CASSA DEPOSITI E PRESTITI

CDP GROUP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

at 30 June 2009

Condensed interim consolidated financial statements at 30 June 2009

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

REGISTERED OFFICE

ROME– Via Goito, 4

COMPANY REGISTER OF ROME

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INTERIM REPORT

ON

GROUP OPERATIONS

CONTENTS OF THE INTERIM REPORT ON GROUP OPERATIONS

1. INTRODUCTION

The interim report on operations and the condensed interim consolidated financial statements contained here, which have been prepared as the result of the determination that CDP S.p.A. exercises de factor control over Terna S.p.A., report the consolidated figures for two companies that operate in different sectors and use different formats for their financial statements, which are appropriate for the specific nature of their lines of business (one is essentially financial intermediary, the other an industrial company). In order to harmonise the data, Terna S.p.A. was asked to reclassify its consolidated financial statements at 30 June 2009 on the basis of the formats established by the Bank of Italy for banks, which have already been adopted by CDP S.p.A. The data were then consolidated in the group condensed interim financial statements of CDP S.p.A. The representation obtained, while formally correct, reflects the consolidation in a single document of data on assets, liabilities and performance of two companies whose activities are not directly comparable and, accordingly, this representation may in a number of respects provide a less accurate picture of the situation than that provided in their respective interim separate and group financial statements.

During the period, CDP, together with the association of bank foundations (ACRI) and the Italian Banking Association (ABI), established CDP Investimenti SGR S.p.A. (CDPI SGR), subscribing 70% of its share capital. These consolidated financial statements also contain the data as at and for the period ended 30 June 2009 approved by the board of directors of CDPI SGR.

1.1 THE CDP GROUP

At 30 June 2009 the CDP Group is composed of the parent company Cassa Depositi e Prestiti S.p.A., Terna S.p.A. and its subsidiaries and CDPI SGR S.p.A..

CDP S.p.A. holds 29.99% of Terna S.p.A. but, following the acquisition, CDP determined that it exercised de facto control over Terna pursuant to Article 2359, paragraphs 1 and 2, of the Italian Civil Code, as cited in Article 93 of the Consolidated Law on Financial Intermediation. The analysis conducted by CDP that showed that control was ongoing and not determined by contingent or occasional circumstances examined the following elements:

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

The very different activities and contexts in which CDP and Terna S.p.A. operate make it impossible to provide a unified vision of the performance and financial position of the two companies. Accordingly, the performance of the two companies in the first half of 2009 will be discussed separately in this consolidated report.
At 30 June 2009 the CDP Group is structured as follows.

PARENT COMPANY

	Registered office	Investor	% holding
Cassa depositi e prestiti S.p.A.	Rome		

COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

	Registered office	Investor	% holding
Cassa depositi e prestiti Investimenti SGR S.p.A.	Rome	CDP S.p.A.	70.00%
Terna S.p.A.	Rome	CDP S.p.A.	29.99%
Terna Participaçoes SA	Rio de Janeiro (Brazil)	Terna S.p.A.	66.00%
Telat Srl	Rome	Terna S.p.A.	100.00%
inTERNAtional S.p.A.	Rome	Terna S.p.A.	100.00%
T.S.N. - Transmissora Sudeste Nordeste SA (Brasile)	Rio de Janeiro (Brazil)	Terna Participacoes SA	100.00%
Novatrans Energia Sa	Rio de Janeiro (Brazil)	Terna Participacoes SA	100.00%
Terna Serviços LTDA	Rio de Janeiro (Brazil)	Terna Participacoes SA	99.9%
Empresa de Transmissão de Energia do Oeste LTDA	Rio de Janeiro (Brazil)	Terna Participacoes SA	100.00%

1.2 CASSA DEPOSITI E PRESTITI S.P.A.

Cassa Depositi e Prestiti S.p.A. (CDP S.p.A.) is the result of the transformation of CDP from an agency part of general government into a joint-stock company pursuant to Article 5 of Decree Law 269 of 30 September 2003, ratified by Law 326/2003.

CDP pursues public interest goals, positioning itself as a private-law financial institution that provides support for national and local infrastructure projects that contribute to the development of the country, leveraging its solid financial position and reputation.

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.

CDP S.p.A.'s implementation of the system of organisational and accounting separation, as envisaged in Decree Law 269/2003, made it first necessary to observe EU regulations regarding state aid and domestic competition, in light of the fact that certain forms of CDP S.p.A. funding, such as postal bonds and passbook savings accounts, benefit from an explicit state guarantee in the event of issuer default. The existence of this guarantee, which is justified 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, conducted in competition with other market players. This separation is, in particular, intended to avoid the indiscriminate transfer of resources between the activities that benefit from forms of compensation, such as the state guarantee, and its other activities.

Since 2003, when it was transformed into a joint-stock company, CDP has supplemented its traditional business of providing direct financial support to public entities with financing projects for the delivery of public services, pursuing a market-based approach of optimising its risk exposure and maximizing profitability.

Recent regulatory changes and amendments to its articles of association have made it possible for CDP to finance infrastructure projects, adding decision-making based on identifying long-term economic value to the usual market-based financial approach.

In its dual role as a market player and long-term investor, CDP seeks to be a key partner for public entities, playing a complementary role to other private-sector lenders (particularly banks) in financing investments in infrastructure and other public works that have the appropriate degree of sustainability both in terms of their long-term economic value and their ability to offer a financial return compatible with the market.

CDP therefore serves as a bridge between government’s desire to implement its planning decisions without burdening on the public debt and the interest of private investors to take part in these infrastructure projects, taking appropriate steps to render the time horizon and the level of risk normally acceptable to compatible with the investment’s financial profile.

A number of regulatory changes introduced since the end of 2008 have expanded the potential uses of postal savings by permitting them to be used to finance projects undertaken also by non-government entities, and, more generally, have broadened the scope of CDP’s activities to include economic support measures.

As to the funding of infrastructure and other public works, Article 22 of Decree Law 185/2008, ratified with Law 2/2009, amends Article 5, paragraph 7, letter a) of the Decree Law transforming CDP into a joint-stock company to allow the use of postal savings to finance all other operations set out in the Articles of Association that are in the public interest and that are promoted by the State, local authorities, other public entities and public-law entities, taking into account the economic and financial sustainability of each such operation.

The measure charged the Minister for the Economy and Finance with establishing the general criteria to be used in identifying operations eligible for financing. These criteria were set out in the ministerial decree of 12 March 2009, which identified the following categories of operations "promoted" by public bodies:

- recipients of long-term grants and national or community subsidies;
- projects included in the promoters' programmes, plans or other planning mechanisms;
- projects co-financed by the European Investment Bank (EIB);
- projects carried out under agreements between EU member states or institutions;
- projects intended to accomplish the bodies' institutional duties;
- projects carried out through the concession of public assets, tenders for works or services, public works;
- projects carried out via public-private partnerships (PPP).

As regards economic support measures, Article 3, paragraph 4-bis of Decree Law 5/2009, ratified by Law 33/2009, extended the use of postal savings to include the provision of financing to small and medium enterprises (SMEs), provided that the operation is conducted through banks. To accomplish this, CDP expects to make up to €8 billion available to banks.

In addition, to promote the reconstruction of the areas of Abruzzo hit by earthquakes in April 2009, Article 3, paragraph 3 of Decree Law 39/2009, ratified by Law 77/2009, establishes that banks operating in the stricken areas may obtain up to €2 billion in loans from CDP. Banks must use these funds to make loans to people hit by the earthquakes. These loans will be repaid using a tax credit mechanism and can be backed by the State. CDP also enacted other measures in favour of its customers affected by the earthquakes, such as interest-free deferment of payments due in 2009 for 12 months.

Finally, Article 8 of Decree Law 78/2009 authorizes and governs the activities of CDP in support of SACE S.p.A. to create an integrated "export bank" system operating on market terms and conditions. The public-interest operations that CDP can engage in using postal savings include projects to support the international expansion of enterprises that are guaranteed or insured by SACE.

Under all these economic support programmes, CDP will work with the banks and will assume a credit risk exposure in respect of the State or the banks themselves.

Internationally, a series of initiatives under the "Long-Term Investors Club" project established by the EIB, Caisse des Dépôts et Consignation (CDC), CDP and Kreditanstalt für

Wiederaufbau (KfW) last April were pursued. The Club's main goal is to underscore the importance of long-term investors for European financial stability and economic growth, a strategic role in the current crisis. Through the Club, members will reinforce their reciprocal ties by promoting common initiatives and will foster the search for long-term investments. A specific example is CDP's participation in the Marguerite fund, which invests in EU countries. The EIB serves as the fund manager, and CDP, CDC (France), ICO (Spain), KfW (Germany) and PKO (Poland) are sponsors. The goal of the fund is to finance infrastructure programmes, specifically in the energy, environmental and transport sectors.
Likewise, CDP, in cooperation with CDC, CDG (Morocco) and EFG-Hermes (Egypt), is launching the InfraMed Infrastructure Fund ("IIF") to finance sustainable urban development and energy and transport infrastructures in the Southern and Eastern Mediterranean region, within the framework of the Mediterranean Union.

As noted earlier, during the period CDP Investimenti Società di Gestione del Risparmio S.p.A. (CDPI SGR S.p.A.) was established. Its primary objective is to provide asset management services through the sponsorship, establishment and operation of real estate investment funds, including speculative funds and funds of funds, as defined in the applicable sector legislation. The company may also provide investment services and additional ancillary and or connected services in compliance with the restrictions established under Article 33 of Legislative Decree 58 of 24 February 1998 (the Consolidated Law on Financial Intermediation), under Title II, Chapter III, of the Bank of Italy measure of 14 April 2005 and under its articles of association.
CDPI SGR was founded on 24 February 2009 by Cassa Depositi e Prestiti S.p.A. together with the association of bank foundations (Associazione di Fondazioni e di Casse di Risparmio S.p.A. – ACRI) and the Italian Banking Association (Associazione Bancaria Italiana - ABI), and has fully paid-up share capital of €2,000,000.00.
In the first stage of operations, the company plans to sponsor, establish and operate one fund (a fund of real estate funds) that will invest in real estate funds and local initiatives aimed at expanding the construction of social housing for lease at regulated rents and for sale at agreed prices pursuant to the decree of the Minister for Infrastructure and Transportation in agreement with the Ministers for Social Solidarity, Family Policy and Youth Policy and Sports of 22 April 2008, published in the *Gazzetta Ufficiale* no. 146 of 24 June 2008.
At 30 June 2009, CDPI SGR had not yet submitted the request for authorisation to engage in asset management activities to the Bank of Italy. However, the activities necessary for the request and the preparation of the documentation to be submitted to the Bank of Italy were begun.

1.3 TERNA S.P.A.

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 Network (NTN), with more than 98% of national infrastructure. It is also the company responsible for the transmission and dispatching of electricity on the high and very-high-voltage grid in Italy and, as such, it is charged with safely balancing electricity supply and demand, 24 hours a day, 365 days a year. The company is also responsible for planning and development of the NTN on an environmentally compatible basis, bringing together skills and technology to enhance efficiency and create value for shareholders and the communities in which it operates.

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

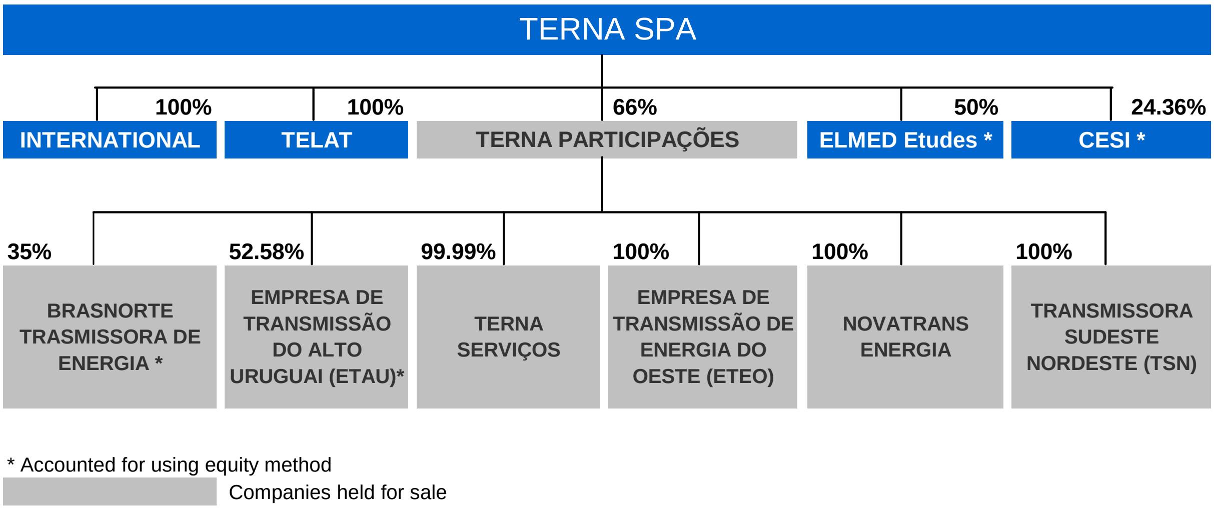
With the acquisition on 1 April 2009 of the assets of Enel Alta Tensione, Terna has become the largest independent operation in Europe and seventh largest in the world, with more than 61,000 km of power lines in operation.

Abroad, Terna controls Terna Participações S.A., a company listed on the São Paolo stock exchange in Brazil. The company operates in the transmission of electricity in Brazil through local subsidiaries and joint ventures. Operating under 30-year concessions, the Brazilian group is responsible for the design, construction, operation, maintenance and development of parts of the Brazilian national transmission network. On 24 April 2009, Terna SpA, Cemig Geração and Transmissão S.A. – a wholly owned subsidiary of Companhia Energética de Minas Gerais (Cemig) – and Cemig (as guarantor) signed an agreement for the transfer of the equity investment (totalling 173,527,113 ordinary shares) representing about 85.27% of the voting rights and 65.86% of the share capital in Terna Participações S.A., a Brazilian subsidiary listed on the São Paulo stock market.

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

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

At 30 June 2009, the Terna Group was structured as follows:



The changes in the scope of consolidation compared with 31 December 2008, include:

- Terna's acquisition of the entire share capital of TELAT Srl from Enel Distribuzione S.p.A. (completed on 1 April 2009);
- the establishment of the Tunisian firm ELMED ÉTUDES SARL on April 20, 2009. This limited liability company is a joint venture between Terna and Société Tunisienne de l'Electricité et du Gaz (STEG);
- the measurement and classification of the Brazilian group among assets held for sale following the agreement signed by Terna SpA and Cemig Geração e Transmissão S.A. on 24 April 2009, for the transfer of the 66% equity interest in Terna Participações S.A.

2. THE GENERAL MACROECONOMIC SITUATION

2.1 THE MACROECONOMIC FRAMEWORK

In the first half of 2009, the financial crisis affected the world economy, triggering a contraction in GDP in the advanced economies and a slowdown in the emerging economies.

Since late 2008, the EU's major countries – France, Germany, Italy, the United Kingdom and Spain – have implemented corrective measures at the domestic and Community level.

In December 2008, the Council of the European Union approved the European Economic Recovery Plan macro-economic support package, which envisages initiatives worth a total of 1.5% of the EU's 2009 GDP, of which the Community budget is expected to contribute 0.3%.

On April 2, the G20 resolved to increase funding to the International Monetary Fund (IMF) by earmarking $250 billion to support trade credit in the emerging economies, and to back anti-recessionary macroeconomic policies, and financial system oversight and regulation.

Extraordinary new support measures have been enacted in the main economies. In the leading euro-area economies, financial institutions have benefited from official public guarantees to issue bank bonds.

In Italy, overall economic support resources earmarked for 2009 amount to around half a percentage point of GDP, funded through offsetting interventions of the opposite sign in order to ensure they have a neutral impact on the budget. Previously appropriated funds have also been redirected to areas which are more effective in stimulating aggregate demand. The size and type of actions taken in Italy reflect the prudent approach dictated by the size of the country's public debt. Of particular importance is the support offered to banks by the Ministry for the Economy and Finance through an undertaking to subscribe bank-issued securities (so-called Tremonti bonds) in order to increase lending capacity by strengthening banks' capitalisation.

2.2 CDP'S REFERENCE MARKET

2.2.1 The financial market and rates

After a period of high volatility at the start of the year, from late February the world's financial markets have been characterised by an increasing sense of stabilisation. The generalised attenuation of uncertainty has led to a reduction in the prices of long-term government securities, with upward pressure being exerted on yields and the re-weighting of portfolios towards higher-risk assets. On the bond markets, ten-year US government bond yields rose from around 2.5% in January to 3.7% in June; in the euro area, they rose to around 4%. As a result, by the end of June the differential between nominal interest rates on ten-year US and euro-area bonds had narrowed significantly, to around -40 basis points.

Over the last three months, the spreads on financial and non-financial corporate bonds have diminished further still in the euro area. Together with a protracted rise in corporate bond issues, this trend suggests that market pessimism is abating, and that there is an increased propensity for risk. Nevertheless, the spread on corporate debt continues to remain at high levels.

In the first half of 2009, all money market rates (for both unsecured and secured deposits) came down for all maturities, in line with reductions in European Central Bank (ECB) reference rates, as money market conditions gradually returned to normal. During the first half of the year, the six-month Euribor rate fell by around 163 basis points.

