CASSA DEPOSITI E PRESTITI

# CDP GROUP

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## at 30 June 2008

# Interim Consolidated Financial Statements at 30 June 2008

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

**REGISTERED OFFICE**

ROME– Via Goito, 4

**COMPANY REGISTER OF ROME**

Entered in Company Register of Rome no. 80199230584

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

**SHARE CAPITAL**

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

Tax code 80199230584 – VAT registration no. 07756511007

# CONTENTS

# INTERIM REPORT

# ON

# GROUP OPERATIONS

# 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 financial statements at 30 June 2008 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.

## 1.1 THE CDP GROUP

On 15 September 2005 Cassa depositi e prestiti S.p.A. acquired 29.99% of Terna S.p.A. Following the acquisition, CDP S.p.A. 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 2008 will be discussed separately in this consolidated report.
At 30 June 2008 the CDP Group is composed of the parent company CDP S.p.A., Terna S.p.A. and its Italian and Brazilian subsidiaries.

**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 |
|---|---|---|---|
| Terna S.p.A. | Rome | CDP | 29.99% |
| Terna Participaçoes SA | Rio de Janeiro (Brazil) | Terna S.p.A. | 66.00% |
| RTL Rete Trasmissione Locale S.p.A. | Rome | Terna S.p.A. | 100.00% |
| inTERNAtional S.p.A. | Rome | Terna S.p.A. | 100.00% |
| TSN SA | Rio de Janeiro (Brazil) | Terna Participaçoes SA | 100.00% |
| Novatrans Energia Spa | Rio de Janeiro (Brazil) | Terna Participaçoes SA | 100.00% |
| Terna Serviços LTDA | Rio de Janeiro (Brazil) | Terna Participaçoes SA | 99.9% |
| Empresa de Transmissão de Energia do Oeste LTDA | Rio de Janeiro (Brazil) | Terna Participaçoes 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 S.p.A. from an agency part of general government into a joint-stock company pursuant to Article 5 of Decree Law 269 of 30 September 2003.

Article 5.7 of the decree outlines the new company's main lines of activity, which maintain continuity with CDP S.p.A.'s mission prior to the transformation. Specifically, they are:

- financing of any form for the state, regional governments, local authorities, public bodies and public-law entities using repayable funds raised from postal savings bonds and passbook savings accounts and other forms of funding that may benefit from state guarantees;
- financing of works, plant, networks, and other resources intended for the delivery of public services and for improvement projects. To this end, the CDP S.p.A. may raise funds through the issue of securities, borrowing and other financial operations, without state guarantees and precluding demand funding.

Decrees issued by the Minister for the Economy and Finance on 5 December 2003 and 6 October 2004 implemented the decree law and established the assets and liabilities of CDP S.p.A., as well as the criteria for organisational and accounting separation and the procedures to be followed in setting the terms and conditions of lending and funding under the Separate Account.

With regard to the acquisition of equity investments, on 27 January 2005 the Minister for the Economy and Finance issued, pursuant to Article 5.9 of Decree Law 269 of 30 September 2003 (regulating the minister's policy-making powers for CDP S.p.A. activities), a decree establishing the criteria for determining which equity investments CDP S.p.A. may make.

The decree makes reference to CDP S.p.A.'s Bylaws, which at Article 3.2, establish that "The company may also carry out any other operations instrumental, related or accessory to the attainment of its corporate purpose, including *inter alia*: [...] acquiring equity investments and interests in companies, other businesses, consortiums and business groupings in Italy and abroad". The decree specifies the definitions of instrumental, related and accessory to the corporate purpose of CDP S.p.A.. Accordingly, CDP S.p.A. may acquire, using funds from postal savings if deemed appropriate, equity investments in companies whose business:

- is functional or auxiliary to the pursuit of CDP S.p.A.'s corporate purpose (instrumental equity investments);
- is interdependent with CDP S.p.A.'s corporate purpose (related equity investments);
- is complementary to CDP S.p.A.'s corporate purpose (accessory equity investments).

In accordance with Article 5(6) of Decree Law 269 of 30 September 2003, the provisions of Title V of the 1993 Banking Law also apply to CDP S.p.A., given its characteristics.

All of the activities established by the new regulatory framework in which CDP S.p.A. now operates must be conducted in a manner such that they preserve the financial stability of the organisation over the long term while ensuring a return on investment for the shareholders (bearing in mind the "preferred dividend" to be paid to the holders of preferred shares pursuant to Article 30 of the company articles of association).

### 1.2.1 Organisational and accounting separation

Article 5(8) of Decree Law 269 of 30 September 2003 established a system of organisational and accounting separation between the activities of general economic interest and the other activities performed by the company. To this end, Article 8 of the decree of the Minister for the Economy and Finance (MEF) of 5 December 2003 called for CDP S.p.A. to submit the criteria for organisational and accounting separation to the MEF, having heard the opinion of the Bank of Italy, with such criteria to be based on the guidelines set out in the MEF decree of 6 October 2004.

By the end of the 2004 financial year, CDP S.p.A. had completed the procedures to implement organisational and accounting separation after having obtained the opinion of the Bank of Italy and submitted the definitive criteria to the MEF. As such, the organisational and accounting separation took full effect from the 2005 financial year.

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 “market” activities.

More specifically, the separation arrangements put in place by CDP S.p.A. envisage:

- the establishment of three operating units called, respectively, the Separate Account, the Ordinary Account, and Joint Services, within which CDP S.p.A.’s existing organisational units have been re-grouped. The Separate Account includes the units responsible for government financing activity, the management of equity investments, the management of the assets and functions transferred to MEF with CDP S.p.A.’s transformation into a joint-stock company, and the provision of advisory services to government bodies. The Ordinary Account includes the units responsible for funding activities regarding infrastructure for the delivery of public services and related advisory, study, and research activities. Joint Services include the units responsible for shared functions of governance, policy and control of the company in the light of the company’s unique status;
- the implementation of a double level of separation, with the first level envisaging the allocation of direct costs and revenues to the Accounts and Joint Services, and the second level the subsequent allocation to the Accounts of the costs and revenues of Joint Services on the basis of appropriate analytical accounting methods;
- the recognition and measurement of any internal transactions between the Separate Account and the Ordinary Account, or between the Accounts and Joint Services, using the respective market prices as a benchmark, with a view to preventing unauthorised transfers of resources;
- the preparation of distinct annual income statements on the basis of the levels of separation described above.

As regard the organisational structure of CDP S.p.A. in effect as of 30 June 2008, the Public Investments and Development Policies Management & Support divisions come under the Separate Account, while the Infrastructure & Strategic Projects division comes under the Ordinary Account. Joint Services include all of the support areas and the governance and control bodies. The departments of the Finance division, on the other hand, are divided among the other three divisions based on the specific activity being performed.

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

The contribution of the Separate Account and the Ordinary Account to CDP S.p.A.'s performance is detailed in the notes to the condensed interim financial statements (Segment Information).

### 1.2.2 Operation of the Separate Account

During the first half of 2008, following the significant expansion of the company's range of products between 2005 and 2007, and particularly the introduction of new credit products dedicated to specific customer segments, the related internal procedures were adapted, and the conditions for accessing credit under the Separate Account were revised.

These revisions were formalised, after the close of the first six months, with circular no. 1273 of 22 July 2008 and essentially concerned:

- the supplementation of the documentation required in the preliminary loan processing phase;
- the revision of contracts.

With regard to the first point, the supplementation of the documentation required of public entities in order to access credit under the Separate Account seeks to unite compliance with the principles of accessibility, uniformity in treatment, predetermination and non-discrimination that characterise the service of general economic interest entrusted to CDP with safeguarding the organisation's financial stability and protecting postal savings. Accordingly, preliminary loan application processing will include gathering all the information needed to verify the applicant's ability to sustain the debt, such as verifying the entity's accounts and those of any significant subsidiaries, as well as verifying the legal compliance of the investment or the expenditure that the entity intends to finance.

Based on this extended preliminary assessment stage is complete, CDP will retain the option of granting or refusing credit to the applicant, possibly including clauses in the loan contract that enable it to monitor the performance and financial position of the borrower.

The revision of contracts involves the unification of the general terms and conditions and the contractual clauses into a single document and the redefinition of a number of financial parameters in order to align them with standard market practice.

### 1.2.3 Operation of the Ordinary Account

During the first half of 2008, lending activities for the Ordinary Account continued in accordance with the guidelines following in previous periods, while seeing a significant increase in lending volumes.

New loans granted during the period involved a wide range of areas, including:

- construction and operation of public property;
- power generation from traditional and renewable sources;
- local multiutilities;
- urban transformation projects that focus on infrastructures;
- water systems;
- local public transportation.

As concerns the types of financing adopted, CDP was involved in both corporate loans and project financing in the various areas listed above.

On the funding side, during the first half of 2008, CDP raised €250 million through the EMTN programme, and additional operations were carried out after the close of the period (as described in the related section below).

## 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 the 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 the La 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). Since 2004 the company has been listed on the Italian Stock Exchange. Cassa Depositi e Prestiti S.p.A. holds a plurality of the share capital, with 29.99%. Of the total share capital, 65% is held by Italian investors and 35% by foreign investment funds, mainly from Europe and the United States.

Abroad, Terna controls Terna Participações S.A., a group 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.

**1.3.1 Operations**

Terna is an international group: it has consolidated its position at the world level and is one of the leading players in the sector, the second-largest independent system operator in Europe after France and seventh in the world in terms of strategic assets. The Terna Group operates in the electricity transmission sector in Italy 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.

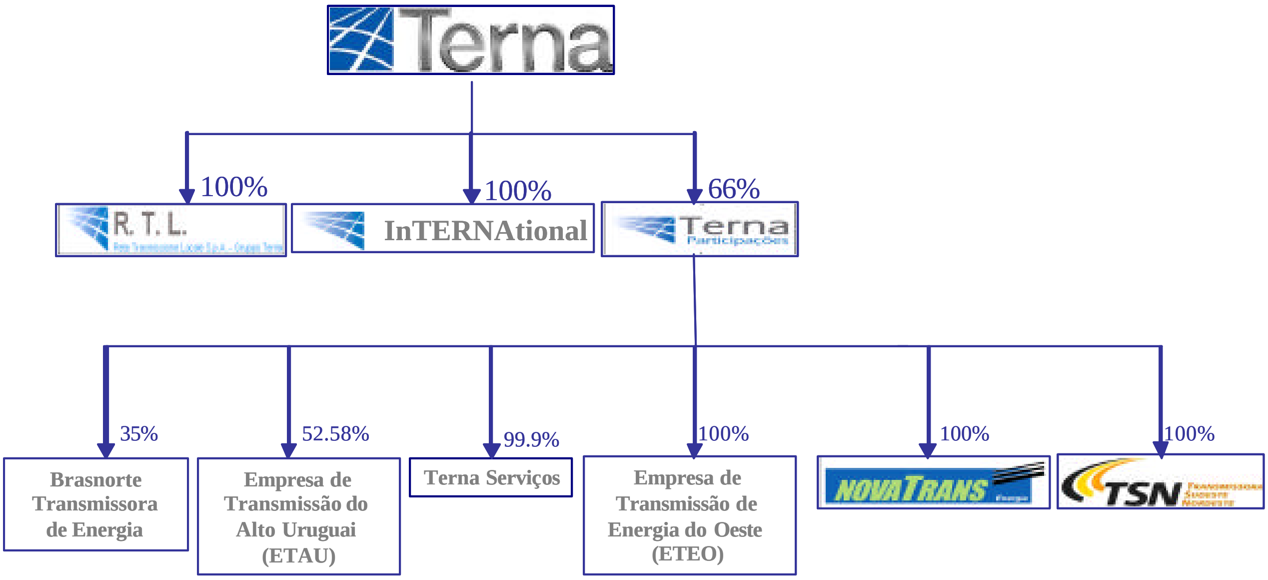
In Italy, Terna is the owner of the high-voltage National Transmission Network, the set of power lines and electrical stations that forms the infrastructure for the transmission of electricity from generation plants to distribution points. In particular, Terna owns 39,455 km of lines and 367 transformer and switching stations.
The grid is composed of the following elements: very-high-voltage transformers that draw electricity from domestic power plants (or from border points for imported electricity); the very-high and high-voltage lines that transport electricity; and finally, the transformer and switching stations that supply electricity to distribution companies, who in turn (through the sales companies) bring electricity to homes and factories.

Abroad, Terna Participações SA, acting through its subsidiaries, holds concessions for a total of 2,963 km of high-voltage lines, all in Brazil. On 30 May 2008, following approval by the local regulatory authority (Agência Nacional de Energia Elétrica; ANEEL), its subsidiary

Lovina Participações completed the acquisition of the entire share capital of Empresa de Transmissão de Energia do Oeste Ltda ("ETEO"). On 2 June 2008 Lovina Participações SA was merged into ETEO.

### 1.3.2 The companies in the Terna Group

The structure of the Terna Group is as follows:



# 2. THE GENERAL MACROECONOMIC SITUATION

## 2.1 THE MACROECONOMIC FRAMEWORK

The first half of 2008 saw a heightening of tensions on the international financial markets and a deterioration in the world macroeconomic situation. The sharp slowdown in the U.S. economy and the global repercussions of the financial crisis translated into weaker growth in the leading developed economies, which has thus far been offset by the continuing strong growth of the emerging economies. At the same time, inflationary pressures remain high, driven by the sharp increase in food and energy prices, and, overall, the risk factors for slower growth in the global economy predominate.

