**	**2,548**	**3,631**	**22,511**

5. RISK MONITORING

5.1 MONITORING THE RISKS OF THE PARENT COMPANY

Risk monitoring activities are the responsibility of the head of Risk Management and Anti-Money Laundering (RMA), who reports directly to the Chief Executive Officer. Six units report to the head of the RMA:

1. Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement;
2. Market and Liquidity Risks (ALM);
3. Operational Risks;
4. Anti-Money Laundering;
5. Equity Investment Risk
6. Credit Monitoring and Control

CDP's risk policies are established by the Board of Directors acting on a recommendation of the Chief Executive Officer. The Risk Committee, which took its current form in 2010, is a collegial body that provides technical information and advice to the Chief Executive Officer and provides opinions on issues concerning CDP's overall risk policy and management and operational assessment of especially large risks.

Risk management and anti-money laundering duties are among the functions for which CDP performs management and coordination activities within the Group.

From the point of view of the overall risk environment, the first half of 2013 was characterised by the continuing sovereign debt crisis in the euro area, which after the marked improvement in the second half of 2012 now appears to be stagnating. Italian Republic debt was downgraded from 'A-' to 'BBB+' by Fitch, with the reduction subsequently being extended to CDP. During the period, various banks were downgraded by the three main rating agencies. The impact of these exogenous factors affected all of the risk categories to which CDP is exposed.

5.1.1. CREDIT RISK

Credit risk arises primarily in relation to lending activities – both under the Separate Account and the Ordinary Account – and on a secondary level in derivatives operations for hedging purposes and securities financing (see the

next section on counterparty risk). The Separate Account, which has traditionally been exposed to the state and to local authorities, has experienced a steady increase in exposures to the main banking groups operating in Italy (due to SME support programmes and the reconstruction of Abruzzo). Exposures under the Separate Account to private-sector borrowers involved in public interest projects promoted by public entities are still relatively limited. The Ordinary Account grants corporate and project financing for initiatives involving the delivery of public services.

The principles followed by CDP in its lending activities are set out in the Lending Rules, approved by the Board of Directors, which also govern the lending process and the roles of the units involved. In the first half of 2013, the RMA was tasked with specific duties concerning second level controls over the assessment of creditworthiness, and the Risk Committee is now tasked with giving a second opinion on certain lending operations.

In the first half of 2013, CDP also completed development of a new version of the model for the parametric rating of local authorities, which was validated by the RMA area. The model enables classification of local governments into uniform risk categories, identifying cases in which a more extensive assessment of the borrower's creditworthiness is necessary.

In the first half of the year, CDP continued to monitor credit risk constantly, especially in view of the persistence of the financial crisis. More specifically, the estimated long-term average default probabilities ("through-the-cycle"), one of the main model inputs, were updated. Under the Separate Account, activities to support the economy continued, using the banking system to channel postal savings to stimulate and sustain medium-term lending to SMEs. CDP's exposure to Italian banks therefore increased and, currently, CDP's ten largest exposures include two major Italian banking groups. In order to mitigate credit risk in lending through the banks, a mechanism for assigning the banks' receivables in respect of SMEs as security to CDP has taken on greater importance, taking due account of the fact that many Italian banks are under significant strain and have been downgraded.

In the first half of 2013, CDP's risk policies were supplemented with specific guidelines for the composition of the loan portfolio. They are designed to govern certain aspects such as the concentration of lending to specific borrowers or groups of connected borrowers, having regard to capital requirements for credit risk on the basis of parameters such as internal ratings and recovery rates.

5.1.2. Counterparty risk

In line with past practice, in order to mitigate counterparty risk in derivatives transactions, new transactions are only permitted with counterparties with whom a master netting agreement is in place (compliant with the ISDA 2002 standard) supported by Credit Support Annexes ("CSA"), which provide for the exchange of collateral. At the end of the first half of 2013, all existing transactions were supported by a CSA, as the sole operation not involving a CSA had expired. During the period, the frequency of calculation and settlement for some existing CSAs was increased, thereby enhancing their effectiveness in containing the exposure.

To mitigate the risk in respect of securities financing activities, the first part of 2013 saw the start of operations with the Cassa di Compensazione e Garanzia, a central counterparty that makes it possible to enter into repurchase transactions backed by sound counterparty risk protection mechanisms.

5.1.3. Interest rate and inflation risk

The interest rate risk associated with postal savings bonds represents a greater degree of management complexity for CDP than for an ordinary bank. The issue of postal savings bonds indexed to consumer prices also exposes CDP to inflation risk, which is measured and managed in the same manner as interest rate risk.

In the first half of the year, the new Asset & Liability Management (ALM) system began operation, supporting CDP in managing interest rate and inflation risk, which will supplement the proprietary system in use since 2005. The latter will remain in service at least until the completion of the transition to the new system, which is being handled by the RMA area. The new ALM system enables analysis of the various forms of basis risk, with particular reference to the differences between the BTP curve and the IRS curve, which are used to index some of CDP's main floating-rate assets.

CDP continued its work to limit its net positive exposure to an increase in interest rates.[23] The exposure diminished from +€18 million at the end of 2012 to +€14.2 million at the end of the first half of 2013. During the period, the exposure initially rose before subsiding to a level below that in 2011.[24]

23 Defined as the exposure to an increase of 1 basis point in zero-coupon rates across all maturities.
24 Exposure of +€16.5 million.

The exposure to inflation – generated primarily by the issue of indexed postal saving bonds, went from -€3.0 million at the end of 2012 to -€2.7 million at the end of June 2013, a contraction attributable in part to purchases of indexed Italian government securities.

The impact of interest rates and inflation is also monitored in terms of the impact of "non-local" parallel movements in the forward curves of these two risk factors on CDP's economic value. These effects[25] as at the end of the first half of 2013 are reported in the following table:

(billions of euros)

Change	Effect of interest rate change	Effect of inflation rate change
+100 basis points	1.0	(0.27)
-100 basis points	(1.90)	0.26

During the first half of 2013, the interest rate and inflation rate VaR[26] (entirely associated with the banking book exposure) increased from €415 million at the end of 2012 to €638 million at the end of the period, reflecting developments in volatility during the six months.

5.1.4. LIQUIDITY RISK

During the first half of 2013, the volume of postal funding was slightly lower than expected. The liquidity buffer on the treasury current account remained well above the required limits at the end of the period.

The new ALM system also provides support to CDP in managing liquidity risk.

At the end of the period, CDP rolled out a new Contingency Funding Plan (CFP), revising the approval/implementation process envisaged in the previous plan. 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.

25 These exposure metrics are subject to limits approved by the Board of Directors.
26 10-day VaR calculated using a filtered historical simulation approach.

During the period, repayment of the funding raised through the extraordinary long-term refinancing operation of the European Central Bank (LTRO), in which CDP took part in 2012, was begun.

5.1.5. Operational risks

In the first half of 2013, the LDC application for the collection of internal operational loss data was designed, developed and rolled out.

In addition, the pilot project for assessing the exposure to operational risks was completed. The project involved the analysis of the primary processes of CDP's core business, which has recently undergone significant process and system innovations. The results of the assessment will be used in operations to prevent and mitigate operational risks, supporting the constant monitoring of the company's risk profile.

5.1.6. Money laundering and terrorist financing risk

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

As regards due diligence obligations, the implementation of internal rules has been completed and specific controls were performed by the 2nd level control function. Analysis activities are currently under way to ensure compliance with the new regulations implementing Article 7, paragraph 2, of Legislative Decree 231/2007, issued by the Bank of Italy in April and entering force as from 1 January 2014.

With regard to the recording of transactions and relationships, in the second half of 2013 the criteria for maintaining the single computerised database, which has been outsourced to an independent service centre, will be revised in the light of the impact that the above regulations will have in this area once they enter force.

Finally, in compliance with secondary money-laundering regulations, a coordination initiative will be undertaken with regard to customer due diligence and reporting of suspicious transactions, which CDP, in its capacity as Group

parent company, will gradually implement with a number of companies acquired in 2012.

5.1.7. Risks connected with equity investments

CDP possesses a sizable portfolio of equity investments (listed and unlisted) and units in investment funds, held solely for stable investment purposes and not for trading. The Risk Policy establishes the criteria for measuring and managing the risks associated with equity investments and investment funds, also providing for specific stress tests, with a specific focus on the larger investments in listed companies.
In the first half of 2013, the composition of CDP's portfolio of equity investments did not undergo significant changes after the acquisitions carried out in 2012 (SACE, Fintecna, SIMEST and SNAM).

In March 2013, the Bank of Italy acquired a stake in FSI with the contribution of 4.5% of the share capital of Assicurazioni Generali S.p.A., accompanied by the subscription by CDP of a capital increase at FSI in the amount of about €2.5 billion.

The new Management and Coordination Rules issued in the first half following the acquisitions carried out under the Separate Account link risk measurement and management rules at the Group level.

As regard real estate risk, the head of RMA is also head of Risk Management at CDPI SGR, the company that operates the Fondo Investimenti per l'Abitare and the Fondo Investimenti per la Valorizzazione (FIV Plus).

5.2. Monitoring risk in the companies subject to management and coordination

The monitoring of risks at the companies subject to management and coordination is the responsibility of the head of the parent company's RMA area, who reports directly to the CEO.

The Management and Coordination Rules establish that the subsidiaries shall agree their rules for assuming risk with CDP prior to their approval. The corporate bodies of the subsidiaries approve the risk management strategies and

policies of their companies, ensuring that they are consistent with the parent company's rules for assuming risk. They shall notify the parent company that its rules have been incorporated in their risk management systems. The parent company's RMA area monitors the appropriate adoption of the new risk assumption rules by the subsidiaries on an ongoing basis.

The Management and Coordination Rules also require the risk management units of the subsidiaries to prepare and submit periodic reports to the parent company's RMA area, with the frequency required by the specific type of risk involved, assuring compliance with the functional requirements established by the parent company in order to enable consolidation of the information in the parent's information systems.

On the organisational plane, SACE has a risk management unit that is responsible for the activities of the subsidiaries subject to its management and coordination: SACE BT and SACE Factoring. For CDPI SGR, the activity has been outsourced to the RMA area of CDP, while in the case of FSI, risk management has been assigned to the Equity Investments and Risk Management department of the company. Fintecna and CDP GAS do not currently have a dedicated risk management unit.

Credit risk and underwriting risk

The companies subject to management and coordination are exposed to credit risk. In this area SACE's operations are of primary importance. The company is exposed, first and foremost, to technical risk, in the sense of underwriting risk. That risk, which is associated with the portfolio of policies, is the risk of loss arising from unfavourable claim performance compared with estimated claims (pricing risk) or from divergences between the cost of claims and the amount provisioned (reserve risk). The preponderant share of the subscription risk assumed by SACE is credit risk, in the sense that the insured events regard the default of an entity. Nevertheless, underwriting risk includes other risk types (e.g. political risk) that by their very nature do not fall under the credit risk category. SACE is also exposed to the risk of default and the migration of a counterparty's creditworthiness in respect of such balance-sheet items as receivables and bonds, as well as counterparty risk in derivatives transactions.

Underwriting risk and other forms of credit risk are governed using pricing and provisioning policies based on the best market practices, underwriting criteria, monitoring techniques and active portfolio management as well as – where possible – active use of risk mitigation solutions (such as, for example,

reinsurance and hedging). More specifically, the analysis and measurement of underwriting risk are conducted using quantitative models that enable the company to accurately capture the risk exposure and the potential losses and to calculate the unearned premium provision on the basis of the expected loss on the portfolio. Value at Risk metrics are used to measure the unexpected loss in order to calculate the capital requirements of the SACE underwriting portfolio, i.e. the minimum level of economic capital that the company must hold against the exposures that it has in its portfolio. The risk metrics are accompanied by scenario analysis and stress testing, which are helpful in estimating potential losses in the event of exceptional market crises.

The company is also exposed to the concentration risk resulting from exposure to entities, groups of connected entities or entities in the same economic sector or which carry out the same activities or are located in the same geographical area. It has established internal policies that set Value at Risk ceilings on both a single-name and geo-sectoral basis.

CDP GAS, through its subsidiary TAG, is exposed to the credit risk associated with the potential losses that could be generated by the failure of its counterparties to discharge their obligations. That risk is partially mitigated by securing the contracts with sureties granted by banks that meet minimum rating requirements.

As regards CDPI SGR, credit risk is marginal and limited to the sovereign risk associated with investments of liquidity (the government securities it holds have short-to-medium-term residual maturities that do not exceed three years). Risk Management verifies that each investment of liquidity in financial instruments is in compliance with the qualitative and quantitative limits established by the board of directors. CDPI SGR also is exposed to credit risk with the funds it operates (FIA and FIV Plus) in respect of fees and commissions and, indirectly, the subscribers of those funds, in view of the draw-down nature of the funds. In this regard, it should be noted that more than half of the capital of the FIA and all of the capital of FIV Plus has currently been subscribed by the controlling shareholder of CDPI SGR. In addition, the investors in the FIA include the Ministry of Infrastructure and Transportation. As the fund is reserved exclusively to qualified investors, the remaining subscribers are institutions of proven standing, such as banks, insurance companies and pension funds. Credit risk in respect of subscribers is in any case mitigated with specific contractual provisions in the rules for each fund that safeguard the company and the funds in the event

of default (for example, through the use of penalties levied on the subscribers for failure to make payments).

Fintecna is exposed to counterparty risk associated with its deposits with the banks with whom it holds its cash reserve and that in respect of securities lending transactions. An additional source of credit risk is the securities portfolio, although it is largely invested in Italian Republic issues and is exposed to fluctuations in the sovereign spread.

Interest rate risk

In the case of the SACE Group, the interest rate risk in the banking book is risk is specific to the operations of SACE Fct and relates to activities other than those in the trading book. The risk is monitored as part of the ICAAP of SACE Fct, in accordance with supervisory instructions. The exposure to interest rate risk of the other companies of the SACE Group are managed with other market risk exposures.

As regards Fintecna, interest rate risk arises essentially from: i) the medium- and long-term financial liabilities of a number of joint ventures in the real estate sector in respect of floating-rate mortgages and loans obtained for the purchase of properties or for their development; and ii) a number of loans taken out by the Fincantieri Group, on which interest rates are affected by developments in the money market. The policy of these companies is to mitigate the possible impact of changes in key interest rates on performance. To this end, the group has entered into a number of derivative contracts (in some cases in compliance with the terms of the loan agreements with the lenders), whose notional amounts and maturities correspond to those of the hedged financial liabilities.

In the case of FSI, the absence of any debt, together with deposits largely earning floating rates, limit the exposure to interest rate risk to the impact on income from the indexation of investments of liquidity.

As regards CDPI SGR, cash flow forecasts are used to guide the purchase of government securities classified as “held to maturity” and instruments such as postal savings bonds, which may be inflation linked. The portfolio therefore has a limited exposure to interest rates and inflation.

Liquidity risk

SACE’s insurance portfolios are not exposed to significant liquidity risks since, in addition to the technical forms of underwriting that allow the settlement of any

claim to be made over time, the investment policy is closely connected with the liquidity requirements of such investments. All the instruments held in the trading portfolio hedging technical reserves are connected with securities traded on regulated markets and the low average life of the investments ensures a rapid turnover. SACE Fct is in the process of defining a specific policy for the management of liquidity risk, in compliance with the applicable prudential regulations.

With regard to Fintecna, the financial resources of the Fintecna Group produce sufficient liquidity to manage these risks. The group also channelled part of its liquidity into short-term instruments with financial institutions supervised by the Bank of Italy. To ensure flexibility in treasury operations, the Fintecna Group also has a number of credit lines.

FSI's capital exceeds investments made and the excess liquidity has been invested in an unrestricted deposit account and a restricted deposit account with CDP.

For CDPI SGR, liquidity risk is managed through careful planning of cash flows (the cash flow forecast). Inward cash flows regard management commissions and fees, which can be forecast accurately for the coming two years. CDPI SGR has liquidity invested in a basket of demand instruments and in government securities with a residual maturity of less than three years. It has no financial liabilities on the books.

Operational risks

SACE and SACE BT regularly carry out qualitative evaluations of potential risk factors (risk self-assessment), tracking and logging effective operating losses through the loss data collection process. These data represent the input process for measuring and managing operating risks in line with the principles drawn from the applicable regulations. For the purpose of more accurate overall risk management, SACE Fct will soon be implementing loss data collection and self-assessment systems.

CDPI SGR has adopted the parent company approach. An assessment of the advisability of extending it to Fintecna and FSI is under way.

In the case of CDP GAS, the operation of regulated activities in the gas transport sector is faced with a variety of risks of malfunction and sudden supply interruptions, such as those associated with accidents, breakdowns or the

malfunction of equipment or control systems. Its TAG subsidiary has developed a contingency plan to handle operational emergencies, which is activated by the Austrian operator of the O&M contract in accordance with the rules established by the regulator.

Market risks

With regard to SACE, market risk is generated by market operations involving financial instruments, currencies and goods. The risk is controlled through asset liability management techniques and kept within preset limits by adopting guidelines and limits. In particular, the strategic approach adopted in terms of asset allocation and quantitative risk measurement models (Market VaR) is intended to:

- safeguard equity through the conservative management of assets;
- obtain flows of income (coupons and capital gains) to pursue financial performance and stabilise cash flows with investments in highly liquid instruments;
- optimise financial equilibrium through a strategy of balancing the risks associated with the guarantee portfolio.

The market risks to which the Fintecna Group is exposed are associated with the securities portfolio of the holding company and, as regards its subsidiaries and associates, with the macroeconomic conditions in the areas in which the group and its main customers operate, and the specific conditions in its core markets (shipbuilding and real estate) as well as the financial circumstances of its principal customers. In addition, through the operations of Fintecna Immobiliare, the group is exposed to risks relating to fluctuations in the market value of its property holdings. External developments, which have been sharply impacted by the crisis of the real estate sector in recent years, have affected projects in the course of implementation, most notably partnerships with private-sector operators to develop real estate holdings. In this environment, the main cause for concern regards the outcome of renegotiations of partnership loans falling due and the associated risk of private-sector partners withdrawing from the initiatives. The group's strategy seeks to minimise the risks by adapting its operational policies to the market environment, even identifying solutions other than development. The Fintecna Group is also exposed to exchange rate risk, mainly associated with Fincantieri shipbuilding contracts denominated in foreign currencies and, to a small extent, the sourcing of supplies by that company priced in currencies other than the euro. The group policy is designed to minimise the impact of exchange rate fluctuations on performance. The management of exchange rate risk, for which the group makes use of forward

foreign currency purchase and/or sale contracts or option structures, is conducted with regard to the expected time horizon for foreign currency flows.

As regards FSI, in order to monitor the listed companies in its portfolio (Assicurazioni Generali), Value at Risk was adopted as a metric of market risk. The metric was not applied to Hera, also a listed company, as the investment has been approved but it has not yet been acquired.[27] In the case of unlisted companies already held, compliance with the limits set out in the risk policy is verified, with a specific focus on limits on concentration and borrowing, updating the risk analysis conducted at inception. Finally, in compliance with the risk policy, a risk analysis was conducted of transactions approved by the board of directors in the first half of 2013.

The market risk exposure of CDP GAS is associated with TAG. It mainly regards possible changes in demand in European destination markets and potential modifications of the infrastructure that serve existing markets, partly with regard to the possible construction of alternative infrastructure. CDP GAS regularly monitors the primary developments that could have an adverse impact on the operations of TAG. In addition, in the medium term CDP GAS is exposed to rate risk and price risk for the gas used as the fuel needed to transport gas in the pipeline.

The market risk exposure of CDP Reti is attributable to its sole asset – SNAM – and is monitored at the parent company level by tracking its share price.