Since the start of the year, the slope of the euro interest rate swap (IRS) yield curve has steadily steepened, with declining rates on maturities of up to ten years, and higher rates on longer-dated maturities. The differential between 12-year and two-year IRSs, which stood at 1.6% at the end of January, had risen to around 2% by the end of June. Over the first half of the year, the interest rate on main refinancing operations in the Eurosystem was reduced by a total of 150 basis points to 1%.

Since the start of the year, general stock market indices in the United States and the euro area, as measured respectively by the Standard & Poor's 500 and the Dow Jones Euro Stoxx, rose by an average of around 4.6% and 7%.

The euro/dollar exchange rate, which moved downwards in early 2009, began to appreciate once more from March onwards. In particular, diminishing perceptions of risk may have persuaded investors to close positions in "safe" currencies (such as the US dollar and

Japanese yen). As at 30 June 2009, one euro was trading at $1.40, a rise of 9.8% compared with the end of January, but a reduction of 4.6% compared with the 2008 average of $1.4711.

2.2.2 Public finances

Public finance figures published by the European Commission in April 2009 showed a worsening of the average general government budget balance, which went from –0.6% of GDP in 2007 to –1.9% of GDP in 2008. The main reasons for increased deficits are the economic slowdown, higher primary spending and reduced revenues, in part as a result of fiscal stimulus measures adopted by the majority of euro-area countries. The ratio of general government debt to GDP also rose, up from 66.1% in 2007 to 69.3% in 2008. The ratio rose fastest in countries where the slowdown in economic activity was the sharpest or where injections of capital into the financial sector have been at their highest.

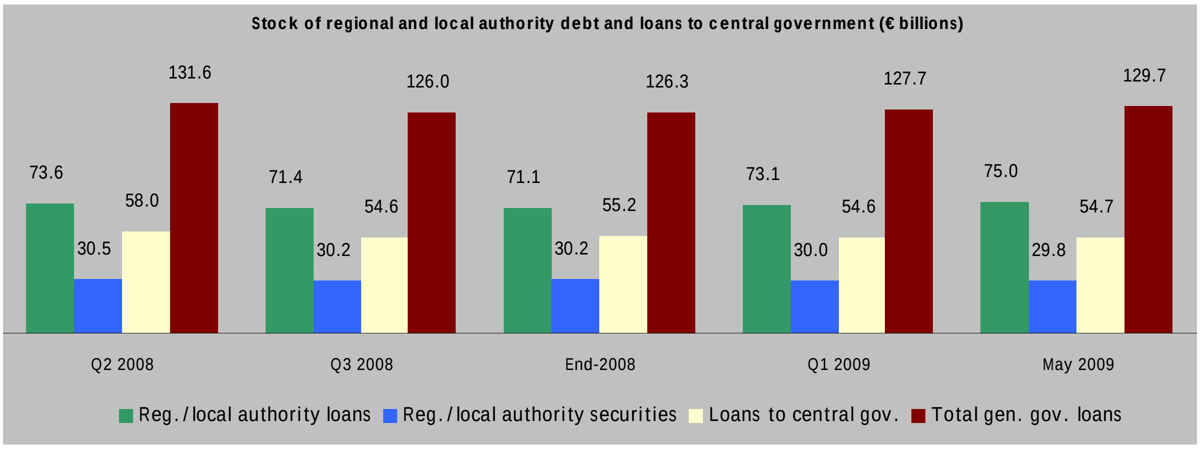
As far as Italy is concerned, according to the data that ISTAT sent to the European Commission in April 2009, at the end of 2008 net general government borrowing amounted to 2.7% of GDP, significantly worse than the 2007 figure of 1.5% of GDP. At the end of 2008, the ratio of debt to GDP was 105.8% (compared with 103.5% for 2007).

At 31 May 2009, the stock of loans disbursed to local and regional authorities was €75.0 billion, an increase of 5.4% over the end of 2008 (€71.1 billion).

At the same date, the stock of securities issued by local and regional authorities amounted to €29.8 billion, a slight decline (1.4%) compared with the €30.2 billion at the end of 2008.

Total debt for regional and other local governments, including securitisation transactions recognised as public debt (€5.3 billion), bonds and other debt and securities issued, therefore reached €110.0 billion. The total stock of debt posted a 3.2% rise compared with the end of 2008, as a result of developments in lending.

At the end of May, loans with costs charged to central government amounted to €54.7 billion, down 0.9% compared with the end of 2008.



Source: Bank of Italy. The time series are subject to revision in conjunction with periodic updates to the figures.

A breakdown of the debt of regional and other local governments by type of financial instrument reveals a further increase in the proportion of lending granted by CDP S.p.A. and other monetary financial institutions (MFIs), corresponding to 68.1% of total debt (compared with 66.7% at the end of 2008), along with an ongoing reduction in the use of bond issues (27.1% of total debt, compared with 28.3% at the end of 2008). At the same date, securitisation transactions for regional and local authorities, which are treated as debt under Eurostat criteria, fell slightly to 4.8% of total debt, down from 5.0% at year end 2008.

2.2.3 The social housing sector

In Italy, the definition of the social housing sector is very recent and is based on that given in the decree of the Minister for Infrastructure and Transportation in agreement with the Ministers for Social Solidarity, Family Policy and Youth Policy and Sports of 22 April 2008. Social housing is defined as housing intended for long-term rental to "disadvantaged persons" (people who are not able to access the free market for housing). In addition, social housing does not comprise just the individual lodging but also includes the set of services normally connected with housing.

Thus, social housing consists in providing lodging and services for people who cannot find housing in the market for economic reasons or because supply is inadequate, with the aim of offering sustainable medium/long-term housing, mainly on a rental basis.

In the Italian real estate market, the fastest growing segment is that mid-way between traditional public housing and the open market. The rise in market prices and the reduction in the purchasing power of households have increased the need for accommodation for rent or sale at regulated prices to people who may well be solvent but cannot bear the burden of market prices. These people are "too poor" for the market but "too rich" to qualify for public housing.

In this middle ground, experience is mainly being gained through a variety of initiatives in which housing has been developed on land made available by municipal governments at facilitated prices. One of the most frequently adopted approaches for such initiatives in Italy has been the closed-end real estate investment fund, such as Fondo Abitare Sociale 1, sponsored by Fondazione Cariplo, and, more recently, Fondo Social & Human Purpose, sponsored by Fondazione CRT, and Fondo Veneto Casa, sponsored by the Region of Veneto together with the Fondazione Cariparo.

2.3 TERNA'S REFERENCE MARKET – THE ELECTRICITY SITUATION IN ITALY

2.3.1 Electricity demand in Italy

According to preliminary figures, in the first half of 2009 electricity demand in Italy amounted to 155,683 GWh, a significant decrease (8.6%) compared with the corresponding period of the previous year.

In the first six months of 2009, 84.6% of total network demand was met by domestic power generation (87.9% in the same period of 2008), for a total output of 131,765 GWh, net of consumption by ancillary services and pumping, showing a decrease of 11.9% compared with the corresponding period of 2008. The remaining portion of demand (15.4%) was covered by net imports, which totalled 23,918 GWh in the first half of 2009 compared with 20,773 GWh in the corresponding period of 2008 (an increase of 15.1%).

As regards foreign trade developments for the period, imports rose by 10.6% to 24,887 GWh, compared with 22,511 GWh in the first half of 2008.

Exports, on the other hand, declined by 44.3%, from 1,739 GWh to 969 GWh.

2.3.2 Electricity generation

In the first half of 2009, net domestic generation declined by 12.1% compared with the same period of 2008.

2.3.3 Dispatching and sales

The peak demand in the first half of 2009, registered on 13 January, was for 50,220 MW, 5.6% lower than the peak for the same month of 2008 (9.2% lower than the peak for the first half of

2008, which was 55,292 MW on 26 June). The peak daily demand in the first half of 2009 was 983 GWh on 16 June.

2.3.4 Meeting demand

The maintenance forecasting and coordination procedures adopted by Terna, together with the start of operations of new generation plants, allowed for demand in 2009 to be covered with an adequate margin of reserve.

3. GROUP STRUCTURE

3.1 CDP ORGANISATION AND PERSONNEL

In the first half of 2009, CDP continued to evolve and develop its structure by further developing its organisational model, planning and reviewing organisational processes, and implementing infrastructure projects.

FURTHER DEVELOPMENT OF THE ORGANISATIONAL MODEL

The establishment of the post of managing director in late 2008 marked the start of a series of interventions involving the creation of a number of new management positions, alongside the creation of new organisational units.

Specifically, three new coordinator positions reporting directly to the managing director have been established: "Legal and Corporate Affairs", "Administration, Financial Reporting and Planning", and "Processes and Risk Management".

A Property division has been set up to support public entities in implementing and managing projects to leverage the value of their real estate holdings.

The Equity Investments department was set up to monitor the performance of CDP's main holdings; the Institutional Relations and External Communications department is in charge of strategies for developing institutional relations and external communications; the Logistics department and the Purchasing department, which were previously part of the same organisational unit, have been separated in order to enhance management efficiency in their specific areas of responsibility.

THE DESIGN AND REVISION OF ORGANISATIONAL PROCESSES

As regards business processes, work continues on reviewing and re-engineering lending processes with a view to introducing operating guidelines and rules for granting loans. The resulting new processes will subsequently be adapted for roll out to the different business areas run by specific business units. This activity is closely related to the drafting of the new Lending Rules, which will become the cornerstone for assuming and managing credit risk.

In addition, the organisational process for managing the company's treasury operations has been defined. Operations carried out by the treasury line of the Finance Front Office and activities regarding interbank market deposits have, further, all been formalised.

As regards support processes, purchasing processes continued to be upgraded and updated, both in regard to regulatory changes for public tenders, and in view of the new division of responsibilities between the Purchasing department and the Logistics department. In addition, following the completion of activities associated with mapping human resource management processes, new operational processes for management policies and administrative activities have been refined.
As part of the gradual process of compliance with regulations governing internal controls and anti-money-laundering procedures, new "know your customer" and "handling suspect transactions" processes have been developed, with the concomitant review and updating of operating process for managing the centralised database.

IMPLEMENTATION OF INFRASTRUCTURE PROJECTS

The study phase for integrating the Finance department's front–to–back operational support systems is now complete. In particular, an application solution has been identified for automating the settlement and accounting of finance products (derivatives, securities and short-term liquidity).

THE WORKFORCE

At 30 June 2009, CDP had 406 employees: 35 executives, 136 middle managers and 235 office staff.
In the first half of 2009, CDP supplied around 3,300 hours of training to 55% of its staff. Training initiatives included the start-up of a specific middle-management professional development course. The company also continued to provide training on regulatory and financial issues, in addition to overall professional training and improvement of IT and language skills.

At 30 June 2009, CDPI SGR had no employees.

3.2 TERNA GROUP ORGANISATION AND PERSONNEL

The table below shows the numbers of employees involved in continuing operations.

CHANGE IN THE WORKFORCE OF TERNA SPA	at 30.06.2009	at 31.12.2008	Change
Senior management	66	65	1
Middle management	477	485	-8
Office staff	1,924	1,907	17
Production workers	1,059	1,067	-8
Total	**3,526**	**3,524**	**2**

Figures for the periods do not include terminations with effect from 30 June 2009 and 31 December 2008 respectively.

4. RESULTS FOR THE PERIOD

Net income for the first half of 2009 amounted to €1,214 million, of which the part pertaining to the shareholders of the parent company (hereinafter "the Group") came to €1,068 million and that pertaining to minority interests to €146 million.
Net interest income totalled €1,239 million, up 11.2% on the first half of the previous year.
Operating costs came to a positive €301 million (net other operating income), an increase of 32% compared with the first half of 2008 owing to lower administrative expenses and a rise in net other operating income.
Income taxes for the period amounted to €417 million.
Assets expanded by 5% with respect to the end of 2008 to €232 billion, with the principle items including cash and cash equivalents of €116 billion (+10%), equity investments and shares of about €16 billion (+22%), loans to customers of about €84.3 billion (+0.3%) and property, plant and equipment of €9 billion (+9%).
On the funding side, amounts due to customers came to €98 billion (+6%) and securities issued to €110 billion (+4%).
Shareholders' equity at the end of the year amounted to nearly €13.3 billion, of which €10.6 billion pertaining to the Group and €2.6 billion pertaining to minority interests.

The following sections analyse the main assets and liabilities of CDP and the Terna Group. The figures presented in this section regard the management analyses presented in the separate interim financial statements of the parent company and the consolidated interim financial report of the Terna Group.

4.1 THE FINANCIAL POSITION AND PERFORMANCE OF CDP

4.1.1 Assets

The following chart presents CDP S.p.A.'s assets and developments in the most significant aggregates over the period.

(millions of euros)

ASSETS

	30/06/2009 (€/mil)	31/12/2008 (€/mil)	Change (%)
Cash and cash equivalents	114,512	106,863	7.2%
Loans to customers and banks	83,624	82,237	1.7%
Debt securities	659	662	-0.4%
Equity investments and shares	16,745	13,869	20.7%
Hedging derivatives and financial assets held for trading	808	502	61.1%
Property, plant and equipment and intangible assets	212	214	-1.1%
Accrued income, prepaid expenses and other non-interest-bearing assets	3,093	4,770	-35.2%
Other assets	716	672	6.5%
Total assets	**220,369**	**209,789**	**5.0%**

Total assets at the end of the first half of 2009 amounted to around €220 billion, an increase of around 5% on the end of 2008 figure of €210 billion.

An analysis of individual asset aggregates shows significant growth in liquid assets (up 7.2%). This can essentially be ascribed to high levels of net funding generated by CDP through postal savings products during the first half of the year (more than €6.8 billion), which were not fully utilised in lending to customers.

The aggregate of loans to customers and banks (for financing activities) showed a more moderate growth trend (up 1.7%) that was essentially in line with developments in the first half of 2008.

Equity investments and securities posted a significant 20.7% increase, essentially as a result of CDP's subscription of the Enel S.p.A. rights issue (including the share pertaining to the Ministry for the Economy and Finance), as well as the adjustment of the carrying amounts of the Enel S.p.A. and Eni S.p.A. shares to market value and two further investments in funds during the first half of the year.

As regards the other aggregates, debt securities remained essentially unchanged (-0.4%), as did the aggregate of other residual entries on the asset side of the balance sheet.

The assets of CDPI SGR, equal to about €2 million, are represented by the current account on which share capital has been deposited and by the deferred tax assets recognised in respect of the net income expected to be generated as from 2010.

4.1.2 Liabilities

The main aggregates of CDP liabilities and equity are shown below, along with changes for the period:

(millions of euros)

LIABILITIES AND SHAREHOLDERS' EQUITY

	30/06/2009 (€/mil)	31/12/2008 (€/mil)	Change (%)
Funding	205,570	195,603	5.1%
Hedging derivatives and financial liabilities held for trading	1,428	1,671	-14.5%
Accrued expenses, deferred income and other non-interest-bearing liabilities	1,425	879	62.2%
Other liabilities	1,040	985	5.6%
Provisions for contingencies, taxes and staff severance benefit	672	935	-28.2%
Shareholders' equity	10,233	9,716	5.3%
Total liabilities and shareholders' equity	**220,369**	**209,789**	**5.0%**

Liabilities and equity increased by 5% compared with the end of 2008, almost entirely due to the positive performance of postal savings funding in the first half of 2009 (see below for greater detail); other liability and equity items posted only insignificant changes in absolute terms. Shareholders' equity increased by around 5%, and once again exceeded the €10 billion threshold. This was the result of a positive performance over the period, allied with a conservative dividend policy, partially offset by a reduction in the valuation reserve for equity investments classified as financial assets available for sale (generated by the decline in the Enel share price).

CDP's funding over the period breaks down as follows:

(millions of euros)

FUNDING

	30/06/2009 (€/mil)	31/12/2008 (€/mil)	Change (%)
Postal funding	183,803	175,116	5.0%
Due to banks	655	470	39.3%
Due to customers (excluded postal funding)	10,710	10,119	5.8%
Securities from funding	10,403	9,899	5.1%
Total funding	**205,570**	**195,603**	**5.1%**

The increase in postal funding is ascribable to the net funding flows registered by CDP S.p.A. in the first half of 2009. At 30 June 2009, CDP S.p.A.'s postal funding, inclusive of passbook savings accounts and postal savings bonds, totalled €183,803 million, a rise of around 5% compared with the figure of €175,116 million registered at the end of 2008. The carrying amount of passbook savings accounts reached €86,426 million; the carrying amount of postal savings bonds, calculated at amortised cost, totalled €97,377 million. These represent increases of 5.7% and 4.4%, respectively, compared with 31 December 2008.

As regards other funding items, growth in "funding from banks" can be attributed to an increase in deposits associated with Credit Support Annex collateral agreements. Compared with the figure at 31 December 2008, liabilities in respect of funding from securities increased as a result of net new issues of €500 million under the Ordinary Account. As regards developments in funding from customers, changes in the first half of 2009 regarded the beginning of repayment of amounts yet to be disbursed regarding loans to customers, net of disbursements on amounts requested during the first half of the year.

The liabilities of CDPI SGR are mainly represented by amounts due to directors and members of the Board of Auditors for remuneration that had not yet been paid at the end of the period. Shareholders' equity is equal to initial share capital less the loss for the period.