Growth in U.S. GDP was close to zero growth in the fourth quarter last year (0.6% on an annualised basis, down from 4.9% in the third quarter), reflecting the sharp contraction in investment in residential construction, the decline in inventories, and slower growth in household consumption and non-residential fixed investment. The slowdown in consumption appears to have continued into the first quarter of 2008, affected by the decline in employment, the weakness of growth in real disposable income, and the fall in the prices of financial and real assets. Housing market indicators indicate that the drop in prices and the contraction in investment could continue in the coming months, while the decline in orders and the deterioration in business confidence point to a further slowdown in non-residential investment. Analysts and international organisations have also revised their growth forecasts for the U.S. economy downward. The IMF projects growth of 0.5% for the current year, 1 percentage point lower than the forecast issued in January, and implies a contraction, on average, over the course of the year.

The Japanese economy saw growth accelerate unexpectedly in the fourth quarter of 2007 (to 3.5% on an annualised basis), with the expansion being supported by exports, particularly to other Asian economies. Nonetheless, economic indicators point to a weakening in the first half of 2008, and analysts and international organisations have lowered their growth forecasts to below 2%. The recent rise in consumer price inflation (to 1% in February) was due entirely to energy and food prices, excluding which the change in prices was slightly negative.

In the fourth quarter of 2007, economic growth continued at a rapid pace in the leading emerging economies. China’s central bank tightened monetary conditions further in an effort to curb the strong expansion of credit and to counter inflation (which rose to 8.7% in

February, due primarily to increasing food prices). There is no indication that these measures have thus far had an effect on trends in investment. Exports, on the other hand, slowed in the first six months of 2008, reflecting a deceleration in demand. Although strengthening more rapidly against the dollar (4.5% with respect to the end of last year), the exchange rate of the renminbi (the currency of the People's Republic of China) remained virtually unchanged in nominal effective terms. For 2008, the IMF expects the slowdown in the more developed countries to have a relatively limited impact on the emerging nations: GDP is expected to rise by 9.3% in China (from 11.4% in 2007), 7.9% in India (from 9.2%), 4.8% in Brazil (from 5.4%), and 6.8% in Russia (from 8.1%).

In the euro area, both domestic and foreign demand should provide solid support for GDP growth throughout 2008. Indeed, although there are signs of a slowdown, growth in the global economy remains high (at 3.8% in 2008 according to the IMF), driven by the continuing strong expansion of the emerging economies. The fundamentals of the euro area economy also remain strong, and investment growth (4.3%) combined with the high capacity utilisation rate and a high level of profitability in the non-financial sector should ensure moderate growth for the euro area throughout 2008 (1.6%). With regard to prices, the inflation rate as measured by the harmonised consumer price index remains well above the target of 2% set by the ECB, reaching 3.7% in May. In addition, the direction of price pressures over the medium term remains upwards and pressures have continued to mount in recent months.

In Italy, industrial activity began contracting again in the second quarter of 2008 (-0.6% according to ISAE estimates), after recovering in the first (+0.7%). A decisive factor was the reduction in domestic orders, which were penalised by rising prices and by reduced attractiveness of investment (-13% at April), as well as in foreign orders, due to the strengthening of the euro and the slowdown in the global economy. Forecasts for 2008 GDP growth (0.4% according to latest estimates) have been progressively lowered in recent months, largely in response to factors common of other countries in the euro area, such as the more uncertain outlook for growth in global trade, the deterioration in terms of trade, and the marked strengthening of the euro. After the increase in 2007 (1.4%), consumer spending in Italy slowed sharply, with a drop in consumption in May of 2.7%, the sixth decline in the last seven months, with a total decrease in consumption for the first five months of the year of 1.9%, compared with a 1.1% increase posted for the same period of 2007.

## 2.2 CDP'S REFERENCE MARKET

### 2.2.1 The financial market and rates

During the first half of 2008, the financial markets of the leading industrial countries were affected by high levels of uncertainty. Loan losses and writedowns, either announced or recognised, for financial intermediaries since the start of the crisis on the sub-prime mortgage market rose from about $230 billion at the end of March to some $400 billion by the end of June. From mid-March to mid-May, the stock markets in the United States, the United Kingdom and the euro area had posted gains of around 10%, but then began falling again, more than offsetting those rises and producing an overall loss of between 3% and 8% for the three economies. Shares in the financial services segment, which posted gains in line with the market average during the upward swing, were highly penalised during the downturn, with a drop of some 24% in both the United States and the euro area. In the United States, the stock prices of firms specialised in mortgage loan securitisation (Fannie Mae and Freddie Mac) posted losses of around 50% in response to fears concerning their solvency.

Risk premiums on corporate bonds in the highest risk categories, which had narrowed between mid-March and mid-May, have begun widening again both in the United States (reaching 790 basis points by early July, which is still about 50 points lower than the previous highs) and in the euro area, where they reached 830 basis points, 40 points higher than the figure in mid-March. Spreads between highly rated (BBB) corporate bonds and government securities increased to a more limited extent, reaching 300 basis points in the United States and 200 basis points in the euro area.

Yields on ten-year government bonds in the leading areas posted significant increases between mid-April and mid-June – about 70 basis points in the United States, the United Kingdom and the euro area and 50 basis points in Japan – due largely to changing expectations for monetary policy following the heightening of inflationary pressures.

Seeking to contain these pressures, especially their secondary impact, the European Central Bank (ECB) increased the main refinancing rate on 3 July to 4.25% from the previous 4.00%.

At the same time, the Federal Reserve continued to support the normal operation of the market by increasing the liquidity provided each month through the Term Auction Facility from $100 billion to $150 billion. On 21 April, the Bank of England introduced its Special Liquidity Scheme, a programme that enables banks and building societies to use one-year asset swaps to exchange securities issued in the securitisation of mortgage loans against U.K. treasury securities.

The market curve for euro-denominated interest rate swaps (IRSs) has flattened steadily since the beginning of the year, before actually becoming inverted in early June. In January, the average spread between 12-year and 2-year IRSs was 0.40%, compared with -0.33% in June.

Conditions on the interbank markets remained strained, reflecting the persistence of both liquidity and counterparty risk. The spread between the rates on secured and unsecured interbank deposits, which had posted a marked increase in the weeks following the crisis of the U.S. investment bank Bear Stearns in mid-March, narrowed slightly but remained well above the values seen before the summer of 2007. Currently, spreads are at 90 basis points for three-month U.S. dollar deposits and 60 basis points for those in euros and pounds.

In the second quarter, the slide in the U.S. dollar came to an end, with nearly all the depreciation of about 4% in real terms between the start of the year and the end of June taking place in the first quarter. After reaching an all-time low of $1.59 in April, the euro-dollar exchange rate subsequently stabilised, fluctuating around $1.56, while the dollar strengthened against the yen by about 6%.

### 2.2.2 Public finances

Based on figures published in the Italian Government's Economic and Financial Planning Document (EFPD), net general government borrowing is expected to reach 2.5% of GDP by the end of 2008, a moderate increase over the 2007 year-end figure (1.9% of GDP), but lower than that for 2006 (3.4% of GDP). The EFPD also expects the ratio of debt to GDP at the end of 2008 to fall slightly, to stand at 103.9%, compared with 104% in 2007 and 106.5% in 2006.

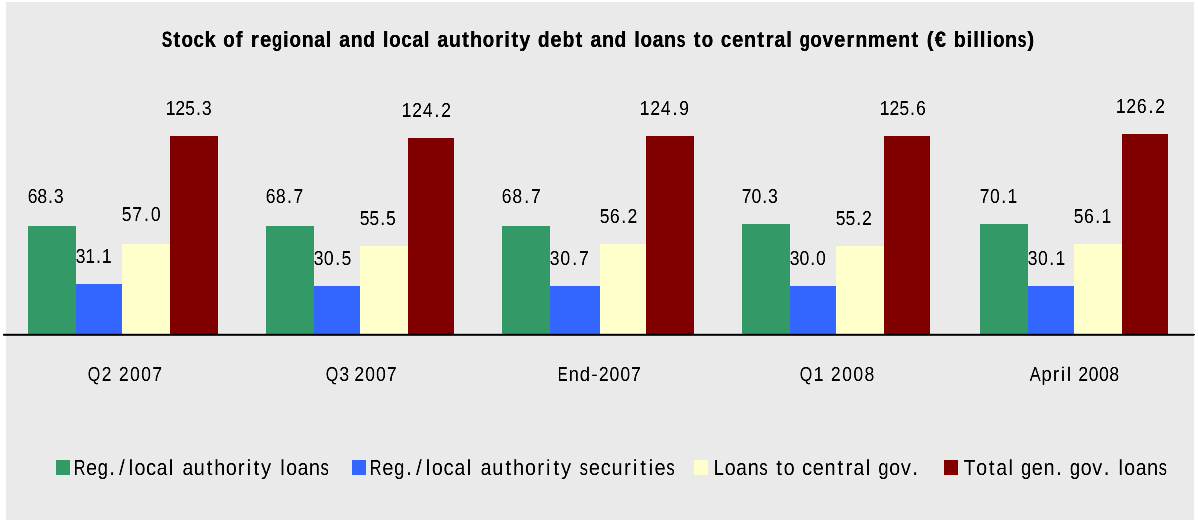
At 30 April 2008, the stock of loans to regional government entities reached €70.1 billion, a slight increase (2.1%) over the end of 2007 (€68.7 billion).

As at the same date, the stock of securities issued by local and regional authorities came to €30.1 billion, a slight decline (-2.2%) during the first half of 2008 from the figure posted at the end of 2007 (€30.7 billion).

Total debt for these local and regional government entities therefore reached €109 billion, including the securitisation transactions recognised as debt in addition to the bonds and other debt and securities issued.[1]

[1] Effective as of 1 January 2007, in application of the EUROSTAT criteria of September 2006, the 2007 Finance Act (Law 296 of 27 December 2006) extended the notion of debt for regional and other local governments to include the assignment or securitisation of receivables from suppliers of goods and services for which the entity assumes new payment obligations, including by way of restructuring amortisation plans with payment deferrals of more than 12 months. Transactions approved by regional and local governments prior to 4 September 2006 are not to be included if completed by 31 March 2007.

In general, CDP's primary market remained essentially stagnant for the first half of the year, both in terms of securities issued, the stock of which, as mentioned above, declined from the end of 2007, and lending, which, although posting a slight recovery over the performance of 2007, continues to show more modest growth than in years past.




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

A breakdown of the debt of regional and other local governments confirms the central importance of loans issued by CDP S.p.A. and other monetary financial institutions (MFIs) (64.6% of total debt, compared with 62.8% at the end of 2007), while bond issues continued to decline (now equal to 27.7% of all debt, compared with the 28.1% at the end of 2007 and 29.6% at the end of 2006). At the same date, securitisation transactions for regional and local authorities, which are treated as debt under Eurostat criteria, fell to 7.7% of total debt, as compared with 9.1% at the end of 2007.

The following provides a description of some of the main changes in the legislative framework concerning local public finances.

With Decree Law 93/2008, in May 2008 the Government exempted a household's primary residence from municipal property tax (ICI), effective as of 2008, in order to safeguard purchasing power. The consequent reduction in ICI revenues, estimated at a total of €1.7 billion, has been charged to the Ministry of the Interior. The law ratifying Decree Law 93/2008 (Law 126/2008) established that the Ministry of the Interior would make an initial payment to the municipalities for 50% of the total reimbursement due. Furthermore, until definition of the parameters of the new Stability Pact, the power of the regional and local governments to authorise increases in tax surcharges attributable to them from the state has been suspended. This suspension does not apply to the regions with high levels of healthcare deficits, for which the provisions of Article 1(174) of Law 311/2004 and Article 1(796)(b) of Law 296/2006 shall apply, or to local authorities that have included such increases in their budgets for 2008.

With regard to transactions in derivative instruments by regional and local authorities, Article 62 of Decree Law 112/2008 prohibits these entities from using such instruments until a specific regulation can be issued by the Ministry for the Economy and Finance, having obtained the opinions of the Bank of Italy and CONSOB, and, in any event, for a period of one year from the date on which the aforementioned decree goes into effect. Such authorities are also prohibited from using debt instruments which call for the repayment of principal in a single instalment. In addition, the duration of the debt amortisation schedules may not exceed a total of thirty years, including any refinancing or renegotiations of the debt.

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

### 2.3.1 Electricity demand in Italy

Accordingly to preliminary figures, in the first half of 2008 electricity demand amounted to 168,627 GWh, unchanged on the year-earlier period. Adjusting for calendar and weather effects, demand fell by 1.2%. Of total demand, 87.8% was met by domestic generation (85.0% in the same period of 2007), for a total of 148,134 GWh, net of consumption for ancillary services and pumping, an increase of +3.3% on the first half of 2007. The remainder (12.2%) was met by net imports, for a total of 20,493 GWh in the first half of the year, compared with 25,344 GWh in the year-earlier period (-19.1%). Breaking down external flows, gross imports decreased by 16.3% to 22,256 GWh compared with 26,600 GWh in the first half of the previous year. Exports rose from 1,256 GWh to 1,763 GWh, up 40.4%.