<u>Other material risks</u>

As regards SACE, the following risks have also been identified and, where necessary, measured and mitigated through suitable management processes:

- reputational risk, intended as the risk of deterioration of the company's image and an increase in conflict with the insured, due also to poor quality services, placement of inadequate insurance policies or the conduct of the sales network. This risk is greatly mitigated by existing safeguards with regards to internal control and risk management, as well as the adoption of specific internal procedures designed to regulate the group companies' operations;
- group risk, intended as the risk of "contagion", that is the risk that, as a result of transactions entered into with other group companies, difficulties

[27] For Hera, the risk analysis of concentration limits, leverage, volatility and rating is updated.

encountered by one group company could spread, adversely affecting the company's solvency;

- compliance risk, intended as the risk of incurring legal or administrative sanctions, suffer losses or reputational harm as a result of the failure to comply with laws, regulations or measures set out by supervisory authorities or corporate governance rules, such as by-laws, codes of conduct or corporate governance codes; risk arising from unfavourable changes in the regulatory framework or legal interpretation.

The Fintecna Group (i.e. mainly its parent company and other group subsidiaries that carry out liquidation activities through special purpose entities) is also exposed to the risks arising from on-going litigation, which is mostly related to the many companies already in liquidation that have come under its control over the years. Taking into consideration the complexity and considerable uncertainty of these situations, the directors, acting to the best available information and a prudent assessment of the circumstances, periodically update the evaluations of the adequacy of the provisions recognised in the financial statements. The liquid assets of the group are considered adequate. The Fintecna Group is also exposed to the risk of changes in the regulatory framework in the countries in which it operates, as well as risks associated with environmental protection and workplace health and safety. The group promotes compliance with all the laws to which it is subject, and has adopted and updated preventive control tools to mitigate compliance risk.

Finally, CDP GAS is exposed to regulatory risk since the directives and other regulatory measures issued by the European Union and by Austrian regulators can have a major impact on the operations and results of TAG. In order to monitor and control regulatory risk appropriately, CDP GAS has acquired specific internal and external (through consultants) skills. More specifically, at present the regulatory framework concerning the certification of TAG pursuant to the Third Gas Directive remains uncertain and could expose the company to penalty procedures.

5.3. MONITORING RISK IN THE TERNA GROUP

In the conduct of its operations, the Terna Group is exposed to various financial risks (regulatory risk, operational risk, financial/market risk) in respect of its non-traditional activities. Terna's risk management policies seek to identify and analyse the risks the group is exposed to, establishing appropriate limits and

controls and monitoring risks and compliance with such limits. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of the group companies.

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

Regulatory risk

About 97% of the group's consolidated revenue is generated by annual fees paid for the provision of services regulated by the Italian energy authority. With Resolutions nos. 199/11, 204/11 and 197/11 for the 2012-2015 regulatory period, the Authority for Electricity and Gas (the Authority) established the remuneration for the supply of electricity transmission, distribution and metering services, prices for dispatching and regulating the transmission service quality for the fourth regulatory period (2012-2015), in addition to the methods for updating them in subsequent years.
Within the scope of these regulations, there are a number of variables that could impact the group's performance.
With specific reference to Resolution no. 199/11, Article 2 provides for the revision of the remuneration rate of net invested capital related to transmission services for the period 1 January 2014 - 31 December 2015 on the basis of the average gross yield of 10-year Italian government bonds (BTPs) in the period from November 2012 - October 2013.

Volume effect

The revenues of Terna S.p.A. and Terna Rete Italia S.r.l. attributable to the management, operation and development of the National Transmission Grid, and to the performance of dispatching activities, are governed by rates set by the Authority. The unit transmission and dispatching rates are applied to the overall volume of energy transmitted and dispatched on the NTG. These volumes depend on factors beyond the control of the Group.
The volume mitigation mechanism introduced by Resolution no. 188/08 has been confirmed for 2013 as well. It establishes that any impact on Company revenues caused by variations in electricity volumes withdrawn from the transmission grid and dispatched would be limited to +/-0.5%.

Bonuses and penalties

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

Resolution no. 40/13 specifies the strategic projects for development of the National Transmission Grid. For the main works in these projects, an incentive of 2% is envisaged for 12 years from the date of entry into service of the works, the possibility – on exceeding an annual stage of completion of the milestones provided for – of a bonus of the same amount in the period prior to entry into service and possible penalties in the event the main works for each project are completed with a delay of more than one year with respect to the target date. The risk for Terna is associated with these potential penalties, which are based on the length of any delays, and to the net invested capital for each project.

Foreign operations

Resolution no. 565/12, which as provided for in Resolution no. 199/11 updated the transmission rates for 2013, in noting that the information available on the investments made by Terna Crna Gora d.o.o. did not permit verification, as of the publication date, of the connection of those investments with transmission services and their related eligibility for remuneration in rates, instructed the manager of the Authority's Infrastructure Department to conduct an enquiry into the matter.

Domestic legislative risk

Tax law

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

Environmental protection law

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

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

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

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

Litigation risk: legal disputes
The Terna Group is involved, as both plaintiff and defendant, in a number of legal proceedings involving contracts, employees, the environment, regulatory matters, and public health issues arising from normal business operations.
In addition, the Group could be involved in new litigation and/or out-of-court disputes with parties of various kinds (by way of example and not exhaustively: suppliers, public entities, etc.).
For more on this matter please see Section E. "Commitments and risks" of the notes to the financial statements of Terna S.p.A. and the Terna Group.

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

In the financial risk management policies approved by its board of directors, the Terna Group has defined responsibilities and operational procedures for financial risk management activities, making specific reference to the tools to be used and setting clear operating limits in managing those activities.
Terna's risk management policies seek to identify and analyse the risks to which the company is exposed, establishing appropriate limits and controls and monitoring risks and compliance with such limits. These policies and the associated systems are reviewed on a regular basis in order to reflect any changes in market conditions and the activities of the Group.
This matter is discussed in greater depth in Section E. "Commitments and risks" of the notes to Terna's condensed consolidated interim financial statements at 30 June 2013.

Risks connected with financing needs

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

Risk on non-traditional business

A significant part of non-traditional business is connected with opportunities offered in the market for the design, implementation and management of high-voltage plant used to connect generation from renewable sources in Italy or abroad. Possible changes in the applicable legislative or regulatory frameworks could, however, make investment in this sector less attractive and, consequently, lead to a contraction in market opportunities for Terna's non-traditional business.

5.4. MONITORING RISK IN SIMEST

The primary business risks identified, monitored and actively monitored by SIMEST relate to the financial risk connected with equity investments. To manage this risk, SIMEST thoroughly evaluates – with a dedicated department – proposed investments brought to its attention, looking at the company proposing the investment and to the investment itself, with the aim of reducing its exposure to this financial/credit risk.

In this regard, the process starts with an examination of the financial position, financial statements and the business plan of the partner company (extended to the group to which it belongs, if necessary) and the primary competitive features that characterise its business, analysing in addition the potential for and the consistency of (by scale and on the operational/sector level) the investment within the overall strategic plan of the Italian company. The analysis also considers any existing relationships with the company and with the group as a whole (so as to avoid excessive portfolio concentration), verifying (including using an internal scoring system) various aspects of the proposed investment (stability of the partner/group of origin, validity/ effectiveness of the investment project, consistency between the sponsor and the project and, finally, country risk).

The results of the assessment performed are summarised in the investment proposal submitted to the internal Investment Committee. If the proposal is found to be sound and of interest– also taking into account the correlated financial/credit risk and the methods for managing and reducing such risk – the proposal is submitted to the board of directors of SIMEST for final approval.

During the equity investment acquisition phase, all recommendations are followed, as are any suggestions by SIMEST's board of directors and guarantees are obtained, if needed. Financial risks are also mitigated by monitoring both the Italian partner and the investee company through the acquisition of financial reports, accounting records and management data.

The Italian partner and the corporate guarantors are monitored using special databases.

The price risk and exchange rate risk associated with equity investments are eliminated through contracts that guarantee SIMEST a return on investment for the price paid in euros to acquire the equity investment.

Management of liquidity risk and interest rate risk is continuously monitored through a methodical analysis of company cash flows, especially as they relate to equity investments, taking due account of the possibility of regulating inward flows from equity investments with options and outward flows by regulating payments to the individual investees. This monitoring activity has enabled SIMEST to obtain on good terms and conditions (taking account of the rating assigned by financial institutions to SIMEST) credit lines totalling €160 million,

considerably more than the amount needed to manage company cash flows. Drawings on the credit lines at 30 June 2013 amounted to about €95.5 million.

In order to balance sources and uses of funds, taking account of the need for financial balance associated with the cycle of acquisitions and disposals of equity investments, two derivatives contracts were obtained to hedge the medium/long-term (5 years) interest rate risk on two short-term credit lines in the total amount of €40 million. From an operational point of view, the transaction will stabilise the cost of funding (about 2.3%) at a lower level than otherwise obtainable: market terms at the time the transaction was executed on a financing agreement of the same maturity (5 years) would have been about 250/300 basis points higher. The transaction, which was carried out with a very reliable bank (also a SIMEST shareholder and SIMEST's treasury services bank), there by ensures a significant spread between the cost of funds and the return on the equity investment for the medium/long-term, all on better terms than an equivalent 5-year loan or similar transaction in this market environment.

In other matters concerning interest rate risk, the quantification of the gain on equity investments is managed flexibly over time, taking account of market developments. This flexible approach seeks to achieve an appropriate average return on investments that is sufficient to absorb the impact of changes in borrowing rates over the short, medium and long term.

In managing company risks, no additional factors are considered likely to alter circumstances in the coming six months.

5.5. LEGAL DISPUTES

5.5.1. LEGAL DISPUTES OF THE PARENT COMPANY

As regards pending litigation, it should be noted that the total number of disputes remained insignificant in absolute terms. The potential liabilities that might be generated by disputes with customers and employees are also insignificant.

With regard to Separate Account customers, at 30 June 2013, 66 suits were pending with a total estimated liability of €2 million. Of these, five regard disputes with suppliers. There are no situations that concern serial disputes that

could suggest the presence of critical issues in procedures or lack of compliance with related laws and regulations.

As regards the conversion of preference shares into ordinary shares, following the exercise of the right of withdrawal, the Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona filed a suit involving a claim of considerable size (€431,890,854). However, the risk of losing the dispute, while possible, is not considered high.

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

As regards disputes not related to customer operations (labour disputes), at 30 June 2013, 37 lawsuits were pending, for which the estimated total potential liability is less than €2 million.

5.5.2. DISPUTES INVOLVING COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

In the first half of 2013, the Fintecna Group continued to manage the numerous disputes in which it is involved, providing assistance to legal counsel in identifying, agreeing and implementing appropriate defensive strategies. This targeted development of defensive actions enabled the settlement of many of the disputes facing Fintecna, most of which were settled thanks to the presence of appropriate economic and legal motivations to reach an agreement.

In this regard, the persistence of the economic crisis has reduced the flexibility of counterparties, especially in labour disputes involving claims seeking damages for alleged job-related illnesses. The company had to devote an increasing volume of financial resources in order to reach settlements in a large number of disputes, thereby avoiding – given the emerging tendency of the courts to grant increasingly large awards for job-related illnesses – the judicial resolution of the disputes.

At the same time, for many of the remaining civil/administrative/tax disputes, associated with complex events now long past, it has been concluded that, partly due to developments in the substantive circumstances and in court proceedings, it is impossible to reach settlements for a variety of legal and financial reasons.
A quantitative analysis of the disputes involving the company shows 20 new suits involving civil/administrative/tax matters in the first half of 2013, which is not an unusual number if considered on the basis of experience in previous years, while a total of more than 150 appeals in labour disputes were filed, underscoring the critical situation in this area.

This survey clearly demonstrates that the emergence of new litigation is independent of the actions of the company, depending on exogenous factors unrelated to management activities. Most of the litigation regards periods in the final decades of the last century for industrial companies for which Fintecna is the successor.

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

	31/12/2012	Settled in 2013	New in 2013	30/06/2013
Civil/Administrative/Tax	264	20	22	266
Labour	403	157	186	432
Total	**667**	**177**	**208**	**698**

At 30 June 2013 the SACE Group was involved in 37 disputes relating to the parent company SACE, most of them involving insurance commitments assumed prior to 1998. More specifically, there are 28 pending suits against the company, potentially involving an estimated €45 million, while the group itself has filed 9 claims, seeking a total of around €220 million.

6. OUTLOOK FOR THE FULL YEAR

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

As regards the outlook for the parent company, 2013 represents the final phase of the 2011-2013 Business Plan approved in March 2011. Despite the challenging macroeconomic context, we expect that the main targets set out in the Plan will be achieved in full or exceeded.

Specifically, we expect the volume of new lending to easily surpass the targets set out in the Plan, and a mix of loans and investments that, consistent with economic conditions, will see loans in support of the economy and equity investments playing a leading role.

On the asset side, we expect the stock of loans to customers and banks to expand more rapidly than lending for the banking system as a whole, primarily thanks to expected lending for enterprises and infrastructure.

We expect a decline in net interest income in 2013 as a result of the normalisation of the spread between lending and funding rates after the especially positive performance posted in 2012. The contraction in net interest income will be partly offset by an increase in the dividends expected as a result of the expansion in the portfolio at the end of 2012. From a profitability standpoint, expected results are fully in line with Business Plan targets.

The primary risks and uncertainties affecting results for 2013 regard the possibility that the market prices or reference values of equity investments held by CDP may perform poorly, making it necessary to recognise writedowns, and the possible volatility in the dividends distributed by the investee companies. Moreover, given the possibility of a significant rise in interest rates, there is a risk of an increase in the early redemption of postal savings bonds and replacement with newly issued bonds, a shift that could raise funding costs.

With regard to CDPI SGR, in 2013 the company will continue the investment programmes of the existing funds in line with the strategic guidelines set out in the planning documents of the funds themselves, as approved by the board of directors in April 2013.

More specifically, FIV Plus will be finalising its first direct real estate investment, with the purchase of two properties in Milan. Following the investments, the scope of operations of CDPI SGR will expand significantly to comprise property management, development and administration. CDPI SGR is currently defining new activities and procedures concerning the governance of real estate conversion, development and facilities and property management for the funds' real estate holdings. These activities will be managed by the FIV Investment unit within the Management and Development area, with the involvement of other units and areas where impacted by specific processes.

The operations of FSI in 2013 will continue apace, and, in addition to the transactions already approved and awaiting finalisation (Hera), other potential investments in companies with significant growth plans in a variety of industrial and infrastructure sectors are at an advanced stage of analysis and structuring. More specifically, FSI is at an advanced stage of due diligence and negotiation of an investment in a manufacturing firm with a strong export orientation. The funds raised in the FSI investment would be directed at financing the acquisition of an international target. Completion of the transaction (expected to be carried out by the end of 2013) is conditional on the acquisition of the foreign target by the Italian manufacturer. In addition, FSI is at an advanced stage of the due diligence regarding a leading technology company. The outcome of this possible investment is uncertain. Other investment operations could be carried out during the second half of 2013.

On the basis of performance in the first half of 2013, the Fintecna Group forecasts achievement of a strong profit for 2013 as a whole.

With specific regard to the Fincantieri Group, with the acquisition of VARD the year 2013 marks the entry of the group in a new high value-added market, with the intention of continuing the diversification of production launched in recent years and considered, together with the implementation of the company reorganisation plan, an essential element of consolidating and strengthening the market position of the Fincantieri Group and containing the impact of the crisis that has impacted the global shipbuilding industry. In this context, the Fincantieri Group will continue to implement the reorganisation measures set out in the plan, which in return for retaining all existing Italian facilities provides for the rebalancing of the workforce in relation to the order backlog, with an increase in flexibility and productivity.

In 2013 the SACE Group will continue its implementation of the guidelines set out in the 2011-2013 business plan, in a macroeconomic environment that looks

set to improve in the second half of the year, albeit with persistently high levels of uncertainty and volatility.

6.2. THE OUTLOOK FOR THE TERNA GROUP

During the second half of the year, the Terna Group will be involved in following through on the provisions of the Strategic Plan for the current year.

The Group will be focused on completing the investments set out in the Development Plan, mainly aimed at developing and building interconnections with foreign countries (Montenegro and France), reducing grid congestion (Sorgente-Rizziconi and Trino-Lacchiarella) and continuing the development of storage system projects. As regards the traditional core business, in particular the development and renovation of the NTG, in 2013 investment will be substantially in line with its levels in the previous year.

On the revenue front, an increase in revenues from the regulated activities compared with 2012 is also expected in the second half of the year, thanks to the investment carried out in 2011, which generate revenues with a lag of two years.

In line with previous years, the Company will pursue the rationalisation of processes and seek greater efficiency in operating expenses, while at the same time ensuring maximum quality of transmission and dispatching services.

Investment will be financed through cash generation produced by the Group, which can also draw on cash holdings of approximately €1.7 billion and on the recently agreed EIB loan of €570 million.

As regard to non-traditional business, in the second half of 2013 the Group will continue the scouting and development of new businesses through the subsidiary Terna Plus, a company focused on enhancing the Group's skills in unregulated activities.

6.3. THE OUTLOOK FOR SIMEST

The remainder of 2013 will continue to see SIMEST actively operating in those geographical areas in which it has long provided support for Italian companies, such as the BRIC countries, NAFTA, the Western Balkans, MENA, Africa and the EU. The United States will return as an country of interest for Italian firms, thanks to GDP growth of 2.2% in 2012 in an environment of slowing global output.

In the remaining six months of the year, the rules governing the operation of the Unified Venture Capital Fund between SIMEST and the Ministry for Economic Development will be renewed.

To take advantage of further opportunities to grow its portfolio, SIMEST will continue to expand its support for Italian companies by using company cash flow and the careful use of leverage, with high margins.

Rome, 31 July 2013

The Chairman
Franco Bassanini

REPORT OF THE AUDIT FIRM

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

To the Shareholders of
Cassa Depositi e Prestiti SpA

1 We have reviewed the condensed consolidated interim financial statements of Cassa Depositi e Prestiti SpA and its subsidiaries (Cassa Depositi e Prestiti Group) as of 30 June 2013, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. The Directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

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

Regarding the comparative data of the consolidated financial statements of the prior year and of the condensed consolidated interim financial statements of the prior interim period, which are presented for comparative purposes, reference is made to our reports dated 27 March 2013 and dated 3 August 2012, respectively.

As reported in the notes to the condensed consolidated interim financial statements, the Directors of Cassa Depositi e Prestiti SpA have reclassified some comparative data relating to the consolidated financial statements of the prior year, compared to the data previously presented that we audited. We have examined the reclassification methods of such comparative data and the disclosures thereof, as presented in the notes to the condensed consolidated interim financial statements, for the purpose of issuing this report on the review of the condensed consolidated interim financial statements as of 30 June 2013.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Cassa Depositi e Prestiti Group as of 30 June 2013 have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Rome, 2 August 2013

PricewaterhouseCoopers SpA

Signed by

Lorenzo Pini Prato
(Partner)

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

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

Certification of the condensed consolidated interim financial statements at 30 June 2013 pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

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

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

of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements for the period (1 January – 30 June 2013).

2. In this regard:
2.1 the assessment of the appropriateness of the administrative and accounting procedures followed in preparing the condensed consolidated interim financial statements at 30 June 2013 was based on a process developed by Cassa Depositi e Prestiti S.p.A. in line with the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at the international level;
2.2 in the first half of 2013 the manager responsible for the preparation of the financial reports of Cassa Depositi e Prestiti S.p.A. assessed the adequacy and effective adoption of existing administrative and accounting procedures, with reference to the internal control system for financial reporting. Work also continued, and is still under way, on the updating of information technology procedures of the parent company.