4.1.3 Performance

CDP's performance during the year has been analysed using an income statement reclassified on the basis of operational criteria, in line with the schedules presented above, which detail CDP's margins, as follows:

(millions of euros)

INCOME DATA

	30/06/2009 (€/mil)	31/12/2008 (€/mil)	Change (%)
NET INTEREST INCOME	1,309	1,169	12.0%
GROSS INCOME	1,396	1,391	0.4%
OPERATING INCOME	1,367	1,362	0.4%
NET INCOME FOR THE PERIOD	**1,039**	**805**	**29.0%**

Net income for the first half 2009 results posted an improvement over the year-earlier period, boosted by the strong performance of net interest income and the absence of the writedowns that had been necessary during the corresponding period of 2008.

Net interest income amounted to €1,309 million, up 12% on the figure for the corresponding period of 2008. This trend, alongside virtually no change in the ratio of interest-bearing assets to interest-bearing liabilities, can mainly be ascribed to an increase in the volume of lending and funding over the period, as well as non-recurring revenues of around €39 million associated with bringing forward the income-statement impact of the closure of one of the securitisation portfolios undertaken by CDP in 2002 (which took place in July). It has been possible to maintain a constant level of profitability at a time when market interest rates have fallen substantially by bringing the cost of postal savings into line with the lower yields obtained by CDP, in particular for the treasury current account, into which almost all liquidity is deposited. The mechanism for setting the interest rate on this account envisages a 6-month observation period for government securities (treasury bills and the Rendistato index). This generates a gradual alignment of the rate in the event of sharp upwards or downwards movements in interest rates. The persistent reduction in interest rates over the past few months will therefore lead to a further reduction in the rate over the remainder of the year: the rate in the second half of the year will be 2.41%, compared with 3.91% in the first half. It will not be possible to wholly pass this through to the cost of postal savings, given that rates are already at extremely low levels, and owing to the fact that the commission CDP pays Poste Italiane is not pegged to developments in interest rates. As noted in greater detail in the section on the outlook for the full year, it is expected that the positive difference registered in the early months of the year will in any event be reabsorbed during the second half of the year.

Gross income came to €1,396 million, a rise of around 0.4% compared with the same period in 2008. The smaller gain in gross income was attributable to higher costs in respect of commission expense due to the rise in postal savings aggregates, lower dividends from equity investments owing to a general reduction in pay-outs by almost all the companies in which CDP holds an interest, and a deterioration in the net performance of hedging and trading activities, which was not offset by the increase in commission income and in gains on the disposal or repurchase of loans.

Although operating income remained stable (up 0.4%), net income for the first half of 2009 of €1,039 million was up 29% compared with the figure registered for the same period last year (€805 million). However, please note that this performance is largely explained by the fact that during the first half of 2008 the value of the equity investment in STMicroelectronics N.V. was written down by €266 million. Comparing net income with the pro-forma result for the first half of 2008 (amounting to €1,071 million), a decline of about 3% was would have been posted.

As regards CDPI SGR, the only positive income component is interest accrued as of the end of the period on the bank account on which share capital has been deposited.
Administrative expenses came to about €70 thousand, of which about 68% is represented by remuneration of directors and members of the Board of Auditors for the period. The remaining 32% regards notary fees, brand registration costs and fees paid to the auditing company in the first half of 2009.
Net of tax prepayments, the loss for the first half of 2009 amounted to about €48 thousand.

4.2 THE FINANCIAL POSITION AND PERFORMANCE OF TERNA

The first half of 2009 featured the agreement between Terna SpA and Cemig Geraçao e Transmissão S.A. for the transfer of the entire equity investment held in the Brazilian subsidiary Terna Participações S.A.
This resulted in the classification of the balances related to the Brazilian subsidiaries in specific balance sheet and income statement accounts separate from those for continuing operations.

Group performance
Consolidated financial performance at 30 June 2009, showed net income of €219.7 million, of which €177.1 million in respect of continuing operations and €42.6 million in respect of assets held for sale. Net income attributable to shareholders of the parent amounted to €207.5 million, compared with €205.5 million for the same period of the previous year (+1.0%).
Of total net invested capital of €6,712.5 million, €5,835.2 million can be attributed to continuing operations and €877.3 million to assets held for sale, funded by equity of €2,196.9 million (€114.5 million of which attributable to minority interests), and net financial debt of €4,515.6 million (€4,265.8 million of which related to continuing operations and €249.8 million to assets held for sale).
Total capital expenditure by the Group during the period came to €383.8 million (€364.7 million of which in property, plant and equipment), up 14.1% from the €336.5 million of the first half of 2008. Of this total, €374.6 million relates to continuing operations, for an increase of €13.0% over the first half of 2008.

Continuing operations (Terna and Italian subsidiaries)
Revenues totalled about €656.4 million, €574.5 million of which related to transmission fees (€545.1 million attributable to the parent and €29.4 million to the subsidiary TELAT).

Operating expenses amounted to about €149.4 million, of which €73.8 million relating to personnel expenses and €56.4 million to services. EBITDA reached €507.0 million, equal to 77.2% of revenues, rising by €97.6 million over the €409.4 million of the first half of 2008 (+23.8%). TELAT contributed €28.5 million to this total.

Net income for the period from continuing operations, net of finance operations and taxes for the period, came to €177.1 million, of which €162.8 million attributable to the parent and €14.3 million to TELAT.
Net non-current assets amounted to €7,181.2 million, while net invested capital totalled €5,835.2 million and net financial debt came to €4,265.8 million.

Assets held for sale (Brazilian subsidiaries)
Net profit for the period from assets held for sale came to €42.6 million, increasing by 25.7% from the €33.9 million for the same period of 2008.
Net non-current assets related to assets held for sale amounted to €1,039.0 million, while net invested capital totalled €877.3 million and net financial debt came to €249.8 million.

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

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

RECONCILIATION OF EQUITY AND NET INCOME OF THE PARENT COMPANY AND CONSOLIDATED EQUITY AND NET INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009

thousands of euros

	Net income	Share capital and reserves	Total
PARENT COMPANY FINANCIAL STATEMENTS	**1,038,624**	**9,194,664**	**10,233,288**
Balance from financial statements of fully consolidated companies	219,677	1,979,120	2,198,797
Consolidation adjustments:			
- carrying amount of fully consolidated equity investments		(1,316,600)	(1,316,600)
- goodwill		297,012	297,012
- revaluation of property, plant and equipment and intangible assets		2,340,100	2,340,100
- depreciation/amortisation of revaluation of non-current assets	(24,627)	(160,078)	(184,705)
- dividends from fully consolidated companies	(59,280)	59,280	-
- measurement of equity investments using equity method	33,862	346,258	380,120
- minority interests	(145,718)	(2,455,876)	(2,601,594)
- deferred taxation	5,595	(702,961)	(697,366)
CONSOLIDATED FINANCIAL STATEMENTS	**1,068,133**	**9,580,919**	**10,649,052**

5. MONITORING RISK

5.1 CDP RISK MANAGEMENT

DEVELOPMENTS IN INTEREST RATE RISK AND INFLATION RISK

The first half of 2009 saw an improvement in conditions on financial markets, which appear to be gradually returning to normal, while at the same time the adverse affects of the crisis on the real economy spread even further.
In the euro area, the sharp reduction in short-term interest rates, the direct consequence of the ECB's monetary policy action, was accompanied by a substantial rise in rates on long-term swaps, especially those a more than 20 years.
Spreads between Euribor rates and those on government securities with the same maturity narrowed, although the situation remained unusual. Similarly, the volatility of interest rates also subsided gradually, although it remains high.

In this environment of gradually settling conditions, albeit one marked by a degree of persistent uncertainty, CDP constantly kept its exposure to interest rate risk close to zero. Developments in all the market risk metrics used in daily monitoring reflect this fact.

As regards developments in inflation risk, there are signs of a possible rise in inflation in the medium term. Despite the current recessive macroeconomic climate, a number of factors, such as the sizeable volume of liquidity injected into the markets and the rise in government debt in the industrial countries, could fuel inflation. This possibility is only partially reflected in market prices: the expected inflation rate implicit in 10-year swap rates rose only moderately during the period, going from 1.98% at the start of the year to 2.24% at the end of June.

CDP is primarily exposed to a rise in inflation as the issuer of postal savings bonds indexed to the consumer price index for the households of office and manual workers. Over the period, the size of the exposure increased in line with the rise in the stock of indexed bonds, which occurred at the forecast rate. CDP's risk is mitigated by its holdings of a certain financial instruments that are positively correlated with inflation (shareholdings) and indexed to inflation (loans granted and Italian Republic securities acquired in 2008).

DEVELOPMENTS IN PRICE RISK IN THE BANKING BOOK

The market value of the portfolio of large equity investments held by CDP remained relatively stable at the historically very low level reached at the end of 2008.

CDP also participated in the Enel S.p.A. capital increase, both through the exercise of the pre-emption rights attaching to its investment and the exercise of the rights in respect of the investment held by the Ministry for the Economy and Finance.

DEVELOPMENTS IN COUNTERPARTY RISK CONNECTED WITH DERIVATIVE TRANSACTIONS

Thanks to the gradual easing of the crisis in the markets, the first half of 2009 saw a partial decline in premiums for credit risk (CDS spreads) for many of the main international banks. However, such premiums remain quite high. In this environment, CDP continued to adopt an extremely prudent approach, improving its counterparty risk management tools. In particular, the number of counterparties involved in a Credit Support Annex for the exchange of collateral was increased and the frequency with which the collateral exchange was settled was raised, with three counterparties moving from monthly settlement to fortnightly settlement.

Currently, out of a total of 26 counterparties used by CDP, 15 have signed CSAs for the exchange of collateral. The percentage of notional value covered by the CSAs amounts to 78% of the total.

DEVELOPMENTS IN LIQUIDITY RISK

During the credit crisis, nearly all financial institutions experienced periods in which it was difficult to raise funds on acceptable terms, except at very short term. CDP was able to operate in this environment without encountering significant problems thanks to the substantial liquidity held in its treasury account (which actually increased over the course of the period) and to the limited need to raise funds through the interbank market for the Ordinary Account.

CREDIT RISK

In view of the high average quality (in terms of ratings and guarantees) of the CDP's loan portfolio, the current crisis has so far not had a significant effect in terms of higher credit risk. Neither the Separate Account nor the Ordinary Account have registered any material increase in default rates. As in the past, problem positions remains negligible both in number and in size. Looking forward, however, it is clear that current macroeconomic conditions and the situation of the public finances could have an adverse impact on the status of the portfolio.

LEGAL DISPUTES

As concerns pending litigation as of the end of the first half of 2009, it should be noted that both the total number of cases and the related contingent liabilities have remained insignificant in absolute terms and that, even in relative terms, the impact of the estimated potential charge for CDP appears to be of very little significance.
With regard to the customers of the Separate Account, it should be noted that, at 30 June 2009, 31 suits were pending with a total estimated liability of no more than €500,000. There are no situations that point to serial disputes that could suggest the presence of critical issues in procedures or in the related laws and regulations. Indeed, the reasons for the various individual disputes are never recurring and often regard the actions or facts concerning other entities involved in the litigation in which CDP is also involved.
There are currently no pending disputes, and therefore no related contingent liability, in relation to the Ordinary Account.
With regard to labour disputes, as at the end of the first half of the year, there were 47 suits pending with a total estimated contingent liability of no more than €1.6 million.

5.2 TERNA GROUP RISK MANAGEMENT

In the conduct of its operations, the Terna Group is exposed to various financial risks: market risk (namely exchange rate risk, interest rate risk and inflation risk), liquidity risk and credit risk.
Terna's risk management policies seek to identify and analyse the risks the Group is exposed to, establishing appropriate limits and controls and monitoring risks and compliance with such limits. These policies and related systems are revised on a regular basis in order to reflect any changes in market conditions and the Group's activities.
As part of the risk management policies approved by the Board of Directors, the Group has defined responsibilities and operational procedures for managing such financial risks, making specific reference to the instruments to be used and setting clear operating limits in managing them.

The exposure of the Terna Group to the aforementioned risks is substantially represented by the exposure of the parent. Accordingly, this section provides comprehensive information regarding Terna's exposure to all the above risks, along with a presentation of the objectives, policies and processes for managing those risks and the methods used to measure them, with further quantitative disclosures concerning the parent's financial statements at 30 June 2009.
Account should also be taken of the agreement reached during the period to sell the Brazilian companies, for which a specific section has been prepared discussing their market risk exposure.
In this regard, please see the discussion in the Risk Management – Terna Group section of the notes to the annual financial statements of the Terna Group for 2008.

The following provides information updated to the date of these financial statements concerning interest rate risk, credit risk and liquidity risk. For other risks including inflation risk and exchange rate risk, please see the Risk Management section in the annual financial statements at 31 December 2008:

INTEREST RATE RISK

The following table shows the financial instruments entered into by the parent, classified according to the type of interest rate (fixed or floating):

In millions of euros	**Carrying amount 30 June 2009**	**Carrying amount 31 Dec. 2008**	**Change**
Fixed-rate financial instruments			
- assets	0	0	0
- liabilities	2,122.7	2,098.5	24.2
Floating-rate financial instruments			
- assets	305.4	804.7	-499.3
- liabilities	2,254.1	1,660.3	593.8
Total	**4,071.4**	**2,954.1**	**1,117.3**

SENSITIVITY TO INTEREST RATE RISK

The following table reports the amounts recognised in profit or loss and equity in respect of positions sensitive to changes in interest rates, the theoretical value of the positions following a positive or negative shift in the yield curve and the differential impact recognisable in profit or loss and equity of such changes. A hypothetical 10% variation in interest rates with respect to market interest rates at the reporting date has been assumed:

In millions of euros	Profit or loss: Current rates +10%	Profit or loss: Current rates	Profit or loss: Current rates - 10%	Equity: Current rates +10%	Equity: Current rates	Equity: Current rates - 10%
30 June 2009						
Positions sensitive to interest rate variations (FVH, bonds, CFH)	1.2	0.7	0.1	-14.3	-24.6	-35.0
Hypothetical change	*0.6*	-	*-0.6*	*10.3*	-	*-10.4*
31 Dec. 2008						
Positions sensitive to interest rate variations (FVH, bonds, CFH)	1.1	-1.2	-3.6	-53.2	-65.8	-78.5
Hypothetical change	*2.4*	-	*-2.4*	*12.6*	-	*-12.7*

EXCHANGE RATE RISK

At 30 June 2009 Terna had outstanding “non-deliverable forward” contracts with a fixing at 29 September 2009 totalling R$2,595 million: R$2,060 million accounted for as cash flow hedges in respect of the sale of Terna Participações and R$535 million in contracts not eligible for hedge accounting in respect of the intercompany loan granted to Terna Participações, including estimated interest to be accrued as at 29 September.

The financial instruments held by the parent are reported below by type of hedge:

In millions of euros	Carrying amount 30 June 2009	Carrying amount 31 Dec. 2008	Change
Cash flow hedge instruments			
- assets	0	0	0
- liabilities	46.9	0	46.9
Non-hedge accounting instruments			
- assets	0.0	0	0.0
- liabilities	9.4	0	9.4
Total	**56.3**	**0.0**	**56.3**

Derivatives accounted for as cash flow hedges have no impact on the income statement for the part considered effective, while the impact of the change in the fair value of derivatives classified as "non-hedge-accounting" is recognised through the income statement and is partially offset by the opposite-sign change in the value of the underlying.

SENSITIVITY TO EXCHANGE RATE RISK

The following table reports the amounts recognised in profit or loss and equity in respect of positions sensitive to changes in exchange rates, the theoretical value of the positions following a positive or negative shift in exchange rates and the differential impact recognisable in profit or loss and equity of such changes. A hypothetical 10% variation in exchange rates with respect to market exchange rates at the reporting date has been assumed:

	Profit or loss			Equity		
In millions of euros	Current rates +10%	Current rates	Current rates +10%	Current rates	Current rates +10%	Current rates
30 June 2009						
Positions sensitive to exchange rate variations	3.6	3.9	-3	16	-47	-152
Hypothetical change	*-0.3*	*-*	*-7*	*63*	*0*	*-105*
31 Dec. 2008						
Positions sensitive to exchange rate variations	-	-	-	-	-	-
Hypothetical change	-	-	-	-	-	-

LIQUIDITY RISK

At 30 June 2009 Terna had €1,000 million in medium-term credit lines and €824.2 million in short-term credit lines. Such amount is sufficient to refinance the debt falling due discussed in the section on long-term loans (€59.7 million).

In addition, on 22 June 2009, the company also issued a fixed-rate €600 million bond in a private placement. The 10-year bond, which matures on 3 October 2019, was issued at an all-in price (including commissions and issue discount) of 98.785% and pays an annual coupon of 4.875%, equal to a spread of 128 basis points on 6-month Euribor.

The issue was carried out within the framework of the Euro Medium Term Notes Programme (EMTN Programme). BNP Paribas and Deutsche Bank acted as joint bookrunners. The rating assigned to the unsecured debt is "A+" for Fitch, "A2" for Moody's and "A+" with a stable outlook for Standard & Poor's.

The funds were disbursed on 3 July 2009 and the security was listed on 10 July.

CREDIT RISK

The following table summarises Terna's exposure to credit risk as at the reporting date:

In millions of euros	Carrying amount 30 June 2009	Carrying amount 31 Dec. 2008	Change
FVH derivatives	116.0	115.5	0.5
Cash and cash equivalents	0.1	689.2	-689.1
Financial receivable due from Terna Participaçoes	189.3	0.0	189.3
Trade receivables	1,138.3	1,706.0	-567.7
Total	**1,443.7**	**2,510.7**	**1,067.0**

The total value of the exposure to credit rate risk at 30 June 2009 is represented by the carrying amount of financial assets (current and non current) and trade receivables.