### 2.3.2 Electricity generation

Between January and June 2008, net domestic generation increased by 3.2% compared with the corresponding period of 2007.

### 2.3.3 Dispatching and sales

The peak power draw in the first half of 2008 amounted to 55,292 MW on 26 June 2008, a 1.8% increase compared with the same period in 2007 (the previous peak recorded on 26 June 2007 was 54,331 MW). Peak daily demand for electric power was recorded on the same day, with a total of 1,117 GWh, only 25 GWh less than the record posted in July 2007.

### 2.3.4 Meeting demand

The forecast and coordination processes for the maintenance operations used by Terna, together with the entry of new generating plants into service made it possible to meet demand in 2008 with adequate reserve margins. In fact, margins for the winter peak and the summer peak were both greater than in 2007.

As regards foreign trading, in the first 6 months of this year the average hourly price differential between the Italian electricity market and the French and German markets was about 49% lower (€18/MWh compared with €35/MWh) than in the same period last year. This price move caused net imports to decline, with a decrease of about 5 TWh in energy imported compared with the same period last year.

The structure of the electricity market did not undergo significant changes during the first half year of 2008 and therefore Terna operated on the Day Ahead Market on a daily basis, selling about 3.4 TWh and purchasing some 1.3 TWh.
As regards the Ancillary Services Market, Terna operated in the planning stage, which takes place the day before that on which the electricity flow occurs, purchasing and selling about 5.6 TWh and 5.8 TWh respectively, for a total net outlay of €846 million (including charges for forward contracts). The volume of purchases and sales in real-time balancing up to May came to 3.4 TWh and 4.5 TWh respectively, with a net charge of €236 million.

Downstream of real time, Terna verifies that operators have correctly performed their commercial obligations, both in terms of generation and demand. To this end, with the support of distributors, it acquires the metering data for each point of delivery and withdrawal and calculates the differences with respect to the defined programmes for electricity markets. These differences, referred to as imbalances, are calculated using algorithms set out in the regulatory framework. The net charge resulting from the calculation of imbalances and purchases and sales carried out by Terna on the Day Ahead Market and the Ancillary Services Market is charged on a pro rata basis to each consumer with a specific fee (uplift).

# 3. GROUP STRUCTURE

## 3.1 CDP ORGANISATION AND PERSONNEL

Through the first half of 2008, CDP continued developing its organisational structure through the following initiatives:

1. further development of the organisational model;
2. the design and revision of organisational processes;
3. the implementation of new technology infrastructure.

Over the first 6 months of 2008, the workforce of CDP S.p.A. went from 392 employees to 395, broken down as follows: 31 executives, 115 middle managers, and 249 office staff.

During the first half of the year, personnel with specialist skills, as well as with attitudes and motivation that are in line with the company's mission and values, were hired and assigned primarily to the administration, information systems and financial areas.

Training during the first half of the year involved 60% of the workforce and a total of 3,000 hours.
The training concerned:

- updates on financial and regulatory issues directly related to CDP's business;
- professional training;
- training on statutory obligations and procedures;
- corporate training;
- languages and information technology.

## 3.2 TERNA GROUP ORGANISATION AND PERSONNEL

With regard to developments in the organisational structure of Terna S.p.A., please see the section on Human Resources and Organisation in the Terna Annual Report at 31 December 2007.
The workforce of the Terna Group breaks down as follows:

| | Italy | | Brazil | | Total | | |
|---|---|---|---|---|---|---|---|
| | 30.06.2008 | 31.12.2007 | 30.06.2008 | 31.12.2007 | 30.06.2008 | 31.12.2007 | Change |
| **Total** | **3,504** | **3,495** | **202** | **107** | **3,706** | **3,602** | **104** |
| Executives | 68 | 68 | 1 | 1 | 69 | 69 | 0 |
| Middle managers | 465 | 464 | 13 | 10 | 478 | 474 | 4 |
| Office staff | 1,909 | 1,875 | 111 | 72 | 2,020 | 1,947 | 73 |
| Workers | 1,062 | 1,088 | 77 | 24 | 1,139 | 1,112 | 27 |

# 4. RESULTS FOR THE PERIOD

Net income for the first half of 2008 amounted to €927 million, of which the part pertaining to the shareholders of the parent company (hereinafter "the Group") came to €776 million and that pertaining to minority interests to €151 million.
Net interest income totalled €1,092 million, up 12.2% on the first half of the previous year.
Operating costs came to a positive €286 million (net other operating income), a decrease of 2.4% compared with the first half of 2007 owing to greater administrative expenses, depreciation and amortisation charges on non-current assets and provisions, which exceeded the rise in net other operating income.
Income taxes for the period amounted to €371 million.
Assets expanded by 3% with respect to the end of 2007 to €212 billion, with the principle items including cash and cash equivalents of €97 billion (+6.5%), equity investments and shares of about €17 billion (-11%), loans to customers of about €80.7 billion (+1%) and property, plant and equipment of €8.2 billion (+3.3%).
On the funding side, amounts due to customers came to nearly €90 billion (+2.4%) and securities issued to nearly €97 billion (+5.4%).
Shareholders' equity at the end of the year amounted to €15.9 billion, of which €13.1 billion pertaining to the Group and €2.7 billion pertaining to minority interests.

The following sections analyse the main assets and liabilities of CDP S.p.A. 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. By contrast, the figures in the financial statements and the notes to the financial statements take account of the different accounting policies envisaged for the consolidated financial statements compared with the separate financial statements and the fair value measurement of the assets and liabilities of the Terna Group as at the date they were acquired by CDP.

## 4.1 THE FINANCIAL POSITION AND PERFORMANCE OF CDP

### 4.1.1 Assets

The main categories of CDP assets are shown below, along with changes for the period.

*(millions of euros)*

**ASSETS**

| | 30/06/2008 (€/mil) | 31/12/2007 (€/mil) | Change (%) |
|---|---|---|---|
| Cash and cash equivalents and interbank deposits | 99,365 | 92,807 | 7.1% |
| Loans to customers and banks | 80,540 | 78,631 | 2.4% |
| Debt securities | 410 | 208 | 96.9% |
| Equity investments and shares | 17,831 | 19,950 | -10.6% |
| Hedging derivatives and financial assets held for trading | 1,477 | 1,182 | 25.0% |
| Property, plant and equipment and intangible assets | 214 | 214 | 0.3% |
| Accrued income, prepaid expenses and other non-interest-bearing assets | 1,176 | 2,212 | -46.9% |
| Other assets | 728 | 890 | -18.2% |
| **Total assets** | **201,741** | **196,094** | **2.9%** |

At the end of the first half of 2008, CDP had total assets of about €202 billion, compared with €196 billion at the end of 2007, an increase of around 3%.

An analysis of the individual aggregates shows significant growth in liquidity (+7.1%), as well as a moderate increase in loans to customers (+2.4%), a sharp rise in debt securities (+96.9%), and a drop in equity investments and shares (-10.6%) and in the other asset accounts.

The increase in liquidity is essentially attributable to the high volume of net funding through postal savings products during the first half of the year, in the amount of more than €4.5 billion.

During the first six months of the year, CDP also continued diversifying lending by granting and disbursing loans from the Revolving Fund to support business and investments in research (FRI) and developing operations of the Ordinary Account, where loans to customers continue to grow more rapidly than the other lending operations, as detailed below.

The increase for the period in debt securities is the result of the subscription of an inflation-linked bond with a total nominal value of €200 million. The operation is intended to provide a natural hedge against the risk of a change in the rate of inflation related to the significant increase in postal savings bonds that are indexed to Italian inflation.

The change in the balance of equity investments and shares from the end of 2007 (-10.6%) is partly the result of the decrease in the fair value of the shareholdings classified as available for sale, as well as the writedown of the indirect equity investment in STMicroelectronics N.V.

Among the other asset accounts, there was virtually no change in investments in non-current assets connected with the refurbishment of buildings and the renovation of furnishings and plant, and the investment in intangible assets connected primarily with the implementation and development of projects related to the Company's information systems.

### 4.1.2 Liabilities and equity

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

*(millions of euros)*

**LIABILITIES AND SHAREHOLDERS' EQUITY**

| | 30/06/2008 (€/mil) | 31/12/2007 (€/mil) | Change (%) |
|---|---|---|---|
| Funding | 185,900 | 178,213 | 4.3% |
| Hedging derivatives and financial liabilities held for trading | 829 | 730 | 13.5% |
| Accrued expenses, deferred income and other non-interest-bearing liabilities | 416 | 822 | -49.5% |
| Other liabilities | 815 | 842 | -3.3% |
| Provisions for contingencies, taxes and staff severance benefit | 905 | 1,131 | -19.9% |
| Shareholders' equity | 12,876 | 14,356 | -10.3% |
| **Total liabilities and shareholders' equity** | **201,741** | **196,094** | **2.9%** |

This aggregate increased by around 3% as compared with the end of 2007, due essentially to the positive trend posted in the first half of the year in funding through postal savings products, as described in detail below, which was accompanied by relatively insignificant changes in the other items on the liabilities side of the balance sheet.

Developments in CDP funding for the period are broken down in the table below.

*(millions of euros)*

**FUNDING**

| | 30/06/2008 (€/mil) | 31/12/2007 (€/mil) | Change (%) |
|---|---|---|---|
| Due to banks | 1.174 | 698 | 68,1% |
| Due to customers | 11.516 | 10.953 | 5,1% |
| Debt securities | 9.571 | 9.314 | 2,7% |
| Postal funding | 163.640 | 157.248 | 4,1% |
| **Total funding** | **185.900** | **178.213** | **4,3%** |

In the first half of 2008, net postal funding related to CDP S.p.A. was positive by about €4,540 million, doubling the figure for the same period of the previous year. The carrying amount of postal passbook savings accounts reached €77,791 million, while postal savings bonds, which are measured at amortised cost, came to €85,849 million (+2% and +6%, respectively, from 31 December 2007).

With regard to the other items comprising funding, the increase in the amounts due to banks is attributable to the increase in deposits connected with the Credit Support Annex guarantee agreements. As compared with the same figure at 31 December 2007, liabilities for securities increased following new bond issues under the Ordinary Account totalling €250 million. The change in amounts due to customers for the first half of the year is related to the aforementioned developments in amounts to be disbursed to customers.

### 4.1.3 Performance

CDP's performance 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**

| | 30/06/2008 (€/mil) | 30/06/2007 (€/mil) | Change (%) |
|---|---|---|---|
| NET INTEREST INCOME | 1,169 | 1,030 | 13.6% |
| GROSS INCOME | 1,391 | 1,185 | 17.4% |
| OPERATING INCOME | 1,362 | 1,147 | 18.7% |
| **NET INCOME FOR THE PERIOD** | **805** | **920** | **-12.4%** |

Net income for the first half of the year declined by about 12% compared with performance for the same period of the previous year. This can be attributed to the writedown of the equity investment in STMicroelectronics N.V., whereas all of the margins shown above actually increased.

Net interest income reached €1,169 million for the first half of 2008 (+14% over the same figure for the first half of 2007), essentially attributable to the increase in the volume of lending and funding for the period, despite the slight deterioration in the spread between the return on assets and the cost of liabilities.

Gross income came to €1,391 million, an increase of around 17% over the same period of 2007. In addition to being significantly affected by the factors cited in relation to net interest income, this performance was also the result of lower charges deriving from the positive developments in the net result of hedging activities and dividends accrued by CDP on its portfolio of equity investments, which was only partially offset by the increase, in absolute terms, in charges related to commission expense for postal savings products.

Nonetheless, in light of the writedown of the equity investment portfolio, net income for the period came to €805 million, falling by 12% from the same period of 2007.

Excluding the writedown, as a result of the factors discussed above in relation to gross income and the broad stability of operating costs with respect to the previous year, pro-forma net income for the first half of 2008 would be €1,071 million, an increase of 17% over the €920 million in the first half of 2007, as shown in the table below.

*(millions of euros)*

**INCOME DATA PRO-FORMA**

| | 30/06/2008 (€/mil) | 31/12/2007 (€/mil) | Change (%) |
|---|---|---|---|
| NET INTEREST INCOME | 1,169 | 1,030 | 13.6% |
| GROSS INCOME | 1,391 | 1,185 | 17.4% |
| OPERATING INCOME | 1,362 | 1,147 | 18.7% |
| **NET INCOME FOR THE PERIOD** | **1,071** | **920** | **16.5%** |

## 4.2 THE FINANCIAL POSITION AND PERFORMANCE OF TERNA

Net interest income at 30 June 2008 was equal to -€77.5 million, compared with -€56.2 million at 30 June 2007, with a decrease of about 11% in interest income and an increase of about 28% in interest expense.
At 30 June 2008, "Interest income and similar revenues" came to €12.6 million and essentially regarded interest income on short-term investments of funds.
"Interest expense and similar charges" amounted to €90.0 million at 30 June 2008 and largely comprised interest expense on loans and bank accounts, as well as interest on Terna bonds.
Gross income at 30 June 2008 came to -€21.3 million, compared with -€27.2 million at 30 June 2007.