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

Rome, 2 August 2013

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2013

FORM AND CONTENT OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2013

The condensed consolidated interim financial statements at 30 June 2013 have been prepared in conformity with the applicable regulations and are composed of:

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

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2013

Consolidated balance sheet

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated statement of changes in equity

Consolidated statement of cash flows

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Assets	30/06/2013	31/12/2012
10.	Cash and cash equivalents	322	350
20.	Financial assets held for trading	4,513,521	4,656,129
40.	Financial assets available for sale	8,434,184	6,256,966
50.	Financial assets held to maturity	19,563,980	18,279,631
60.	Loans to banks	26,888,006	18,502,789
	of which securing covered bonds	-	*575,162*
70.	Loans to customers	238,882,130	240,752,149
	of which securing covered bonds	-	*2,102,395*
80.	Hedging derivatives	1,006,466	1,190,984
100.	Equity investments	20,817,266	20,770,242
110.	Reinsurers' share of technical provisions	96,382	106,305
120.	Property, plant and equipment	12,698,095	12,157,413
130.	Intangible assets	1,147,941	823,833
	of which:		
	- goodwill	817,876	485,897
140.	Tax assets	987,805	1,019,669
	a) current	549,901	590,833
	b) deferred	437,904	428,836
160.	Other assets	4,870,803	4,068,477
	Total assets	**339,906,901**	**328,584,937**

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Liabilities and equity	30/06/2013	31/12/2012
10.	Due to banks	34,848,841	36,450,013
20.	Due to customers	257,890,773	241,672,774
30.	Securities issued	10,378,778	13,218,183
	of which covered bonds	-	*2,639,475*
40.	Financial liabilities held for trading	408,807	522,596
60.	Hedging derivatives	1,909,527	2,699,921
70.	Adjustment of financial liabilities hedged generically (+/-)	53,669	56,413
80.	Tax liabilities	1,773,596	2,329,596
	a) current	539,316	1,130,156
	b) deferred	1,234,280	1,199,440
100.	Other liabilities	5,726,475	6,135,619
110.	Staff severance pay	151,036	156,724
120.	Provisions	1,706,387	1,722,408
	a) post-employment benefits	1,970	1,992
	b) other provisions	1,704,417	1,720,416
130.	Technical provisions	2,548,347	2,569,657
140.	Valuation reserves	265,162	311,030
170.	Reserves	13,389,368	11,440,320
180.	Share premium reserve	5,988	5,988
190.	Share capital	3,500,000	3,500,000
200.	Treasury shares (-)	(57,220)	-
210.	Non-controlling interests (+/-)	3,972,244	2,869,778
220.	Net income (loss) for the year	1,435,123	2,923,917
	Total liabilities and equity	**339,906,901**	**328,584,937**

(thousands of euros)

CONSOLIDATED INCOME STATEMENT

		30/06/2013	30/06/2012
10.	Interest income and similar revenues	4,912,900	5,603,737
20.	Interest expense and similar charges	(3,278,799)	(3,492,698)
30.	**Net interest income**	**1,634,101**	**2,111,039**
40.	Commission income	51,778	14,769
50.	Commission expense	(857,796)	(825,428)
60.	**Net commission income**	**(806,018)**	**(810,659)**
70.	Dividends and similar revenues	16,694	401
80.	Net gain (loss) on trading activities	355,082	33,142
90.	Net gain (loss) on hedging activities	(15,818)	(14,053)
100.	Gains (losses) on disposal or repurchase of:	55,915	6,543
	a) loans	1,555	2,713
	b) financial assets available for sale	54,334	-
	c) financial assets held to maturity	26	70
	d) financial liabilities	-	3,760
120.	**Gross income**	**1,239,956**	**1,326,413**
130.	Net impairment adjustments of:	(14,703)	(1,729)
	a) loans	(13,878)	(2,095)
	d) other financial transactions	(825)	366
140.	**Financial income (expense), net**	**1,225,253**	**1,324,684**
150.	Net premiums	99,754	-
160.	Net other income (expense) from insurance activities	(1,425)	-
170.	**Net result from financial and insurance activities**	**1,323,582**	**1,324,684**
180.	Administrative expenses	(2,212,958)	(235,021)
	a) staff costs	(586,055)	(132,274)
	b) other administrative expenses	(1,626,903)	(102,747)
190.	Net provisions	44,986	(3,047)
200.	Net adjustments of property, plant and equipment	(245,937)	(203,911)
210.	Net adjustments of intangible assets	(31,135)	(27,101)
220.	Other operating income (costs)	2,932,074	855,746
230.	**Operating costs**	**487,030**	**386,666**
240.	Gains (losses) on equity investments	539,613	1,047,962
270.	Gains (losses) on disposal of investments	693	1,600
280.	**Income (loss) before tax from continuing operations**	**2,350,918**	**2,760,912**
290.	Income tax for the period on continuing operations	(710,016)	(685,758)
300.	**Income (loss) after tax on continuing operations**	**1,640,902**	**2,075,154**
310.	Income (loss) after tax on disposal groups held for sale	-	-
320.	**Net income (loss) for the period**	**1,640,902**	**2,075,154**
330.	Net income (loss) for the period pertaining to non-controlling interests	205,779	146,275
340.	**Net income (loss) for the period pertaining to shareholders of the parent company**	**1,435,123**	**1,928,879**

(thousands of euros)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		30/06/2013	30/06/2012
10.	**Net income (loss) for the period**	**1,640,902**	**2,075,154**
	Other comprehensive income net of taxes		
20.	Financial assets available for sale	11,407	53,983
60.	Cash flow hedges	11,646	(11,517)
70.	Exchange-rate differences	(476)	-
90.	Actuarial gains (losses) on defined benefit plans	7,321	-
100.	Share of valuation reserves of equity investments accounted for using equity method	(19,937)	325,947
110.	**Total other comprehensive income net of taxes**	**9,961**	**368,413**
120.	**Comprehensive income (items 10+110)**	**1,650,863**	**2,443,567**
130.	Consolidated comprehensive income pertaining to non-controlling interests	261,607	136,500
140.	**Consolidated comprehensive income pertaining to shareholders of the parent company**	**1,389,256**	**2,307,067**

(thousands of euros)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY: CURRENT PERIOD

	Balance at 31.12.2012	Changes in opening balance	Balance at 01.01.2013	Allocation of net income for previous year		Changes for the period								Equity at 30/06/2013 - Group	Equity at 30/06/2013 - Non-controlling interests
							Equity transactions								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income for 1st half of 2013		
Share capital:															
a) ordinary shares	2,450,000		2,450,000			1,050,000								**3,500,000**	**1,368,640**
b) preference shares	1,050,000		1,050,000			(1,050,000)									**116,033**
Share premium reserve	5,988		5,988											**5,988**	**24,898**
Reserves:															
a) income	11,283,501		11,283,501	1,925,281		23,079						688		**13,232,549**	**1,779,787**
b) other	156,819		156,819											**156,819**	**484,064**
Valuation reserves	312,810	(1,780)	311,030										(45,868)	**265,162**	**(6,957)**
Equity instruments															
Treasury shares								(57,220)						**(57,220)**	
Net income (loss) for the period	2,923,917		2,923,917	(1,925,281)	(998,636)								1,435,123	**1,435,123**	**205,779**
Equity - Group	**18,183,035**	**(1,780)**	**18,181,255**		**(998,636)**	**23,079**		**(57,220)**				**688**	**1,389,255**	**18,538,421**	
Equity - Non-controlling interests	**2,873,962**	**(4,184)**	**2,869,778**		**(183,359)**	**1,024,218**							**261,607**		**3,972,244**

(thousands of euros)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY: PREVIOUS PERIOD

	Balance at 31.12.2011	Changes in opening balance	Balance at 01.01.2012	Allocation of net income for previous year		Changes for the period								Equity at 30/06/2012 - Group	Equity at 30/06/2012 - Non-controlling interests
							Equity transactions								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income for 1st half of 2012		
Share capital:															
a) ordinary shares	2,450,000		2,450,000											**2,450,000**	**410,798**
b) preference shares	1,050,000		1,050,000											**1,050,000**	
Share premium reserve	5,988		5,988											**5,988**	**14,073**
Reserves:															
a) income	9,402,439		9,402,439	1,796,414		(3,192)								**11,195,661**	**1,720,307**
b) other	156,819		156,819											**156,819**	**573,205**
Valuation reserves	292,111	2,836	294,947										378,188	**673,135**	**(40,740)**
Equity instruments															
Treasury shares															
Net income (loss) for the period	2,167,414		2,167,414	(1,796,414)	(371,000)								1,928,879	**1,928,879**	**146,275**
Equity - Group	**15,524,771**	**2,836**	**15,527,607**		**(371,000)**	**(3,192)**							**2,307,067**	**17,460,482**	
Equity - Non-controlling interests	**2,824,163**	**6,663**	**2,830,826**		**(183,358)**	**39,950**							**136,500**		**2,823,918**

(thousands of euros)

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

	30/06/2013	30/06/2012
A. OPERATING ACTIVITIES		
1. Operations	**1,122,650**	**2,522,012**
- net income for the year (+/-)	1,640,902	2,075,154
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(193,887)	(41,502)
- gains (losses) on hedging activities (-/+)	16,424	(167,969)
- net impairment adjustments (+/-)	14,703	1,729
- net value adjustments to property, plant and equipment and intangible assets (+/-)	277,072	231,012
- net provisions and other costs/revenues (+/-)	(44,986)	2,795
- other insurance income/charges not collected (-/+)	(1,935)	-
- unpaid taxes and duties (+)	63,775	576,660
- writedowns/writebacks of equity investments (+/-)	(539,613)	(1,045,250)
- other adjustments (+/-)	(109,805)	889,383
2. Cash generated by/used in financial assets	**(16,361,684)**	**(4,739,172)**
- financial assets held for trading	336,495	(3,821)
- financial assets available for sale	(2,097,384)	(4,263,995)
- loans to banks: on demand	-	546,014
- loans to banks: other	(9,939,090)	5,816,274
- loans to customers	(4,393,850)	(7,085,844)
- other assets	(267,855)	252,200
3. Cash generated by/used in financial liabilities	**10,587,135**	**19,348,510**
- due to banks: other	(2,087,295)	14,896,393
- due to customers	16,217,999	5,611,295
- securities issued	(2,610,869)	(689,071)
- financial liabilities held for trading	(113,789)	20,382
- other liabilities	(818,911)	(490,489)
Cash generated by/used in operating activities	**(4,651,899)**	**17,131,350**
B. INVESTING ACTIVITIES		
1. Cash generated by	**5,481,424**	**4,844,989**
- dividends from equity investments	658,777	652,007
- sale of financial assets held to maturity	4,821,522	4,178,356
- sale of property plant and equipment	1,122	14,626
- sale of intangibles	3	-
2. Cash used in	**(6,941,704)**	**(14,333,225)**
- purchase of equity investments	(151,320)	-
- purchase of financial assets held to maturity	(6,005,562)	(13,774,799)
- purchase of property, plant and equipment	(591,763)	(535,834)
- purchase of intangible assets	(21,760)	(22,592)
- purchase of subsidiaries and business units	(171,299)	-
Cash generated by/used in investing activities	**(1,460,280)**	**(9,488,236)**
C. FINANCING ACTIVITIES		
- issue/purchase of own shares	(57,220)	-
- issue/purchase of capital instruments	-	40,000
- dividend distribution and other allocations	(1,181,995)	(554,358)
Cash generated by/used in financing activities	**(1,239,215)**	**(514,358)**
CASH GENERATED/USED DURING THE YEAR	**(7,351,394)**	**7,128,756**

RECONCILIATION

(*)		
Cash and cash equivalents at beginning of year	**141,958,217**	**124,043,263**
Total cash generated/used during the year	(7,351,394)	7,128,756
Cash and cash equivalents at end of year	**134,606,823**	**131,172,019**

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

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(CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2013)

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INTRODUCTION

STRUCTURE AND CONTENT OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The condensed consolidated interim financial statements are expressed in thousands of euros and include the consolidated balance sheet, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement and these explanatory notes to the financial statements, as well as the directors' interim report on Group operations.
The condensed consolidated interim financial statements at 30 June 2013 present a clear, true and fair view of the performance and financial position for the period. The figures reported in the statements correspond with the company's accounting records and fully reflect the transactions conducted during the period.

PRESENTATION OF DATA

The financial statements and the tables in the explanatory notes are expressed in thousands of euros unless otherwise specified.
Accounts with zero balances for both the current and prior period have been excluded. In the income statement, revenues are indicated as positive numbers, while costs are shown as negative numbers (in parentheses).
The figures in the explanatory notes to the financial statements have been rounded to the nearest thousand, and the rounded totals for the various figures are obtained by summing the rounded balances of the items making up such totals.
The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 "Cash and cash equivalents" of the balance sheet, the balances on the current account held with the Central State Treasury reported under item 70 "Loans to customers" and the positive balance on bank accounts reported under item 60 "Loans to banks" net of current accounts with a negative balance reported under item 10 "Due to banks" of liabilities.

COMPARISON AND DISCLOSURE

The financial statements comply with the provisions of Bank of Italy circular 262/2005 as updated with the version of 18 November 2009 and, in accordance with IAS 34, contain the following comparative information in addition to the accounting data at 30 June 2013:

- balance sheet at 31 December 2012;
- income statement at 30 June 2012;
- statement of comprehensive income at 30 June 2012;
- statement of changes in equity at 30 June 2012;
- statement of cash flows at 30 June 2012.

CDP SEGREGATED ASSET POOL

Following the redemption of all issues under the Covered Bond Programme at the end of January 2013, and in accordance with the decisions of the Board of Directors in February 2013, on 11 April 2013 the termination agreement was signed with all institutional counterparties for the termination of all legal relationships associated with the segregated asset pool and, therefore, the segregated asset pool was closed in the accounts. As a result, the encumbrance on the liquidity held on the segregated account was removed and the funds can be reinvested in "eligible" securities (with a rating of AAA).
Consequently, at 30 June 2013, the "of which" items in the financial statements show zero balances.

AUDITING OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

ACCOUNTING POLICIES

GENERAL INFORMATION

SECTION 1 – DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards and International Accounting Standards (IFRSs/IASs) issued by the IASB (and related IFRIC and SIC interpretations) endorsed by the European Commission as of 30 June 2013. More specifically, the condensed consolidated interim financial statements have been prepared in compliance with the provisions of IAS 34 governing interim financial reporting. As permitted under this standard, CDP has elected to prepare a condensed report in place of the full reporting envisaged for the annual financial statements.
The schedules have been prepared in compliance with the Bank of Italy circular of 22 December 2005 as updated on 18 November 2009.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

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

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

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

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

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

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

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

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

USE OF ESTIMATES

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

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

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

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

SECTION 3 – SCOPE AND METHODS OF CONSOLIDATION

Subsidiaries are consolidated on a line-by-line basis, while companies subject to joint control or significant influence are accounted for using the equity method.
The following table reports the companies included in the scope of consolidation on a full or proportionate basis.

EQUITY INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (CONSOLIDATED PROPORTIONATELY)

	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
			Investor	% holding	
A. Enterprises					
A.1 Consolidated on a line-by-line basis					
1. Terna S.p.A.	Rome	2	CDP S.p.A.	29.85%	29.85%
2. CDP Investimenti SGR S.p.A.	Roma	1	CDP S.p.A.	70.00%	70.00%
3. Fondo Strategico Italiano S.p.A	Milan	1	CDP S.p.A.	77.70%	77.70%
			Fintecna S.p.A.	2.30%	2.30%
4. CDP GAS S.r.l.	Rome	1	CDP S.p.A.	100.00%	100.00%
5. SunTergrid S.p.A.	Rome	1	Terna S.p.A.	100.00%	100.00%
6. Terna Rete Italia S.p.A.	Rome	1	Terna S.p.A.	100.00%	100.00%
7. Terna Rete Italia S.r.l.	Rome	1	Terna S.p.A.	100.00%	100.00%
8. Terna Crna Gora	Montenegro	1	Terna S.p.A.	100.00%	100.00%
9. Rete Solare S.r.l	Rome	1	SunTergrid S.p.A.	100.00%	100.00%
10. Terna Plus S.r.l	Rome	1	Terna S.p.A.	100.00%	100.00%
11. Terna Storage	Rome	1	Terna Plus S.r.l.	100.00%	100.00%
12. CDP RETI S.r.l.	Rome	1	CDP S.p.A.	100.00%	100.00%
13. SACE S.p.A.	Rome	1	CDP S.p.A.	100.00%	100.00%
14. SACE BT S.p.A.	Rome	1	Sace S.p.A.	100.00%	100.00%
15. SACE Fct S.p.A.	Rome	1	Sace S.p.A.	100.00%	100.00%
16. SACE SRV S.r.l.	Rome	1	SACE BT S.p.A.	100.00%	100.00%
17. Fintecna S.p.A.	Rome	1	CDP S.p.A.	100.00%	100.00%
18. Fincantieri S.p.A	Trieste	1	Fintecna S.p.A.	99.36%	99.36%
19. Quadrante S.p.A.	Rome	1	Fintecna S.p.A.	100.00%	100.00%
20. Fintecna Immobiliare S.r.l.	Rome	1	Fintecna S.p.A.	100.00%	100.00%
21. Ace Marine LLC	USA	1	Fincantieri Marine Group LLC	100.00%	100.00%
22. Bacini di Palermo S.p.A.	Palermo	1	Fincantieri S.p.A.	100.00%	100.00%
23. Centro per gli Studi di Tecnica Navale CETENA S.p.A.	Genoa	1	Fincantieri S.p.A.	71.10%	71.10%
24. Centro per gli Studi di Tecnica Navale CETENA S.p.A.	Genoa	1	Seaf S.p.A.	15.00%	15.00%
25. Delfi S.r.l.	Follo (SP)	1	Fincantieri S.p.A.	51.00%	51.00%
26. FMSNA YK	Japan	1	Fincantieri Marine Systems North America Inc.	100.00%	100.00%
27. Fincantieri do Brasil Participações S.A.	Brazil	1	Fincantieri S.p.A.	80.00%	80.00%
28. Fincantieri do Brasil Participações S.A.	Brazil	1	Fincantieri Holding B.V.	20.00%	20.00%
29. Fincantieri Holding B.V.	Netherlands	1	Fincantieri S.p.A.	100.00%	100.00%
30. Fincantieri Marine Group Holdings Inc.	USA	1	Fincantieri USA Inc.	87.44%	87.44%
31. Fincantieri Marine Group LLC	USA	1	Fincantieri Marine Group Holdings Inc.	100.00%	100.00%
32. Fincantieri Marine Systems North America Inc.	USA	1	Fincantieri Holding B.V.	100.00%	100.00%
33. Fincantieri Oil & Gas S.p.A.	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
34. Fincantieri USA Inc.	USA	1	Fincantieri S.p.A.	86.02%	86.02%
35. Gestione Bacini La Spezia S.p.A.	Muggiano (SP)	1	Fincantieri S.p.A.	99.89%	99.89%
36. Giardino Tiburtino S.p.A.	Rome	1	Fintecna Immobiliare S.r.l	100.00%	100.00%
37. Isotta Fraschini Motori S.p.A.	Bari	1	Fincantieri S.p.A.	100.00%	100.00%
38. Marinette Marine Corporation LLC	USA	1	Fincantieri Marine Group LLC	100.00%	100.00%
39. Quadrifoglio Palermo S.r.l.	Rome	1	Fintecna Immobiliare S.r.l	100.00%	100.00%
40. Quadrifoglio R.E. S.r.l.	Rome	1	Fintecna Immobiliare S.r.l	100.00%	100.00%
41. Società per l'esercizio di attività finanziarie SEAF S.p.A.	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
42. Seastema S.p.A.	Genoa	1	Fincantieri S.p.A.	50.00%	50.00%
43. Valcomp Uno S.r.l.	Rome	1	Fintecna Immobiliare S.r.l	100.00%	100.00%
44. XXI Aprile S.r.l.	Rome	1	Fintecna S.p.A.	100.00%	100.00%
45. Valcomp Tre S.p.A.	Rome	1	Fintecna Immobiliare S.r.l.	100.00%	100.00%
46. Fincantieri India Private Limited	India	1	Fincantieri S.p.A.	100.00%	100.00%
47. Vard Holdings Limited	Singapore	1	Fincantieri Oil & Gas S.p.A.	55.63%	55.63%
48. Vard Group AS	Norway	1	Vard Holdings Limited	100.00%	100.00%
49. Vard Electro AS	Norway	1	Vard Group AS	100.00%	100.00%
50. Vard RO Holding S.r.l.	Romania	1	Vard Group AS	100.00%	100.00%
51. Vard Niteròi SA	Brazil	1	Vard Group AS	99.9995%	99.9995%
			Vard Electro Niteroi Ltd	0.0005%	0.0005%
52. Vard Promar SA	Brazil	1	Vard Group AS	50.50%	50.50%
53. Estaleiro Quissama Ltda	Brazil	1	Vard Group AS	50.50%	50.50%
54. Vard Singapore Pte Ltd	Singapore	1	Vard Group AS	100.00%	100.00%
55. Vard Design AS	Norway	1	Vard Group AS	100.00%	100.00%
56. Vard Accommodation AS	Norway	1	Vard Group AS	100.00%	100.00%
57. Vard Piping AS	Norway	1	Vard Group AS	100.00%	100.00%
58. Vard Brevik Holding AS	Norway	1	Vard Group AS	100.00%	100.00%
59. Seaonics AS	Norway	1	Vard Group AS	51.00%	51.00%
60. Aakre Eigendom AS	Norway	1	Vard Group AS	100.00%	100.00%
61. Vard Piping SRL	Romania	1	Vard Piping AS	100.00%	100.00%
62. Vard Design Liburna Ltd.	Croatia	1	Vard Design AS	51.00%	51.00%
63. Vard Electro Tulcea S.r.l.	Romania	1	Vard Electro AS	100.00%	100.00%
64. Vard Electro Niteroi Ltd	Brazil	1	Vard Electro AS	99.00%	99.00%
			Vard Group AS	1.00%	1.00%
65. Vard Electro Braila S.r.l.	Romania	1	Vard Electro AS	100.00%	100.00%
66. Vard Electrical Installation and Engineering (India) Private Limited	India	1	Vard Electro AS	99.00%	99.00%
			Vard Tulcea SA	1.00%	1.00%
67. STX Brevik Philadelphia	USA	1	Vard Electro AS	100.00%	100.00%
68. Vard Tulcea SA	Romania	1	Vard RO Holding SRL	99.44%	99.44%
69. Vard Braila SA	Romania	1	Vard RO Holding SRL	94.12%	94.12%
70. Vard Braila SA	Romania	1	Vard Group AS	5.88%	5.88%
71. Vard Vung Tau Ltd	Vietnam	1	Vard Singapore Pte Ltd	100.00%	100.00%
72. Vard Accommodation Tulcea S.r.l.	Romania	1	Vard Accommodation AS	99.77%	99.77%
		1	Vard Electro Tulcea SRL	0.23%	0.23%
73. Vard Grenland Industri AS	Norway	1	Vard Brevik Holding AS	100.00%	100.00%
74. Vard Brevik Support AS	Norway	1	Vard Brevik Holding AS	100.00%	100.00%
75. Vard Engineerring Brevik AS	Norway	1	Vard Brevik Holding AS	70.00%	70.00%
76. Vard Offshore Brevik AS	Norway	1	Vard Brevik Holding AS	100.00%	100.00%
78. Ronor AS	Norway	1	Vard Brevik Holding AS	100.00%	100.00%
79. Vard Ship Repair Braila SA	Romania	1	Vard Braila SA	68.58%	68.58%
			Vard Brevik Holding AS	31.42%	31.42%
80. AJA Ship Design SA	Romania	1	Vard Braila SA	60.00%	60.00%
81. Scanrom SRL	Romania	1	Ronor AS	100.00%	100.00%
82. Brevik Elektro AS	Norway	1	Vard Grenland Industri AS	100.00%	100.00%
83. Simest SpA	Rome	1	CDP S.p.A.	76.01%	76.01%
A.2 Consolidated proportionately					