The following tables provide qualitative information on customer receivables that are not past due and have no impairment:

Geographical distribution:

In millions of euros

	Carrying amount 30 June 2009	Carrying amount 31 December 2008	Change
Italy	1,129.7	1,674.7	- 545.1
Euro-area countries	6.7	26.6	- 19.9
Other countries	1.9	4.7	- 2.8
Total	**1,138.3**	**1,706.0**	**- 567.7**

Customer type:

In millions of euros	Carrying amount 30 June 2009	Carrying amount 31 Dec. 2008	Change
Distributors	198.3	179.6	18.7
Electricity Equalisation Fund	77.4	33.3	44.1
Input dispatching contractors	400.2	678.0	- 277.8
Withdrawal dispatching contractors (non distributors)	432.9	778.0	- 345.1
Receivables from unregulated activities	29.5	37.1	- 7.6
Total	**1,138.3**	**1,706.0**	**- 567.7**

The following table breaks down customers receivables by expiry class, reporting any potential impairment:

In millions of euros	30 June 2009		31 Dec. 2008		Change	
	Gross	**Impairment**	**Gross**	**Impairment**	**Gross**	**Impairment**
Not yet past due	994.6		1,496.3	-	- 501.7	-
0-30 days past due	76.9		148.4	- 1.0	- 71.5	1.0
31-120 days past due	10.7		43.9	-	- 33.2	-
More than 120 days past due	69.0	- 12.9	29.1	- 10.7	39.9	- 2.2
Total	**1,151.2**	**- 12.9**	**1,717.7**	**- 11.7**	**- 566.5**	**- 1.2**

Changes in the provision for bad debts in the course of the year were as follows:

In millions of euros	30 June 2009	31 Dec. 2008	Change
Balance at January 1	- 11.7	- 13.8	2.1
Impairment for the period	- 1.2	2.1	- 3.3
Total	**- 12.9**	**- 11.7**	**- 1.2**

The value of guarantees issued in favour of the Group from eligible electricity market customers is illustrated below:

	30 June 2009	31 Dec. 2008	Change
Input dispatching activity	199.6	192.8	6.8
Withdrawal dispatching activity	1,000.0	1,025.6	- 25.6
Grid transmission fees - distributors	169.0	168.9	0.1
Total	**1,368.6**	**1,387.3**	**- 18.7**

DEFAULT RISK AND DEBT COVENANTS

This risk is associated with the possibility that the loan contracts or bond rules to which the Parent is party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk. For more information on the contractual provisions of outstanding loans at 30 June 2009, please see the section "Loans and financial liabilities".

ASSETS HELD FOR SALE

As regards the Brazilian subsidiaries:

1. the subsidiaries have not entered into any outstanding financial derivative contracts, whether for hedging or trading purposes;
2. the impact of interest rates fluctuations on the Brazilian subsidiaries is negligible: the main source of interest rate risk derives from the indexing of most of the Brazilian debt to a subsidised interest rate granted by BNDES. This debt has not been hedged in consideration of the fact that the subsidised rate granted by BNDES (TJLP) is

characterised by a reduced volatility and is favourable if compared both with short-term domestic rates (CDI) and analogous rates for debt of similar maturities. The value of other loans exposed to interest rate risk is limited if considered in relation to consolidated volumes (a total of R$72.9 million, equal to approximately €26.5 million);

3. as regards the Brazilian subsidiaries, the exposure to exchange rate risk is limited to fluctuations of the real against the currencies that compose the basket of currencies of the BNDES loan, whose total amount is R$91.9 million (€33.5 million). The effect of an appreciation or a depreciation of the real against the currencies in the basket is not material if considered at the consolidated level.

6. OUTLOOK FOR THE FULL YEAR

6.1 THE OUTLOOK FOR CDP

The medium-term objectives of the Company will shortly be set out in the new 2009-2011 Business Plan, which is scheduled to be presented in July 2009.

On the basis of the data available at the close of the first half of 2009, it is currently expected that loans to customers and banks will grow more rapidly than forecast at the start of the year, thanks to the recent expansion of the scope of CDP's operations in financing infrastructure and public works and its intervention to support the economy. This should slow the growth of liquidity, which will nevertheless remain high owing to the substantial positive net funding forecast for postal savings, which continues to be driven by the gradual replacement of maturing savings bonds pertaining to the MEF with new bonds issued by CDP.

As regards performance, net income for the full year (gross of writedowns of equity investments) is still expected to contract substantially. This is mainly attributable to the decline in net interest income owing to the fall in market interest rates, as well as the general reduction in dividends announced by the companies in which CDP has invested.

The main risk to net income for the year continues to be the potential decline in stock markets. Although the prices of a number of stocks held by CDP have risen from their lows (notably STMicroelectronics Holding N.V., the carrying amount of which was already written down significantly in past years), additional and potentially large writedowns in the presence of further downward corrections in market prices in the coming months cannot be ruled out. At the end of the first half of the year, however, there were no signs of deterioration in the credit quality of loans to customers and banks.

6.2 THE OUTLOOK FOR THE TERNA GROUP

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

Gross operating profit is expected to remain in line with that in the first half thanks to forecast growth in revenues, which will offset higher operating expenses.
Revenues are expected to remain steady for the parent's income items and to receive a boost from the contribution of TELAT which, being consolidated from April 2009 onwards, will fully contribute to the Group's second-half results. Incentives for efficiency gains in dispatching activities are also expected for the end of the year.
As with revenues, the increase in costs will largely be associated with the full consolidation of TELAT, plant operation and maintenance, which is predominantly undertaken during the summer months, and personnel expenses, as a result of an increase in unit costs and the average payroll. The first half of the year also benefited from the reversal of the electricity discount provision.

Investment is also expected to be substantial in the second half of the year, with the usual seasonal acceleration in the final months. This will bring total investment for 2009 above its level the previous year, equal to €765 million for continuing operations. Amortisation and depreciation are expected to rise as new plants come on stream.
A small reduction in financial expense is expected during the second half of the year compared with the first half, associated with forecast interest rate developments.

If completed prior to closure of the current financial year, the sale of the Brazilian subsidiaries will generate a significant capital gain, which will have a direct impact on the Group result.

Rome, 30 July 2009

The Chairman
Franco Bassanini

REPORT OF THE INDEPENDENT AUDITORS

KPMG S.p.A.
Revisione e organizzazione contabile
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00197 ROMA RM

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

Review report

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

1 We have reviewed the condensed interim consolidated financial statements comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes thereto of the Cassa Depositi e Prestiti Group as at and for the six months ended 30 June 2009. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting", endorsed by the European Union. Our responsibility is to prepare this report based on our review.

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

With regard to the corresponding figures included in the condensed interim consolidated financial statements, reference should be made to our reports on the annual consolidated and interim consolidated financial statements of the previous year dated 14 April 2009 and 6 August 2008, respectively. The corresponding figures have been reclassified in order to reflect the changes to the financial statements schedules introduced by IAS 1 (revised 2007).

KPMG S.p.A., an Italian limited liability share capital company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

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Trieste Udine Varese Verona

Società per azioni
Capitale sociale
Euro 7.470.300,00 i.v.
Registro Imprese Milano e
Codice Fiscale N. 00709600159
R.E.A. Milano N. 512867
Part. IVA 00709600159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI

Cassa Depositi e Prestiti Group
Review report
30 June 2009

The condensed interim consolidated financial statements present the corresponding figures of the first half of the previous year for comparative purposes. As disclosed in the notes, the parent's directors restated such corresponding figures included in the prior year condensed interim consolidated financial statements. We reviewed such financial statements and issued our report thereon on 6 August 2008. We have examined the methods used to restate the corresponding figures of the first half of the previous year and related disclosures to the extent that we considered to be necessary to issue our report on the condensed interim consolidated financial statements at 30 June 2009.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Cassa Depositi e Prestiti Group as at and for the six months ended 30 June 2009 have not been prepared, in all material respects, in conformity with IAS 34, "Interim Financial Reporting", endorsed by the European Union.

Rome, 31 July 2009

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

CERTIFICATION pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

Certification of the condensed interim consolidated financial statements at 30 June 2009 pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

1. The undersigned Massimo Varazzani, in his capacity as Managing Director and Angelo Mariano, in his capacity as the manager responsible for the preparation of the financial reports of Cassa Depositi e Prestiti S.p.A., hereby certify, taking account of the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

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

of the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements for the period (1 January – 30 June 2009).

2. In this regard:
2.1 the assessment of the appropriateness of the administrative and accounting procedures followed in preparing the condensed interim consolidated financial statements at 30 June 2009 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 (COSO) of the Treadway Commission, which is a generally accepted framework at the international level;
2.2 in the first half of 2009 the manager responsible for the preparation of the financial reports of Cassa Depositi e Prestiti S.p.A. assessed the adequacy and effective adoption of existing administrative and accounting procedures, with reference to the internal control system for financial reporting, continued the updating of administrative and accounting procedures and began the upgrading process, adopting generally accepted international standards, for the information technology component, for which the upgrading process undertaken requires further activities for completion.

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

Rome, 31 July 2009

Managing Director	Manager responsible for the preparation of the financial reports
Massimo Varazzani	*Angelo Mariano*
(signed on the original)	(signed on the original)

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2009

FORM AND CONTENT OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2009

The condensed interim consolidated financial statements as at and for the six months ended 30 June 2009 have been prepared in conformity with the applicable regulations and are composed of:

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

Schedules presenting a comparison with the balance sheet at 31 December 2008 and the income statement for the six months ended 30 June 2008 have also been prepared.

FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2009

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Assets	30 June 2009	31 December 2008
10.	Cash and cash equivalents	115,815,077	105,269,186
20.	Financial assets held for trading	554,094	400,991
40.	Financial assets available for sale	12,643,705	9,775,278
50.	Financial assets held to maturity	204,989	205,795
60.	Loans to banks	1,353,463	5,570,120
70.	Loans to customers	84,310,525	84,061,306
	of which securing covered bonds	*15,980,104*	*16,542,633*
80.	Hedging derivatives	369,739	216,526
100.	Equity investments	3,381,827	3,314,814
120.	Property, plant and equipment	9,077,646	8,332,246
130.	Intangible assets	751,672	878,006
	of which: goodwill	480,021	*500,908*
140.	Tax assets	434,275	857,560
	a) current	331,870	*578,132*
	b) deferred	102,405	*279,428*
150.	Non-current assets and disposal groups held for sale	1,386,819	-
160.	Other assets	1,569,120	1,810,255
	Total assets	**231,852,951**	**220,692,083**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

Managing Director
Massimo Varazzani

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Liabilities and shareholders' equity	30 June 2009	31 December 2008
10.	Due to banks	3,014,709	2,872,504
20.	Due to customers	98,041,105	92,281,093
	of which amounts to be disbursed on loans securing covered bonds	*1,271,932*	*1,476,183*
30.	Securities issued	110,229,142	105,554,798
	of which covered bonds	*8,363,784*	*8,287,063*
40.	Financial liabilities held for trading	527,381	382,377
60.	Hedging derivatives	993,630	1,355,835
70.	Adjustment of financial liabilities hedged generically (+/-)	66,938	16,699
80.	Tax liabilities	1,965,249	2,030,471
	a) current	515,087	*595,041*
	b) deferred	1,450,162	*1,435,430*
90.	Liabilities in respect of groups of assets being divested	759,328	-
100.	Other liabilities	2,778,853	3,328,505
110.	Staff severance pay	75,889	75,045
120.	Provisions	150,081	169,191
	b) other provisions	150,081	*169,191*
140.	Valuation reserves	862,099	1,152,347
170.	Reserves	5,217,875	3,977,459
180.	Share premium reserve	945	852
190.	Share capital	3,500,000	3,500,000
210.	Minority interests (+/-)	2,601,594	2,581,323
220.	Net income for the period	1,068,133	1,413,584
	Total liabilities and shareholders' equity	**231,852,951**	**220,692,083**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

Managing Director
Massimo Varazzani

(thousands of euros)

CONSOLIDATED INCOME STATEMENT

		1st half 2009	1st half 2008
10.	Interest income and similar revenues	4,236,282	4,016,042
20.	Interest expense and similar charges	(2,997,583)	(2,902,237)
30.	**Net interest income**	**1,238,699**	**1,113,805**
40.	Commission income	3,417	2,580
50.	Commission expense	(453,220)	(405,291)
60.	**Net commission income**	**(449,803)**	**(402,711)**
70.	Dividends and similar revenues	445,908	464,537
80.	Net gain (loss) on trading activities	(19,829)	49,014
90.	Net gain (loss) on hedging activities	(28,748)	(2,895)
100.	Gains (losses) on disposal or repurchase of:	5,139	2,600
	a) loans	5,139	2,600
120.	**Gross income**	**1,191,366**	**1,224,350**
130.	Net impairment adjustments of:	-	(1,051)
	a) loans	-	(1,051)
140.	**Financial income (expense), net**	**1,191,366**	**1,223,299**
180.	Administrative expenses:	(219,300)	(232,280)
	a) staff costs	(121,795)	(140,373)
	b) other administrative expenses	(97,505)	(91,907)
190.	Net provisions	(988)	(564)
200.	Net adjustments of property, plant and equipment	(162,827)	(146,257)
210.	Net adjustments of intangible assets	(10,362)	(3,431)
220.	Other operating income (costs)	694,308	609,790
230.	**Operating costs**	**300,831**	**227,258**
240.	Gains (losses) on equity investments	95,030	(191,498)
270.	Gains (losses) on disposal of investments	1,426	(2,163)
280.	**Income (loss) before tax from continuing operations**	**1,588,653**	**1,256,896**
290.	Income tax for the period on continuing operations	(417,435)	(362,893)
300.	**Income (loss) after tax on continuing operations**	**1,171,218**	**894,003**
310.	Income (loss) after tax from groups of assets being divested	42,633	33,889
320.	**Net income (loss) for the period**	**1,213,851**	**927,892**
330.	Net income (loss) pertaining to minority interests	145,718	151,181
340.	**Net income (loss) pertaining to parent company**	**1,068,133**	**776,711**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

Managing Director
Massimo Varazzani

(thousands of euros)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		1st half 2009	1st half 2008
10.	**Net income (loss) for the period**	**1,213,851**	**927,892**
	Other income components net of taxes		
20.	Financial assets available for sale	(275,885)	(1,830,803)
60.	Cash flow hedges:	(52,576)	137
70.	Exchange rate differences:	43,644	(13,696)
100.	Reserves of equity investments accounted for with equity method	71,908	(97,404)
110.	**Total other income components net of taxes**	**(212,909)**	**(1,941,766)**
120.	**Comprehensive income (items 10+110)**	**1,000,942**	**(1,013,874)**
130.	Comprehensive income pertaining to minority interests	151,149	160,754
140.	**Consolidated comprehensive income pertaining to shareholders of the parent company**	**849,793**	**(1,004,123)**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

Managing Director
Massimo Varazzani

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 30 JUNE 2009

(thousands of euros)

	Balance at 31.12.2008		Changes in opening balance	Balance at 1.01.2009		Allocation of net income for previous year			Changes for the period												Shareholder equity at 30.06.2009	
						Reserves		Dividends and other allocations	Changes in reserves		Equity transactions								Net income (loss) for the period ended 30.06.2009			
											Issue of new shares		Purchase of own shares		Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options				
	Group	Minority interest		Group	Minority interest	Group	Minority interest		Group	Minority interest	Group	Minority interest	Group	Minority interest					Group	Minority interest	Group	Minority interest
Share capital:																						
a) ordinary shares	2,450,000	445,454		2,450,000	445,454					25,419											2,450,000	470,873
b) other shares	1,050,000			1,050,000																	1,050,000	
Share premium reserve	852	2,346		852	2,346						93	323									945	2,669
Reserves:																						
a) income	3,801,252	1,459,812		3,801,252	1,459,812	1,168,584	75,976		71,908	(5,233)											5,041,744	1,530,555
b) other	176,207	489,724		176,207	489,724			(253)													176,131	489,547
Valuation reserves:																						
a) available for sale	994,037			994,037					(275,885)												718,152	
b) cash flow hedges	(14,225)	(34,556)		(14,225)	(34,556)				(16,353)	(36,223)											(30,578)	(70,779)
c) other (to be detailed)	172,535	(8,643)		172,535	(8,643)				1,990	41,654											174,525	33,011
Translation differences - STH	5,898			5,898					(12,203)												(6,305)	
Revaluation of property	167,572			167,572																	167,572	
Other changes - adjustments	(935)	(8,643)		(935)	(8,643)																(935)	(8,643)
Translation differences: other									14,193	41,654												41,654
Equity instruments																						
Treasury shares																						
Net income (loss) for the period	1,413,584	227,186		1,413,584	227,186	(1,168,584)	(75,976)	(396,210)											1,068,133	145,718	1,068,133	145,718
Shareholders' equity	**10,044,242**	**2,581,323**		**10,044,242**	**2,581,323**	**-**	**-**	**(396,463)**	**(218,340)**	**25,617**	**93**	**323**							**1,068,133**	**145,718**	**10,649,052**	**2,601,594**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

Managing Director
Massimo Varazzani

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 30 JUNE 2008

(thousands of euros)