The net gain (loss) on trading activities rose to €56.5 million at 30 June 2008 (€28.3 million at 30 June 2007). The decline in net financial expense is mainly attributable to the measurement of the derivatives portfolio of the parent company, which more than offset the increase in expense on medium and long-term borrowing largely caused by the rise in interest rates.

Net operating costs came to €347.1 million at 30 June 2008, broadly in line with those for the year-earlier period (€350.3 million). They mainly reflected higher staff costs, increased costs for operations and maintenance in Italy and capital losses on the disposal of plant parts. In addition, the Brazilian subsidiaries saw taxes rise by about €5 million compared with the first half of 2007.
At the same time, operating income rose by comparison with 30 June 2007, thanks to the following factors:

- increased network usage fees, which are attributable to the parent company as a result of higher revenues from electricity transport on the NTN and to the subsidiary R.T.L. (Rete Trasmissione Locale S.p.A.) as a result of the increase in its ownership share of the national network;
- increased revenues from the Brazilian companies as a result of the annual adjustment of the concession fee (RAP),[2] the average appreciation of the local currency against the euro[3] compared with the year-earlier period and the transmission fees from companies acquired in 2007 and ETEO, which was acquired on 30 May 2008.

Net income for the period came to €216.1 million, up 6.2 % from the €203.3 million posted in the first half of 2007. Group net income, excluding minority interests, came to €204.0 million, up €10.0 million (5.1%) on the year-earlier period.

Financial assets are all classified as “Financial assets held for trading” and are entirely accounted for by derivatives amounting to €34.7 million (zero at 31 December 2007). The instruments are unlisted financial derivatives that do not qualify for hedge accounting used for operational hedging. The increase in the item at 30 June 2008 compared with 31 December 2007 is attributable to the rise in the fair value of the derivatives due to the general rise in interest rates over the period.

The balance of “Loans to banks” came to €119.9 million at 30 June 2008 (€244.8 million at 31 December 2007). Of the total, €81.6 million regarded the overall balance on current and demand deposit accounts and €38.4 million regarded time deposits. The decrease with respect to 31 December 2007, which totalled €124.8 million, is essentially attributable to the decline in the overall balance on current accounts as a result of payment of the balance of the 2007 dividend to shareholders.

Trade receivables at 30 June 2008, equal to €1,480.9 million (€1,542.7 million at 31 December 2007), all regard receivables arising in respect of the company’s ordinary operations, namely the transmission and dispatching of electricity. The trend in the carrying amount of the item is directly correlated with developments in the volume of the company’s business and is composed of two categories:

---

[2] On 24 June 2008 ANEEL ha issued resolution no. 670, which establishes the new levels for the annual concession fee (RAP) in force from 1 July 2008 to 30 June 2009. The annual fee reflects the adjustment for inflation (IGPM rate) accumulated between June 2007 and May 2008, equal to +11.53%. The total amount for the 2008/2009 cycle, including the newly acquired ETEO, is therefore equal to R$741.8 million, up 10.15% excluding the contribution of the latter compared with the previous cycle.
ANEEL also levied a one-off negative fee (Parcela de Ajuste) to be paid in 12 monthly instalments as from July 2007 equal to -R$16,532,390.19.

[3] In the first half of 2008 the real appreciated against the US dollar and the euro.
The USD/BRL exchange rate continued its trend over the course of the first half of 2008, declining from 1.7735 USD/BRL in December 2007 to 1.593 USD/BRL at the end of June 2008. Over the same period the euro depreciated against the Real by 3.8% to stand at EUR/BRL 2.5112 at the end of the month. The average EUR/BRL rate in the first half of 2008 depreciated by 4.6% compared with the same period of the previous year, to 2.5946.

- "energy receivables", regarding dispatching activities;
- "non-energy receivables", essentially regarding the remuneration paid to the parent company for the use of the Italian transmission network by power generators and distributors.

Equity investments increased by €6.9 million compared with 31 December 2007 as a result of the measurement of the investments of companies under common control (Cesi, ETAU) and the recognition of the equity investment in Brasnorte, a company under joint control.

Property, plant and equipment amounted to €5,895.9 million at 30 June 2008 (€5,613.0 million at 31 December 2007,). It essentially regarded to assets classified under "other", comprising transmission lines (€1,918.5 million net of accumulated depreciation) and transformer stations (€1,552.5 million net of accumulated depreciation), which make up the National Transmission Network. The change in the overall value of property, plant and equipment between 31 December 2007 and 30 June 2008 is essentially attributable to new capital expenditure by the parent company as well as the assets of the Brazilian subsidiary ETEO and the increase in value due to the depreciation of the euro against the real.

At 30 June 2008 intangible assets totalled €584.1 million (€384.7 million at 31 December 2007). They mainly regarded goodwill (€423.7 million), which between 31 December 2007 and 30 June 2008 rose by a total of €199.7 million. The increase is primarily attributable to the adjustment of goodwill in respect of foreign subsidiaries to reflect end-period exchange rates and the goodwill recognised following the acquisition of ETEO.

Amounts due to banks came to €1,242.7 million, an increase of €240.9 million, primarily attributable to the change in short-term debt, equal to €264.3 million. The rise in short-term borrowing is attributable to the parent company in the amount of €35 million and to Terna Participações in the amount of €229.3 million, after the latter issued commercial paper (Notas Promissòrias Comerciais) to finance the acquisition of Empresa de Transmissão de Energia do Oeste Ltda ("ETEO") through the subsidiary Lovina Participações.

Securities issued amounted to €1,842.5 million, down €13.4 million from the previous year. The difference is mainly due to the fair value measurement of the instruments (offset by the change in the fair value of the related hedging derivatives) and the indexation to inflation of the Bond IL.

Hedging derivatives increased by €53.9 million. They include the fair value hedges of securities issued against the impact of interest rate fluctuations.

Other liabilities came to €2,245.7 million, up €51.7 million from the end of 2007. The item also includes trade payables in respect of the dispatching activities of Terna.

### 4.3 RECONCILIATION OF SHAREHOLDERS' EQUITY AND NET INCOME OF THE PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AND NET INCOME

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

*thousands of euros*

| | Net income | Share capital and reserves | Total |
|---|---|---|---|
| **PARENT COMPANY FINANCIAL STATEMENTS** | **805,147** | **12,070,505** | **12,875,652** |
| Balance from financial statements of fully consolidated companies | 216,106 | 2,095,888 | 2,311,994 |
| **Consolidation adjustments:** | | | |
| - carrying amount of fully consolidated equity investments | | (1,315,200) | (1,315,200) |
| - goodwill | | 297,146 | 297,146 |
| - revaluation of property, plant and equipment and intangible assets | | 1,445,012 | 1,445,012 |
| - depreciation/amortisation of revaluation of non-current assets | (24,627) | (87,273) | (111,900) |
| - dividends from fully consolidated companies | (57,000) | 57,000 | - |
| - measurement of equity investments using equity method | (33,128) | 211,720 | 178,592 |
| - minority interests | (150,687) | (2,556,106) | (2,706,793) |
| - deferred taxation | 20,422 | 150,470 | 170,892 |
| **CONSOLIDATED FINANCIAL STATEMENTS** | **776,233** | **12,369,162** | **13,145,395** |

## 5. MONITORING RISK

### 5.1 CDP RISK MANAGEMENT

#### DEVELOPMENTS IN INTEREST RATE RISK AND INFLATION RISK

Interest rate volatility was high in the first half of 2008, particularly along the short to medium-term portion of the yield curve.
Trends in the prices of raw materials also increased inflationary pressures. At the same time, the subprime mortgage crisis created uncertainty concerning the willingness and ability of the central banks to respond to the increasing risk of inflation by increasing interest rates. In

this context, inflation expectations have risen, while expectations concerning monetary policy, which tend to drive short and medium-term rates, fluctuated, generating high levels of interest rate volatility, as well as increasing the implicit swaptions and cap/floor volatilities. Short-term rates were also affected by a deterioration in the confidence of financial institutions, which generated particularly large spreads between interbank and repo rates.

In this environment, and in line with the output of the company's dynamic ALM (DALM) system, CDP limited its exposure to rising interest rates with hedges on new fixed-rate lending under the Separate Account.
Interest rate exposure in PV01[4] terms went from a negative €14.8 million at the start of 2008 to a negative €12.5 million at the end of June 2008.
Despite the trend in PV01, given the increased volatility VaR went from €469 million at the start of 2008 to €485 million at the end of June 2008. The peak value for VaR was €573 million on 11 June 2008, which is 88% of the ceiling set by the Board of Directors (€650 million).

CDP calculates VaR (with a 10-day time horizon and a 99% confidence interval) on the basis of risk factors comprising the euro inflation rate (zero-coupon inflation swap) as well as the euro yield curve and related implicit volatilities.
CDP's exposure to changes in consumer prices derives primarily from issuing postal savings bonds that are indexed to the Italian consumer price index and is partially mitigated by:

- holding securities in the equity investment portfolio whose performance is positively correlated with inflation or with the factors that generate inflation;
- having a small portion of inflation-linked loans among the company's assets;
- having bought, in the first half of 2008, Italian treasury bonds indexed to Italian inflation.

The exposure to Italian inflation connected with issuing postal savings bonds, measured in terms of PV01, went from a negative €1.4 million at the start of 2008 to a negative €2.1 million at the end of June 2008.
Given the trends in inflation mentioned above, the inflation implicit in the prices of inflation swaps increased significantly during the period, with the ten-year rate going from the 2.372% of the start of 2008 to 2.698% at the end of June 2008.

[4] The risk measures PV01 and VaR are calculated for the aggregate of both the banking book and the trading book, which in the case of CDP is negligible.

**DEVELOPMENTS IN PRICE RISK IN THE BANKING BOOK**

The market value of the portfolio of large equity investments held by CDP was significantly affected by the downward trend in stock prices in the first six months. Although the decline was limited for Eni and Terna, Enel and STMicroelectronics fell significantly (by 25% and 33%, respectively).

**DEVELOPMENTS IN COUNTERPARTY RISK CONNECTED WITH DERIVATIVE TRANSACTIONS**

As mentioned above, the unusual conditions connected with the subprime mortgage crisis continued through the first half of 2008. Trends in both interbank rates and the prices of credit default swaps confirmed a significant decline in confidence in the ability of banks to meet all their commitments.

Within this context, CDP continued to act with the utmost caution.

In the first half of 2008, four new Credit Support Annex agreements were signed, bringing the number of counterparties with which the company exchanges collateral to twelve. Currently, the percentages of notional value and credit equivalent accounted for by counterparties with which a CSA is in place account for 67% and 65% of the total, respectively. As in 2007, transactions in derivatives were suspended with counterparties that no longer met the restrictive criteria set by CDP.

**DEVELOPMENTS IN LIQUIDITY RISK**

In the context of eroding confidence that has arisen beginning with the difficulties in the financial markets, liquidity risk has assumed a position of central importance for many financial institutions. While financial institutions that structurally lack a channel of funding through deposits have experienced particular difficulties, even institutions that enjoy extensive retail funding have had to face a significant increase in the average cost of funding.

In this context, CDP benefited from a series of special circumstances:

- a preponderance of postal funding, which is guaranteed by the state;
- high-quality lending;
- a high level of liquidity in the form of treasury account balances (which increased during the period);
- a limited need to turn to the wholesale market.

**CREDIT RISK**

For the Ordinary Account, CDP currently adopts risk-adjusted pricing techniques using a model that, during the first half of 2008, was validated by an external auditor and became fully operational.

The assets of CDP's Separate Account do not include items that are directly influenced by the ongoing credit crisis.

**LEGAL DISPUTES**

As concerns pending litigation as of the end of the first half of 2008, it should be noted that both the total number of cases and the related contingent liability have remained insignificant in absolute terms and that, even in relative terms, the impact of the estimated potential charges on CDP's accounts appears to be of very little significance.

With regard to the customers of the Separate Account, it should be noted that, as at 30 June 2008, 36 suits were pending with a total estimated liability of no more that €4 million. 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, there were 53 suits pending with a total estimated contingent liability of no more than €2 million.

## 5.2 TERNA GROUP RISK MANAGEMENT

As part of its policies for managing financial risk approved by the board of directors on 12 November 2007, the Terna Group established the operating responsibilities and procedures for managing market risks (specifically the risk of changes in interest rates and exchange rates) and liquidity risk, with specific emphasis on the instruments to be used and precise operating limits in transactions with such instruments.

Credit risk management is guided by Resolution 111/06 of the Authority for Electricity and Gas, Article 49 of which specifies the instruments that can be used to limit the default risk related to dispatch customers, both as a preventive measure and in the event of actual default. In particular, the resolution specifies three instruments to be used to protect the electricity market: the system of guarantees (sureties issued by individual customers in relation to their revenues); the option to terminate dispatching contracts (in the event of default or failure to replace enforced guarantees); and the recoverability of uncollected receivables, after attempting all collection measures, through a specific fee defined by the Authority when necessary.

The Terna Group's exposure to such risks essentially corresponds to the parent company's exposure. Accordingly, please see the related section of the notes in the Terna Group's Annual Report at 31 December 2007.