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

SECTION 4 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

SECTION 5 – OTHER ISSUES

First-time adoption of standards

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

Amendments to IFRS 1 - First time adoption of International Financial Reporting Standards (Revised)

The amendments to IFRS 1 eliminate the reference it contains to 1 January 2004 as the date of transition to the IFRSs and provide guidance on presentation of the financial statements in accordance with the IFRSs after a period of hyperinflation.
More specifically, the amendments specify that if an entity should decide, upon transition to the IFRSs, to measure its assets and liabilities at fair value and to adopt that fair value as deemed cost in their first IFRS financial statements, in cases of severe hyperinflation the first IFRS financial statements shall disclose how, and why, it had, and then ceased to have, a functional currency with both of the following the characteristics:

a. a reliable general price index is not available to all entities with transactions and balances in the currency;
b. exchangeability between the currency and a relatively stable foreign currency does not exist.

Amendment to IAS 12 – Income taxes

The amendment of IAS 12 requires entities to measure deferred tax liabilities arising from an asset in relation to the way the carrying amount of the asset will be recovered (through continuing use or through a sale). Following the amendment, SIC 21 – Income taxes – Recovery of revalued non-depreciable assets was withdrawn.

IFRS 13 – Fair value measurement

IFRS 13 – Fair value measurement provides a precise definition of fair value and sets out, in a single standard, guidelines for measuring fair value and the disclosures concerning the valuation techniques adopted. The new standard represents a single IFRS framework to be used for the measurement of fair value and offers full guidance on how to measure the fair value of financial and non-financial assets and liabilities. It does not introduce significant changes in the use of fair value, but rather establishes how it should be measured when its use is required or permitted.

IAS 19 – Employee benefits (Revised)

The revised version of IAS 19 – Employee benefits introduces significant changes and clarifications concerning the accounting treatment of employee benefits. More specifically, it eliminates the option of deferring recognition of part of actuarial gains and losses (the "corridor method"). "Remeasurements" of the net liability for defined benefits, comprising actuarial gains and losses; the return on plan assets; and changes in the effect of the asset ceiling are recognized under other comprehensive income.
The amendments, which entered force for reporting periods beginning on or after 1 January 2013, were endorsed by the European Union with Regulation (EC) 475/2012 of 5 June 2012.

Amendments to IAS 1 – Presentation of financial statements

The amendments of IAS 1 – Presentation of financial statements introduce changes in the aggregation of items in the statement of other comprehensive income. More specifically, the amendments call for the separate presentation of items of other comprehensive income (OCI) that can be reclassified to profit or loss in the future and those that because of their nature will never be recycled.
The amendments, which entered force for reporting periods beginning on or after 1 July 2012, were endorsed by the European Union with Regulation (EC) 475/2012 of 5 June 2012.

Amendments to IFRS 10, IFRS 11 and IFRS 12

The amendments govern the transition to the new accounting standards. The amendments will enter force for reporting periods beginning on or after 1 January 2013 and have not yet been endorsed by the European Union. In addition, the ARC has postponed the effective date by a year.

Amendments to IFRS 7 and IAS 32: Offsetting financial assets and financial liabilities

The amendments of IFRS 7 establish additional quantitative disclosures to enable users to compare and reconcile disclosures made in application of the IFRS more effectively. The amendments modify both IFRS 7 and IAS 32. However, the European Commission, in endorsing the standard with Regulation (EC) 1256/2012 of 11 December 2012, established different effective dates:

- the amendments to IFRS 7 (paragraphs IN 89, 13A-13F, and B40-B53) entered force for reporting periods beginning on or after 1 January 2013;
- the amendments of IAS 32 will enter force for reporting periods beginning on or after 1 January 2014.

Restatement of the balance sheet at 31 December 2012

The balance sheet at 31 December 2012 was restated as a result of the application of IAS 19 Revised, which reduced equity pertaining to the shareholders of the parent company by about €1.8 million.

In addition, the accounts reflect the revision of the classification of a number of financial assets carried out at 31 December 2012, by a Group entity upon first-time adoption of IAS/IFRS.

In the consolidated financial statements for 2012 of the CDP Group, in conformity with the subsidiary's reclassification in its own financial statements, €935 million were reclassified from item "50. Financial assets held to maturity" to item "40. Financial assets available for sale", revaluing the assets on the basis of their fair value at 31 December 2012 by about €34 million.

As 31 December 2012 was the date of first-time consolidation of the subsidiary and allocation of the purchase price provided for under IFRS 3 has not yet been completed, the reclassification did not have an impact on equity pertaining to shareholders of the parent company.

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Assets	31/12/2012 restated	31/12/2012	Change
10.	Cash and cash equivalents	350	350	
20.	Financial assets held for trading	4,656,129	4,656,129	
40.	Financial assets available for sale	6,256,966	5,287,839	969,127
50.	Financial assets held to maturity	18,279,631	19,215,105	(935,474)
60.	Loans to banks	18,502,789	18,502,789	
	of which securing covered bonds	*575,162*	*575,162*	
70.	Loans to customers	240,752,149	240,752,149	
	of which securing covered bonds	*2,102,395*	*2,102,395*	
80.	Hedging derivatives	1,190,984	1,190,984	
100.	Equity investments	20,770,242	20,770,242	
110.	Reinsurers' share of technical provisions	106,305	106,305	
120.	Property, plant and equipment	12,157,413	12,157,413	
130.	Intangible assets	823,833	823,833	
	of which:			
	- goodwill	485,897	485,897	
140.	Tax assets	1,019,669	1,019,669	
	a) current	590,833	590,833	
	b) deferred	428,836	428,836	
160.	Other assets	4,068,477	4,068,477	
	Total assets	**328,584,937**	**328,551,284**	**33,653**

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Liabilities and equity	31/12/2012 restated	31/12/2012	Change
10.	Due to banks	36,450,013	36,450,013	
20.	Due to customers	241,672,774	241,672,774	
30.	Securities issued	13,218,183	13,218,183	
	of which covered bonds	*2,639,475*	*2,639,475*	
40.	Financial liabilities held for trading	522,596	522,596	
60.	Hedging derivatives	2,699,921	2,699,921	
70.	Adjustment of financial liabilities hedged generically (+/-)	56,413	56,413	
80.	Tax liabilities	2,329,596	2,323,410	6,186
	a) current	1,130,156	1,130,156	
	b) deferred	1,199,440	1,193,254	6,186
100.	Other liabilities	6,135,619	6,111,219	24,400
110.	Staff severance pay	156,724	153,289	3,435
120.	Provisions	1,722,408	1,716,812	5,596
	a) post-employment benefits	1,992	1,992	
	b) other provisions	1,720,416	1,714,820	5,596
130.	Technical provisions	2,569,657	2,569,657	
140.	Valuation reserves	311,030	312,810	(1,780)
170.	Reserves	11,440,320	11,440,320	
180.	Share premium reserve	5,988	5,988	
190.	Share capital	3,500,000	3,500,000	
210.	Non-controlling interests (+/-)	2,869,778	2,873,962	(4,184)
220.	Net income (loss) for the year	2,923,917	2,923,917	
	Total liabilities and equity	**328,584,937**	**328,551,284**	**33,653**

OTHER INFORMATION

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

The consolidated taxation mechanism

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

THE MAIN FINANCIAL STATEMENT AGGREGATES

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

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

1 – FINANCIAL ASSETS HELD FOR TRADING

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

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

Such financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or income. Where the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is carried out at the subscription date for derivative contracts and on the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.
Financial assets held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet

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

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

"Financial assets available for sale" (item 40) are non-derivative financial assets (debt securities, equity, etc.) that are classified as being available for sale and not as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.
Available-for-sale financial assets are initially recognised on the contract date for all financial assets, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is carried out at the settlement date and on the disbursement date in the case of loans.

The financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or gains. Where the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss.
Investments in equity instruments that are not listed on an active market and for which it is not possible to measure fair value reliably, as well as derivatives connected to such instruments and/or that must be settled with the delivery of such instruments, are measured at cost.
Unrealised gains or losses on available-for-sale securities are recorded in a specific equity reserve, net of tax effects, until the investment is sold or written down.
Subsequent measurement is done at fair value based on the official prices as of the 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 comparable transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.
Available-for-sale financial assets undergo impairment testing to determine whether there is objective evidence of impairment. Where the decline in the fair value of an available-for-sale security with respect to its initial cost value is significant or prolonged, an impairment is recognised through profit or loss. A decrease in fair value is deemed significant when is exceeds 40% of the initially recognised value and prolonged when it continues for a period of more than 24 months. Where an available-for-sale security is impaired, the cumulative, unrealised change in value recorded in the equity reserve is recognised in the income statement under “Net impairment adjustments of financial assets available for sale” (item 130.b). The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of an available-for-sale financial asset exceeds its recoverable amount. The amount of this loss is measured using specific valuation techniques and models for equity securities. Any writebacks of investments in equity instruments are not recognised in the income statement but in an equity reserve, while any writebacks of investments in debt instruments go through the income statement. The value of the instrument after the writeback shall in any event not exceed the value that the instrument would have had in the absence of the prior adjustments.

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

3 – Financial assets held to maturity

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

4 – LOANS

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

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

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

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

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

contract. The short-term receivable for advances on loans in their grace period is measured at cost in accordance with international accounting standards.
When repayment begins on a loan that has not yet been disbursed, both a payable and a receivable are recognised for the same amount in respect of the party responsible for repaying the loan. In accordance with the IASs/IFRSs, the receivable is measured at amortised cost (which, given the lack of transaction costs on the loans granted and with certain exceptions, equals cost), and the payable is a demand liability that decreases as the amounts are actually disbursed.
Loans granted by the CDP Group to borrowers other than public entities or public-law bodies are treated in a manner analogous to that for loans granted by banks.
The interest on loans and default interest is recognised as interest income and similar revenues on loans to banks and customers and are recognised on an accruals basis.
The carrying amount of loans is subject to periodic testing for impairment that could reduce their expected realisable value. This reduction becomes material when it is deemed probable that the amount due will not be paid in full, based on the original terms of the agreement, or that an equivalent asset will not be received.
Loans classified as bad debts, substandard or restructured are measured individually for positions that exceed a given value threshold. The measurement of writedowns of loans is based on discounting the expected future cash flows of principal and interest net of collection costs, taking account of any guarantees securing the positions and any advances received. The key to determining the value of the future cash flows is in defining the estimated collections, the related timing, and the discount rate to be applied.
The impairment of problem loans is then written back only when the quality of the loan improves to the point that there is a reasonable certainty of a greater recovery of principal and interest and/or greater receipts have been recorded than the previously recorded carrying amount of the loan. In any event, given the method used to measure impairment losses, as the due dates for credit collection approach with the passing of time, the value of the loan is written back, given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans.
Recovery of all or a part of previously written down loans is recognised as a reduction to "Net impairment adjustments of loans" (item 130.a).
Loans are derecognised when paid in full, when all of the related risks and rewards have been transferred, or when a loan is deemed to be definitively

uncollectible. The amount of the loss is recognised in the income statement net of previously recognised impairment losses.
Loans represented by positions with parties that are not classified under any of the risk categories listed above, but which are more than 90 days past due, also undergo individual impairment testing.
Loans for which no evidence of individual impairment has been identified undergo collective impairment testing.
The method used for collective testing is based on the parameters used for pricing loans and calculating (for internal purposes only) CDP's capital adequacy with respect to the exposures it has assumed.
The estimate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the 1-year expected loss.
These corrective parameters are determined by considering the degree of concentration of the loan portfolio (concentration adjustments) and the expected time between the default event and the emergence of confirmation of default (loss confirmation period).
"Loans to customers" include unlisted financial assets in respect of customers (loans, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. The item also reports the liquidity represented by the balance on the current account held with the Central State Treasury.
This also includes receivables from Italian post offices and variation margins with clearing bodies for derivatives transactions.
"Loans to banks" include unlisted financial assets in respect of banks (current accounts, security deposits, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also includes the amounts receivable from central banks other than free deposits (such as the reserve requirement).

5 - HEDGING TRANSACTIONS

In accordance with the IAS definition, hedging instruments are designated derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities the fair value or cash flows of which are expected to offset the changes in fair value or cash flows of a designated position (IAS 39, paragraphs 72-77 and Annex A, paragraph AG94). A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that (a) exposes the organisation to the risk of a change in fair value or future cash flows and (b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101). The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk is offset by the change in

fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105-AG113).

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

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

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

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

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

In the case of hedges to neutralise the risk of changes in future cash flows generated by the execution of a forecast transaction considered highly probable at the balance-sheet date (cash flow hedge), the effective portion of changes in the fair value of the derivative subsequent to initial recognition are recognised under "reserves" in shareholders' equity. When the financial effects originated by the hedged item become manifest, the reserve is reclassified to profit or loss under operating components. If the hedge is not perfectly effective, the ineffective portion of the change in the fair value of the hedging instrument is recognised immediately in profit or loss.

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

the hedged transaction is no longer considered probable, the unrealised gains or losses recognised in equity are recognised immediately in profit or loss.
Asset item 80 and liability item 60 report hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the reporting date have either a positive or negative value.

6 – Equity investments

The item includes equity interests in joint ventures (IAS 31) and associates subject to significant influence (IAS 28).
Joint ventures are companies in which control is shared with other parties, including on the basis of contractual agreements.
Associates are companies in which CDP holds, either directly or indirectly, at least 20% of the voting rights or, independently of the proportion of voting rights, companies over which CDP has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control. Minority holdings are recognised as financial assets available for sale (item 40) and are treated as described above.
Equity investments are initially recognised at cost at the settlement date. They are subsequently accounted for using the equity method. Acquisitions are treated in the same manner as business combinations. Accordingly, the difference with the price paid (difference between the purchase price and the fraction of equity acquired) is allocated on the basis of the fair value of the net identifiable assets of the associate. Any excess not allocated represents goodwill. The allocated excess is not reported separately but is instead included in the carrying amount of the equity investment (synthetic consolidation).
Any positive difference between the value of the share of equity in the investee and the cost of the investment is recognised as income.
In applying the equity method, account is also taken of treasury shares held by the investee.
Where there is evidence that the value of an equity investment can be impaired, its recoverable value is determined, taking account of both its market value and the present value of future cash flows.
If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. This loss is only recognised when the loss in value is significant and prolonged. The reduction in fair value is deemed significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of more than 24 months.

7 – PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment" includes all non-current tangible assets used in operations governed by IAS 16 and investment property (land and buildings) governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases (for the lessor), as well as leasehold improvement costs.
Property, plant and equipment is recognised at purchase cost including incidental expenses and non-deductible VAT, increased by revaluations carried out under the provisions of specific laws.
The carrying amount represents the book value of the assets net of depreciation.
The depreciation rates used are felt to reflect the remaining useful economic lives of the assets.
Newly acquired assets are depreciated as from the period in which they enter service.
Property, plant and equipment held under finance leases that transfer to the Group substantially all the risks and rewards of ownership are recognized as assets at their fair value or, if lower, at the present value of the minimum lease payments due, including any amount payable to exercise the bargain purchase option. The corresponding liability to lessor is recognised under financial debt. The assets are depreciated using the same criteria as those used for assets owned.
Leases in which the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Costs in respect of operating leases are recognised on a straight-line basis over the term of the lease.
Property, plant and equipment leased to others under finance lease agreements (or agreements treated in the same manner as finance leases), under which substantially all the risks and rewards of ownership of the asset have been transferred to the user of the asset, are recognised as financial receivables in the balance sheet. At the time of transfer of the asset to the user, the selling profit on the sale of the leased asset is recognised. That profit is determined as the difference between: i) the fair value of the asset at the inception of the lease or, if lower, the present value of the minimum payments due under the lease that pertain to the Group, calculated at a market interest rate; and ii) the cost of producing the leased asset increased by legal costs and internal costs directly attributable to the negotiation and arranging of the lease contract. Subsequent to recognition of the financial receivable, financial income is recognised in an amount reflecting the constant periodic rate of return on the receivable allocated over the term of the lease on a systematic and rational basis.