	Balance at 31.12.2007		Changes in opening balance	Balance at 1.01.2008		Allocation of net income for previous year			Changes for the period												Shareholder equity at 30.06.2008	
						Reserves		Dividends and other allocations	Changes in reserves		Equity transactions								Net income (loss) for the period ended 30.06.2008			
											Issue of new shares		Purchase of own shares		Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options				
	Group	Minority interest		Group	Minority interest	Group	Minority interest		Group	Minority interest	Group	Minority interest	Group	Minority interest					Group	Minority interest	Group	Minority interest
Share capital:																						
a) ordinary shares	2,450,000	308,074	170,522	2,450,000	478,596					6,762		67									2,450,000	485,425
b) other shares	1,050,000			1,050,000																	1,050,000	
Share premium reserve	425	991	159	425	1,150						519	1,512									944	2,662
Reserves:																						
a) income	2,675,173	1,344,203	(55,650)	2,675,320	1,288,406	1,206,016	240,713		(97,536)	(2,434)											3,783,800	1,526,685
b) other	211,876	494,377	(348)	211,771	494,134				67	(272)											211,838	493,862
Valuation reserves:																						
a) available for sale	6,566,606			6,566,606					(1,830,803)												4,735,803	
b) cash flow hedges	1,528	(1,351)		1,528	(1,351)				41	96											1,569	(1,255)
c) other (to be detailed)	158,843	154,869	(114,541)	158,843	40,328				(23,173)	9,477											135,670	49,805
Translation differences - STH	(25,682)			(25,682)					(27,328)												(53,010)	
Revaluation of property	167,572			167,572																	167,572	
Other changes - adjustments	270	8,630		270	8,630																270	8,630
Translation differences on Terna Part	(6,274)	94,942	(114,541)	(6,274)	(19,599)																(6,274)	(19,599)
Translation differences: other	22,957	51,297		22,957	51,297				4,155	9,477											27,112	60,774
Equity instruments																						
Treasury shares																						
Net income (loss) for the period	1,660,609	379,883	1,444	1,661,042	380,894	(1,206,016)	(247,833)	(588,087)											776,711	151,181	776,711	151,181
Shareholders' equity	**14,775,060**	**2,681,046**	**1,586**	**14,775,535**	**2,682,157**	**-**	**(7,120)**	**(588,087)**	**(1,951,404)**	**13,629**	**519**	**1,579**							**776,711**	**151,181**	**13,146,335**	**2,708,365**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

Managing Director
Massimo Varazzani

(thousands of euros)

CASH FLOW STATEMENT (indirect method)

A. OPERATING ACTIVITIES	1st half 2009	1st half 2008
1. Operations	**1,695,185**	**1,538,520**
- Net income for the period (+/-)	1,213,851	927,892
- Gains (losses) on assets recognized at fair value (-/+)	6,367	(44,835)
-Gains (losses) on hedging activities (-/+)	28,747	2,894
-Net impairment adjustments (+/-)	-	1,051
- Net value adjustments to property, plant and equipment and intangible assets (+/-)	180,674	149,689
- Net provisions and other costs/revenues (+/-)	20,924	32,671
-Unpaid taxes and duties (+)	330,173	261,767
- Writedowns/writebacks of equity investments (+/-)	(94,395)	192,012
- Other adjustments (+/-)	8,844	15,379
2. Cash generated by/used in financial assets	**1,016,006**	**(1,905,755)**
- Financial assets held for trading	(193,608)	(151,964)
- Financial assets available for sale	(3,160,862)	(1,313)
- Loans to banks: demand	785,961	124,841
- Loans to banks: other	3,523,302	(553,602)
- Loans to customers	(646,271)	(1,197,734)
- Other assets	707,484	(125,982)
3. Cash generated by/used in financial liabilities	**9,818,431**	**7,592,940**
- Due to banks: other	95,320	365,066
- Due to customers	5,760,012	2,142,801
- Securities issued	4,517,979	5,110,210
- Financial liabilities held for trading	179,143	143,141
- Other liabilities	(734,023)	(168,278)
Cash generated by/used in operating activities	**12,529,622**	**7,225,705**
B. INVESTING ACTIVITIES		
1. Cash generated by	**63,025**	**94,067**
- Dividends from equity investments	61,090	91,003
- Sale of property plant and equipment	1,935	3,064
2. Cash used in	**(1,559,842)**	**(729,606)**
- Purchase of equity investments	(1,955)	(8,107)
- Purchase of financial assets held to maturity	-	(202,514)
- Purchase of property, plant and equipment	(1,532,826)	(313,359)
- Purchase of intangible assets	(25,061)	(205,626)
Cash generated by/used in investing activities	**(1,496,817)**	**(635,539)**
C. FINANCING ACTIVITIES		
- Issue/purchase of capital instruments	2,310	494
- Dividend distribution and other allocations	(396,463)	(588,056)
Net cash generated by/used in financing activities	**(394,153)**	**(587,562)**
NET CASH GENERATED/USED DURING THE PERIOD	**10,638,652**	**6,002,604**

RECONCILIATION

Cash and cash equivalents at beginning of period	**105,539,182**	**91,635,147**
Total cash generated/used during the period	10,638,652	6,002,604
Cash and cash equivalents at end of period	**116,177,834**	**97,637,751**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

Managing Director
Massimo Varazzani

NOTES TO THE

FINANCIAL STATEMENTS

(CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2009)

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

STRUCTURE AND CONTENT OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, to adopt the IFRSs in preparing the financial statements of EU companies that issue equity or debt securities on a regulated market in the European Community.

Legislative Decree 38 of 20 February 2005 was then issued in Italy in order to govern the application of the international accounting standards issued by the International Accounting Standards Board (IASB) as well as the *Implementation Guidance, Basis for Conclusions* adopted by the International Financial Reporting Interpretations Committee (IFRIC, formerly the Standing Interpretations Committee, or SIC).

The financial statements are expressed in euros and include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and these explanatory notes to the financial statements and related annexes, as well as the interim report on group operations.

The statement of comprehensive income, which is required under IAS 1 Revised, has been prepared in the format envisaged in the Bank of Italy document updating circular no. 262/2005, which is still in the consultation phase.

The condensed interim consolidated financial statements at 30 June 2009 present a clear, true and accurate view of the performance and financial position for the period. The figures reported in the statements correspond with the company's accounting records and fully reflect the transactions conducted during the period.

PRESENTATION OF DATA

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

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

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

COMPARISON AND DISCLOSURE

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

- balance sheet at 31 December 2008;
- income statement for the six months ended 30 June 2008;
- statement of comprehensive income for the six months ended 30 June 2008;
- statement of changes in equity for the six months ended 30 June 2008;
- cash flow statement for the six months ended 30 June 2008.

CDP SEGREGATED ASSET POOL

The CDP Group holds the covered bond segregated asset pool.
This is not a segregated asset pool as defined by the Italian Civil Code, but rather a separation related to certain CDP assets (loans to local authorities) for which CDP has established guarantees/liens on the cash flows for the holders of the covered bonds issued, which enables the bond itself to have a higher rating that that of the issuer.
The separation concerns the flows related to the portfolio of loans that constitute the collateral of the related bond issue.
The assets are in the accounts with an "of which" indication in the financial statements.

AUDITING OF THE FINANCIAL STATEMENTS

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

ACCOUNTING POLICIES

GENERAL INFORMATION

SECTION 1 – DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS

These financial statements have been prepared in accordance with the International Financial Reporting Standards and International Accounting Standards (IFRSs/IASs) issued by the IASB (and related IFRIC and SIC interpretations) endorsed by the European Commission as of 30 June 2009. More specifically, the condensed interim consolidated 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 and the subsequent clarifications notified to banks by the Bank of Italy in a letter of 2 January 2009.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

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

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

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

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

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

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

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

SECTION 3 – SCOPE AND METHODS OF CONSOLIDATION

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

EQUITY INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (CONSOLIDATED PROPORTIONATELY)

	Registered office	Type of relationship (1)	Equity investment		% share of votes (2)
			Investor	% holding	
A. Companies					
A.1 Consolidated on a line-by-line basis					
1. Terna S.p.A.	Rome	2	CDP S.p.A.	29.99	29.99
2. CDPI S.G.R. S.p.A.	Rome	1	CDP S.p.A.	70.00	70.00
3. Terna Participacoes SA	Rio de Janeiro (Brazil)	1	Terna S.p.A.	66.00	66.00
4. Telat Srl	Rome	1	Terna S.p.A.	100.00	100.00
5. InTERNAtional SpA	Rome	1	Terna S.p.A.	100.00	100.00
6. T.S.N. - Transmissora Sudeste Nordeste SA (Brasile)	Rio de Janeiro (Brazil)	1	Terna Participacoes SA	100.00	100.00
7. Novatrans Energia Sa*	Rio de Janeiro (Brazil)	1	Terna Participacoes SA	100.00	100.00
8. Terna Serviços LTDA*	Rio de Janeiro (Brazil)	1	Terna Participacoes SA	99.90	99.90
9. Empresa de Transmissão de Energia do Oeste LTDA*	Rio de Janeiro (Brazil)	1	Terna Participacoes SA	100.00	100.00
A.2 Accounted for using equity method					
1. ETAU - Empresa de Transmissão do Alto Uruguai S.A*	Rio de Janeiro (Brazil)	7	Terna Participacoes SA	52.58	52.58
2. Brasnorte Transmissora de Energia S.A*	Rio de Janeiro (Brazil)	7	Terna Participacoes SA	35.00	35.00
3. Elmed Etud Sarl	Tunis (Tunisia)	7	Terna S.p.A.	50.00	50.00

* *Assets held for sale*

Key
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 Art. 26.1 of Legislative Decree 87/92
6= Unitary management pursuant to Art. 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

CDP

In July 2009, investments in the PPP Italia and F2i funds totalled €1.6 million.

Also in July, CDP issued an unsecured fixed-rate bond with a nominal value of 100 million. The bond matures on 28 January 2011 and pays an annual coupon of 2.0055%. The issue was carried out within the framework of the Euro Medium Term Notes (EMTN) Programme. It is listed on the Luxembourg Stock Exchange and the proceeds will be used to finance infrastructure projects.

TERNA GROUP

"Sungrid SpA" and photovoltaic generation plants

In order to make most effective use of its resources and maximize returns on its assets, the Parent established the subsidiary InTERNAtional to operate in the construction and operation of photovoltaic plant within and outside the electrical stations owned by Terna. These areas are currently free of plant and are not otherwise being used by the Parent. Sungrid will be granted building lease rights on the land. On July 7, 2009, the Company's shareholders, meeting in ordinary session at first calling in Rome at the registered office at Via Arno no. 64, voted:

- to change the company name from "InTERNAtional S.p.A" to "Sungrid S.p.A." (article 1 of the bylaws);
- to amend the corporate purpose (article 4 of the bylaws), expanding the Company's operational scope to include the design, construction, operation, development and maintenance of electricity generation plants powered by renewable resources for own use and for sale.

The Parent has initiated the operational phase of the "Sungrid" project with the publication of the international call for tenders for the design, supply and installation of photovoltaic systems with a total capacity of 80 MWp.
The project, which is intended to leverage the unused land adjacent to electrical stations, involves the construction of small-size photovoltaic systems.
The investment in this sector will enable the Group to

- maximise the profitability of currently unused assets, improving the performance of the Company;
- ensure the availability of those assets for possible use to benefit electricity services (e.g. expansion or renovation of stations);
- contribute to the achievement of national targets for use of renewable energy resources:

The structure of the operation meets the requirements for functional and accounting separation from the Parent as well as ensuring compatibility with the bylaws and the terms of the Terna concession and the provisions of Legislative Decree 79/99 (the "Bersani Decree").
The electricity generated will be withdrawn and priced by GSE SpA in accordance with the dedicated withdrawal mechanism envisaged under the Energy Account, guaranteeing the full neutrality of Terna with respect to the sale of the power on the electricity market.

Decree Law 78 of July 1, 2009 "Anti-crisis measures and extension of time limits and Italian participation in international missions" published in the *Gazzetta Ufficiale* no. 150 of July 1, 2009.
The Government has established that power transmission infrastructure, which is urgently needed for the social and economic development of the country, shall be built using special resources and procedures. Once the initiatives have been identified in a resolution of the Council of Ministers, a Commissioner with special powers to derogate from ordinary regulations and act in the place of other bodies and government departments is appointed to adopt the measures needed to obtain authorisation and carry out constructions of the works.
The decree also introduces tax relief measures for enterprises:

- tax exemption for profits reinvested in machinery: tax exemption for 50% of the value of investments in machinery and equipment included in Division 28 of the ATECO (the division includes general-use machinery and equipment, including mechanical parts involved in working and processing materials) carried out between July 1, 2009 and 30 June 2010.
- accelerated depreciation: with the revision by 31 December 2009 - by the Ministry for the Economy and Finance - of the depreciation rates for equipment established in the Decree of 31 December 1988, in order to take account of the increased role in production processes of high-tech machinery and energy-saving equipment "offsetting the change with different rates for goods of less strategic importance".

The same measure also:

- postpones from June 30 to 31 December 2009 the entry into force of the general rules governing class action suits provided for in the 2008 Finance Act, now undergoing review in Parliament;
- postpones for an additional six months (until 31 December 2009) the temporary landscape authorisation system envisaged under article 159 of Legislative Decree 42/04 (Cultural Heritage Code).

Energy bill "Measures for the development and international expansion of enterprises and regarding energy".

The new law has simplified authorisation processes. More specifically, authorisation is no longer required for the removal and replacement of parts of power lines, while more streamlined procedures are envisaged for the laying of underground cables. The law also requires Terna to organise a tender for the assignment of interconnection rights, enabling some industrial electricity users to bring forward the benefits of future interconnection capacity.

SECTION 5 – OTHER ISSUES

In 2008 the Group completed the allocation of the purchase price of the Brazilian companies Gtesa and Patesa, already merged into TSN: pursuant to IFRS 3 the allocation process must be completed within 12 months of the acquisition date. The Terna Group also opted for the early adoption (with a commencement date of January 1, 2006) of the revised version of IAS 23R in order to optimise its effects on Group performance. As a result of the change, borrowing costs in respect of the construction and purchase of property, plant and equipment and intangible assets that meet the requirements of IAS 23R have been capitalised as components of the cost of the assets.

In line with the provisions of IAS 8, the 2008 half-year financial statements at 30 June 2008 were restated to reflect the effects on the financial statements as if the revised standards had always been applied. Only the income statement figures for the six months ended 30 June 2008 are presented below in restated form, as the balance sheet data at 31 December 2008 in the annual accounts, and presented here for comparative purposes, already reflect the impact of the above changes.

Following the agreement between Terna S.p.A., Cemig Geração, Transmissão S.A. and Cemig (as guarantor) for the transfer of the equity investment (totalling 173,527,113 ordinary shares) representing about 85.27% of the voting rights and 65.86% of the share capital in Terna Participações S.A., a Brazilian subsidiary listed on the São Paulo (Brazil) stock market, all of the expense and revenues items in respect of the Brazilian companies have been reclassified under "profit for the period from assets held for sale" for both the first half of 2009 and the comparative figures for the first half of 2008 as provided for under IFRS 5.

As regards the comparative information reported in the balance sheet at 31 December 2008 and the income statement for the six months ended 30 June 2008, in compliance with the Bank of Italy notice of 2 January 2009 containing clarifications concerning the presentation of certain items of bank financial statements:

- receivables in respect of the supply of goods and services have been reallocated to item “160. Other assets” of the balance sheet rather than item “70. Loans to customers” in the amount of €1,730,594 thousand;
- the remuneration paid to the members of the Board of Auditors has been reallocated to item “180.a Staff costs" of the income statement from item “180.b Other administrative expenses” in the amount of €236,316.

(thousands of euros)

CONSOLIDATED INCOME STATEMENT

		1st half 2008	1st half 2008 restated	Change
10.	Interest income and similar revenues	3,997,847	4,016,042	18,195
20.	Interest expense and similar charges	(2,906,036)	(2,902,237)	3,799
30.	**Net interest income**	**1,091,811**	**1,113,805**	**21,994**
40.	Commission income	2,580	2,580	-
50.	Commission expense	(405,291)	(405,291)	-
60.	**Net commission income**	**(402,711)**	**(402,711)**	**-**
70.	Dividends and similar revenues	464,537	464,537	-
80.	Net gain (loss) on trading activities	52,514	49,014	(3,500)
90.	Net gain (loss) on hedging activities	(2,895)	(2,895)	-
100.	Gains (losses) on disposal or repurchase of:	2,600	2,600	-
	a) receivables	2,600	2,600	-
120.	**Gross income**	**1,205,856**	**1,224,350**	**18,494**
130.	Net impairment adjustments of:	(1,051)	(1,051)	-
	a) loans	(1,051)	(1,051)	-
140.	**Financial income (expense), net**	**1,204,805**	**1,223,299**	**18,494**
180.	Administrative expenses:	(246,325)	(232,280)	14,045
	a) staff costs	(145,115)	(140,373)	4,742
	b) other administrative expenses	(101,210)	(91,907)	9,303
190.	Net provisions	(5,715)	(564)	5,151
200.	Net adjustments of property, plant and equipment	(146,029)	(146,257)	(228)
210.	Net adjustments of intangible assets	(14,470)	(3,431)	11,039
220.	Other operating income (costs)	698,798	609,790	(89,008)
230.	**Operating costs**	**286,259**	**227,258**	**(59,001)**
240.	Gains (losses) on equity investments	(190,918)	(191,498)	(580)
270.	Gains (losses) on disposal of investments	(2,163)	(2,163)	-
280.	**Income (loss) before tax from continuing operations**	**1,297,983**	**1,256,896**	**(41,087)**
290.	Income tax for the period on continuing operations	(371,062)	(362,893)	8,169
300.	**Income (loss) after tax on continuing operations**	**926,921**	**894,003**	**(32,918)**
310.	Income (loss) after tax from groups of assets being divested	-	33,889	33,889
320.	**Net income for the period**	**926,921**	**927,892**	**971**
330.	Net income (loss) pertaining to minority interests	150,688	151,181	493
340.	**Net income (loss) pertaining to shareholders of the parent company**	**776,233**	**776,711**	**478**

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 interim financial statements are the same as those adopted in preparing the annual financial statements. No changes have been made in classification criteria, with the exception of those governing the remuneration of members of the Board of Auditors set out in the clarifications to circular no. 262 of 22 December 2005 transmitted by the Bank of Italy in a letter to the banks.