**INTEREST RATE RISK**

The financial instruments used by Terna, classified on the basis of the type of rate (fixed or floating), are illustrated below:

| | Carrying amount | | Change |
|---|---|---|---|
| *Millions of euros* | **30-June-08** | **31-December-07** | |
| Fixed-rate financial instruments | | | |
| - assets | 34.8 | 12.4 | 22.4 |
| - liabilities | 1,906.5 | 1,840.4 | 66.1 |
| Floating-rate financial instruments | | | |
| - assets* | 0.0 | 130.6 | -130.6 |
| - liabilities* | 587.3 | 611.3 | -24.0 |
| **Total** | **2,459.0** | **2,308.7** | **150.3** |

* includes current accounts held between Terna Spa and the Italian subsidiaries, totalling -€12.5 million at 30 June 2008 (€7.5 million at 31 December 2007

**SENSITIVITY TO INTEREST RATE RISK**

The following table reports the impact on the income statement of a 10% change in interest rates compared with market rates at the closing date of these interim financial statements, assuming no change in the inflation rate:

| *Millions of euros* | Gain/(loss) current rates +10% | Gain/(loss) current rates -10% | Equity current rates +10% | Equity current rates -10% |
|---|---|---|---|---|
| **30-June-08** | | | | |
| Positions sensitive to interest rate changes (non-hedge-accounting derivatives, FVH, bonds) | 54.3 | 17.8 | | |
| **30-June-07** | | | | |
| Positions sensitive to interest rate changes (non-hedge-accounting derivatives, FVH, bonds) | 48.1 | -5.5 | | |

## CREDIT RISK

### Credit risk with counterparties in transactions in financial instruments

The credit risk to which Terna S.p.A. is exposed in respect of open position in derivatives is considered to be negligible as the counterparties, in compliance with the financial risk management policy, are all leading international credit institutions with high ratings. The exposure is also diversified in line with specific concentration limits.
At the end of the first half of 2008, Terna S.p.A.'s exposure was as follows:

| *Millions of euros* | Carrying amount 30/06/2008 | Carrying amount 31/12/2007 |
|---|---|---|
| Non-hedge-accounting derivatives | 34.7 | 0 |
| Cash and cash equivalents | - | 130.6 |
| **Total** | **34.7** | **130.6** |

### Credit risk with customers

There are no significant changes with respect to the situation reported at the end of 2007.

**LIQUIDITY RISK**

At 30 June 2008 the parent company had additional short-term borrowing capacity of €983 million and additional borrowing capacity at maturities of more than 12 months equal to €2,200 million, consisting of EIB loans in the amount of €300 million, a revolving credit facility of €1,250 million and a club deal loan of €650 million.

# 6. OUTLOOK FOR THE FULL YEAR

## 6.1 THE OUTLOOK FOR CDP

Based on the information available at the close of the first half of 2008, we can expect that lending under the Separate Account should stabilise at the levels reached in 2007, a year in which the market underwent a significant contraction. In this context, business volumes for the full year could nonetheless exceed those of the previous year in part as a result of non-recurring operations that were already disbursed during the first half of the year.

In terms of expected developments in balance sheet aggregates for the full year, the areas that are expected to post the greatest rates of growth should continue to be Ordinary Account lending and disbursements through the Revolving Fund to support business and investment in research, as well as funding through postal savings products.

Compared with the initial forecasts reported at the time the annual financial statements were prepared, excluding the writedowns of equity investments for both years, performance for the full year is expected to be slightly stronger than in 2007.

As concerns the main risks for the current year, it should be noted that, in the event the recent decline in the stock markets should continue through the rest of the year, producing significant corrections in market prices compared with related carrying amounts, it could be necessary to recognise further writedowns on the portfolio of equity investments. We do not believe that the operating performance of the company's business should be negatively affected by the credit crisis that is currently under way.

## 6.2 THE OUTLOOK FOR THE TERNA GROUP

Based on the results achieved in the first half and current forecasts for operations in the coming months, the Group is expected to perform profitably in the second half of the year as well.

As regards developments in the main performance aggregates, in the second half of the year gross operating profit is expected to rise slightly compared with the first part of the year, thanks to the effect of faster growth in revenue than in costs.
The trend in revenues will be mainly attributable to the greater volumes expected during the second half year - despite the forecast for a marginal increase in electricity transported compared with 2007 - and the positive impact of the Brazilian subsidiary, which will benefit from the annual revision of revenues and the consolidation of ETEO for the entire half year.
On the cost front, the increase will be mainly associated with the operation and maintenance of plants, which is normally concentrated during the summer months, and the rise in staff costs, which will be impacted by an increase in unit costs and the average workforce. The increase in amortisation and depreciation as a result of the entry of new plants into service means that operating profit will essentially be in line with the first half of the year.

As regards financial operations, net financial expense is expected to rise substantially, both as the result of the progressive increase in the Group's debt and the rise in interest rates, also taking account of the fact that the first half of the year benefited from income realised with the sale of a number of interest-rate hedging derivatives.

Rome, 6 August 2008

The Chairman
*Alfonso Iozzo*

# REPORT OF THE INDEPENDENT AUDITORS

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

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

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

## Review report

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

1 We have reviewed the condensed interim consolidated financial statements comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto of Cassa Depositi e Prestiti Group as at and for the six months ended 30 June 2008. The company'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 company 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.

Reference should be made to the report dated 11 April 2008 for our opinion on the prior year consolidated financial statements, which included the prior year annual figures presented for comparative purposes.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of Cassa Depositi e Prestiti Group as at and for the six months ended 30 June 2008 have not been prepared, in all material respects, in conformity with IAS 34, "Interim Financial Reporting", endorsed by the European Union.

Rome, 6 August 2008

KPMG S.p.A.

(Signed on the original)

Giuseppe Scimone
Director

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

**Certification of condensed interim consolidated financial statements at 30 June 2008 pursuant to Article 154-*bis* of Legislative Decree 58/1998**

1. The undersigned Alfonzo Iozzo, in his capacity as Chairman of the Board of Directors, Antonino Turicchi, in his capacity as General Manager, and Angelo Mariano, in his capacity as the manager responsible for preparing the corporate 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 2008).

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 2008 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 2008 the manager responsible for preparing the corporate 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, and continued the process of upgrading these procedures, as the process requires further activities for its completion.

3. In addition, we certify that:

3.1 the condensed interim consolidated financial statements:

a) have been prepared in compliance with the international accounting standards adopted in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, in particular with IAS 34 – Interim Financial Reporting, as well as the measures issued in implementation of Article 9 of Legislative Decree 38 / 2005;

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, at the very least, reports the major events that occurred during 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, 6 August 2008

| | | |
|---|---|---|
| Chairman of the Board of Directors | General Manager | Manager responsible for preparing the corporate financial reports |
| Alfonso Iozzo | Antonino Turicchi | Angelo Mariano |
| (signed on the original) | (signed on the original) | (signed on the original) |

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2008

# FORM AND CONTENT OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2008

The condensed interim consolidated financial statements at 30 June 2008 have been prepared in conformity with the applicable regulations and are composed of:

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

Schedules presenting a comparison with the balance sheet at 31 December 2007 and the income statement at 30 June 2007 have also been prepared.

# FINANCIAL STATEMENTS

# AT 30 JUNE 2008

*(thousands of euros)*

## CONSOLIDATED BALANCE SHEET

| | Assets | 30/06/2008 | 31/12/2007 |
|---|---|---|---|
| **10.** | Cash and cash equivalents | 97,356,669 | 91,407,823 |
| **20.** | Financial assets held for trading | 396,464 | 353,727 |
| **40.** | Financial assets available for sale | 13,499,979 | 15,355,285 |
| **50.** | Financial assets held to maturity | 203,850 | - |
| **60.** | Loans to banks | 4,611,965 | 4,129,471 |
| **70.** | Loans to customers | 80,707,805 | 79,896,625 |
| | *of which securing covered bonds* | *17,100,522* | *17,679,918* |
| **80.** | Hedging derivatives | 1,146,249 | 828,581 |
| **100.** | Equity investments | 3,463,955 | 3,863,170 |
| **120.** | Property, plant and equipment | 8,214,583 | 7,954,950 |
| **130.** | Intangible assets | 981,553 | 782,873 |
| | of which: | | |
| | goodwill | 720,891 | 521,165 |
| **140.** | Tax assets | 824,755 | 1,047,598 |
| | a) current | 297,037 | 548,616 |
| | b) deferred | 527,718 | 498,982 |
| **160.** | Other assets | 243,642 | 70,390 |
| | **Total assets** | **211,651,469** | **205,690,493** |

Head of the Administration
& Financial Reporting Department
*Angelo Mariano*

General Manager
*Antonino Turicchi*

*(thousands of euros)*

## CONSOLIDATED BALANCE SHEET

| | Liabilities and shareholders' equity | 30/06/2008 | 31/12/2007 |
|---|---|---|---|
| **10.** | Due to banks | 2,645,588 | 2,264,941 |
| **20.** | Due to customers | 89,759,884 | 87,617,083 |
| | *of which amounts to be disbursed on loans securing covered bonds* | *1,702,302* | *2,004,619* |
| **30.** | Securities issued | 96,995,552 | 92,010,517 |
| | *of which covered bonds* | *7,770,156* | *7,900,926* |
| **40.** | Financial liabilities held for trading | 351,963 | 362,886 |
| **60.** | Hedging derivatives | 1,210,747 | 954,247 |
| **70.** | Adjustment of financial liabilities hedged generically (+/-) | (622,007) | (528,637) |
| **80.** | Tax liabilities | 2,155,351 | 2,291,682 |
| | a) current | 442,563 | 517,971 |
| | b) deferred | 1,712,788 | 1,773,711 |
| **100.** | Other liabilities | 3,060,587 | 3,036,366 |
| **110.** | Staff severance pay | 75,186 | 74,569 |
| **120.** | Provisions | 166,430 | 150,733 |
| | a) pensions and similar commitments | - | - |
| | b) other provisions | 166,430 | 150,733 |
| **140.** | Valuation reserves | 4,873,061 | 6,726,977 |
| **170.** | Reserves | 3,995,295 | 2,887,049 |
| **180.** | Share premium reserve | 806 | 425 |
| **190.** | Share capital | 3,500,000 | 3,500,000 |
| **210.** | Minority interests (+/-) | 2,706,793 | 2,681,046 |
| **220.** | Net income for the period | 776,233 | 1,660,609 |
| | **Total liabilities and shareholders' equity** | **211,651,469** | **205,690,493** |

Head of the Administration
& Financial Reporting Department
*Angelo Mariano*

General Manager
*Antonino Turicchi*

*(thousands of euros)*

## CONSOLIDATED INCOME STATEMENT

| | | 1st half 2008 | 1st half 2007 |
|---|---|---|---|
| 10. | Interest income and similar revenues | 3,997,847 | 3,439,372 |
| 20. | Interest expense and similar charges | (2,906,036) | (2,466,072) |
| **30.** | **Net interest income** | **1,091,811** | **973,300** |
| 40. | Commission income | 2,580 | 2,584 |
| 50. | Commission expense | (405,291) | (387,904) |
| **60.** | **Net commission income** | **(402,711)** | **(385,320)** |
| 70. | Dividends and similar revenues | 464,537 | 445,229 |
| 80. | Net gain (loss) on trading activities | 52,514 | 33,889 |
| 90. | Net gain (loss) on hedging activities | (2,895) | (70,282) |
| 100. | Gains (losses) on disposal or repurchase of: | 2,600 | 8,521 |
| | a) loans | 2,600 | 8,521 |
| **120.** | **Gross income** | **1,205,856** | **1,005,337** |
| 130. | Net impairment adjustments of: | (1,051) | (9,696) |
| | a) loans | (1,051) | (9,696) |
| **140.** | **Financial income (expense), net** | **1,204,805** | **995,641** |
| 180. | Administrative expenses: | (246,325) | (220,397) |
| | a) staff costs | (145,061) | (131,745) |
| | b) other administrative expenses | (101,264) | (88,652) |
| 190. | Net provisions | (5,715) | (1,751) |
| 200. | Net adjustments of property, plant and equipment | (146,029) | (135,856) |
| 210. | Net adjustments of intangible assets | (14,470) | (11,069) |
| 220. | Other operating income (costs) | 698,798 | 662,496 |
| **230.** | **Operating costs** | **286,259** | **293,423** |
| 240. | Gains (losses) on equity investments | (190,918) | 85,249 |
| 270. | Gains (losses) on disposal of investments | (2,163) | 390 |
| **280.** | **Income (loss) before tax from continuing operations** | **1,297,983** | **1,374,703** |
| 290. | Income tax for the period on continuing operations | (371,062) | (331,865) |
| **300.** | **Income (loss) after tax on continuing operations** | **926,921** | **1,042,838** |
| **320.** | **Net income (loss) for the period** | **926,921** | **1,042,838** |
| 330. | Net income (loss) pertaining to minority interests | 150,688 | 134,496 |
| **340.** | **Net income (loss) pertaining to parent company** | **776,233** | **908,342** |