Assets to be relinquished free of charge are recognised at cost, including any disposal and removal costs that will be incurred under contractual obligations to restore the assets to their original condition, net of depreciation calculated over the lesser of the estimated useful life of the asset and the term of the concession, net of dismantling and removal costs.
Land and buildings are treated as separate assets for accounting purposes, even if purchased together. Land is considered to have an indefinite life and, as such, is not depreciated.
Assets whose use or nature classifies them as capital equipment are depreciated on a straight line basis over their remaining useful lives.
In the event an asset should suffer a lasting impairment of value, independently of depreciation, it is written down. The original value is restored where the conditions that had prompted the writedown should cease to obtain.
Maintenance and repair costs that do not increase the utility or useful lives of assets are charged directly to income for the year.
Financial expense directly attributable to the acquisition, construction or production of an asset that qualifies for capitalisation under IAS 23 (revised in 2007) is capitalised in the carrying amount of the asset as part of its cost.
"Assets under construction and advances" are composed of advances or expenses incurred in respect of assets and materials that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, depreciation is suspended.

8 – INTANGIBLE ASSETS

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

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

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

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

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

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

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

An intangible asset is only recognised under the following conditions:

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

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

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

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

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

Non-current assets (or disposal groups) whose carrying amount will be recovered principally through a sale rather than through continuing use are classified as held for sale and reported separately from other assets and liabilities in the balance sheet. Non-current assets (or disposal groups) classified as held for sale are first measured in conformity with the IFRS/IAS applicable to each asset and liability and subsequently are measured at the lower of their carrying amount and fair value less costs to sell. The carrying amounts of each asset and liability that are not governed by the measurement rules set out in IFRS 5 but are held for sale are remeasured on the basis of the applicable IFRS before the fair value less costs to sell is redetermined. The individual assets of the companies classified as held for sale are not depreciated/amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised. Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets (or disposal groups) classified as held for sale through profit or loss. The corresponding balance sheet values for the previous year are not reclassified. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

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

10 – CURRENT AND DEFERRED TAXATION

Corporate income tax (IRES) and the regional tax on business activities (IRAP), which are determined in compliance with applicable tax law, are recognised on the basis of a realistic estimate of the associated income components for the first half of 2013.

Deferred tax items regard the recognition of the effects of differences, including timing differences, between the valuation of accounting items under tax regulations, which are used to determine taxable income, and that under statutory reporting regulations (which seek to quantify the result for the year). More specifically, "taxable temporary differences" between statutory and tax values are those that will give rise to taxable amounts in future tax periods, while "deductible temporary differences" are those that will give rise to deductible amounts in the future.

Deferred tax liabilities – which are correlated with the amount of income that will become taxable in future years – are recognised in the tax provision without offsetting against deferred tax assets, which are recognised in the balance sheet under "Tax assets".
If the deferred tax items regard developments that directly affect equity, they are recognised in equity.

11 - PROVISIONS

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

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

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

12 – DEBT AND SECURITIES ISSUED

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

13 – Financial liabilities held for trading

This item includes all forms of financial liabilities (debt securities, loans, etc.) designated as being held for trading purposes. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.
The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transactions costs or revenues. In cases in which the amount paid differs from the fair value, the financial liability is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is affected at the signing date for derivative contracts and at the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.
Financial liabilities held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.
Subsequent measurement is at fair value. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.
Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the liability remains on the balance sheet even if official title has been transferred.
The gains and losses on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial liability held for trading.

14 – Foreign currency transactions

Transactions in a foreign currency are initially recognised in euros by translating the amount in the foreign currency into euros at the spot exchange rate prevailing on the date of the transaction.

In preparing the financial statements, assets denominated in a foreign currency are accounted for as follows:

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

Exchange rate differences in respect of non-monetary items are treated using the same rules for gains and losses on the original instruments.

The effects of foreign exchange differences related to the equity of investments measured using the equity method are recognised in an equity reserve.

The financial statements of companies denominated in currencies other than the euro are translated in accordance with the following rules:

- assets and liabilities are converted using the exchange rates prevailing at the balance-sheet date;
- costs and revenues are converted using the average exchange rate for the period;
- the "translation reserve" comprises exchange rate differences generated by the conversion of financial variables at a different rate from the closing rate and those generated by the translation of opening shareholders' equity at a different rate from the closing rate of the reporting period;
- goodwill and fair value adjustments associated with the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate for the period.

15 – INSURANCE ASSETS AND LIABILITIES

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

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

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

16 - Other information Staff severance pay

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

Interest income and expense

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

Commissions

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

Dividends

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

Contract work in progress (construction contracts)

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

recognise the work performed. Expected contract losses are taken immediately to profit or loss under contract costs.
Contract costs include all those costs that relate directly to the specific contract, as well as fixed and variable costs incurred by Group companies as part of normal operations.

SHARE-BASED PAYMENTS

The cost of employee service remunerated through stock option plans is measured at the fair value of the options granted to employees at the grant date. The fair value of options granted is recognised under staff costs over the vesting period, with a corresponding increase in equity, considering the best possible estimate of the number of options that employees will be able to exercise. Such estimate is reviewed where subsequent information indicates that the expected number of equity instruments that will vest differs from the estimate previously carried out, independently of market conditions.
The measurement method used to calculate fair value considers all the characteristics of the options (term, price and conditions, etc.), as well as the value of the underlying security at the grant date, volatility and the yield curve at the grant date, in line with the duration of the plan.
At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of market conditions.

CAPITALISED BORROWING COSTS

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

being incurred; and (c) activities to prepare the asset for its intended use or sale are in progress.
Capitalisation ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

GRANTS

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

REVENUES

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

- revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- revenues from services are recognised with reference to the stage of completion of the service. If revenues cannot be reliably measured, they are recognised to the extent of recoverable costs;
- revenues from fees for the use of the National Transmission Grid (NTG) are determined on the basis of the rates set by the Authority for Electricity and Gas.

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

NET PREMIUM INCOME

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

USE OF ESTIMATES

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

DETERMINING FAIR VALUE

Fair value is the amount for which an asset (or liability) could be exchanged in an arm's length transaction between parties with a reasonable level of knowledge about market conditions and the material circumstances of the object of the exchange.
In the definition of fair value a key assumption is that an entity is fully operational and does not have the need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer.
For financial instruments, fair value is determined in three possible ways:

- in the case of instruments quoted on active markets, prices on financial markets are used (Level 1);

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

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

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

The selection of market parameters as inputs for Level 2 valuations is carried out on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments quoted on active markets.
For derivatives and bonds, the Group has developed a reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. Nevertheless, given the generalised use of framework netting arrangements that provide for the exchange of collateral, at 30 June 2013 such adjustments are confined to cases of limited importance.
In some cases, in determining fair value it is necessary to have recourse to valuation techniques that call for inputs that cannot be drawn directly from observable market variables, such as statistical or "expert-based" estimates by the party performing the valuation (Level 3).
More specifically, in the financial statements of the Group, the following measurements are classified as Level 3:

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

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

BUSINESS COMBINATIONS

Business combinations are recognised using the acquisition method. Under that method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the acquisition-date fair values of the assets transferred and the liabilities assumed and equity instruments issued by the acquirer in exchange for control of the acquiree. Transaction costs are generally recognised in profit or loss at the time they are incurred.
For the newly acquired companies, if the allocation of the purchase price is not definitive, the difference between the purchase price and the equity is provisionally allocated to goodwill if positive or to liabilities under item 100 "Other liabilities" if negative, net of any goodwill in the balance sheets of the acquirees. In accordance with IFRS 3, paragraph 45 et seq., within 12 months of the acquisition date, the difference resulting from the transaction must be allocated definitively, recognising the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. The following items are

exceptions, being measured as provided for in the relevant standard governing their treatment:

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

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

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

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

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

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

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

DISCLOSURES ON FAIR VALUE MEASUREMENT

Hierarchy of fair value inputs

(thousands of euros)

PORTFOLIOS: BREAKDOWN BY LEVEL OF FAIR VALUE INPUTS

	30/06/2013			31/12/2012		
Financial assets/liabilities at fair value	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading	3,025,429	590,815	897,277	3,041,719	720,213	894,197
2. Financial assets at fair value						
3. Financial assets available for sale	8,025,676	4,597	403,911	5,934,566	11,736	310,664
4. Hedging derivatives		1,005,325	1,141		1,188,301	2,683
Total	**11,051,105**	**1,600,737**	**1,302,329**	**8,976,285**	**1,920,250**	**1,207,544**
1. Financial liabilities held for trading		100,773	308,034		106,090	416,506
2. Financial liabilities at fair value						
3. Hedging derivatives		1,887,076	22,451		2,686,869	13,052
Total		**1,987,849**	**330,485**		**2,792,959**	**429,558**

(thousands of euros)

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

	FINANCIAL ASSETS			
	held for trading	**at fair value**	**available for sale**	**hedging**
1. Opening balance	**894,197**		**310,664**	**2,683**
2. Increases	**407,928**		**104,047**	
2.1 Purchases	406,497		100,876	
2.2 Profits taken to:			2,058	
2.2.1 Income statement			404	
- of which: capital gains			*404*	
2.2.2 Equity	x	x	1,654	
2.3 Transfers from other levels				
2.4 Other increases	1,431		1,113	
3. Decreases	**404,848**		**10,800**	**1,542**
3.1 Sales			1,952	
3.2 Repayments	402,491			
3.3 Losses taken to:	357		8,848	1,542
3.3.1 Income statement	357			1,542
- of which: capital losses	*357*			*1,542*
3.3.2 Equity	x	x	8,848	
3.4 Transfers to other levels				
3.5 Other decreases	2,000			
4. Closing balance	**897,277**		**403,911**	**1,141**

(thousands of euros)

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

		FINANCIAL LIABILITIES		
		held for trading	at fair value	hedging
1.	**Opening balance**	**416,506**		**13,052**
2.	**Increases**	**3,732**		**9,399**
2.1	Issues	1,100		
2.2	Losses taken to:	2,632		9,399
2.2.1	Income statement	2,632		5,734
	- of which: capital losses	*2,632*		*5,734*
2.2.2	Equity	x	x	3,665
2.3	Transfers from other levels			
2.4	Other increases			
3.	**Decreases**	**112,204**		
3.1	Sales	45,492		
3.2	Repayments			
3.3	Profits taken to:	66,712		
3.3.1	Income statement	66,712		
	- of which: capital gains	*66,712*		
3.3.2	Equity	x	x	
3.4	Transfers to other levels			
3.5	Other decreases			
4.	**Closing balance**	**308,034**		**22,451**

Disclosures on "day one profit/loss"

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

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

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

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

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

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 provisions of the IAS/IFRS.

INFORMATION ON THE BALANCE SHEET

ASSETS

CASH AND CASH EQUIVALENTS – ITEM 10

(thousands of euros)

CASH AND CASH EQUIVALENTS: COMPOSITION

	30/06/2013	31/12/2012
a) Cash	322	350
b) Free deposits with central banks		
Total	**322**	**350**

FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

(thousands of euros)

FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

	Banking group	Insurance group	Other entities	30/06/2013	31/12/2012
A On-balance-sheet assets					
1. Debt securities		3,123,322		3,123,322	3,323,731
1.1 Structured securities					
1.2 Other debt securities		3,123,322		3,123,322	3,323,731
2. Equity securities		64,014		64,014	40,544
3. Units in collective investment undertakings		785,696		785,696	621,947
4. Loans					
4.1 Repurchase agreements					
4.2 Other					
Total A		**3,973,032**		**3,973,032**	**3,986,222**
B Derivatives					
1. Financial derivatives	485,250	55,239		540,489	669,907
1.1 trading	7,511	55,239		62,750	29,426
1.2 associated with fair value option					
1.3 other	477,739			477,739	640,481
2. Credit derivatives					
2.1 trading					
2.2 associated with fair value option					
2.3 other					
Total B	**485,250**	**55,239**		**540,489**	**669,907**
Total (A+B)	**485,250**	**4,028,271**		**4,513,521**	**4,656,129**

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

FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

(thousands of euros)

FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY TYPE

	Banking group	Other entities	30/06/2013	31/12/2012
1. Debt securities	6,159,674	876,540	7,036,214	5,891,619
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	6,159,674	876,540	7,036,214	5,891,619
2. Equity securities	11,427	1,038,112	1,049,539	66,279
2.1 At fair value	9,361	1,030,341	1,039,702	56,442
2.2 At cost	2,066	7,771	9,837	9,837
3. Units in collective investment undertakings	339,206	7,135	346,341	297,992
4. Loans	-	2,090	2,090	1,076
Total	**6,510,307**	**1,923,877**	**8,434,184**	**6,256,966**

The balance is mainly the sum of the contributions of:

- CDP in the amount of about €6,510 million, an increase of about €1,535 million on the end of 2012, due essentially to purchases of government securities;
- FSI in the amount of about €936 million, in respect of investments in equity securities in the first half of 2013;
- Fintecna in the amount of about €979 million, mainly in respect of government securities.

SIMEST and Terna contributed about €8 million.

FINANCIAL ASSETS HELD TO MATURITY – ITEM 50

(thousands of euros)

FINANCIAL ASSETS HELD TO MATURITY: COMPOSITION BY TYPE

	Banking group	Insurance group	30/06/2013	31/12/2012
1. Debt securities	17,989,036	1,574,944	19,563,980	18,279,631
- structured				
- other	17,989,036	1,574,944	19,563,980	18,279,631
2. Loans				
Total	**17,989,036**	**1,574,944**	**19,563,980**	**18,279,631**

The item mainly includes investments by the parent company in government securities, with a carrying amount of €17,981 million, whose inflation-linked component, with a nominal value of €3,600 million, is held to hedge the exposure to Italian inflation due to the issue of postal savings bonds indexed to inflation.

LOANS TO BANKS – ITEM 60

(thousands of euros)

LOANS TO BANKS: COMPOSITION BY TYPE

	Banking group	Insurance group	Other entities	30/06/2013	31/12/2012
A. Claims on central banks	**5,312,746**			**5,312,746**	**447,906**
1. Fixed-term deposits					
2. Reserve requirement	5,312,746			5,312,746	447,906
3. Repurchase agreements					
4. Other					
B. Loans to banks	**17,317,875**	**1,209,203**	**3,048,182**	**21,575,260**	**18,054,883**
1. Current accounts and free deposits	947,129	202,688	2,684,688	3,834,505	5,379,515
2. Fixed-term deposits	1,649,513	1,005,606		2,655,119	2,993,107
3. Other financing	14,721,233	909	863	14,723,005	8,819,601
3.1 Repurchase agreements	4,618,295			4,618,295	
3.2 Finance leasing					
3.3 Other	10,102,938	909	863	10,104,710	8,819,601
4. Debt securities			362,631	362,631	862,660
4.1 Structured					
4.2 Other debt securities			362,631	362,631	862,660
Total (carrying amount)	**22,630,621**	**1,209,203**	**3,048,182**	**26,888,006**	**18,502,789**

Loans to banks are primarily composed of:

- the balance on the management account for the reserve requirement, pertaining to the parent company, of about €5,313 million;
- other loans amounting to about €14,723 million; this figure increased over the end of 2012 by around €5,903 million, essentially attributable to new repurchase agreements and the increase in loans granted by CDP to banks within the framework of economic support instruments for SMEs;
- debt securities amounting to about €363 million; the decrease compared with the end of 2012 is attributable the redemption of "eligible" securities (rated AAA) held by the parent company as collateral for the existing covered bond issues, which were terminated at the end of January 2013;
- fixed-term deposits of €2,655 million, of which about €1,650 million in respect of Credit Support Annexes (cash collateral) opened at banks by CDP to hedge the counterparty credit risk on derivatives;
- deposit and current account balances totalling about €3,835 million, with an overall decrease in the balances of the Group of around €1,545 million compared with the figure at 31 December 2012.

LOANS TO CUSTOMERS – ITEM 70

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

(thousands of euros)

LOANS TO CUSTOMERS: COMPOSITION BY TYPE

	30/06/2013			31/12/2012		
	Performing	Impaired		Performing	Impaired	
		Acquired	Other		Acquired	Other
1. Current accounts	267,784			267,655		
1.1 Liquidity held with Central State Treasury	130,867,533			136,718,703		
2. Repurchase agreements	2,551,207					
3. Loans	97,080,028		129,447	93,327,848		76,006
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	487			495		
5. Finance leasing						
6. Factoring	782,661		123,338	975,527		141,491
7. Other	5,185,175		14,334	5,094,018		14,217
8. Debt securities	1,880,136			4,136,189		
8.1 Structured						
8.2 Other debt securities	1,880,136			4,136,189		
Total (carrying amount)	**238,615,011**		**267,119**	**240,520,435**		**231,714**

Liquidity held with the Central State Treasury in current account no. 29814 in the name of "Cassa DP SPA - Gestione Separata" comprises liquidity generated by Separate Account transactions performed by the parent company. As envisaged by Article 6.2 of the MEF decree of 5 December 2003, the Ministry for the Economy and Finance pays semi-annual interest at a floating rate equal to the simple arithmetic mean between the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index. Interest accrued on current account no. 29814 that will be credited after 30 June 2013 amounted to about €2,996 million.

Current accounts mainly regard the positive balance on correspondent accounts held by Fintecna with associates.

Factoring receivables, which total €906 million, regard the activities of the subsidiary SACE Fct. They decreased by about €211 million from the end of 2012.

Debt securities amounted to €1,880 million, a contraction compared with the end of 2012 due mainly to the redemption of the "eligible" securities (rated AAA) that the parent company held as collateral for the covered bond issues, which were terminated at the end of January 2013.

Repurchase agreements used to invest liquidity at short term, with Italian government securities as collateral, amounted to about €2,551 million.

The volume of long-term loans and other financing, which totalled about €102,409 million, rose by about €3,897 million compared with 31 December 2012.

Impaired positions amounted to about €267 million (of which about €129.5 million pertaining to the banking group), an increase of about €35 million compared with 31 December 2012.