In compliance with the Bank of Italy notice of 2 January 2009 and in order to ensure the comparability of the financial statements, the comparative figures for the first half of 2008 concerning operating receivables and remuneration of the Board of Auditors were reallocated, as discussed in "Section 5 – Other issues" above.

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

1 – FINANCIAL ASSETS HELD FOR TRADING

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

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

Such financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or income. Where the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the

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

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

Available-for-sale financial assets (item 40) are non-derivative financial assets (debt securities, equity, etc.) that are classified as being available for sale and not as (a) loans and

receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.
Available-for-sale financial assets are initially recognised on the contract date for all financial assets, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is carried out at the settlement date and on the disbursement date in the case of loans.
The financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or gains. In cases in which the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is done on 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.
Investments in equity instruments that are not listed on an active market and for which it is not possible to measure fair value reliably, as well as derivatives connected to such instruments and/or that must be settled with the delivery of such instruments, are measured at cost.
Unrealised gains or losses on available-for-sale securities are recorded in a specific equity reserve, net of tax effects, until the investment is sold or written down.
Subsequent measurement is done at fair value based on the official prices as of the balance sheet date if the financial instruments are listed on active markets. For financial instruments, including equity, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.
Available-for-sale financial assets are subject to impairment tests to determine whether there is objective evidence of impairment. Where an available-for-sale security is impaired, the cumulative, unrealized change in value recorded in the equity reserve is recognised in the income statement under "Net impairment adjustments of financial assets available for sale" (item 130.b). The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of an available-for-sale financial asset exceeds its recoverable amount. The amount of this loss is measured using specific valuation techniques and models concerning equity securities. Any writebacks of investments in equity instruments are not recognised in the income statement but in an equity reserve, while any writebacks of investments in debt instruments go through the income statement.
Where the reasons for the impairment should cease to obtain subsequent to the recognition of the impairment loss, the writeback is recognised in the income statement for loans or debt

securities and in an equity reserve in the case of equity instruments. The amount of the writeback shall in any event not exceed the amortised cost that the instrument would have had in the absence of the prior adjustments.
Dividends on equity instruments that are available for sale are recognised as income when the right to receive payment is established.
In addition to the recognition of impairment losses, the cumulative gains or losses in the equity reserve are, as mentioned above, recognised in the income statement at the time of the sale of the asset. Accordingly, in the event of the disposal of an investment in available-for-sale securities, the related cumulative, unrealised change in value recorded in equity is recognised in the income statement as "Gains (losses) on the disposal 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 are retained, the asset remains on the balance sheet even if official title has been transferred.

3 – Financial assets held to maturity

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

the assets are divested by transferring substantially all the risks and rewards of ownership of the assets.

4 - LOANS

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

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

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

The loans in CDP Group portfolio are quite different from the 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 detailed verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the authority as the work is performed by the various contractors involved.

Upon signing the finance agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by the CDP Group earn interest that can be treated as a reimbursement of the interest income earned by customers on the non-disbursed portion. 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. 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 the IFRSs.

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 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.

The interest on loans and default interest is recognised as interest income and similar revenues on loans to banks and customers and are recognised on an accruals basis.

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

Loans classified as bad debts, substandard or restructured are measured individually for positions that exceed a given value threshold. In view of the lack of time series of loss data on loans, as well as the creditworthiness of CDP Group’s leading borrowers, no general writedowns of the portfolio are recorded.

The measurement of writedowns of loans is based on discounting the expected future cash flows of principal and interest net of collection costs, taking account of any guarantees securing the positions and any advances received. The key to determining the value of the future cash flows is in defining the estimated collections, the related timing, and the discount rate to be applied.

The impairment of problem loans is then written back only when the quality of the loan improves to the point that there is a reasonable certainty of a greater recovery of principal and interest and/or greater receipts have been recorded than the previously recorded carrying amount of the loan. In any event, given the method used to measure impairment losses, as the due dates for credit collection approach with the passing of time, the value of the loan is “written back”, given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans.

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

Loans are derecognised when paid in full, when all of the related risks and rewards have been transferred, or when a loan is deemed to be definitively uncollectible. The amount of the loss is recognised in the income statement net of previously recognised impairment losses.

Loans represented by positions with parties that are not classified under any of the risk categories listed above, but which are more than 180-days past due at the balance sheet date, also undergo individual impairment testing.

“Loans to customers” include unlisted financial assets in respect of customers (loans, debt securities, operating receivables, etc.) that are allocated to the “loans” portfolio. This also

includes receivables from Italian post offices and variation margins with clearing bodies for derivative transactions.
“Loans to banks” include unlisted financial assets in respect of banks (current accounts, security deposits, debt securities, operating receivables, etc.) that are allocated to the “loans” portfolio. This also includes the amounts receivable from central banks other than free deposits (as the reserve requirement).

6 - HEDGING TRANSACTIONS

According to the IASs, hedging instruments are designated derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities the fair value or cash flows of which are expected to offset the changes in fair value or cash flows of a designated position (IAS 39, paragraphs 72-77 and Annex A, paragraph AG94). A hedged position is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that (a) exposes the organisation to the risk of a change in fair value or future cash flows and (b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101). The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk are offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105-AG113).
When a financial instrument is classified as a hedging instrument, the following are to be formally documented:
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%.
Asset item 80 and liability item 60 report hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the balance sheet date have either a positive or negative value.

7 - EQUITY INVESTMENTS

The term "equity investments" refers to investments in subsidiaries (IAS 27), in joint ventures (IAS 31), and associates subject to significant influence (IAS 28) other than financial assets held for trading (item 20) and financial assets at fair value through profit or loss (item 30) in accordance with IAS 28 and IAS 31.

Subsidiaries are companies in which CDP holds, either directly or indirectly, more than half of the voting rights for the purpose of appointing dependent directors or, in any event, when CDP exercises the power to determine financial and operating policies. Joint ventures are companies in which control is shared with other parties by contract. Associates are companies in which CDP holds, either directly or indirectly, at least 20% of the voting rights or, independently of the proportion of voting rights, companies over which CDP has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control. Minority interests are recognised as financial assets available for sale (item 40) and are treated as described above.

Equity investments are initially recognised at cost at the settlement date, including costs and revenues that are directly attributable to the transaction.

Equity investments recognised under item 100 "Equity investments", which are not fully consolidated and over which the parent company exercises joint control or significant influence, are accounted for using the equity method.

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

If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. This loss is only recognised when the loss in value is significant and persistent. Impairment losses on investments listed on active markets, and unless there are additional, specifically justified reasons, are recognised when the impairment is deemed to be significant, which for investments in listed companies is when the market price is more than 20% lower than the carrying amount for nine months prior to the balance sheet date.

8 - Property, plant and equipment

"Property, plant and equipment" includes all non-current tangible assets used in operations governed by IAS 16 and investment property governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases (for the lessor), as well as leasehold improvement costs.

Property, plant and equipment is recognised at purchase cost including incidental expenses and undeductible VAT, increased by revaluations carried out under the provisions of specific laws.

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

Newly acquired assets are depreciated as from the period in which they enter service.

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

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

In the event an asset should suffer a lasting impairment of value, independently of depreciation, it is written down. The original value is restored where the conditions that had prompted the writedown should cease to obtain.

Maintenance and repair costs that do not increase the utility or useful lives of assets are charged directly to income for the year.

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

9 – Intangible assets

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

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

An intangible asset is only recognised under the following conditions:

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

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

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

11– CURRENT AND DEFERRED TAXATION

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

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

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

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

12 - PROVISIONS

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

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

When the financial impact of the time factor is significant and the dates of payment of the obligation can be estimated reliably, the provision is measured as the present value (discounted at market rates as of the balance sheet date) of the charges that are expected to be incurred in order to settle the obligation.

The provisions are only used when the charges for which they were originally established are incurred. When the outlay to fulfil the obligation is no longer deemed to be probable, the provision is reversed through the income statement.

13 – 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, which normally coincides with the issue price. Subsequent measurement is at amortised cost using the effective interest rate method. The payables are eliminated when they mature or are extinguished.

14 - Financial liabilities held for trading

This item includes all forms of financial liabilities (debt securities, loans, etc.) designated as being held for trading purposes. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.
The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transactions costs or revenues. In cases in which the amount paid differs from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is effected at the subscription date for derivative contracts and at the settlement date for debt 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 the fair value measurement of the trading portfolio are reported under “Net gain (loss) on trading activities” (item 80). The income components are recognised following the results of the measurement of the financial liability held for trading.

16– FOREIGN CURRENCY TRANSACTIONS

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

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

17 - OTHER INFORMATION

CASH AND CASH EQUIVALENTS (ITEM 10 OF ASSETS)

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

STAFF SEVERANCE PAY

The liability in respect of employee benefits to be paid at the time of or subsequent to termination of the employment relationship under defined benefit and other long-term benefit plans is recognised net of any plan assets. It is determined separately for each plan on the basis of actuarial assumptions, estimating the amount of future benefits accrued by employees at the reference date. The liability is recognised over the period in which the entitlement accrues. The liability is estimated by independent actuaries
It should be noted that the balance of provisions for staff severance pay is minor given that employees maintained their participation the INPDAP pension scheme after the transformation; therefore, contributions are paid to that institution. As such, the amount shown for TFR is related solely to newly hired employees (under the INPS pension scheme) for amounts accrued until 2006, given that the amounts accrued subsequently were not applied to this fund, but to the supplemental pension fund or to INPS in accordance with the applicable legislation.
Therefore, the effects of the application of IAS 19 with regard to the parent company's share of TFR are not significant and so the related liability continues to be reported in an amount based on statutory requirements (Article 2120 of the Civil Code).

INTEREST INCOME AND EXPENSE

Interest income and expense is recognised in the income statement for all instruments based on amortised cost using the effective interest method.

Interest also includes the net positive or negative balance of the differences and margins related to financial derivative contracts.

COMMISSIONS

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

DIVIDENDS

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

CONTRACT WORK IN PROGRESS

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

Contract costs include all those costs that relate directly to the specific contract, as well as fixed and variable costs incurred as part of normal operations.

SHARE-BASED PAYMENTS

The cost of employee service remunerated through stock option plans is measured at the fair value of the options granted to employees at the grant date. The fair value of options granted is recognized under staff costs over the vesting period, with a corresponding increase in equity, considering the best possible estimate of the number of options that employees will be able to exercise. Such estimate is reviewed where subsequent information indicates that the expected number of equity instruments that will vest differs from the estimate previously carried out, independently of market conditions.

The measurement method used to calculate fair value considers all the characteristics of the options (term, price and conditions, etc.), as well as the value of the underlying security at the grant date, the volatility of the security and the yield curve at the grant date, in line with the duration of the plan.
At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of market conditions.

CAPITALISED BORROWING COSTS

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

GRANTS

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

Grants for operating expenses are recognised in full in the income statement when the conditions for recognition are satisfied.

REVENUES

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

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

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

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

INFORMATION ON THE BALANCE SHEET

ASSETS

CASH AND CASH EQUIVALENTS – ITEM 10

The liquid assets of the CDP Group are mainly held the interest-bearing treasury current account no. 29814 denominated "*Cassa DP SPA-gestione separata*", which holds all liquid balances associated with the operations conducted by CDP in its activities under the Separate Account. At the end of the first half of 2009 the balance on the account was about €113,671 million.

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

Interest accrued and not yet paid on account no. 29814 amounted to about €2,144 million.

FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

(thousands of euros)

FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

	Banking group		Insurance undertakings		Other entities		30 June 2009	31 December 2008
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted		
A On-balance-sheet assets								
1. Debt securities								
1.1 Structured securities								
1.2 Other debt securities								
2. Equity securities								
3. Units in collective investment undertakings								
4. Loans								
4.1 Repurchase agreements								
4.2 Other								
5. Impaired assets								
6. Assets assigned but not derecognized								
Total (A)								
B Derivatives								
1. Financial derivatives:		**554,094**					**554,094**	**400,991**
1.1 trading		554,094					554,094	400,991
1.2 associated with fair value option								
1.3 other								
2. Credit derivatives								
2.1 trading								
2.2 associated with fair value option								
2.3 other								
Total (B)		**554,094**					**554,094**	**400,991**
Total (A+B)		**554,094**					**554,094**	**400,991**

The financial derivatives of the banking group set out in the table regard options purchased to hedge the embedded option component of indexed bonds and Premia bonds. This option component was separated from the host instrument (indexed bonds and Premia bonds) and was classified among financial liabilities held for trading.

(thousands of euros)

FINANCIAL ASSETS HELD FOR TRADING: DERIVATIVES

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	30 June 2009	31 December 2008
A) Listed							
1. Financial derivatives:							
• with exchange of principal							
- options purchased							
- other derivatives							
• without exchange of principal							
- options purchased							
- other derivatives							
2. Credit derivatives:							
• with exchange of principal							
• without exchange of principal							
Total (A)							
B) Unlisted							
1. Financial derivatives:			**554,094**			**554,094**	**400,991**
• with exchange of principal							
- options purchased							
- other derivatives							
• without exchange of principal							
- options purchased			554,094			554,094	400,991
- other derivatives							
2. Credit derivatives:							
• with exchange of principal							
• without exchange of principal							
Total B			**554,094**			**554,094**	**400,991**
Total (A+B)			**554,094**			**554,094**	**400,991**

FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

(thousands of euros)

FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY TYPE

	Banking group		Insurance undertakings		Other entities		30 June 2009		31 December 2008	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Debt securities	196,391	9,871					196,391	9,871	202,014	9,560
1.1 Structured securities										
1.2 Other debt securities	196,391	9,871					196,391	9,871	202,014	9,560
2. Equity securities	12,410,065	9,763					12,410,065	9,763	9,538,823	9,763
2.1 Recognised at fair value	12,410,065						12,410,065		9,538,823	
2.2 Recognised at cost		9,763						9,763		9,763
3. Units in collective investment undertakings	17,615						17,615			15,118
4. Loans										
5. Impaired assets										
6. Assets assigned but not derecognized										
Total	**12,624,071**	**19,634**					**12,624,071**	**19,634**	**9,740,837**	**34,441**

The substantial increase in this item is attributable to CDP's participation in the Enel capital increase, including the share pertaining to the Ministry for the Economy and Finance, with a total outlay of €3,158 million. Following subscription of the capital increase, CDP now holds about 17.36% of Enel.

FINANCIAL ASSETS HELD TO MATURITY – ITEM 50

The item includes inflation-linked Treasury bonds (*BTP*) with a nominal value of €200 million acquired in 2008 in response to the increasing exposure of the balance sheet 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 undertakings	Other entities	30 June 2009	31 December 2008
A. Claims on central banks	**886**			**886**	**3,358,655**
1. Fixed-term deposits					
2. Reserve requirement	886			886	3,358,655
3. Repurchase agreements					
4. Other					
B. Loans to banks	**1,352,430**		**147**	**1,352,577**	**2,211,465**
1. Current accounts and free deposits	362,690		147	362,837	1,013,252
2. Fixed-term deposits	480,218			480,218	668,985
3. Other financing	509,522			509,522	529,228
3.1 repurchase agreements					
3.2 finance leases					
3.3 other	509,522			509,522	529,228
4. Debt securities					
4.1 structured					
4.2 other debt securities					
5. Impaired assets					
6. Assets assigned but not derecognized					
Total (book value)	**1,353,316**		**147**	**1,353,463**	**5,570,120**

The significant decline in the balance at 30 June 2009 compared with 31 December 2008, was affected by the policy for managing the reserve requirement adopted in the maintenance period under way at the end of the period.

The balance for the banking group also includes the liquidity of CDPI SGR deposited on a bank current account in the amount of about €2 million.

The balance for other entities declined with respect to 31 December 2008 mainly due to Terna's acquisition of TELAT S.r.l..

LOANS TO CUSTOMERS – ITEM 70

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

(thousands of euros)

LOANS TO CUSTOMERS: COMPOSITION BY TYPE

	Banking group	Insurance undertakings	Other entities	30 June 2009	31 December 2008
1. Current accounts	67			67	93
2. Repurchase agreements					
3. Loans	82,776,064			82,776,064	82,051,444
4. Credit cards, personal loans and loans repaid by automatic deductions from wages					
5. Finance leases					
6. Factoring					
7. Other	240,250			240,250	692,650
8. Debt securities	1,261,313			1,261,313	1,264,366
8.1 structured					
8.2 other debt securities	1,261,313			1,261,313	1,264,366
9. Impaired assets	32,831			32,831	52,753
10. Assets assigned but not derecognized					
Total (book value)	**84,310,525**			**84,310,525**	**84,061,306**

Loans also include €15,980 million, highlighted in the balance sheet, pledged as collateral for covered bonds issued by CDP.