Head of the Administration
& Financial Reporting Department
*Angelo Mariano*

General Manager
*Antonino Turicchi*

*(thousands of euros)*

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 JUNE 2008**

| | 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 | | 2,450,000 | 308,074 | | | | | | | 66 | | | | | | | | | 2,450,000 | 308,140 |
| b) other shares | 1,050,000 | | | 1,050,000 | | | | | | | | | | | | | | | | | 1,050,000 | |
| Share premium reserve | 425 | 991 | | 425 | 991 | | | | | 459 | 381 | 891 | | | | | | | | | 806 | 2,341 |
| Reserves: | | | | | | | | | | | | | | | | | | | | | | |
| a) income | 2,675,173 | 1,344,203 | | 2,675,173 | 1,344,203 | 1,205,583 | 239,702 | | (97,299) | 4,390 | | | | | | | | | | | 3,783,457 | 1,588,295 |
| b) other | 211,876 | 494,377 | | 211,876 | 494,377 | | | | (104) | (272) | (193) | (516) | | | | | | 864 | | | 211,838 | 494,194 |
| 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 | | 158,843 | 154,869 | | | | (23,154) | 9,521 | | | | | | | | | | | 135,689 | 164,390 |
| 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 | | (6,274) | 94,942 | | | | | | | | | | | | | | | | (6,274) | 94,942 |
| Translation differences: other | 22,957 | 51,297 | | 22,957 | 51,297 | | | | 4,174 | 9,521 | | | | | | | | | | | 27,131 | 60,818 |
| Equity instruments | | | | | | | | | | | | | | | | | | | | | | |
| Treasury shares | | | | | | | | | | | | | | | | | | | | | | |
| Net income (loss) for the period | 1,660,609 | 379,883 | | 1,660,609 | 379,883 | (1,205,583) | (246,822) | (588,087) | | | | | | | | | | | 776,233 | 150,688 | 776,233 | 150,688 |
| **Shareholders' equity** | **14,775,060** | **2,681,046** | | **14,775,060** | **2,681,046** | **-** | **(7,120)** | **(588,087)** | **(1,951,319)** | **14,194** | **188** | **441** | | | | | | **864** | **776,233** | **150,688** | **13,145,395** | **2,706,793** |

Head of the Administration
& Financial Reporting Department
*Angelo Mariano*

General Manager
*Antonino Turicchi*

*(thousands of euros)*

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 JUNE 2007**

| | Balance at 31.12.2006 | | Changes in opening balance | Balance at 1.01.2007 | | Allocation of net income for previous year | | | Changes for the period | | | | | | | | | | | | Shareholder equity at 30.06.2007 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Reserves | | Dividends and other allocations | Changes in reserves | | Equity transactions: Issue of new shares | | Equity transactions: Purchase of own shares | | Special dividend distribution | Changes in equity instruments | Derivatives on own shares | Stock options | Net income (loss) for the period ended 30.06.2007 | | | |
| | 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 | 308,000 | | 2,450,000 | 308,000 | | | | | | | 27 | | | | | | | | | 2,450,000 | 308,027 |
| b) other shares | 1,050,000 | | | 1,050,000 | | | | | | | | | | | | | | | | | 1,050,000 | |
| Share premium reserve | | | | | | | | | | | 102 | 237 | | | | | | | | | 102 | 237 |
| Reserves: | | | | | | | | | | | | | | | | | | | | | | |
| a) income | 945,877 | 1,298,855 | | 945,877 | 1,298,855 | 1,705,267 | 120,444 | | (46,297) | (1,724) | | | | | | | | | | | 2,604,847 | 1,417,575 |
| b) other | 214,955 | 501,561 | | 214,955 | 501,561 | | | | 317 | 741 | | | | | | | | 527 | | | 215,430 | 502,671 |
| Valuation reserves: | | | | | | | | | | | | | | | | | | | | | | |
| a) available for sale | 6,281,003 | | | 6,281,003 | | | | | 633,408 | | | | | | | | | | | | 6,914,411 | |
| b) cash flow hedges | (1,245) | (2,906) | | (1,245) | (2,906) | | | | 1,898 | 2,117 | | | | | | | | | | | 653 | (789) |
| c) other (to be detailed) | 192,959 | 140,413 | | 192,959 | 140,413 | | | | 570 | 27,225 | | | | | | | | | | | 193,529 | 167,638 |
| Translation differences - STH | 11,201 | | | 11,201 | | | | | (7,358) | | | | | | | | | | | | 3,843 | |
| Revaluation of property | 167,572 | | | 167,572 | | | | | | | | | | | | | | | | | 167,572 | |
| Other changes - adjustments | 270 | 630 | | 270 | 630 | | | | | | | | | | | | | | | | 270 | 630 |
| Translation differences on Terna Part | (6,274) | 94,942 | | (6,274) | 94,942 | | | | | | | | | | | | | | | | (6,274) | 94,942 |
| Translation differences: other | 20,190 | 44,841 | | 20,190 | 44,841 | | | | 7,928 | 27,225 | | | | | | | | | | | 28,118 | 72,066 |
| Equity instruments | | | | | | | | | | | | | | | | | | | | | | |
| Treasury shares | | | | | | | | | | | | | | | | | | | | | | |
| Net income (loss) for the period | 2,160,267 | 253,606 | | 2,160,267 | 253,606 | (1,705,267) | (131,806) | (576,800) | | | | | | | | | | | 908,342 | 134,496 | 908,342 | 134,496 |
| **Shareholders' equity** | **13,293,816** | **2,499,529** | | **13,293,816** | **2,499,529** | | **(11,362)** | **(576,800)** | **589,896** | **28,359** | **102** | **264** | | | **-** | | | **527** | **908,342** | **134,496** | **14,337,314** | **2,529,855** |

Head of the Administration
& Financial Reporting Department
*Angelo Mariano*

General Manager
*Antonino Turicchi*

*(thousands of euros)*

## CASH FLOW STATEMENT (indirect method)

| A. OPERATING ACTIVITIES | 1st half 2008 | 1st half 2007 |
|---|---|---|
| **1. Operations** | **1,554,980** | **1,360,845** |
| - Net income for the period (+/-) | 926,921 | 1,042,838 |
| - Gains (losses) on financial assets held for trading and on assets recognized at fair value (-/+) | (44,835) | (6,770) |
| -Gains (losses) on hedging activities (-/+) | 2,894 | 70,283 |
| -Net impairment adjustments (+/-) | 1,051 | 9,696 |
| - Net value adjustments to property, plant and equipment and intangible assets (+/-) | 160,501 | 146,925 |
| - Net provisions and other costs/revenues (+/-) | 31,122 | 8,865 |
| -Unpaid taxes and duties (+) | 269,935 | 165,845 |
| - Writedowns/writebacks of equity investments (+/-) | 192,012 | (84,833) |
| - Other adjustments (+/-) | 15,379 | 7,996 |
| **2. Cash generated by/used in financial assets** | **(1,900,219)** | **(9,286,101)** |
| - Financial assets held for trading | (151,964) | (50,686) |
| - Financial assets available for sale | (1,313) | (7,904) |
| - Loans to banks: demand | 124,841 | (4,042) |
| - Loans to banks: other | (553,602) | (3,356,263) |
| - Loans to customers | (1,135,885) | (5,769,759) |
| - Other assets | (182,295) | (97,447) |
| **3. Cash generated by/used in financial liabilities** | **7,579,236** | **7,327,175** |
| - Due to banks: other | 365,066 | 391,547 |
| - Due to customers | 2,142,801 | 3,229,495 |
| - Securities issued | 5,110,210 | 3,644,801 |
| - Financial liabilities held for trading | 143,141 | 49,576 |
| - Other liabilities | (181,982) | 11,756 |
| **Cash generated by/used in operating activities** | **7,233,997** | **(598,081)** |
| **B. INVESTING ACTIVITIES** | | |
| **1. Cash generated by** | **94,067** | **111,265** |
| - Dividends from equity investments | 91,003 | 100,658 |
| - Sale of property plant and equipment | 3,064 | 10,607 |
| - Sale of intangible assets | - | - |
| **2. Cash used in** | **(738,869)** | **(296,610)** |
| - Purchase of equity investments | (6,558) | (2,616) |
| - Purchase of financial assets held to maturity | (202,514) | - |
| - Purchase of property, plant and equipment | (324,171) | (271,245) |
| - Purchase of intangible assets | (205,626) | (22,749) |
| - Purchase of business units | - | - |
| **Cash generated by/used in investing activities** | **(644,802)** | **(185,345)** |
| **C. FINANCING ACTIVITIES** | | |
| - Issue/purchase of capital instruments | 1,509 | 376 |
| - Dividend distribution and other allocations | (588,100) | (576,800) |
| **Net cash generated by/used in financing activities** | **(586,591)** | **(576,424)** |
| **NET CASH GENERATED/USED DURING THE PERIOD** | **6,002,604** | **(1,359,850)** |

**RECONCILIATION**

| | | |
|---|---|---|
| **Cash and cash equivalents at beginning of period** | **91,635,147** | **78,550,973** |
| Total cash generated/used during the period | 6,002,604 | (1,359,850) |
| **Cash and cash equivalents at end of period** | **97,637,751** | **77,191,123** |

Head of the Administration
& Financial Reporting Department
*Angelo Mariano*

General Manager
*Antonino Turicchi*

# COMPARATIVE STATEMENTS

*(thousands of euros)*

**CONSOLIDATED BALANCE SHEET**

| | Assets | 30/06/2008 | 31/12/2007 | Change (+/-) | % |
|---|---|---|---|---|---|
| **10.** | Cash and cash equivalents | 97,356,669 | 91,407,823 | 5,948,846 | 6.5% |
| **20.** | Financial assets held for trading | 396,464 | 353,727 | 42,737 | 12.1% |
| **40.** | Financial assets available for sale | 13,499,979 | 15,355,285 | (1,855,306) | (12.1%) |
| **50.** | Financial assets held to maturity | 203,850 | - | 203,850 | n.a. |
| **60.** | Loans to banks | 4,611,965 | 4,129,471 | 482,494 | 11.7% |
| **70.** | Loans to customers | 80,707,805 | 79,896,625 | 811,180 | 1.0% |
| | *of which securing covered bonds* | *17,100,522* | *17,679,918* | *(579,396)* | *(3.3%)* |
| **80.** | Hedging derivatives | 1,146,249 | 828,581 | 317,668 | 38.3% |
| **100.** | Equity investments | 3,463,955 | 3,863,170 | (399,215) | (10.3%) |
| **120.** | Property, plant and equipment | 8,214,583 | 7,954,950 | 259,633 | 3.3% |
| **130.** | Intangible assets | 981,553 | 782,873 | 198,680 | 25.4% |
| | of which: | | | | |
| | - goodwill | 720,891 | 521,165 | 199,726 | 38.3% |
| **140.** | Tax assets | 824,755 | 1,047,598 | (222,843) | (21.3%) |
| | a) current | 297,037 | 548,616 | (251,579) | (45.9%) |
| | b) deferred | 527,718 | 498,982 | 28,736 | 5.8% |
| **160.** | Other assets | 243,642 | 70,390 | 173,252 | 246.1% |
| | **Total assets** | **211,651,469** | **205,690,493** | **5,960,976** | **2.9%** |

(thousands of euros)

## CONSOLIDATED BALANCE SHEET

| | Liabilities and shareholders' equity | 30/06/2008 | 31/12/2007 | Change (+/-) | % |
|---|---|---|---|---|---|
| 10. | Due to banks | 2,645,588 | 2,264,941 | 380,647 | 16.8% |
| 20. | Due to customers | 89,759,884 | 87,617,083 | 2,142,801 | 2.4% |
| | *of which amounts to be disbursed on loans securing covered bonds* | *1,702,302* | *2,004,619* | *(302,317)* | *(15.1%)* |
| 30. | Securities issued | 96,995,552 | 92,010,517 | 4,985,035 | 5.4% |
| | *of which covered bonds* | *7,770,156* | *7,900,926* | *(130,770)* | *(1.7%)* |
| 40. | Financial liabilities held for trading | 351,963 | 362,886 | (10,923) | (3.0%) |
| 60. | Hedging derivatives | 1,210,747 | 954,247 | 256,500 | 26.9% |
| 70. | Adjustment of financial liabilities hedged generically (+/-) | (622,007) | (528,637) | (93,370) | 17.7% |
| 80. | Tax liabilities | 2,155,351 | 2,291,682 | (136,331) | (5.9%) |
| | a) current | 442,563 | 517,971 | (75,408) | (14.6%) |
| | b) deferred | 1,712,788 | 1,773,711 | (60,923) | (3.4%) |
| 100. | Other liabilities | 3,060,587 | 3,036,366 | 24,221 | 0.8% |
| 110. | Staff severance pay | 75,186 | 74,569 | 617 | 0.8% |
| 120. | Provisions | 166,430 | 150,733 | 15,697 | 10.4% |
| | a) pensions and similar commitments | - | - | - | 0.0% |
| | b) other provisions | 166,430 | 150,733 | 15,697 | 10.4% |
| 140. | Valuation reserves | 4,873,061 | 6,726,977 | (1,853,916) | (27.6%) |
| 170. | Reserves | 3,995,295 | 2,887,049 | 1,108,246 | 38.4% |
| 180. | Share premium reserve | 806 | 425 | 381 | 100.0% |
| 190. | Share capital | 3,500,000 | 3,500,000 | - | 0.0% |
| 210. | Minority interests (+/-) | 2,706,793 | 2,681,046 | 25,747 | 1.0% |
| 220. | Net income for the period (+/-) | 776,233 | 1,660,609 | (884,376) | (53.3%) |
| | **Total liabilities and shareholders' equity** | **211,651,469** | **205,690,493** | **5,960,976** | **2.9%** |