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

(thousands of euros)

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

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Opening gross exposure	**47,264**	**81,768**		**25,471**
- of which: exposures assigned but not derecognised				
B. Increases	**10,366**	**18,794**		**63,699**
B.1 transfers from performing positions		268		63,418
B.2 transfers from other categories of impaired positions	10,030	15,764		
B.3 other increases	336	2,762		281
C. Decreases	**402**	**11,371**		**25,443**
C.1. to performing loans		398		8,355
C.2. writeoffs				
C.3. collections	391	920		1,324
C.4. assignments				
C.5. transfers to other categories of impaired positions		10,030		15,764
C.6. other decreases	11	23		
D. Closing gross exposure	**57,228**	**89,191**		**63,727**
- of which: exposures assigned but not derecognised				

(thousands of euros)

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

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Total opening adjustments	**39,309**	**39,053**		
- of which: exposures assigned but not derecognised				
B. Increases	**8,044**	**878**		
B.1 writedowns	1,190	16		
B.1 bis losses on disposals				
B.2 transfers from other categories of impaired positions	6,417			
B.3 other increases	437	862		
C. Decreases	**202**	**6,417**		
C.1 writebacks from valuations	160			
C.2 writebacks from collection	31			
C.2 bis gains on disposals				
C.3 writeoffs				
C.4 transfers to other categories of impaired positions		6,417		
C.5 other decreases	11			
D. Total closing adjustments	**47,151**	**33,514**		
- of which: exposures assigned but not derecognised				

HEDGING DERIVATIVES – ITEM 80

(thousands of euros)

HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE

	Banking group	Other entities	30/06/2013	31/12/2012
A. Financial derivatives:	**302,454**	**704,012**	**1,006,466**	**1,190,984**
1) Fair value	165,731	689,410	855,141	1,126,451
2) Cash flow	136,723	14,602	151,325	64,533
3) Investment in foreign operation				
B. Credit derivatives				
1) Fair value				
2) Cash flow				
Total	**302,454**	**704,012**	**1,006,466**	**1,190,984**

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

EQUITY INVESTMENTS – ITEM 100

(thousands of euros)

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

	Registered office	Type of relationship (1)	Equity investment		% of votes (2)	Carrying amount
			Investor	% holding		
A.1 Companies under joint control						
1. Kedrion Group S.p.A.	Castelvecchio Pascoli (LU)	7	FSI S.p.A	18.63%	18.63%	80,651
2. Metroweb Italia S.p.A.	Milan	7	FSI S.p.A	46.17%	46.17%	200,000
3. IQ Made in Italy Investment Company S.p.A.	Milan	7	FSI S.p.A	50.00%	50.00%	150,000
4. ELMED ETUDES Sarl	Tunis (TN)	7	Terna S.p.A.	50.00%	50.00%	
5. Trans Austria Gasleitung GmbH *	Vienna (A)	7	CDP GAS S.r.l.	89.00%	50.00%	528,783
6. Etihad Ship Building LLC	United Arab Emirates	7	Fincantieri S.p.a.	35.00%	35.00%	178
7. Orizzonte Sistemi Navali S.p.A.	Genoa	7	Fincantieri S.p.a.	51.00%	51.00%	15,258
8. Alfiere S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	
9. Bonafous S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	
10. Cinque Cerchi S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	
11. Italia Turismo S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	42.00%	42.00%	52,436
12. Manifatture Milano S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	1,897
13. MT - Manifattura Tabacchi S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	
14. Pentagramma Perugia S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	144
15. Pentagramma Piemonte S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	521
16. Pentagramma Romagna S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	
17. Quadrifoglio Brescia S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	
18. Quadrifoglio Genova S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	647
19. Quadrifoglio Modena S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	22
20. Quadrifoglio Piacenza S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	
21. Quadrifoglio Verona S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	
22. Residenziale Immobiliare 2004 S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%	
A.2 Companies under significant influence						
1. Eni S.p.A.	Rome	4	CDP S.p.A.	25.76%	25.76%	16,188,219
2. Galaxy S.ar.l. SICAR	Luxembourg (L)	4	CDP S.p.A.	40.00%	40.00%	2,348
3. Europrogetti & Finanza S.p.A. in liquidazione	Rome	4	CDP S.p.A.	31.80%	31.80%	
4. Snam S.p.A.	San Donato Milanese (MI)	4	CDP RETI S.r.l.	30.00%	30.00%	3,483,224
5. CESI S.p.A.	Milan	4	Terna S.p.A.	42.70%	42.70%	37,163
6. CORESO S.A.	Brussels (B)	4	Terna S.p.A.	22.49%	22.49%	325
7. CGES A.D.	Podgorica (MME)	4	Terna S.p.A.	22.09%	22.09%	36,840
8. ATI (African Trade Insurance Agency)	Nairobi (K)	4	SACE S.p.A.	6.41%	6.41%	7,488
9. Consorzio CONDIF in liquidazione	Rome	4	Fintecna Immobiliare S.r.l.	33.33%	33.33%	26
10. Soc.Sviluppo Turistico Culturale Golfo di Napo	Naples	4	Fintecna Immobiliare S.r.l.	25.00%	25.00%	2
11. Altiforni e Ferriere di Servola S.p.A. in A.C.	Udine	4	Fintecna S.p.A.	47.62%	47.62%	
12. Consorzio Edinca in liquidazione	Naples	4	Fintecna S.p.A.	38.80%	38.80%	10
13. Consorzio Edinsud in liquidazione	Naples	4	Fintecna S.p.A.	50.00%	50.00%	26
14. Fonderit Etruria S.r.l. in fallimento	Campiglia M. (LI)	4	Fintecna S.p.A.	36.25%	36.25%	
15. OMSAV S.p.A. in fallimento	Savona	4	Fintecna S.p.a.	30.00%	30.00%	
16. Consorzio Incomir	Mercogliano (AV)	4	Fintecna S.p.A.	45.46%	45.46%	40
17. Edilmagliana 89 S.c.a.r.l. in liquidazione	Rome	4	Fintecna S.p.A.	50.00%	50.00%	
18. Ligestra S.r.l.	Rome	1	Fintecna S.p.A.	100.00%	100.00%	578
19. Ligestra Due S.r.l.	Rome	1	Fintecna S.p.A.	100.00%	100.00%	196
20. Ligestra Tre S.r.l.	Rome	1	Fintecna S.p.A.	100.00%	100.00%	13,702
21. Olympic Subsea KS	Norway	4	Vard Group AS	35.00%	35.00%	12,979
22. Castor Drilling Solution AS	Norway	4	Seaonics AS	22.52%	22.52%	1,180
23. Bridge Eiendom AS	Norway	4	Vard Brevik Holding AS	50.00%	50.00%	527
24. Brevik Technology AS	Norway	4	Vard Brevik Holding AS	34.00%	34.00%	105
25. S.P.S. S.c.p.a. in fallimento	Rome	4	Fintecna S.p.A.	20.40%	20.40%	
26. Dameco AS		4	Vard Brevik Holding AS	25.47%	25.47%	46
27. Taklift AS		4	Vard Offshore Brevik AS	34.00%	34.00%	85
					Total equity investments measured at equity	**20,815,646**
					Other minor equity investments (3)	**1,620**
					Total equity investments measured at equity	**20,817,266**

Key

(1) Type of relationship

- 1 = Majority of voting rights in ordinary shareholders' meeting
- 2 = Dominant influence in ordinary shareholders' meeting
- 3 = Agreements with other shareholders
- 4 = Other form of control
- 5 = Unitary management pursuant to Article 26.1 of Legislative Decree 87/92
- 6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92
- 7 = Joint control

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

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

* Participation in financial rights is equal to 94%.

The interest in Eni S.p.A. considered for the purposes of measuring the investment using the equity method, taking account of treasury shares held by Eni S.p.A., amounts to about 25.84%.

There were no changes in the portfolio of equity investments held by the parent company, CDP, during the period. As regards the equity investments held by Fintecna S.p.A., it acquired VARD during the period.

REINSURERS' SHARE OF TECHNICAL PROVISIONS – ITEM 110

(thousands of euros)

REINSURERS' SHARE OF TECHNICAL PROVISIONS: COMPOSITION

	30/06/2013	31/12/2012
A. Non-life insurance	**96,382**	**106,305**
A1. Provision for unearned premiums	27,846	41,247
A2. Provision for claims outstanding	68,133	64,751
A3. Other	403	307
B. Life insurance		
B1. Mathematical reserves		
B2. Provision for claims outstanding		
B3. Other		
C. Technical provisions where the investment risk is borne by the insured		
C1. Reserves for contracts whose benefits are linked to investment funds and market indices		
C2. Reserves from the operation of pension funds		
D. Total reinsurers' share of technical provisions	**96,382**	**106,305**

PROPERTY, PLANT AND EQUIPMENT – ITEM 120

Property, plant and equipment includes all of the movable property and real estate held by the Group, net of depreciation, and breaks down as follows:

(thousands of euros)

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

	Banking group	Insurance group	Other entities	30/06/2013	31/12/2012
A. Operating assets					
1.1 owned	**208,967**	**69,051**	**12,344,357**	**12,622,375**	**12,081,177**
a) land	117,406	58,584	97,426	273,416	273,112
b) buildings	62,031	7,654	1,176,522	1,246,207	1,167,811
c) movables	1,835	2,370	7,672	11,877	11,959
d) electrical plant	1,097	392	213,589	215,078	171,506
e) other	26,598	51	10,849,148	10,875,797	10,456,789
1.2 acquired under finance leases			**14,567**	**14,567**	**14,916**
a) land					
b) buildings			14,567	14,567	14,916
c) movables					
d) electrical plant					
e) other					
Total A	**208,967**	**69,051**	**12,358,924**	**12,636,942**	**12,096,093**
B. Investment property					
2.1 owned		**20,932**	**40,221**	**61,153**	**61,320**
a) land		10,267	1,093	11,360	11,360
b) buildings		10,665	39,128	49,793	49,960
2.2 acquired under finance leases					
a) land					
b) buildings					
Total B		**20,932**	**40,221**	**61,153**	**61,320**
Total (A+B)	**208,967**	**89,983**	**12,399,145**	**12,698,095**	**12,157,413**

The increase in the item compared with the end of 2012 is largely due to Terna's investments in electricity transmission lines and transformation stations, as well as the consolidation of the VARD Group, a Norwegian shipbuilder, which was acquired by the subsidiary Fincantieri Oil & Gas S.p.A. during the period.

INTANGIBLE ASSETS – ITEM 130

Intangible assets break down as follows:

(thousands of euros)

INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

	Banking group		Insurance group		Other entities		30/06/2013		31/12/2012	
	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	x		x		x	**817,876**	x	**817,876**	x	**485,897**
A.1.1 pertaining to Group	x		x		x	684,433	x	684,433	x	352,454
A.1.2 non-controlling interests	x		x		x	133,443	x	133,443	x	133,443
A.2 Other intangible assets	**6,541**		**6,995**		**316,529**		**330,065**		**337,936**	
A.2.1 Assets carried at cost	6,541		6,995		316,529		330,065		337,936	
a) internally-generated intangible assets			6,013		22,303		28,316		34,027	
b) other assets	6,541		982		294,226		301,749		303,909	
A.2.2 Assets carried at fair value										
a) internally-generated intangible assets										
b) other assets										
Total	**6,541**		**6,995**		**316,529**	**817,876**	**330,065**	**817,876**	**337,936**	**485,897**

The item mainly pertains to:

- the Terna Group for the rights to infrastructure used for the dispatching service and for the concession for the provision of electricity transmission and dispatching services in Italy;
- the Fintecna Group, mainly in respect of goodwill recognized for the excess in the purchase price for the VARD Group over its shareholders' equity (as provided for under IFRS 3, the purchase price allocation process will be completed within twelve months of the acquisition date).

Goodwill showed no evidence of impairment during the period.

OTHER ASSETS – ITEM 160

(thousands of euros)

OTHER ASSETS: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2013	31/12/2012
Payments on account for withholding tax on postal passbooks	179,670			179,670	217,100
Other tax receivables	2	5,378	61,158	66,538	46,821
Leasehold improvements			5,121	5,121	
Receivables due from investees	6		53,611	53,617	53,948
Trade receivables and advances to public entities	7,916		2,766,395	2,774,311	2,393,820
Construction contracts			588,740	588,740	521,583
Advances to suppliers	239	1,417	229,183	230,839	116,608
Inventories		15	718,216	718,231	525,435
Advances to personnel	30	525	9,430	9,985	7,139
Other trade receivables		636	25,170	25,806	
Other items	9,394	23,574	140,878	173,846	149,453
Accrued income and prepaid expenses	1,489	2,314	40,296	44,099	36,570
Total	**198,746**	**33,859**	**4,638,198**	**4,870,803**	**4,068,477**

The item reports assets not otherwise classified under the previous items.

The main items under this heading are:

- the trade receivables of the Terna Group (about €2,121 million) in respect of electricity dispatching activities and the remuneration paid by distributors for use of the National Transmission Grid;
- the trade receivables of the Fintecna Group, equal to about €646 million;
- construction contracts (about €589 million), mainly regarding the shipbuilding activities of Fincantieri;
- inventories of semifinished goods and products being manufactured in the amount of €718 million, mainly pertaining to the Fintecna Group. In accordance with IAS 2, the item also includes assets represented by land and buildings held by the Group companies that operate in the real estate sector;
- advances to suppliers in the amount of €231 million, mainly attributable to the Fintecna Group;
- payments on account in respect of withholding tax on interest earned on postal passbook savings accounts issued by the parent company in the amount of about €180 million.

LIABILITIES

DUE TO BANKS – ITEM 10

(thousands of euros)

DUE TO BANKS: COMPOSITION BY TYPE

	30/06/2013	31/12/2012
1. Due to central banks	**26,075,379**	**27,518,037**
2. Due to banks	**8,773,462**	**8,931,976**
2.1 Current accounts and demand deposits	95,537	140,351
2.2 Fixed-term deposits	1,427,941	2,134,256
2.3 Loans	7,247,456	6,652,072
2.3.1 Repurchase agreements	977,433	1,268,069
2.3.2 Other	6,270,023	5,384,003
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Other payables	2,528	5,297
Total	**34,848,841**	**36,450,013**

The item "Due to central banks" essentially regards refinancing from the ECB.

Fixed-term deposits mainly refer to cash collateral under Credit Support Annexes securing the counterparty risk on derivatives (cash collateral) and the balance on postal passbook accounts and postal bonds held by banks.

For the parent company, loans comprise repurchase agreements (about €977 million) and loans from the EIB (about €3,342 million). The remainder is composed of bank loans to the other Group companies.

DUE TO CUSTOMERS – ITEM 20

(thousands of euros)

DUE TO CUSTOMERS: COMPOSITION BY TYPE

	30/06/2013	31/12/2012
1. Current accounts and demand deposits	9,834	127,261
2. Fixed-term deposits	249,926,801	232,063,269
3. Loans	1,058	51,868
3.1 Repurchase agreements		
3.2 Other	1,058	51,868
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	7,953,080	9,430,376
Total	**257,890,773**	**241,672,774**

"Fixed-term deposits" mainly regard the balance at 30 June 2013 of postal passbook accounts and postal bonds. It also includes the parent company's short-term funding, associated with its management of the liquidity of the MEF (OPTES).

Other payables mainly regard amounts not yet disbursed on loans being repaid granted by CDP to public entities and public-law bodies.

SECURITIES ISSUED – ITEM 30

SECURITIES ISSUED: COMPOSITION BY TYPE

	Banking group	Other entities	30/06/2013	31/12/2012
A. Securities				
1. Bonds	3,880,190	6,498,588	10,378,778	13,218,183
1.1 structured	44,927		44,927	48,306
1.2 other	3,835,263	6,498,588	10,333,851	13,169,877
2. Other securities				
2.1 structured				
2.2 other				
Total	**3,880,190**	**6,498,588**	**10,378,778**	**13,218,183**

For the banking group, the balance of securities issued at 30 June 2013 is entirely accounted for by bonds issued by the parent company as part of the Euro Medium Term Notes programme, as the covered bond programme was voluntarily terminated at the end of January 2013. Mainly as a result of the latter operation, the banking group’s exposure declined by about €2,683 million from the end of 2012.

No new issues were made under the Euro Medium Term Notes programme during the period.

Securities issued by other entities are entirely accounted for by bonds issued by Terna, which at 30 June 2013 amounted to about €6,499 million.

FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

(thousands of euros)

FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	30/06/2013	31/12/2012
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	**408,807**	**522,596**
1.1 Trading	13,773	12,711
1.2 Associated with fair value option		
1.3 Other	395,034	509,885
2. Credit derivatives		
2.1 Trading		
2.2 Associated with fair value option		
2.3 Other		
Total B	**408,807**	**522,596**
Total (A+B)	**408,807**	**522,596**

The item is mainly composed of the embedded option component of bonds indexed to baskets of shares that was separated from the host contract.

HEDGING DERIVATIVES – ITEM 60

(thousands of euros)

HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE

	30/06/2013	31/12/2012
A. Financial derivatives	**1,909,527**	**2,699,921**
1) Fair value	1,789,020	2,562,811
2) Cash flow	120,507	137,110
3) Investment in foreign operation		
B. Credit derivatives		
1) Fair value		
2) Cash flow		
Total	**1,909,527**	**2,699,921**

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

OTHER LIABILITIES – ITEM 100

(thousands of euros)

OTHER LIABILITIES: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2013	31/12/2012
Items being processed	6,992			6,992	30,817
Amounts due to employees	4,398	2,698	109,846	116,942	37,210
Charges for postal funding service	842,500			842,500	939,615
Tax payables	147,976	730	62,357	211,063	546,451
Construction contracts			264,424	264,424	580,919
Trade payables	6,754	10,413	3,210,045	3,227,212	2,972,048
Due to social security institutions	2,457	2,426	65,042	69,925	59,649
Accrued expenses and deferred income		596	162,652	163,248	146,742
Other items of insurance companies		30,260		30,260	42,135
Other	85,908	171,847	536,154	793,909	780,033
Total	**1,096,985**	**218,970**	**4,410,520**	**5,726,475**	**6,135,619**

For the banking group, the main items under this heading are:

- the payable to Poste Italiane S.p.A. of €842.5 million, in respect of the unpaid portion at 30 June 2013 of commissions for funding with postal savings products;
- tax payables totalling about €148 million, mainly regarding the tax on interest paid on postal savings products.

With regard to other Group entities, the item mainly regards trade payables. Liabilities in respect of construction contracts, equal to about €264 million, report the excess of advances received over the value of the contracts completed.

"Other" items include €408 million in respect of the provisional allocation of the difference between the purchase price of equity investments and the equity of the companies that were added to the scope of consolidation on a line-by-line basis during 2012. In compliance with IFRS 3, the purchase price allocation process will be completed within twelve months of the acquisition date.

PROVISIONS – ITEM 120

(thousands of euros)

PROVISIONS - COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2013	31/12/2012
1. Company pension plans		**1,970**		**1,970**	**1,992**
2. Other provisions	**5,193**	**32,850**	**1,666,374**	**1,704,417**	**1,720,416**
2.1 legal disputes	3,752	2,779	17,415	23,946	26,782
2.2 staff costs	18	1,350	76,338	77,706	101,575
early retirement			16,968	16,968	18,604
loyalty bonus			5,058	5,058	4,546
electricity discount			34,617	34,617	39,253
other	18	1,350	19,695	21,603	39,172
2.3 other	1,423	28,721	1,572,621	1,602,765	1,592,059
Total	**5,193**	**34,820**	**1,666,374**	**1,706,387**	**1,722,408**

Item 2.3 "Other", totalling about €1,603 million, includes €1,452 million in provisions of the subsidiary Fintecna, whose activities include the management of complex liquidation proceedings and the complex and flexible management of the associated litigation. The provisions mainly regard risks associated with litigation, reclamation and conservation of property sites and other real estate risks as well as provisions for commitments in respect of contracts.

TECHNICAL PROVISIONS – ITEM 130

(thousands of euros)

TECHNICAL PROVISIONS: COMPOSITION

	Direct business	Indirect business	Total 30/06/2013	Total 31/12/2012
A. Non-life insurance	**2,495,885**	**52,462**	**2,548,347**	**2,569,657**
A1. Provision for unearned premiums	1,804,331	39,419	1,843,750	1,810,738
A2. Provision for outstanding claims	690,384	13,043	703,427	757,354
A3. Other	1,170		1,170	1,565
B. Life insurance				
B1. Mathematical reserves				
B2. Provision for claims outstanding				
B3. Other				
C. Technical provisions where the investment risk is borne by the insured				
C1. Reserves for contracts whose benefits are linked to investment funds and market indices				
C2. Reserves from the operation of pension funds				
D. Total technical provisions	**2,495,885**	**52,462**	**2,548,347**	**2,569,657**

GROUP EQUITY – ITEMS 140, 170, 180, 190, 200 AND 220

(thousands of euros)

GROUP EQUITY: COMPOSITION

	30/06/2013	31/12/2012
1. Share capital	3,500,000	3,500,000
2. Share premium reserve	5,988	5,988
3. Reserves	13,389,368	11,440,320
4. Treasury shares (-)	(57,220)	
5. Valuation reserves	265,162	311,030
6. Equity instruments		
7. Net income (loss) for the period	1,435,123	2,923,917
Total	**18,538,421**	**18,181,255**

The share capital of €3,500,000,000 at 30 June 2013 is fully paid up and is composed of 296,450,000 ordinary shares with no par value.

Under the provisions of the articles of association of the parent company, the preference shares, which at 31 December 2012 numbered 105,000,000, were automatically converted into 51,450,000 ordinary shares as from 1 April 2013 on the basis of the conversion ratio determined by the Board of Directors at its meeting of 29 January 2013 (49 ordinary shares for every 100 preference shares), without prejudice to the right of preference shareholders to withdraw.
The right of withdrawal connected with the conversion of the preference shares was exercised by two shareholders owning a total of 9,084,000 preference shares, representing about 2.60% of share capital. No preference share holder opted for conversion at par through payment of an adjustment, as provided for in the articles of association.