Total writedowns of loans amount to €77.1 million. On the basis of the quality of the borrowers, the guarantees securing the loans and the regular payment of instalments, as well as the experience of the CDP in this area, it was not considered necessary to carry out a collective writedown of the loan portfolio.

"Other" includes the receivable in respect of the deferred purchase price held by CDP in respect of the securitised loan portfolios.

(thousands of euros)

ON-BALANCE-SHEET EXPOSURES TO CUSTOMERS: CHANGES IN GROSS IMPAIRED POSITIONS AND POSITIONS EXPOSED TO COUNTRY RISK

	Bad debts	Substandard loans	Restructured positions	Past due positions	Country risk
A. Opening gross exposure	**74,707**	**32,859**		**21,442**	
- of which: exposures assigned but not derecognized					
B. Increases	**183**	**764**		**444**	
B.1 from performing positions				311	
B.2 transfers from other categories of impaired positions					
B.3 other increases	183	764		133	
C. Decreases	**(1)**	**(1,762)**		**(18,686)**	
C.1 to performing positions		(1,091)		(18,571)	
C.2 writeoffs					
C.3 collections	(1)	(671)		(115)	
C.4 assignments					
C.5 transfers to other categories of impaired positions					
C.6 other decreases					
D. Closing gross exposure	**74,889**	**31,861**		**3,199**	
- of which: exposures assigned but not derecognized					

(thousands of euros)

ON-BALANCE-SHEET EXPOSURES: CHANGES IN TOTAL ADJUSTMENTS

	Bad debts	Substandard loans	Restructured positions	Past due positions	Country risk
A. Total opening adjustments	**50,577**	**25,678**			
- of which: exposures assigned but not derecognized					
B. Increases	**183**	**764**			
B.1 writedowns	183	764			
B.2 transfers from other categories of impaired positions					
B.3 other increases					
C. Decreases	**(65)**	**(19)**			
C.1 writebacks from valuations	(65)	(19)			
C. 2 writebacks from collection					
C.3 writeoffs					
C.4 transfers to other categories of impaired positions					
C.5 other decreases					
D. Total closing adjustments	**50,695**	**26,423**			
- of which: exposures assigned but not derecognized					

HEDGING DERIVATIVES – ITEM 80

(thousands of euros)

HEDGING DERIVATIVES: COMPOSITION BY TYPE OF CONTRACT AND UNDERLYING

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	Total
A) Listed						
1. Financial derivatives						
• with exchange of principal						
- purchased options						
- other derivatives						
• without exchange of principal						
- purchased options						
- other derivatives						
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total A						
B) Unlisted						
1. Financial derivatives	**360,604**	**9,135**				**369,739**
• with exchange of principal		9,135				
- purchased options						
- other derivatives		9,135				
• without exchange of principal	360,604					360,604
- purchased options						
- other derivatives	360,604					360,604
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total B	**360,604**	**9,135**				**369,739**
Total (A+B) 30/06/2009	**360,604**	**9,135**				**369,739**
Total (A+B) 31/12/2008	**201,271**	**15,255**				**216,526**

At the end of the period, the only open cash flow hedge regarded the issue of a fixed-rate covered bond in yen, which was hedged with a cross currency swap to counter the uncertainty concerning cash flows due to possible exchange rate variations. The hedge converts the original exposure into a fixed rate in euros.

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	Equity investment		% of votes
			Investor	% holding	
1. ETAU - Empresa de Transmissão do Alto Uruguai S.A*	Rio de Janeiro (Brazil)	Joint venture	Terna Partecipacoes	52.58%	52.58%
2. Brasnorte Transmissora de Energia S.A*	Rio de Janeiro (Brazil)	Joint venture	Terna Partecipacoes	35.00%	35.00%
3. Elmed Etudes Sarl	Tunisi (Tunisia)	Joint venture	Terna S.p.A.	50.00%	50.00%
4. Cesi S.p.A.	Milan	Significant influence	Terna S.p.A.	24.36%	24.36%
5. Poste italiane S.p.A.	Rome	Significant influence	CDP S.p.A.	35.00%	35.00%
6. ST Holding N.V.	Amsterdam	Significant influence	CDP S.p.A.	30.00%	30.00%
7. Galaxy S.àr.l.	Luxembourg	Significant influence	CDP S.p.A.	40.00%	40.00%
8. Europrogetti & Finanza S.p.A.	Rome	Significant influence	CDP S.p.A.	31.80%	31.80%
9. Tunnel di Genova	Genoa	Significant influence	CDP S.p.A.	33.33%	33.33%

* Companies held for sale

In the first half of 2009, Terna S.p.A. acquired 50% of Tunisian company Elmed Etudes Sarl.

PROPERTY, PLANT AND EQUIPMENT – ITEM 120

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

(thousands of euros)

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

	Banking group	Insurance undertakings	Other entities	30 June 2009	31 December 2008
A. Operating assets					
1.1 owned	**206,270**		**8,871,376**	**9,077,646**	**8,332,246**
a) land	117,406		39,245	156,651	156,113
b) buildings	71,056		484,325	555,381	559,328
c) movables	3,640		1,552	5,192	5,301
d) electrical plant	3,857		27,624	31,481	12,163
e) other	10,311		8,318,630	8,328,941	7,599,341
1.2 acquired under finance leases					
a) land					
b) buildings					
c) movables					
d) electrical plant					
Total A	**206,270**		**8,871,376**	**9,077,646**	**8,332,246**
B. Investment property					
2.1 owned					
a) land					
b) buildings					
2.2 acquired under finance leases					
a) land					
b) buildings					
Total B	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**206,270**		**8,871,376**	**9,077,646**	**8,332,246**

Property, plant and equipment of other Group entities comprises the electricity transmission network, the transformation stations in Italy, centralised remote management systems and the national electricity control system. The increase compared with 31 December 2008 is attributable to the value of the plant in service and under construction of TELAT acquired on 1 April 2009 and consisting of 18,583 km of power lines.

INTANGIBLE ASSETS – ITEM 130

Intangible assets break down as follows:

(thousands of euros)

INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

	Banking group		Insurance undertakings		Other entities		30 June 2009		31 December 2008	
	Finite life	Indefinite life	Finite life	Indefinite life	Finite life	Indefinite life	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill						**480,021**		**480,021**		**500,908**
A.1.1 pertaining to group						480,021		480,021		500,908
A.1.2 minority interests										
A.2 Other intangible assets	**5,626**				**266,025**		**271,651**		**377,098**	
A.2.1 Assets carried at cost	5,626				266,025		271,651		377,098	
a) internally-generated intangible assets					36,274		36,274		42,274	
b) other assets	5,626				229,751		235,377		334,824	
A.2.2 Assets recognised at fair value:										
a) internally-generated intangible assets										
b) other assets										
Total	**5,626**				**266,025**	**480,021**	**271,651**	**480,021**	**377,098**	**500,908**

The decrease in intangible assets is mainly due to the reclassification of the Terna Partecipacoes cash generating unit to "Assets held for sale".

LIABILITIES

DUE TO BANKS – ITEM 10

(thousands of euros)

DUE TO BANKS: COMPOSITION BY TYPE

	Banking group	Insurance undertakings	Other entities	30 June 2009	31 December 2008
1. Due to central banks	**9,093**			**9,093**	**19,449**
2. Due to banks	**795,756**		**2,209,860**	**3,005,616**	**2,853,055**
2.1 Current accounts and demand deposits	2,053			2,053	7,429
2.2 Fixed-term deposits	271,548			271,548	85,046
2.3 Borrowings	505,700		2,209,860	2,715,560	2,744,440
2.3.1 finance leases					
2.3.2 other	505,700		2,209,860	2,715,560	2,744,440
2.4 Liabilities in respect of commitments to repurchase own equity instruments					
2.5 Liabilities in respect of assets assigned but not derecognized					
2.5.1 repurchase agreements					
2.5.2 other					
2.6 Other payables	16,455			16,455	16,140
Total	**804,849**		**2,209,860**	**3,014,709**	**2,872,504**

Other borrowings of the banking group regard loans from the EIB and amounts to be transferred to banks in the loan monetization operation.

The increase of about €31 million in the balance for other entities is associated with the increase in interest expense on short-term loans.

Other amounts due to banks include the debt in respect of financial contracts with deferred settlement and cash collateral securing the credit risk on derivatives.

DUE TO CUSTOMERS – ITEM 20

(thousands of euros)

DUE TO CUSTOMERS: COMPOSITION BY TYPE

	Banking group	Insurance undertakings	Other entities	30 June 2009	31 December 2008
1. Current accounts and demand deposits	86,423,731			86,423,731	81,805,836
2. Fixed-term deposits					
3. Third-party funds under administration					
4. Borrowings					
4.1 finance leases					
4.2 other					
5. Liabilities in respect of commitments to repurchase own equity instruments					
6. Liabilities in respect of assets assigned but not derecognized					
6.1 repurchase agreements					
6.2 other					
7. Other payables	11,617,374			11,617,374	10,475,257
Total	**98,041,105**			**98,041,105**	**92,281,093**

Amounts due to customers are entirely accounted for by funding on the part of CDP S.p.A..
"Current accounts and demand deposits" regard the value at 30 June 2009 of postal passbooks issued by CDP.
Other payables mainly regard amounts to be disbursed on loans granted.

SECURITIES ISSUED – ITEM 30

(thousands of euros)

SECURITIES ISSUED: COMPOSITION BY TYPE

	Banking group	Insurance undertakings	Other entities	30 June 2009	31 December 2008
A. Listed	**8,363,784**		**2,080,069**	**10,443,853**	**10,334,602**
1. bonds	8,363,784			8,363,784	10,334,602
1.1 structured					
1.2 other	8,363,784			8,363,784	10,334,602
2. other			2,080,069	2,080,069	
2.1 structured					
2.2 other			2,080,069	2,080,069	
B. Unlisted	**99,785,289**			**99,785,289**	**95,220,196**
1. bonds	2,408,340			2,408,340	1,905,204
1.1 structured					
1.2 other	2,408,340			2,408,340	1,905,204
2. other	97,376,949			97,376,949	93,314,992
2.1 structured	8,372,965			8,372,965	6,866,122
2.2 other	89,003,984			89,003,984	86,448,870
Total	**108,149,073**		**2,080,069**	**110,229,142**	**105,554,798**

As regards the banking group, the item includes covered bonds, bonds issued under the Euro Medium Term Notes programme and postal savings bonds.

Other structured securities amount to about €8 billion and include indexed postal savings bonds and the Premia bonds, for which the embedded derivative has been separated from the host contract.

Securities issued of other entities rose by about €33 million as a result of interest accrued on bonds issued by Terna.

FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

(thousands of euros)

FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	Banking group				Insurance undertakings				Other entities				30 June 2009				31 December 2008			
	NV	FV		FV *	NV	FV		FV *	NV	FV		FV *	NV	FV		FV *	NV	FV		FV *
		L	UL			L	UL			L	UL			L	UL			L	UL	
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 bonds																				
3.2 Other securities																				
3.2.1 structured																				
3.2.2 other																				
Total A																				
B. Derivatives																				
1. Financial derivatives			**518,028**								**9,353**				**527,381**				**382,377**	
1.1 trading											9,353				9,353					
1.2 associated with fair value option																				
1.3 other			518,028												518,028				382,377	
2. Credit derivatives																				
2.1 trading																				
2.2 associated with fair value option																				
2.3 other																				
Total B			**518,028**												**527,381**				**382,377**	
Total (A+B)			**518,028**												**527,381**				**382,377**	

Key
FV = fair value
FV* = fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date .
NV = nominal or notional value

For the banking group, the item includes the embedded option component of indexed bonds and Premia bonds that was separated from the host contract.

The financial liabilities held for trading of other entities represent the value of derivatives on interest rates acquired by the Terna Group during the period.

HEDGING DERIVATIVES – ITEM 60

(thousands of euros)

HEDGING DERIVATIVES: COMPOSITION BY TYPE OF CONTRACT AND UNDERLYINGS

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	Total
A) Listed						
1. Financial derivatives						
• with exchange of principal						
- options written						
- other derivatives						
• without exchange of principal						
- options written						
- other derivatives						
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total A						
B) Unlisted						
1. Financial derivatives	**993,630**					**993,630**
• with exchange of principal						-
- options written						
- other derivatives						-
• without exchange of principal	993,630					993,630
- options written						
- other derivatives	993,630					993,630
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total B	**993,630**	**-**				**993,630**
Total (A+B) 30/06/2009	**993,630**	**-**				**993,630**
Total (A+B) 31/12/2008	**1,355,835**					**1,355,835**

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

(thousands of euros)

GROUP EQUITY: COMPOSITION

	30 June 2009	31 December 2008
1. Share capital	3,500,000	3,500,000
2. Share premium reserve	945	852
3. Reserves	5,217,875	3,977,459
4. Treasury shares		
a) parent company		
b) subsidiaries		
5. Valuation reserves	862,099	1,152,347
6. Equity instruments		
7. Net income (loss) for the period	1,068,133	1,413,584
Total	**10,649,052**	**10,044,242**

The increase in “Reserves” is a consequence of the allocation to reserves of part of net income at 31 December 2008.
The decline in "Valuation reserves" is mainly attributable to the measurement of the shareholdings in Eni S.p.A. and Enel S.p.A. at their end-period market prices.

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

The company does not hold treasury shares.

Under the articles of association, the preference shares have the following main characteristics:

- the preference shareholder is entitled to a preferred dividend equal to the rate of inflation increase by 3 percentage points on the par value of the shares;
- in the event of no or partial payment of the preferred dividend, the entitlement to the dividend shall accumulate in subsequent years;

- until 31 December 2009, if the preferred dividend is not distributed, the preference shareholders, at any time until 31 December 2009, may withdraw, receiving in settlement an amount equal to the value of the fraction of share capital represented by the preference shares plus any positive or negative difference between the preferred dividend accrued and that actually received;
- preference shares shall be automatically converted into ordinary shares as from 1 January 2010, on the basis of a conversion ratio determined by the Board of Directors. Holders of preference shares who do not intend to avail themselves of the automatic conversion shall have the right to withdraw from the company, receiving in settlement an amount equal to the value of the fraction of share capital represented by the preference shares plus any positive or negative difference between the preferred dividend accrued and that actually received; the withdrawal option must be exercised between 1 October 2009 and 15 December 2009.

The value of share capital represented by the preference shares is recognised, together with that of the ordinary shares, under item "190. Share capital".

In the preparation of the financial statements for 2006, it was felt appropriate to treat the preference shares as ordinary shares under the terms of the agreement formalised between ACRI, the association of banking foundations and savings banks (signed in the name and on behalf of the foundations who are shareholders of the company), and the Ministry for the Economy and Finance on 4 April 2007, with which the foundations, the holders of the preference shares, and the MEF expressed their joint intention to convert the shares by the end of 2007, before the time limit specified in the articles of association.

However, the conversion process was delayed due to contingent circumstances regarding the possibility of restructuring the company. By the deadline for the approval of the 2007 financial statements by the Shareholders' Meeting, the MEF and the foundations (acting through ACRI) both confirmed their intention to convert the shares, setting a time limit of 31 December 2008 to complete the procedure.

Owing to market conditions and the risk of adversely impacting the public finances, the planned early conversion has not yet been carried out. Instead, it was decided to proceed with the conversion of the CDP preference shares into ordinary shares in the manner and with the timing envisaged in the articles of association, without prejudice to the amendments of the articles of association discussed in the report on operations, which in any event do not change the intention of the shareholders to maintain their investment in CDP S.p.A..

The MEF, as the majority shareholder, issued a note on 25 March 2009 reaffirming its intention to take all steps necessary – including drawing on reserves – to ensure that share capital does not fall below the amount established in Article 1, paragraph 1, of the MEF decree of 5 December 2003 even if preference share holders should exercise their right to withdraw rather than allow automatic conversion of their shares into ordinary shares.

INFORMATION ON THE INCOME STATEMENT

INTEREST – ITEMS 10 AND 20

(thousands of euros)

INTEREST INCOME AND SIMILAR REVENUES: COMPOSITION

	Performing financial assets		Impaired financial assets	Other assets	1st half 2009	1st half 2008
	Debt securities	Loans				
1 Financial assets held for trading						
2 Financial assets available for sale	3,036				**3,036**	**4,781**
3 Financial assets held to maturity	1,576				**1,576**	**1,335**
4 Loans to banks		11,184		32,015	**43,199**	**82,417**
5 Loans to customers	23,070	2,018,081	282		**2,041,433**	**1,909,932**
6 Financial assets recognised at fair value						
7 Hedging derivatives						
8 Financial assets assigned but not derecognized						
9 Other assets				2,147,038	**2,147,038**	**2,017,577**
Total	**27,682**	**2,029,265**	**282**	**2,179,053**	**4,236,282**	**4,016,042**

The item mainly reports the remuneration of the activities of CDP with regard to:

- loans to customers: interest income on loans to customers, equal to about €2,028 million, represents the revenues on CDP lending activities;

- debt securities: interest income on debt securities, equal to about €28 million, mainly regards interest accrued on municipal and regional bonds subscribed by CDP;

- other interest income: this is primarily composed of interest income on treasury account no. 29814.