*(thousands of euros)*

## CONSOLIDATED INCOME STATEMENT

| | | 1st half 2008 | 1st half 2007 | Change (+/-) | % |
|---|---|---|---|---|---|
| 10. | Interest income and similar revenues | 3,997,847 | 3,439,372 | 558,475 | 16.2% |
| 20. | Interest expense and similar charges | (2,906,036) | (2,466,072) | (439,964) | 17.8% |
| **30.** | **Net interest income** | **1,091,811** | **973,300** | **118,511** | **12.2%** |
| 40. | Commission income | 2,580 | 2,584 | (4) | (0.2%) |
| 50. | Commission expense | (405,291) | (387,904) | (17,387) | 4.5% |
| **60.** | **Net commission income** | **(402,711)** | **(385,320)** | **(17,391)** | **4.5%** |
| 70. | Dividends and similar revenues | 464,537 | 445,229 | 19,308 | 4.3% |
| 80. | Net gain (loss) on trading activities | 52,514 | 33,889 | 18,625 | 55.0% |
| 90. | Net gain (loss) on hedging activities | (2,895) | (70,282) | 67,387 | (95.9%) |
| 100. | Gains (losses) on disposal or repurchase of: | 2,600 | 8,521 | (5,921) | (69.5%) |
| | a) loans | 2,600 | 8,521 | (5,921) | (69.5%) |
| **120.** | **Gross income** | **1,205,856** | **1,005,337** | **200,519** | **19.9%** |
| 130. | Net impairment adjustments of: | (1,051) | (9,696) | 8,645 | (89.2%) |
| | a) loans | (1,051) | (9,696) | 8,645 | (89.2%) |
| **140.** | **Financial income (expense), net** | **1,204,805** | **995,641** | **209,164** | **21.0%** |
| 180. | Administrative expenses: | (246,325) | (220,397) | (25,928) | 11.8% |
| | a) staff costs | (145,061) | (131,745) | (13,316) | 10.1% |
| | b) other administrative expenses | (101,264) | (88,652) | (12,612) | 14.2% |
| 190. | Net provisions | (5,715) | (1,751) | (3,964) | 226.4% |
| 200. | Net adjustments of property, plant and equipment | (146,029) | (135,856) | (10,173) | 7.5% |
| 210. | Net adjustments of intangible assets | (14,470) | (11,069) | (3,401) | 30.7% |
| 220. | Other operating income (costs) | 698,798 | 662,496 | 36,302 | 5.5% |
| **230.** | **Operating costs** | **286,259** | **293,423** | **(7,164)** | **(2.4%)** |
| 240. | Gains (losses) on equity investments | (190,918) | 85,249 | (276,167) | (324.0%) |
| 270. | Gains (losses) on disposal of investments | (2,163) | 390 | (2,553) | (654.6%) |
| **280.** | **Income (loss) before tax from continuing operations** | **1,297,983** | **1,374,703** | **(76,720)** | **(5.6%)** |
| 290. | Income tax for the period on continuing operations | (371,062) | (331,865) | (39,197) | 11.8% |
| **300.** | **Income (loss) after tax on continuing** | **926,921** | **1,042,838** | **(115,917)** | **(11.1%)** |
| **320.** | **Net income for the period** | **926,921** | **1,042,838** | **(115,917)** | **(11.1%)** |
| 330. | Net income (loss) pertaining to minority interests | 150,688 | 134,496 | 16,192 | 12.0% |
| **340.** | **Net income (loss) pertaining to parent company** | **776,233** | **908,342** | **(132,109)** | **(14.5%)** |

# NOTES TO THE

# FINANCIAL STATEMENTS

# EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

# INTRODUCTION

Following the entry into force of Legislative Decree 195 of 6 November 2007 transposing Directives 2004/109/EC and 2007/14/EC (the transparency directives), which amended the Consolidated Law on Financial Intermediation, the CDP Group is now required to draft consolidated interim financial reports. In particular, the new legislation, which introduces additional requirements concerning financial disclosure for issuers of listed securities, including the publication of a half-year financial report within 60 days of the closure of the first half of the year, applies to CDP as it has issued debt securities that are listed for trading on the regulated market in Luxembourg.

## STRUCTURE AND CONTENT OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The CDP Group's 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 cash flow statement, the statement of changes in equity, and these explanatory notes to the financial statements and related annexes, as well as the directors' report on operations.
The condensed interim consolidated financial statements at 30 June 2008 present a clear, true and accurate view of the company's performance and financial position for the period. The figures reported in the statements correspond with the company's accounting records and fully reflect the transactions conducted during the period.

## BASIS OF PRESENTATION

The financial statements and the explanatory notes to the financial statements 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 2008:

- balance sheet at 31 December 2007;
- income statement at 30 June 2007;
- statement of changes in equity at 30 June 2007;
- cash flow statement at 30 June 2007.

## COVERED BOND SEGREGATED ASSETS

The CDP Group holds the covered bond segregated asset pool.
This is not segregated assets 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 condensed 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 2008. More specifically, the condensed interim separate financial statements have been prepared in compliance with the provisions of IAS 34 governing interim financial reporting. As permitted under this standard, the CDP Group 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.

### SECTION 2 – GENERAL PREPARATION PRINCIPLES

The condensed interim consolidated 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. IFRS 7 has also been applied beginning with the 2006 financial year.

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.

The 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.

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.

**EQUITY INVESTMENTS IN SUBSIDIARIES AND COMPANIES UNDER JOINT CONTROL**

| Name | 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 | 29,99% | 29,99% |
| 2. Terna Participacoes SA | Rio de Janeiro (Brazil) | 1 | Terna S.p.A. | 66,00% | 66,00% |
| 3. RTL Spa | Rome | 1 | Terna S.p.A. | 100,00% | 100,00% |
| 4. inTERNAtional S.p.A. | Rome | 1 | Terna S.p.A. | 100,00% | 100,00% |
| 5. TSN SA | Rio de Janeiro (Brazil) | 1 | Terna Participacoes SA | 100,00% | 100,00% |
| 6. Novatrans Energia Spa | Rio de Janeiro (Brazil) | 1 | Terna Participacoes SA | 100,00% | 100,00% |
| 7. Terna Serviços LTDA | Rio de Janeiro (Brazil) | 1 | Terna Participacoes SA | 99,9% | 99,9% |
| 8. ETEO - Empresa de Transmissao de Energia de Oeste | Rio de Janeiro (Brazil) | 1 | Terna Participacoes SA | 100,00% | 100,00% |
| **A.2 Consolidated proportionately** | | | | | |
| 1. Empresa de Transmissão do Alto Uruguai S.A." (ETAU) | Rio de Janeiro (Brazil) | 7 | Terna Participacoes SA | 52,58% | 52,58% |
| 2. Brasnorte Transmissora de Energia S.A.(Brasnorte) | Rio de Janeiro (Brazil) | 7 | Terna Participacoes SA | 35,00% | 35,00% |

Key
(1) Type of relationship
1= Majority of voting rights in ordinary shareholders' meeting
2= Dominant influence in ordinary shareholders' meeting
3= Agreements with other shareholders
4 = Other form of control
5= Unitary management pursuant to 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.

The financial statements of the subsidiaries used for line-by-line consolidation are those at 30 June 2008, as approved by their competent corporate bodies, adjusted as necessary to harmonise them with the Group accounting policies and reclassified on the basis of the formats established by the Bank of Italy in circular 262 of 22 December 2005.

## SECTION 4 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

### CDP

On 16 July 2008 the contract for a new loan under the Ordinary Account was signed with Ferrovie dello Stato S.p.A. (for total amount of €600 million and final maturity date of 29 December 2009).

In addition to the developments already reported in the section on the investment funds subscribed by CDP S.p.A., in July additional payments were made, of which:
i) Fondo PPP Italia: payment of €140 thousand in respect of management fees for the second half of 2008;
ii) F2I: payment of €660 thousand in respect of management fees for the second half of 2008;
iii) Galaxy S.àr.l.: payment of €1.02 million to acquire 4.289% in Arrow Rail Holding Limited.

In addition, in July two new bond issues were carried out under the EMTN programme for a total of €450 million.
The new funding is intended to cover the liquidity needs of new lending under the Ordinary Account.

### TERNA GROUP

On 29 July 2008 Terna S.p.A. and Seledison S.p.A. signed a contract for the acquisition of the 220 kV electrical stations of Castelbello and Glorenza and the related land located in Trentino Alto Adige, representing 0.10% of the National Transmission Network. The price was set at €8.2 million for the stations and €1.9 million for the land. Completion of the transaction is subject, among other things, to authorization by the antitrust authorities, which is expected to be issued by 1 October 2008.

On 30 June 2008 R.T.L. - Rete Trasmissione Locale SpA (R.T.L. S.p.A.), a wholly-owned subsidiary of Terna S.p.A., finalised the acquisition with Iride Energia S.p.A. of three new bays at the Moncalieri electrical station, built as part of the repowering of the plant. The price was set at €2.5 million. The operation completes the acquisition of the 220 kV substation at

Moncalieri agreed on 28 June 2007 between R.T.L. S.p.A. and Iride Energia S.p.A. as part of the acquisition of the entire share capital of AEM Trasporto Energia srl.

# ACCOUNTING PRINCIPLES

The pages provide a description of the accounting principles adopted in preparing the condensed interim consolidated financial statements at 30 June 2008, which are unchanged with respect to those used in preparing the annual 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 of the CDP Group 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. The CDP Group's special-purpose loans normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. The repayment plan for the amount granted begins, with certain exceptions, the year following the signing of the related contract. The CDP Group's accounting policy for special-purpose loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins.

Any disbursements requested by borrowers during the grace period effectively reduce the commitment and result in a "short-term" receivable for the amount actually disbursed, with this amount accruing interest at the rate agreed upon by contract. The short-term receivable for advances on loans in their grace period is measured at cost in accordance with 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 the CDP Group's leading borrowers, no general writedowns of the portfolio are recorded.

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

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

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

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

Loans represented by positions with parties that are not classified under any of the risk categories listed above, but which are more than 180-days past due at the balance sheet date, are also subject to individual 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" that are not consolidated on a line-by-line basis over which the parent company exercises joint control or a 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 non-deductible VAT, increased by revaluations carried out under the provisions of specific laws.

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

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

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. They include assets held under finance leases.

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 generated from the acquisition of subsidiaries is allocated to each identified cash generating unit (CGU). Following initial recognition, goodwill is not amortised but is reduced for any impairment losses. Goodwill in respect of investments in associated companies and companies subject to joint control is included in the carrying amount of such companies. Negative goodwill is taken to the income statement at the time of the acquisition.

## 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. In particular, account has been taken of the changes introduced with Law 244 of 24 December 2007 (the 2008 Finance Act) – although the issue of the implementing and coordinating regulations envisaged under Article 1, paragraph 60, of that law have not yet been issued – and with Decree Law 112 of 25 June 2008, which introduced further changes in the calculation of IRES and IRAP. These changes take effect as from the tax period under way as of 25 June 2008, the date the decree came into force.

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 timing differences" between statutory and tax values are those that will give rise to taxable amounts in future tax periods, while "deductible timing 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. 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 spot exchange rates prevailing at the end of the period.

Costs and revenues in foreign currencies are recognised at the 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 denominated in foreign currencies and carried at cost are translated using the exchange rate prevailing at the time of initial recognition of the transaction. Non-monetary assets and liabilities denominated in foreign currencies and carried out fair value are translated using the exchange rate prevailing at the date such fair value is determined.

## 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 also be noted that the provision for staff severance pay (*trattamento di fine rapporto* – TFR) for employees of the parent company is minor given that CDP 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 for the parent company 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 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.

GRANTS

The revenues are recognised when it is probable that the economic benefits of the operation will flow to the entity. However, where the recoverability of an amount already included in the revenues is uncertain, the unrecoverable amount or the amount whose recovery is no longer probable is recognised as a cost.

Grants received in relation to specific assets whose value is 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

### FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

*(thousands of euros)*

**FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE**

| | Banking group | | Insurance undertakings | | Other entities | | 30/06/2008 | 31/12/2007 |
|---|---|---|---|---|---|---|---|---|
| | 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: | | 361.717 | | | | 34.747 | 396.464 | 353.727 |
| 1.1 trading | | 361.717 | | | | 34.747 | 396.464 | 353.727 |
| 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)** | | **361,717** | | | | **34,747** | **396,464** | **353,727** |
| **Total (A+B)** | | **361,717** | | | | **34,747** | **396,464** | **353,727** |

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

The “Assets held for trading” of the other companies are entirely accounted for by unlisted financial derivatives. The increase in the item at 30 June 2008 compared with 31 December 2007 is attributable to an increase in the fair value of the trading derivatives caused by the general rise in interest rates during the period.