The shares of the withdrawing foundations, pursuant to Article 2437-quarter of the Italian Civil Code, were offered in pre-emption to the other shareholders and, after the offer period expired with no shareholder exercising the option to buy, the Board of Directors decided to not place those shares with third parties, requesting, in the agenda for the Ordinary Shareholders' Meeting of 20 March 2013, authorisation to purchase own shares as part of the liquidation procedure referred to Article 2437-quater of the Italian Civil Code.

The shares of the withdrawing foundations will be purchased at a price of €6.299 per share, corresponding to the liquidation value determined by the Board of Directors at its meeting of 29 January 2013.

The parent company therefore holds treasury shares with a value of €57,220,116 at 30 June 2013.

INFORMATION ON THE INCOME STATEMENT

INTEREST – ITEMS 10 AND 20

(thousands of euros)

INTEREST INCOME AND SIMILAR REVENUES: COMPOSITION

	Debt securities	Loans	Other	30/06/2013	30/06/2012
1 Financial assets held for trading	27,136			**27,136**	
2 Financial assets at fair value					
3 Financial assets available for sale	92,175			**92,175**	**76,710**
4 Financial assets held to maturity	451,654			**451,654**	**353,428**
5 Loans to banks	5,543	206,729		**212,272**	**186,293**
6 Loans to customers	36,417	4,084,301	608	**4,121,326**	**4,984,405**
7 Hedging derivatives	x	x			
8 Other assets	x	x	8,337	**8,337**	**2,901**
Total	**612,925**	**4,291,030**	**8,945**	**4,912,900**	**5,603,737**

Interest income in the first half of 2013 was generated primarily by:

- loans to customers and current accounts in the amount of about €2,315 million;
- liquidity held by the parent company on treasury account no. 29814 in the amount of about €1,976 million;
- debt securities in the amount of about €613 million.

(thousands of euros)

INTEREST EXPENSE AND SIMILAR CHARGES: COMPOSITION

	Payables	Securities	Other	30/06/2013	30/06/2012
1 Due to central banks	91,902	x		**91,902**	**102,682**
2 Due to banks	56,413	x		**56,413**	**77,184**
3 Due to customers	2,828,824	x	2,882	**2,831,706**	**2,996,840**
4 Securities issued	x	189,686		**189,686**	**214,973**
5 Financial liabilities held for trading					
6 Financial liabilities at fair value					
7 Other liabilities and funds	x	x	447	**447**	**551**
8 Hedging derivatives	x	x	108,645	**108,645**	**100,468**
Total	**2,977,139**	**189,686**	**111,974**	**3,278,799**	**3,492,698**

Interest expense on amounts due to banks customers mainly regards interest on the postal funding of the parent company, totalling about €2,822 million.

Interest on securities issued regarded interest on bonds and amounted to about €190 million.

The negative differences on hedges amounted to about €109 million.

COMMISSIONS - ITEMS 40 AND 50

COMMISSION INCOME

Commission income accrued during the period amounted to about €51.8 million.

The parent company accrued commission income primarily in respect of:

- services associated with lending activities in the amount of about €16.4 million;
- the agreement with the MEF for the assets and liabilities transferred to the MEF pursuant to Article 3 of the Ministerial Decree of 5 December 2003 in the amount of €1.5 million;
- guarantees issued totalling about €1.2 million.

Commission income accrued by other Group entities amounted to about €32.2 million and regarded:

- Fintecna, for commissions associated with securities lending transactions (about €9 million);

- SIMEST, for management of the Venture Capital Fund and the financial support funds (about €12.1 million);
- CDPI SGR, for the performance of its asset management services (about €5.2 million);
- SACE Fct, for factoring services (about €5.9 million).

COMMISSION EXPENSE

Commission expense in the first half of 2013 amounted to about 857.8 million. It mainly regards the charge for the period, equal to about €842.5 million, of the remuneration paid by the parent company to Poste Italiane S.p.A. for managing postal funding.
The new agreement between CDP and Poste Italiane S.p.A. for the period 2011-2013 modifies the fee structure, no longer providing for a commission directly attributable to the issue of new postal bonds, but rather a comprehensive fee for the activities involved in performing the service, which as from the financial statements at 31 December 2011 is be fully expensed in the year in which it accrues. The new 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. During the first half of 2013 CDP and Poste Italiane S.p.A., confirming the appropriateness of the agreement signed on 3 August 2011 and in force until 31 December 2013, decided to extend the term of the accord to cover 2014-2016.

DIVIDENDS AND SIMILAR REVENUES – ITEM 70

The balance at 30 June 2013, equal to €16.7 million, mainly regards dividends received by FSI in respect of its stake in Assicurazioni Generali S.p.A. (about €14 million).

NET GAIN (LOSS) ON TRADING ACTIVITIES – ITEM 80

The result of trading activities is equal to about €355 million and mainly reflects the contribution of the insurance companies (€308 million). The latter's trading operations within their investment portfolio generated net gains on realisation of €162.6 million. The performance of trading activities also benefited from the rise in the value of the investments, generating a net unrealized capital gain of €145.7 million.

NET PREMIUM INCOME – ITEM 150

The balance at 30 June 2013 is entirely accounted for by the premium funding of the insurance companies of the SACE Group. As the acquisition of SACE was completed at the end of 2012, there are no comparative figures for the first half of last year.

(thousands of euros)

	Direct business	Indirect business	Total 30/06/2013
A. Life insurance			
A.1 Gross premiums written (+)			
A.2 Premiums ceded in reinsurance (-)		X	
A.3 Total			
B. Non-life insurance			
B.1 Gross premiums written (+)	143,375	5,686	149,061
B.2 Premiums ceded in reinsurance (-)	(11,160)	X	(11,160)
B.3 Change in gross unearned premium reserve (+/-)	(30,524)	(1,935)	(32,459)
B.4 Change in technical reserves attributable to reinsurers (-/+)	(5,718)	30	(5,688)
B.5 Total	95,973	3,781	99,754
C. Total net premiums	**95,973**	**3,781**	**99,754**

NET OTHER INCOME (EXPENSE) FROM INSURANCE OPERATIONS – ITEM 160

The balance at 30 June 2013 reflects the change in technical provisions other than the unearned premium provision as well as other income and expense directly connected with the insurance operations of the insurance companies of the SACE Group.

(thousands of euros)

NET OTHER INCOME (EXPENSE) FROM INSURANCE ACTIVITIES: COMPOSITION

	30/06/2013
1. Net change in technical reserves	(55)
2. Accrued claims paid during the year	2,937
3. Other income and charges from insurance operations	(4,307)
Total	**(1,425)**

STAFF COSTS – ITEM 180A

(thousands of euros)

STAFF COSTS: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2013	30/06/2012
1) Employees	**27,461**	**30,790**	**522,122**	**580,373**	**129,250**
a) wages and salaries	18,913	19,935	350,904	389,752	80,389
b) social security contributions	117		16,428	16,545	3,459
c) severance pay		337		337	
d) pensions	5,666	7,285	108,695	121,646	31,231
e) allocation to staff severance pay provision	627	981	2,912	4,520	2,049
f) allocation to provision for pensions and similar liabilities					
- defined contribution					
- defined benefit					
g) payments to external pension funds	584	609	23,436	24,629	6,590
- defined contribution	584	609	23,436	24,629	6,590
- defined benefit					
h) costs in respect of agreements to make payments in own equity instruments			982	982	
i) other employee benefits	1,655	1,643	20,662	23,960	5,746
l) recovery payments seconded employees	(101)		(1,897)	(1,998)	(214)
2) Other personnel in service	**15**	**409**	**19**	**443**	**143**
3) Board of Directors and Board of Auditors	**798**	**501**	**3,940**	**5,239**	**2,881**
4) Retired personnel					
Total	**28,274**	**31,700**	**526,081**	**586,055**	**132,274**

OTHER ADMINISTRATIVE EXPENSES – ITEM 180B

(thousands of euros)

OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2013	30/06/2012
IT costs	8,646	2,284	11,810	22,740	21,227
General services	3,811	1,812	156,104	161,727	53,308
Goods and services for industrial operations			1,335,111	1,335,111	
Professional and financial services	2,266	2,242	32,508	37,016	12,019
Advertising and marketing	779	615	4,188	5,582	3,509
Other personnel costs	529	415	228	1,172	525
Utilities, duties and other expenses	5,050	2,650	51,867	59,567	11,182
Information resources and databases	793	2,774	77	3,644	699
Corporate bodies	162		182	344	278
Total	**22,036**	**12,792**	**1,592,075**	**1,626,903**	**102,747**

NET PROVISIONS – ITEM 190

(thousands of euros)

NET PROVISIONS: COMPOSITION

	Provisions	Uses	30/06/2013
Litigation	(567)	465	(102)
Sundry personnel costs	(1,740)	33	(1,707)
Tax disputes	(29)		(29)
Other risks and charges	(28,226)	75,050	46,824
Total	**(30,562)**	**75,548**	**44,986**

Net provisions are mainly attributable to the companies grouped under other entities, notably Fintecna Spa in relation to the management of liquidation proceedings and significant litigation.

NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT – ITEM 200

(thousands of euros)

NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2013
A. Property, plant and equipment				
A.1 Owned	(2,556)	(873)	(242,151)	(245,580)
- Operating assets	(2,556)	(839)	(242,151)	(245,546)
- Investment property		(34)		(34)
A.2 Acquired under finance leases			(357)	(357)
- Operating assets			(357)	(357)
- Investment property				
Total	**(2,556)**	**(873)**	**(242,508)**	**(245,937)**

Net adjustments of property, plant and equipment are entirely accounted for by depreciation.

NET ADJUSTMENTS OF INTANGIBLE ASSETS – ITEM 210

(thousands of euros)

NET ADJUSTMENTS OF INTANGIBLE ASSETS: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2013
A. Intangible assets				
A.1 Owned	(1,180)	(994)	(28,961)	(31,135)
- Internally generated		(811)	(8,314)	(9,125)
- Other	(1,180)	(183)	(20,647)	(22,010)
A.2 Acquired under finance leases				
Total	**(1,180)**	**(994)**	**(28,961)**	**(31,135)**

Net adjustments of intangible assets are entirely accounted for by amortisation.

OTHER OPERATING COSTS AND INCOME – ITEM 220

(thousands of euros)

OTHER OPERATING COSTS: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2013	30/06/2012
Operating costs in respect of supply chain		180		180	
Settlements of litigation					
Depreciation of leasehold			319	319	
Other	211	3,215	29,234	32,660	826
Total	**211**	**3,395**	**29,553**	**33,159**	**826**

(thousands of euros)

OTHER OPERATING INCOME: COMPOSITION

	Banking group	Insurance group	Other entities	30/06/2013	30/06/2012
Income from adjustment of liability items		248		248	
Income for corporate offices paid to employees	209			209	194
Sundry reimbursements	513	3	(3)	513	1,216
Recovery of expenses		40	487	527	
Insurance indemnities			162	162	
Rent and other income from real estate operations		433	83,599	84,032	
Revenues from industrial operations		2,456	2,856,132	2,858,588	
Reimbursement of expenses incurred for Min. Univ. and Research agreement					
Other	742	2,089	18,123	20,954	855,162
Total	**1,464**	**5,269**	**2,958,500**	**2,965,233**	**856,572**

"Other operating costs and income" at 30 June 2013 showed net other operating income of about €2,932 million. The item is mainly accounted for by the income generated by the Fintecna Group as part of its industrial operations (about €1,938 million) and real estate activities (about €84 million), and by the Terna Group from its industrial operations (about €918 million).

GAINS (LOSSES) ON EQUITY INVESTMENTS – ITEM 240

The item, which amounted to €539.6 million, reports the measurement using the equity method of companies subject to significant influence or joint ventures.
The main contributions came from the investments in:

- ENI in the amount of about €369 million;
- SNAM, in the amount of about €139 million;
- TAG in the amount of about €34 million.

BUSINESS COMBINATIONS

BUSINESS COMBINATIONS CARRIED OUT DURING THE PERIOD

Two business combinations were completed in the first half of 2013:

- On 23 January 2013 Fincantieri Oil & Gas acquired a majority (50.75%) of the shares of STX OSV (subsequently renamed the VARD Group), a company listed on the Singapore Stock Exchange specialising in the construction of support vessels for oil extraction. The cost of the operation was about €498 million. On 13 March the mandatory tender offer for the remaining shares was completed, following which the equity holding had risen to 55.63%;
- On 27 February 2013 Fintecna Immobiliare completed a complex transaction with Gruppo Immobiliare Percassi, one of the results of which was the acquisition by the subsidiary of an additional 50% of Valcomp Tre, which is involved in a project to develop major property complexes in Milan. The cost of the operation was about €3 million.

TRANSACTIONS WITH RELATED PARTIES

1. Information on the compensation of directors and key management personnel

The following table reports the compensation accrued in the first half of 2013 paid to members of the Board of Directors, Board of Auditors and key management personnel of the parent company and the wholly-owned consolidated subsidiaries.

(thousands of euros)

REMUNERATION OF GROUP BOARD OF DIRECTORS AND BOARD OF AUDITORS

	Board of Directors	Board of Auditors	Key management personnel
(a) short-term benefits	4,511	728	5,397
(b) post-employment benefits			65
(c) other long-term benefits			
(d) severance benefits			
(e) share-based payments			
Total	**4,511**	**728**	**5,462**

(thousands of euros)

REMUNERATION PAID TO BOARD OF DIRECTORS AND BOARD OF AUDITORS

Name	Position	Period in office	End of term (*)	Compensation and bonuses
Directors				
Franco Bassanini	Chairman	01/01/13-30/06/13	2015	-
Giovanni Gorno Tempini	Chief Executive Officer	01/01/13-30/06/13	2015	-
Maria Cannata	Director	17/04/13-30/06/13	2015	(**)
Olga Cuccurullo	Director	17/04/13-30/06/13	2015	(**)
Marco Giovannini	Director	17/04/13-30/06/13	2015	7
Mario Nuzzo	Director	01/01/13-30/06/13	2015	18
Francesco Parlato	Director	17/04/13-30/06/13	2015	(**)
Antimo Prosperi	Director	17/04/13-30/06/13	2015	(**)
Alessandro Rivera	Director	17/04/13-30/06/13	2015	(**)
Cristian Chizzoli	Director	01/01/13-17/04/13	2012	10
Piero Gastaldo	Director	01/01/13-17/04/13	2012	(***)
Ettore Gotti Tedeschi	Director	01/01/13-17/04/13	2012	10
Nunzio Guglielmino	Director	01/01/13-17/04/13	2012	10
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003)				
Giovanni De Simone	Director (1)	01/01/13-30/06/13	2015	18
Vincenzo La Via	Director (2)	17/04/13-30/06/13	2015	(**)
Maria Cannata	Director (3)	01/01/13-17/04/13	2012	(**)
Giuseppe Pericu	Director	01/01/13-17/04/13	2012	10
Romano Colozzi	Director	01/01/13-17/04/13	2012	10
Guido Podestà	Director	01/01/13-17/04/13	2012	10
Board of Auditors				
Angelo Provasoli	Chairman	01/01/13-30/06/13	2015	14
Gerhard Brandstätter	Auditor	01/01/13-30/06/13	2015	10
Andrea Landi	Auditor (4)	26/04/13-30/06/13	2015	4
Ines Russo	Auditor	17/04/13-30/06/13	2015	(**)
Giuseppe Vincenzo Suppa	Auditor	01/01/13-30/06/13	2015	(**)
Piergiuseppe Dolcini	Auditor (5)	01/01/13-26/04/13	2013	6
Biagio Mazzotta	Auditor	01/01/13-17/04/13	2012	(**)

(*) Date of Shareholders' Meeting called to approve financial statements for the year.
(**) The remuneration is paid to the Ministry for the Economy and Finance.
(***) The remuneration is paid to the Compagnia di San Paolo.
(1) Delegate of State Accountant General.
(2) Director General of the Treasury.
(3) Delegate of Director General of the Treasury.
(4) Alternate auditor who became standing auditor on 26 April 2013 and was retained by Shareholders' Meeting on 1 July 2013.
(5) Resigned on 26 April 2013.

2. Information on transactions with related parties

Certain transactions between the CDP Group and related parties, notably those with the Ministry for the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative mandates.

In any event, the CDP Group did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the company. All transactions with related parties were carried out on an arm's length basis and form part of the CDP Group's ordinary operations.

The following table reports assets, liabilities, revenues and costs in respect of transactions in the first half of 2013 with the Ministry for the Economy and Finance, Poste Italiane S.p.A. and companies subject to significant influence and joint ventures.

(thousands of euros)

TRANSACTIONS WITH RELATED PARTIES

	Assets	Liabilities	Commitments	Costs/revenues
Alfiere S.p.A.	22,303			956
Bonafous S.p.A.	3,223			92
Cagliari 89 S.c.a.r.l. in liquidazione	1,165	1,042		(2)
Cesi S.p.A.	6,310	5,336		336
Cinque Cerchi S.p.A.	12,584	11		632
Coedam S.c.a.r.l. in liquidazione	3,837			22
Consorzio Aerest in liquidazione	6,835	4,498		11
Consorzio Codelsa in liquidazione	135	156		(1)
Consorzio CONDIF in liquidazione		11		
Consorzio Edinca in liquidazione	170	11		1
Consorzio Edinsud in liquidazione	332	20		(15)
Consorzio G1 Aste Individuali	5	202		5
Consorzio I.MA.FI.D. in liquidazione		33		18
Consorzio Italtecna Sud in liquidazione	3,958	60		1
Consorzio MED.IN in liquidazione	532	287		(13)
Edilmagliana '89 S.c. a r.l. in liq.	936	11		
Eni S.p.A.	554	1,424	479	(255)
Ethiad Ship Building LLC	504	422		(348)
Europrogetti & Finanza S.p.A. in liquidazione	2,456		1,455	
IQ Made in Italy Investment Company S.p.A.	27	300,654		(1,127)
Italia Turismo S.p.A.	28,913	10		227
Ligestra Due S.r.l.	156,509	42		1,301
Ligestra Quattro S.r.l.	1			1
Ligestra S.r.l.	99,967	1		1,373
Ligestra Tre S.r.l.	22			22
M.T. - Manifattura Tabacchi S.p.A.	4,644			364
Manifatture Milano S.p.A.	7,558			533
Ministero dell'Economia e delle Finanze	194,484,751	16,561,948	4,386,100	3,248,557
Omsav S.p.A. in fall.		80		
Orizzonte Sistemi Navali S.p.A.	6,948	345	68,206	(680)
Pentagramma Perugia S.p.A.	1,056			52
Pentagramma Piemonte S.p.A.	8,599			539
Pentagramma Piemonte spa		21		7
Pentagramma Romagna S.p.A.	2,970			264
Poste Italiane S.p.A.	2,771,258	1,047,189		(826,589)
Quadrifoglio Brescia S.p.A.	2,913			239
Quadrifoglio Genova S.p.A.	2,274			129
Quadrifoglio Modena S.p.A.	5,070			398
Quadrifoglio Piacenza S.p.A.	2,095			170
Quadrifoglio Verona S.p.A.	2,009			211
Residenziale Immobiliare 2004 S.p.A.	52,356	13		3,871
Snam S.p.A.	403,148			5,599
TAG	198,930		102,053	3,211
Tirrenia di Navigazione S.p.A. in A.S.	10,760		516	107

SHARE-BASED PAYMENTS

At 30 June 2013, VARD, consolidated during the period, had a number of share-based payment agreements with certain of its employees.

As a consequence of the "Mandatory Unconditional Cash Offer" signed by Fincantieri Oil & Gas S.p.A., holders of unexercised options are entitled to exercise those options within six months of the offer date, with all unexercised options lapsing immediately after that deadline.