(thousands of euros)

INTEREST EXPENSE AND SIMILAR CHARGES: COMPOSITION

	Debt	Securities	Other liabilities	1st half 2009	1st half 2008
1 Due to banks	49,492			**49,492**	**56,042**
2 Due to customers	966,238			**966,238**	**1,084,414**
3 Securities issued		1,846,443		**1,846,443**	**1,717,841**
4 Financial liabilities held for trading			314	**314**	
5 Financial liabilities at fair value					
6 Financial liabilities in respect of assets assigned but not derecognized					
7 Other liabilities			2,080	**2,080**	
8 Hedging derivatives			133,016	**133,016**	**43,940**
Total	**1,015,730**	**1,846,443**	**135,410**	**2,997,583**	**2,902,237**

Interest expense on amounts due to customers mainly regards interest on passbook savings accounts, totalling about 746 million, a decrease of 8.8% on the first half of 2008, and interest on loans being repaid but not yet disbursed by CDP, equal to about €218 million.

Interest on debt securities mainly regarded postal savings bonds for about €1,642 million.

COMMISSIONS - ITEMS 40 AND 50

During the period, CDP earned commission income on lending operations amounting to about €2.7 million and commission income of about €1.5 million relating to the agreement signed with the Ministry for the Economy and Finance in respect of assets and liabilities transferred to the MEF pursuant to Article 3 of the ministerial decree of 5 December 2003.

Commission expense mainly regards the charge for the period, equal to about €452 million, of the remuneration paid to Poste Italiane S.p.A. for managing and placing postal funding products.

DIVIDENDS AND SIMILAR REVENUES - ITEM 70

Dividends mainly regard the accrued share attributable to CDP S.p.A. from its equity investments in Istituto per il Credito Sportivo (about €2.5 million), ENI S.p.A. (about €260 million), ENEL S.p.A. (about €182 million).

GENERAL AND ADMINISTRATIVE EXPENSES – ITEM 180

Staff costs came to about €122 million, down by about €18.6 million compared with the first half of 2008, mainly due to the reversal of the electricity discounts provision following the agreement with Enel Servizio Elettrico that recalculated the correct number of eligible retirees pertaining to Terna.
Other administrative expenses totalled some €97.5 million, an increase of 6% on the first half of 2008.

OTHER OPERATING COSTS/INCOME – ITEM 220

At 30 June 2009 the item showed a balance of €694 million, an increase of 14% compared with the first half of 2008. The rise is essentially attributable to the following developments:

1) an increase of €26.1 million in Terna revenues, mainly attributable to the effects of AEEG Resolution no. 188/08, which revised rates for 2009 and introduced the guarantee mechanism to neutralise changes in the volume of electricity transmitted exceeding a range of +/- 0.5%. In addition, grid transmission fees in respect of the defence plan also rose by €3.1 million;
2) grid utilisation fees for TELAT for the second quarter of 2009 (€29.4 million) as a result of AEEG Resolution no. 31/09, which authorised the inclusion of the company's high-voltage lines in the NTN;
3) an increase in revenues for capital gains, mainly related to the sale of a building in Padua (€1.6 million).

OPERATING SEGMENTS

A.1 DISTRIBUTION BY SECTOR: INCOME STATEMENT

DISTRIBUTION BY BUSINESS SEGMENT: INCOME STATEMENT *thousands of euros*

	Separate Account	Ordinary Account	Joint Services	Eliminations	Regulated activities in electricity sector	Unregulated activities in electricity sector	Not allocable	Assets held for sale	Consolidation eliminations	Total CDP Group
Interest income and similar revenues	4,182,372	51,964		(2,511)			7,532	6,407	(3,075)	4,242,689
- of which in respect of internal transactions	2,274	237		(2,511)						
Interest expense and similar charges	(2,871,451)	(53,473)		2,511			(78,245)	(22,214)	3,075	(3,019,797)
- of which in respect of internal transactions	(237)	(2,274)		2,511						
NET INTEREST INCOME	**1,310,921**	**(1,509)**					**(70,713)**	**(15,807)**	**0**	**1,222,892**
Net commissions	(450,560)	2,695	(55)				(1,883)			(449,803)
Dividends and similar revenues	565,536						185		(119,813)	445,908
Net gain (loss) on trading activities	(6,367)						(13,463)	6,500		(13,330)
Net gain (loss) on hedging activities	(29,616)	202					667			(28,747)
Gains (losses) on disposal or repurchase of loans	5,139									5,139
GROSS INCOME	**1,395,054**	**1,387**	**(55)**				**(85,207)**	**(9,307)**	**(119,813)**	**1,182,060**
Net impairment adjustments of loans										
Administrative expenses	(6,083)	(1,412)	(22,243)				(189,562)	(35,688)		(254,988)
Other operating income (costs)	100	256	214		677,561	16,177		113,442		807,749
OPERATING INCOME	**1,389,071**	**231**	**(22,083)**		**677,561**	**16,177**	**(274,769)**	**68,447**	**(119,813)**	**1,734,821**

A.2 DISTRIBUTION BY SEGMENT: BALANCE SHEET

DISTRIBUTION BY BUSINESS SEGMENT: BALANCE SHEET *thousands of euros*

	Separate Account	Ordinary Account	Joint Services	Eliminations	Terna Group		Total CDP Group
					Italy	Brazil	
Loans to customers	82,087,179	2,223,346					**84,310,524**
Due to customers	98,041,070	35					**98,041,105**
Securities issued	105,740,734	2,408,340			2,080,068		**110,229,141**
Cash and cash equivalents and net interbank position	116,265,460	96,027	(53)		(2,207,603)		**114,153,831**

BUSINESS COMBINATIONS

TELAT acquisition

On April 1, 2009, in implementation of the sale agreement signed on December 19, 2008, Terna acquired from Enel Distribuzione the entire share capital of Enel Linee Alta Tensione Srl (“ELAT”), the company to which Enel Distribuzione had, with effect from January 1, 2009, transferred a business line consisting of its high-voltage power lines and associated legal relationships. The operations transferred to ELAT comprise 18,583 kilometres of high-voltage network, mainly at 132 kV and 150 kV.

Also on April 1, 2009, the extraordinary shareholders' meeting of ELAT voted to change the company name to “Terna Linee Alta Tensione S.r.l.” (“TELAT”).

The price for the company, equal to €1,152 million, is subject to adjustment based on the change in the equity of TELAT as of the sale date, currently estimated at about €14.4 million, corresponding to the profit of TELAT at the sale date. In addition, following the determination by the AEEG of the remuneration of the portion of the NTN involved, which occurred following the signing of the sale agreement, Enel Distribuzione will pay Terna €11 million, determined on a lump-sum basis, as compensation for the rate differential. The overall cost of the acquisition therefore amounts to €1,159.6 million, including incidental expenses directly attributable to the transaction in the amount of about €4.2 million.

The acquisition expanded the length of Terna's network by a total of 43% and its regulatory asset base (RAB) by 18%, and had a positive impact on the Terna Group's performance from the first year of consolidation.

The transaction was financed in full with medium/long-term bank loans.

In preparing the half-year financial statements, the excess cost (€301.7 million), equal to the difference between the total cost of the transaction and the equity acquired, was provisionally allocated on the basis of the preliminary results of a specific appraisal, still under way, by independent experts. The allocation process will be completed within one year of the closing of the transaction, as provided for under IFRS 3 – Business Combinations.

The following table reports the IFRS carrying amounts of each class of assets and liabilities of TELAT at the acquisition date before the business combination and the related fair value following the provisional purchase price allocation:

	IFRS carrying amount before business combination	Fair value
	thousands of euros	*thousands of euros*
Non-current assets	**880,719.6**	**1,182,797.6**
1 Property, plant and equipment	878,998.4	1,175,476.4
		5,600.0
3 Intangible assets	0.0	
4 Deferred tax assets	1,637.8	1,637.8
7 Other non-current assets	83.4	83.4
Current assets	**64,533.3**	**64,533.3**
2 Trade receivables	1,101.9	1,101.9
4 Cash and cash equivalents	129.5	129.5
5 Other current assets	63,301.9	63,301.9
TOTAL ASSETS	**945,252.9**	**1,247,330.9**
Non-current liabilities	**64,363.1**	**159,215.7**
2 Employee benefits	87.4	87.4
3 Provisions for contingencies and charges	1,539.2	1,539.2
4 Deferred tax liabilities	20,587.6	115,440.2
6 Other non-current liabilities	42,148.9	42,148.9
Current liabilities	**22,914.2**	**22,914.1**
3 Trade payables	13,929.9	13,929.8
4 Tax liabilities	6,889.4	6,889.4
6 Other current liabilities	2,094.9	2,094.9
TOTAL LIABILITIES	**87,277.3**	**182,129.8**
Net identifiable assets and liabilities	**857,975.6**	**1,065,201.1**
Goodwill in respect of the acquisition		94,432.5
Price	**1,159,633.6**	**1,159,633.6**

The revenues and profit achieved in the first six months of 2009 by the TELAT subsidiary amounted to €59.4 million and €23.8 million respectively. The contribution since the acquisition date to consolidated profit for the first half of 2009 totalled €14.3 million

TRANSACTIONS WITH RELATED PARTIES

1. Information on the compensation of directors and management

(thousands of euros)

REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS

	1st half 2009
a) Directors	551
b) Statutory auditors	54
Total	**604**

(thousands of euros)

REMUNERATION OF KEY MANAGEMENT

	1st half 2009
(a) short-term benefits	2,961
(b) post-employment benefits	38
(c) other long-term benefits	-
(d) severance benefits	97
(e) share-based payments	-
Total	**3,096**

(thousands of euros)

REMUNERATION PAID TO DIRECTORS AND STATUTORY AUDITORS

Name	Position	Period in office	End of term (*)	Compensation and bonuses
Board of Directors				
Franco Bassanini	Chairman	01/01/09-30/06/09	2009	100
Massimo Varazzani	Managing Director	01/01/09-30/06/09	2009	250
Vittorio Grilli	Director	01/01/09-30/06/09	2009	(**)
Nunzio Guglielmino	Director	01/01/09-30/06/09	2009	18
Luisa Torchia	Director	01/01/09-30/06/09	2009	18
Fiorenzo Tasso	Director	01/01/09-30/06/09	2009	18
Francesco Giovannucci	Director	01/01/09-30/06/09	2009	18
Gianfranco Imperatori	Director	01/01/09-23/04/09		11
Ettore Gotti Tedeschi	Director	29/04/09-30/06/09	2009	6
Gianfranco Viesti	Director	01/01/09-30/06/09	2009	18
Supplementary members for administration of Separate Account (Art. 5.8, Decree Law 269/2003)				
Edoardo Grisolia	Director (1)	01/01/08-31/12/08	2009	(**)
Maria Cannata	Director (2)	01/01/08-31/12/08	2009	(**)
Isaia Sales	Director	01/01/08-31/12/08	2009	18
Francesco Scalia	Director	01/01/08-31/12/08	2009	18
Giuseppe Pericu	Director	01/01/08-31/12/08	2009	18
Board of Auditors				
Alberto Sabatini	Chairman	01/01/08-31/12/08	2009	14
Mario Basili	Auditor	01/01/08-31/12/08	2009	(**)
Fabio Alberto Roversi Monaco	Auditor	01/01/08-31/12/08	2009	10
Antonello Arru	Auditor	01/01/08-31/12/08	2009	10
Biagio Mazzotta	Auditor	01/01/08-31/12/08	2009	(**)

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

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

(1) *Delegate of State Accountant General*

(2) *Delegate of Director General of the Treasury*

2. Information on transactions with related parties

CDP

At 30 June 2009 CDP had the following transactions with the parent, subsidiaries and associates.

Transactions with the Ministry for the Economy and Finance

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

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

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

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

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

(thousands of euros)

Transactions with Ministry for the Economy and Finance	**30 June 2009**
Cash and cash equivalents	115,814,953
Financial assets held to maturity	204,989
Loans to customers	33,407,376
Other assets	5,175
Due to customers	4,329,687
Other liabilities	55
Interest income and similar revenues	2,914,846
Commission income	1,524
Interest expense and similar charges	(87,490)

Transactions with subsidiaries

During the first half of 2009, Terna S.p.A. subscribed EMTN bonds issued by CDP in the nominal amount of €700 million, which were repaid in full by the end of April 2009. Also in the first half of the year, CDP approved financing of up to €500 million to Terna S.p.A., which had not been disbursed as of 30 June 2009.
The transactions outstanding at the end of the period and the related effects on the income statement are as follows:

(thousands of euros)

Transactions with subsidiaries	**30 June 2009**
Other assets	514
Commission income	1,014
Interest expense	(3,075)

Transactions with associates

Transactions with associates are entirely accounted for by relations with Poste Italiane S.p.A., including both the placement and management service for postal savings products and loans granted by CDP.
The service provided by Poste Italiane is remunerated with an annual commission set in a specific agreement between the parties.
Outstanding transactions and the related financial effects at period-end were as follows:

(thousands of euros)

Transactions with associates	**30 June 2009**
Loans to customers	840,235
Due to customers	592,190
Other liabilities	750,000
Interest income and similar revenues	16,356
Commission expense	(750,000)
of which: subject to amortisation	(297,750)

TERNA

Terna Group's transactions with related parties during the first half of the year consist:

- **for continuing operations,** of transactions with Cassa Depositi e Prestiti S.p.A., with the associated company CESI SpA, with employee pension funds (Fondenel and Fopen) and with companies belonging to the GSE Group, the Enel Group, the Eni Group, the Ferrovie dello Stato Group and ANAS S.p.A.;
- **for assets held for sale**: of transactions with the Brazilian joint ventures (ETAU and Brasnorte).

Transactions with related parties during the period essentially regarded services rendered as part of ordinary operations that were settled on an arm's length basis. The following table sets out the nature of the Terna Group's transactions, assets and liabilities with related parties, as well as the relevant revenues and costs for the year and receivables and payables at 30 June 2009.

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

	Income statement					
	Revenues			Expenses		
	Grid transmission fee and other energy items	Grid transmission fees (other owners) and pass-through energy items	Non-energy-related items	Grid transmission fee and other energy items	Grid transmission fees (other owners) and pass-through energy items	Non-energy-related items
Continuing operations						
Controlling company						
Cassa Depositi e Prestiti S.p.A.			3.1			0.5
Total de facto controlling company	***0.0***	***0.0***	***3.1***	***0.0***	***0.0***	***0.5***
Associates:						
CESI S.p.A.						0.4
Total associates	***0.0***	***0.0***	***0.0***	***0.0***	***0.0***	***0.4***
Other related parties:						
GSE Group	13.1	617.9	0.2		208.6	
Enel Group	467.9	477.6	9.6	4.9	596.3	3.5
Eni Group	3.7	82.9	0.3		76.1	
Ferrovie Group	0.4	16.2	0.0	3.3	5.1	
ANAS S.p.A.						
Total other related parties	***485.1***	***1,194.6***	***10.1***	***8.2***	***886.1***	***3.5***
Pension funds:						
Fondenel						0.2
Fopen						0.8
Total pension funds	***0.0***	***0.0***	***0.0***	***0.0***	***0.0***	***1.0***
Total continuing operations	***485.1***	***1,194.6***	***13.2***	***8.2***	***886.1***	***5.4***
Assets held for sale						
Joint ventures:						
ETAU SA			0.2			
Brasnorte de Energia SA			9.9			
Total joint ventures:	***0.0***	***0.0***	***10.1***	***0.0***	***0.0***	***0.0***
Total assets held for sale	***0.0***	***0.0***	***10.1***	***0.0***	***0.0***	***0.0***
Total	***485.1***	***1,194.6***	***23.3***	***8.2***	***886.1***	***5.4***

	Balance sheet					Guarantees*
	Property, plant and equipment	Receivables and other assets		Payables and other liabilities		
	Capitalised costs	Other	Financial	Other	Financial	
Continuing operations						
Controlling company						
Cassa Depositi e Prestiti S.p.A.					1.0	
Total de facto controlling company	***0.0***	***0.0***	***0.0***	***0.0***	***1.0***	***0.0***
Associates:						
CESI S.p.A.	4.2	0.1		3.2		1.0
Total associates	***4.2***	***0.1***	***0.0***	***3.2***	***0.0***	***1.0***
Other related parties:						
GSE Group		2.7		0.1		
Enel Group	1.0	168.7		31.6		517.9
Eni Group	0.0	0.2		0.3		30.7
Ferrovie Group				3.3		22.0
ANAS S.p.A.		0.2		0.5		
Total other related parties	***1.0***	***171.8***	***0.0***	***35.8***	***0.0***	***570.6***
Pension funds:						
Fondenel						
Fopen				1.3		
Total pension funds	***0.0***	***0.0***	***0.0***	***1.3***	***0.0***	***0.0***
Total continuing operations	***5.2***	***171.9***	***0.0***	***40.3***	***1.0***	***571.6***
Assets held for sale						
Joint ventures:						
ETAU SA		0.2				
Brasnorte de Energia SA		7.6	12.8			
Total joint ventures:	***0.0***	***7.8***	***12.8***	***0.0***	***0.0***	***0.0***
Total assets held for sale	***0.0***	***7.8***	***12.8***	***0.0***	***0.0***	***0.0***
Total	***5.2***	***179.7***	***12.8***	***40.3***	***1.0***	***571.6***

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

The following significant transactions were carried out during the period

- as discussed above, Terna Participações granted a loan to the joint venture Brasnorte for a maximum of R$45.0 million, of which R$35.2 million had already been disbursed (about €12.8 million) at the reporting date;
- within the framework of transactions with the controlling company Cassa Depositi e Prestiti (CDP), in April 2009 Terna requested early redemption, in the amount of €700 million, on the bonds acquired from CDP on February 12, 2009. That temporary investment of the Parent's liquidity (later used for the TELAT acquisition) accrued interest income of €3.1 million.