During the second quarter of 2013, during which no new options were issued, a total of 10,340,000 options were exercised and converted into cash.

Accordingly at 30 June 2013, options not yet converted into shares numbered 6,130,000. The outstanding options will expire on 13 August 2013.

OPERATING SEGMENTS

This section of the notes to the consolidated financial statements has been drafted in compliance with IFRS 8 - Operating Segments, in force since 1 January 2009 in replacement of IAS 14 - Segment Information.

Operating segment disclosures are presented by separating the contribution of financial operations (CDP, CDPI SGR, SACE Group, SIMEST and FSI) from that of non-financial operations (Terna Group, Fintecna Group, CDP Reti and CDP GAS).
As regards the organisational structure of CDP, the contribution of the main areas to the formation of the income statement and the balance sheet of the parent company is specified below.

Finance area of the parent company
Treasury operations and funding activities are managed by the Finance area, which is responsible for meeting the CDP's funding needs. It is also responsible for sourcing, investing and monitoring liquidity. The area also structures products and funding and lending operations, setting the financial terms and conditions and ensuring the balance of the cost of funding and yields on lending. It also contributes to strategic Asset Liability Management and manages financial risk at the operational level, including through access to the market and use of hedging instruments.

Public Entities area of the parent company
Lending to public entities and public-law bodies is mainly conducted by the Public Entities area using standardised products, offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination, in implementation of the statutory mission of the CDP's Separate Account.

Other areas of the parent company
This aggregate comprises:

- the Public Interest Lending area of the parent company, which intervenes directly in general public interest projects sponsored by public entities or public-law bodies for which the financial sustainability has been verified;
- the Financing area, which is involved in lending (using funding not guaranteed by the state or with EIB funds), on a project or corporate finance basis, for investments in works, plant, infrastructure and

networks to be used to deliver public services or in reclamation projects (energy, multi-utilities, local public transport, health care);
- the Economic Support area, which is responsible for managing subsidised credit instruments established by specific legislation and economic support instruments developed by CDP;
- equity investments (partially eliminated at the consolidated level), as well as the costs of other functions and costs and revenues not otherwise attributable.

Under the provisions of IFRS 8, the parent company has not given a separate breakdown of the results of its other areas as they do not meet the materiality thresholds provided for such reporting.

Construction of the balance sheet by area

The balance sheet aggregates were constructed on the basis of the items directly attributable to the individual areas, with which the related revenues and expenses are correlated.

More specifically, the aggregates for "loans to customers and banks" (for amounts disbursed or being repaid) and "cash and cash equivalents and other treasury investments" represent the stock of assets related to the specific operating activities of each area. The other aggregates of interest-bearing assets or liabilities pertain exclusively to the Finance area.

Notional funding between parent company areas is not reported separately in the detailed schedules as it is eliminated between areas.

Construction of the income statement by business area

The operating result of the areas of the parent company was constructed on the basis of the following criteria.

As regards net interest income, the contribution of each area of the parent company is calculated on the basis of internal transfer rates ("ITRs") differentiated by product and maturity. In determining the ITRs, it is assumed that each lending transaction is funded using a hypothetical market transaction with the same financial characteristics but the opposite sign. This system is based on the CDP's organisational model, which has a specific structure (Finance) devoted to treasury management and funding.

For the other aggregates of the income statement, each area is allocated any directly attributable revenues and expenses. In addition, a share of indirect costs is allocated to each business unit on the basis of their actual use of resources or services.

Financial operations (excluding the parent company) and non-financial operations of the Group

In view of the different nature of the business of CDPI SGR, SACE Group, SIMEST and FSI on the one hand and that of Terna Group, Fintecna Group, CDP Reti and CDP GAS on the other, those companies have been grouped respectively into the aggregates "financial operations" and "non-financial operations".

Accordingly, the reclassified balance sheet and income statement at 30 June 2013 have been constructed on the basis of the respective separate financial statements (for CDP, CDPI SGR, SIMEST, FSI, CDP Reti and CDP GAS) or consolidated financial statements (Terna Group, SACE Group, Fintecna Group), aggregating their accounts as indicated above and reporting the effects of consolidation for CDP in the column "Eliminations/adjustments".

Reclassified balance sheet

Balance sheet at 30 June 2013

(thousands of euros)

	PARENT COMPANY						
	Finance	Public Entities	Other areas	Financial operations (excl. parent company)	Non-financial operations	Eliminations/ Adjustments	Total CDP Group
Cash and cash equivalents and other treasury investments	145,817,778	-	32,196	5,195,610	2,802,830	(3,297,343)	150,551,072
Loans to customers and banks	1,450,885	83,835,072	16,386,257	2,257,226	607,542	(722,341)	103,814,642
Debt securities	24,424,852	-	-	4,791,006	1,226,770	(105,554)	30,337,074
Equity investments and shares	-	-	33,028,504	1,381,051	4,527,811	(16,587,257)	22,350,109
Funding	264,375,411	-	31,898,002	138,207	10,003,424	(4,115,809)	302,299,235
- of which: postal funding	*205,244,918*	-	*31,064,164*	-	-	-	*236,309,082*
- of which: funding from banks	*30,668,623*	-	-	*101,492*	*2,909,632*	-	*33,679,747*
- of which: funding from customers	*25,450,441*	-	-	*36,715*	*709,526*	*(4,006,590)*	*22,190,092*
- of which: funding from bonds	*3,011,429*	-	*833,838*	-	*6,384,266*	*(109,219)*	*10,120,314*

Reclassified income statement

Income statement at 30 June 2013

(thousands of euros)

	PARENT COMPANY					
	Finance	**Public Entities**	**Other areas**	**Financial operations (excl. parent company)**	**Non-financial operations**	**Total CDP Group**
Net interest income	**1,668,326**	**170,678**	**(311,756)**	**107,957**	**(1,104)**	**1,634,101**
Dividends and gains (losses) on equity investments	-	-	369,200	18,702	168,405	556,307
Net commission income	(741,048)	1,577	(85,299)	22,635	(3,883)	(806,018)
Other net revenues	30,883	-	274	309,178	54,844	395,179
Gross income	**958,161**	**172,255**	**(27,581)**	**458,472**	**218,262**	**1,779,569**
Profit (loss) on insurance operations	-	-	-	98,329	-	98,329
Profit (loss) on banking and insurance operations	**958,161**	**172,255**	**(27,581)**	**556,801**	**218,262**	**1,877,898**
Net writebacks (writedowns)	-	95	**(11,479)**	(3,319)	-	(14,703)
Overheads	(3,386)	(2,886)	(45,759)	(60,817)	(2,376,953)	(2,489,801)
of which: administrative expenses	*(3,386)*	*(2,886)*	*(42,040)*	*(58,790)*	*(2,105,627)*	*(2,212,729)*
Operating income	**954,775**	**169,464**	**(79,868)**	**497,381**	**1,040,560**	**2,582,311**
Net income (loss)						**1,640,902**
Net income (loss) for the year pertaining to non-controlling interests						205,779
Net income (loss) for the year pertaining to shareholders of the parent company						**1,435,123**

ANNEXES

ANNEX 1

SCOPE OF CONSOLIDATION

Annex 1

PARENT COMPANY

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

CONSOLIDATED COMPANIES

	Registered office	Investor	% holding	Method of consolidation
Aakre Eigendom AS	Norway	Vard Group AS	100.00%	line-by-line
Ace Marine LLC	USA	Fincantieri Marine Group LLC	100.00%	line-by-line
AJA Ship Design SA	Romania	Vard Braila SA	60.00%	line-by-line
Alfiere S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Altiforni e Ferriere di Servola S.p.A. in A.C.	Udine	Fintecna S.p.A.	47.62%	equity
ATI (African Trade Insurance Agency)	Nairobi (K)	SACE S.p.A.	6.41%	equity
Bacini di Palermo S.p.A.	Palermo	Fincantieri S.p.A.	100.00%	line-by-line
Bonafous S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Brevik Elektro AS	Norway	Vard Grenland Industri AS	100.00%	line-by-line
Brevik Technology AS	Norway	Vard Brevik Holding AS	34.00%	equity
Bridge Eiendom AS	Norway	Vard Brevik Holding AS	50.00%	equity
Castor Drilling Solution AS	Norway	Seaonics AS	22.52%	equity
CDP GAS S.r.l.	Rome	CDP S.p.A.	100.00%	line-by-line
CDP Investimenti SGR S.p.A.	Rome	CDP S.p.A.	70.00%	line-by-line
CDP RETI S.r.l.	Rome	CDP S.p.A.	100.00%	line-by-line
Centro per gli Studi di Tecnica Navale CETENA S.p.A.	Genoa	Fincantieri S.p.A.	71.10%	line-by-line
Centro per gli Studi di Tecnica Navale CETENA S.p.A.	Genoa	Seaf S.p.A.	15.00%	line-by-line
CESI S.p.A.	Milan	Terna S.p.A.	42.70%	equity
CGES A.D.	Podgorica (MME)	Terna S.p.A.	22.09%	equity
Cinque Cerchi S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Consorzio CONDIF in liquidazione	Rome	Fintecna Immobiliare S.r.l.	33.33%	equity
Consorzio Edinca in liquidazione	Naples	Fintecna S.p.A.	38.80%	equity
Consorzio Edinsud in liquidazione	Naples	Fintecna S.p.A.	50.00%	equity
Consorzio Incomir	Mercogliano (AV)	Fintecna S.p.A.	45.46%	equity
CORESO S.A.	Brussels (B)	Terna S.p.A.	22.49%	equity
Dameco AS	Norway	Vard Brevik Holding AS	25.47%	equity
Delfi S.r.l.	Follo (SP)	Fincantieri S.p.A.	51.00%	line-by-line
Edilmagliana 89 S.c.a.r.l. in liquidazione	Rome	Fintecna S.p.A.	50.00%	equity
ELMED ETUDES Sarl	Tunis (TN)	Terna S.p.A.	50.00%	equity
Eni S.p.A.	Rome	CDP S.p.A.	25.76%	equity
Estaleiro Quissama Ltda	Brazil	Vard Group AS	50.50%	line-by-line
Etihad Ship Building LLC	United Arab Emirates	Fincantieri S.p.a.	35.00%	equity
Europrogetti & Finanza S.p.A. in liquidazione	Rome	CDP S.p.A.	31.80%	equity
Fincantieri do Brasil Participações S.A.	Brazil	Fincantieri S.p.A.	80.00%	line-by-line
Fincantieri do Brasil Participações S.A.	Brazil	Fincantieri Holding B.V.	20.00%	line-by-line
Fincantieri Holding B.V.	Netherlands	Fincantieri S.p.A.	100.00%	line-by-line
Fincantieri India Private Limited	India	Fincantieri S.p.A.	100.00%	line-by-line
Fincantieri Marine Group Holdings Inc.	USA	Fincantieri USA Inc.	87.44%	line-by-line
Fincantieri Marine Group LLC	USA	Fincantieri Marine Group Holdings Inc.	100.00%	line-by-line
Fincantieri Marine Systems North America Inc.	USA	Fincantieri Holding B.V.	100.00%	line-by-line
Fincantieri Oil & Gas S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	line-by-line
Fincantieri S.p.A	Trieste	Fintecna S.p.A.	99.36%	line-by-line
Fincantieri USA Inc.	USA	Fincantieri S.p.A.	86.02%	line-by-line
Fintecna Immobiliare S.r.l.	Rome	Fintecna S.p.A.	100.00%	line-by-line
Fintecna S.p.A.	Rome	CDP S.p.A.	100.00%	line-by-line
FMSNA YK	Japan	Fincantieri Marine Systems North America Inc.	100.00%	line-by-line
Fonderit Etruria S.r.l. in fallimento	Campiglia M. (LI)	Fintecna S.p.A.	36.25%	equity
Fondo Strategico Italiano S.p.A	Milan	CDP S.p.A.	77.70%	line-by-line
Fondo Strategico Italiano S.p.A	Milan	Fintecna S.p.A.	2.30%	line-by-line
Galaxy S.ar.l. SICAR	Luxembourg (L)	CDP S.p.A.	40.00%	equity
Gestione Bacini La Spezia S.p.A.	Muggiano (SP)	Fincantieri S.p.A.	99.89%	line-by-line
Giardino Tiburtino S.p.A.	Rome	Fintecna Immobiliare S.r.l	100.00%	line-by-line
IQ Made in Italy Investment Company S.p.A.	Milan	FSI S.p.A	50.00%	equity
Isotta Fraschini Motori S.p.A.	Bari	Fincantieri S.p.A.	100.00%	line-by-line
Italia Turismo S.p.A.	Rome	Fintecna Immobiliare S.r.l.	42.00%	equity
Kedrion Group S.p.A.	Castelvecchio Pascoli (LU)	FSI S.p.A	18.63%	equity
Ligestra Due S.r.l.	Rome	Fintecna S.p.A.	100.00%	equity
Ligestra S.r.l.	Rome	Fintecna S.p.A.	100.00%	equity
Ligestra Tre S.r.l.	Rome	Fintecna S.p.A.	100.00%	equity
Manifatture Milano S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Marinette Marine Corporation LLC	USA	Fincantieri Marine Group LLC	100.00%	line-by-line
Metroweb Italia S.p.A.	Milan	FSI S.p.A	46.17%	equity
MT - Manifattura Tabacchi S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Olympic Subsea KS	Norway	Vard Group AS	35.00%	equity
OMSAV S.p.A. in fallimento	Savona	Fintecna S.p.a.	30.00%	equity
Orizzonte Sistemi Navali S.p.A.	Genoa	Fincantieri S.p.a.	51.00%	equity
Pentagramma Perugia S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Pentagramma Piemonte S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Pentagramma Romagna S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Quadrante S.p.A.	Rome	Fintecna S.p.A.	100.00%	line-by-line

	Registered office	Investor	% holding	Method of consolidation
Quadrifoglio Brescia S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Quadrifoglio Genova S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Quadrifoglio Modena S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Quadrifoglio Palermo S.r.l.	Rome	Fintecna Immobiliare S.r.l	100.00%	line-by-line
Quadrifoglio Piacenza S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Quadrifoglio R.E. S.r.l.	Rome	Fintecna Immobiliare S.r.l	100.00%	line-by-line
Quadrifoglio Verona S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Residenziale Immobiliare 2004 S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Rete Solare S.r.l	Rome	SunTergrid S.p.A.	100.00%	line-by-line
Ronor AS	Norway	Vard Brevik Holding AS	100.00%	line-by-line
S.P.S. S.c.p.a. in fallimento	Rome	Fintecna S.p.A.	20.40%	equity
SACE BT S.p.A.	Rome	Sace S.p.A.	100.00%	line-by-line
SACE Fct S.p.A.	Rome	Sace S.p.A.	100.00%	line-by-line
SACE S.p.A.	Rome	CDP S.p.A.	100.00%	line-by-line
SACE SRV S.r.l.	Rome	SACE BT S.p.A.	100.00%	line-by-line
Scanrom SRL	Romania	Ronor AS	100.00%	line-by-line
Seaonics AS	Norway	Vard Group AS	51.00%	line-by-line
Seastema S.p.A.	Genoa	Fincantieri S.p.A.	50.00%	line-by-line
SIMEST SpA	Rome	CDP S.p.A.	76.01%	line-by-line
SNAM S.p.A.	San Donato Milanese (MI)	CDP RETI S.r.l.	30.00%	equity
Soc.Sviluppo Turistico Culturale Golfo di Napoli	Naples	Fintecna Immobiliare S.r.l.	25.00%	equity
Società per l'esercizio di attività finanziarie SEAF S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	line-by-line
STX Brevik Philadelphia	USA	Vard Electro AS	100.00%	line-by-line
SunTergrid S.p.A.	Rome	Terna S.p.A.	100.00%	line-by-line
Taklift AS	Norway	Vard Offshore Brevik AS	34.00%	equity
Terna Crna Gora	Montenegro	Terna S.p.A.	100.00%	line-by-line
Terna Plus S.r.l	Rome	Terna S.p.A.	100.00%	line-by-line
Terna Rete Italia S.p.A.	Rome	Terna S.p.A.	100.00%	line-by-line
Terna Rete Italia S.r.l.	Rome	Terna S.p.A.	100.00%	line-by-line
Terna S.p.A.	Rome	CDP S.p.A.	29.85%	line-by-line
Terna Storage	Rome	Terna Plus S.r.l.	100.00%	line-by-line
Trans Austria Gasleitung GmbH *	Vienna (A)	CDP GAS S.r.l.	89.00%	equity
Valcomp Tre S.p.A.	Rome	Fintecna Immobiliare S.r.l.	100.00%	line-by-line
Valcomp Uno S.r.l.	Rome	Fintecna Immobiliare S.r.l	100.00%	line-by-line
Vard Accommodation AS	Norway	Vard Group AS	100.00%	line-by-line
Vard Accommodation Tulcea S.r.l.	Romania	Vard Accommodation AS	99.77%	line-by-line
Vard Accommodation Tulcea S.r.l.	Romania	Vard Electro Tulcea SRL	0.23%	line-by-line
Vard Braila SA	Romania	Vard RO Holding SRL	94.12%	line-by-line
Vard Braila SA	Romania	Vard Group AS	5.88%	line-by-line
Vard Brevik Holding AS	Norway	Vard Group AS	100.00%	line-by-line
Vard Brevik Support AS	Norway	Vard Brevik Holding AS	100.00%	line-by-line
Vard Design AS	Norway	Vard Group AS	100.00%	line-by-line
Vard Design Liburna Ltd.	Croatia	Vard Design AS	51.00%	line-by-line
Vard Electrical Installation and Engineering (India) Private Limited	India	Vard Electro AS	99.00%	line-by-line
Vard Electrical Installation and Engineering (India) Private Limited	India	Vard Tulcea SA	1.00%	line-by-line
Vard Electro AS	Norway	Vard Group AS	100.00%	line-by-line
Vard Electro Braila S.r.l.	Romania	Vard Electro AS	100.00%	line-by-line
Vard Electro Niteroi Ltd	Brazil	Vard Electro AS	99.00%	line-by-line
Vard Electro Niteroi Ltd	Brazil	Vard Group AS	1.00%	line-by-line
Vard Electro Tulcea S.r.l.	Romania	Vard Electro AS	100.00%	line-by-line
Vard Engineerring Brevik AS	Norway	Vard Brevik Holding AS	70.00%	line-by-line
Vard Grenland Industri AS	Norway	Vard Brevik Holding AS	100.00%	line-by-line
Vard Group AS	Norway	Vard Holdings Limited	100.00%	line-by-line
Vard Holdings Limited	Singapore	Fincantieri Oil & Gas S.p.A.	55.63%	line-by-line
Vard Niteròi SA	Brazil	Vard Group AS	99.9995%	line-by-line
Vard Niteròi SA	Brazil	Vard Electro Niteroi Ltd	0.0005%	line-by-line
Vard Offshore Brevik AS	Norway	Vard Brevik Holding AS	100.00%	line-by-line
Vard Piping AS	Norway	Vard Group AS	100.00%	line-by-line
Vard Piping SRL	Romania	Vard Piping AS	100.00%	line-by-line
Vard Promar SA	Brazil	Vard Group AS	50.50%	line-by-line
Vard RO Holding S.r.l.	Romania	Vard Group AS	100.00%	line-by-line
Vard Ship Repair Braila SA	Romania	Vard Braila SA	68.58%	line-by-line
Vard Ship Repair Braila SA	Romania	Vard Brevik Holding AS	31.42%	line-by-line
Vard Singapore Pte Ltd	Singapore	Vard Group AS	100.00%	line-by-line
Vard Tulcea SA	Romania	Vard RO Holding SRL	99.44%	line-by-line
Vard Vung Tau Ltd	Vietnam	Vard Singapore Pte Ltd	100.00%	line-by-line
XXI Aprile S.r.l.	Rome	Fintecna S.p.A.	100.00%	line-by-line

Cassa depositi e prestiti
A sostegno del Paese