*(thousands of euros)*

## FINANCIAL ASSETS HELD FOR TRADING: DERIVATIVES

| | Interest rates | Foreign currencies and gold | Equity securities | Loans | Other | 30/06/2008 | 31/12/2007 |
|---|---|---|---|---|---|---|---|
| **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:*** | | | **361,717** | | | **396,464** | **353,727** |
| • with exchange of principal | | | | | | | |
| - options purchased | | | | | | | |
| - other derivatives | | | | | | | |
| • without exchange of principal | | | | | | | |
| - options purchased | | | 361,717 | | | 361,717 | 353,727 |
| - other derivatives | 34,747 | | | | | 34,747 | |
| ***2. Credit derivatives:*** | | | | | | | |
| • with exchange of principal | | | | | | | |
| • without exchange of principal | | | | | | | |
| **Total B** | **34,747** | | **361,717** | | | **396,464** | **353,727** |
| **Total (A+B)** | **34,747** | | **361,717** | | | **396,464** | **353,727** |

## FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

*(thousands of euros)*

**FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY TYPE**

| | Banking group | | Insurance undertakings | | Other entities | | 30/06/2008 | | 31/12/2007 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted |
| 1. Debt securities | 201.321 | 10.208 | | | | | 201.321 | 10.208 | 201.853 | 10.175 |
| 1.1 Structured securities | | | | | | | | | | |
| 1.2 Other debt securities | 201.321 | 10.208 | | | | | 201.321 | 10.208 | 201.853 | 10.175 |
| 2. Equity securities | 13.276.477 | 9.762 | | | | | 13.276.477 | 9.762 | 15.132.166 | 9.763 |
| 2.1 Recognised at fair value | 13.276.477 | | | | | | 13.276.477 | | 15.132.166 | |
| 2.2 Recognised at cost | | 9.762 | | | | | | 9.762 | | 9.763 |
| 3. Units in collective investment undertakings | | 2,211 | | | | | | 2,211 | | 1,328 |
| 4. Loans | | | | | | | | | | |
| 5. Impaired assets | | | | | | | | | | |
| 6. Assets assigned but not derecognized | | | | | | | | | | |
| **Total** | **13,477,798** | **22,181** | | | | | **13,477,798** | **22,181** | **15,334,019** | **21,266** |

The significant decrease in the item is due to the fair value measurement of the investment in ENI S.p.A. and ENEL S.p.A.

## FINANCIAL ASSETS HELD TO MATURITY – ITEM 50

During the period, CDP acquired inflation-linked treasury bonds with a nominal value of €200 million in response to the increasing exposure of the balance sheet of the parent company to 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 | 30/06/2008 | 31/12/2007 |
|---|---|---|---|---|---|
| **A. Claims on central banks** | **3,606,338** | | | **3,606,338** | **3,057,031** |
| 1. Fixed-term deposits | | | | | |
| 2. Reserve requirement | 3,606,338 | | | 3,606,338 | 3,057,031 |
| 3. Repurchase agreements | | | | | |
| 4. Other | | | | | |
| **B. Loans to banks** | **885,709** | | **119,918** | **1,005,627** | **1,072,440** |
| 1. Current accounts and free deposits | 283,170 | | 81,556 | 364,726 | 432,440 |
| 2. Fixed-term deposits | 141,462 | | 38,362 | 179,824 | 170,669 |
| 3. Other financing | 461,077 | | | 461,077 | |
| 3.1 repurchase agreements | | | | | |
| 3.2 finance leases | | | | | |
| 3.3 other | 461,077 | | | | 469,331 |
| 4. Debt securities | | | | | |
| 4.1 structured | | | | | |
| 4.2 other debt securities | | | | | |
| 5. Impaired assets | | | | | |
| 6. Assets assigned but not derecognized | | | | | |
| **Total (book value)** | **4,492,047** | | **119,918** | **4,611,965** | **4,129,471** |

The increase is largely attributable to the balance on the management account for the parent company's reserve requirement.

As regards the other companies, the change with respect to 31 December 2007, equal to €124.8 million, is essentially due to the decrease in the overall balance on current accounts.

## LOANS TO CUSTOMERS – ITEM 70

*(thousands of euros)*

**LOANS TO CUSTOMERS: COMPOSITION BY TYPE**

| | Banking group | Insurance undertakings | Other entities | 30/06/2008 | 31/12/2007 |
|---|---|---|---|---|---|
| 1. Current accounts | 59 | | | 59 | 36 |
| 2. Repurchase agreements | | | | | |
| 3. Loans | 78,584,626 | | | 78,584,626 | 76,880,021 |
| 4. Credit cards, personal loans and loans repaid by automatic deductions from wages | | | | | |
| 5. Finance leases | | | | | |
| 6. Factoring | | | | | |
| 7. Other | 85 | | 1,480,857 | 1,480,942 | 2,348,676 |
| 8. Debt securities | 615,925 | | | 615,925 | 557,670 |
| 8.1 structured | | | | | |
| 8.2 other debt securities | 615,925 | | | 615,925 | 557,670 |
| 9. Impaired assets | 26,253 | | | 26,253 | 110,222 |
| 10. Assets assigned but not derecognized | | | | | |
| **Total (book value)** | **79,226,948** | | **1,480,857** | **80,707,805** | **79,896,625** |

Loans to customers by the banking group regard lending operations under the Separate Account and Ordinary Account of CDP and include bonds issued by municipal and regional governments.

The exposure to customers at 30 June 2008 of the other companies, equal to €1,480.9 million (€1,542.7 million at 31 December 2007), is entirely attributable to trade receivables arising in respect of the ordinary operations of Terna, namely the transmission and dispatching of electricity. The trend in the carrying amount of the item is directly correlated with developments in the volume of the company's business and is composed of two categories:

- "energy receivables", regarding dispatching activities;
- "non-energy receivables", essentially regarding the remuneration paid to the parent company for the use of the Italian transmission network by power generators and distributors.

Total writedowns of loans amount to €51.5 million and entirely regard the assets of CDP S.p.A.. 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.

*(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** | **29,169** | **35,845** | **-** | **46,502** | **-** |
| - of which: exposures assigned but not derecognized | | | | | |
| **B. Increases** | **135** | **595** | **-** | **3,272** | **-** |
| B.1 from performing positions | | | | 157 | |
| B.2 transfers from other categories of impaired positions | | | | 1,717 | |
| B.3 other increases | 135 | 595 | | 1,398 | |
| **C. Decreases** | **(838)** | **(3,394)** | **-** | **(33,566)** | **-** |
| C.1 to performing positions | | | | (33,521) | |
| C.2 writeoffs | (120) | (10) | | | |
| C.3 collections | (718) | (1,667) | | (45) | |
| C.4 assignments | | | | | |
| C.5 transfers to other categories of impaired positions | | (1,717) | | | |
| C.6 other decreases | | | | | |
| **D. Closing gross exposure** | **28,466** | **33,046** | **-** | **16,208** | **-** |
| - 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** | **26,402** | **24,144** | **-** | **-** | **-** |
| - of which: exposures assigned but not derecognized | | | | | |
| **B. Increases** | **135** | **908** | **-** | **-** | **-** |
| B.1 writedowns | 135 | 908 | | | |
| B.2 transfers from other categories of impaired positions | | | | | |
| B.3 other increases | | | | | |
| **C. Decreases** | **(111)** | **(10)** | **-** | **-** | **-** |
| C.1 writebacks from valuations | | | | | |
| C. 2 writebacks from collection | | | | | |
| C.3 writeoffs | (111) | (10) | | | |
| C.4 transfers to other categories of impaired positions | | | | | |
| C.5 other decreases | | | | | |
| **D. Total closing adjustments** | **26,426** | **25,042** | **-** | **-** | **-** |
| - 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*** | **1,146,249** | | | | | **1,146,249** |
| • with exchange of principal | | | | | | |
| - purchased options | | | | | | |
| - other derivatives | | | | | | |
| • without exchange of principal | 1,146,249 | | | | | 1,146,249 |
| - purchased options | | | | | | |
| - other derivatives | 1,146,249 | | | | | 1,146,249 |
| ***2. Credit derivatives*** | | | | | | |
| • with exchange of principal | | | | | | |
| • without exchange of principal | | | | | | |
| **Total B** | **1,146,249** | | | | | **1,146,249** |
| **Total (A+B) 30/06/2008** | **1,146,249** | | | | | **1,146,249** |
| **Total (A+B) 31/12/2007** | **828,581** | | | | | **828,581** |

## EQUITY INVESTMENTS – ITEM 100

*(thousands of euros)*

**EQUITY INVESTMENTS IN COMPANIES UNDER JOINT CONTROL (ACCOUNTED FOR WITH EQUITY METHOD) AND IN COMPANIES UNDER 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 control | Terna Partecipacoes | 52.58% | 52.58% |
| 2. Brasnorte Transmissora de Energia S.A | Rio de Janeiro (Brazil) | joint control | Terna Partecipacoes | 35.00% | 35.00% |
| 3. Cesi S.p.A. | Milan | significant influence | Terna S.p.A. | 24.40% | 24.40% |
| 4. Poste italiane S.p.A. | Rome | significant influence | CDP S.p.A. | 35,00% | 35,00% |
| 5. ST Holding N.V. | Amsterdam | significant influence | CDP S.p.A. | 30.00% | 30.00% |
| 6. Galaxy S.àr.l. | Luxembourg | significant influence | CDP S.p.A. | 40,00% | 40,00% |
| 7. Europrogetti & Finanza S.p.A. | Rome | significant influence | CDP S.p.A. | 31,80% | 31,80% |
| 8. Tunnel di Genova | Genoa | significant influence | CDP S.p.A. | 33.33% | 33.33% |

During the first six months of the year, the only change in the equity investment portfolio of CDP S.p.A. regarded the pro-rata subscription of the capital increases carried out by Galaxy S.àr.l. in order to finance new investments.

As regards the Terna Group, on 30 May 2008, Terna Participações, acting through its subsidiary Lovina Partecipacoes, completed the acquisition from Tyco International ltd of the entire share capital of Empresa de Transmissão de Energia do Oeste Ltda ("ETEO"). The operation was financed in full by Terna Participações with a one-year bank loan involving the issue of commercial paper. On 2 June 2008 Lovina Participações SA was merged into ETEO.

In addition, the jointly controlled Jauru Transmissora de Energia S.A., established in 2007 and in which Terna Partecipacoes holds 35%, changed its name to Brasnorte Transmissora de Energia SA in January this year. The company is currently in the start-up phase.

## PROPERTY, PLANT AND EQUIPMENT – ITEM 120

*(thousands of euros)*

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

| | Banking group | Insurance undertakings | Other entities | 30/06/2008 | 31/12/2007 |
|---|---|---|---|---|---|
| **A. Operating assets** | | | | | |
| **1.1 owned** | **207,524** | | **8,007,059** | **8,214,583** | **7,954,950** |
| a) land | 117.406 | | 27.209 | 144.615 | 144.573 |
| b) buildings | 73,329 | | 486,435 | 559,764 | 550,493 |
| c) movables | 3,661 | | 1,461 | 5,122 | 4,397 |
| d) electrical plant | 5,359 | | 26,714 | 32,073 | 9,729 |
| e) other | 7,769 | | 7,465,240 | 7,473,009 | 7,245,758 |
| **1.2 acquired under finance leases** | | | | | |
| a) land | | | | | |
| b) buildings | | | | | |
| c) movables | | | | | |
| d) electrical plant | | | | | |
| **Total A** | **207,524** | | **8,007,059** | **8,214,583** | **7,954,950** |
| **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)** | **207,524** | | **8,007,059** | **8,214,583** | **7,954,950** |

The assets reported by CDP S.pA. did not change significantly during the period.

For the Terna Group, the change in the overall value of property, plant and equipment between 31 December 2007 and 30 June 2008 is largely attributable to the new investment carried out by the parent company and the new assets recently acquired by the Brazilian subsidiary ETEO as well as the effect of the depreciation of the euro/R$ depreciation.

## INTANGIBLE ASSETS – ITEM 130

Intangible assets break down as follows.

*(thousands of euros)*

**INTANGIBLE ASSETS: COMPOSITION BY CATEGORY**

| | Banking group | | Insurance undertakings | | Other entities | | 30/06/2008 | | 31/12/2007 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Finite life | Indefinite life | Finite life | Indefinite life | Finite life | Indefinite life | Finite life | Indefinite life | Finite life | Indefinite life |
| **A.1 Goodwill** | | | | | | **720,891** | | **720,891** | | **521,165** |
| A.1.1 pertaining to group | | | | | | 720,891 | | 720,891 | | 521,165 |
| A.1.2 minority interests | | | | | | | | | | |
| **A.2 Other intangible assets** | **6,862** | | | | **253,800** | | **260,662** | | **261,708** | |
| A.2.1 Assets carried at cost | 6,862 | | | | | | 6.862 | | 261.708 | |
| a) internally-generated intangible assets | | | | | | | | | 22.904 | |
| b) other assets | 6,862 | | | | 253,800 | | 260,662 | | 238,804 | |
| A.2.2 Assets recognised at fair value: | | | | | | | | | | |
| a) internally-generated intangible assets | | | | | | | | | | |
| b) other assets | | | | | | | | | | |
| **Total** | **6,862** | | | | **253,800** | **720,891** | **260,662** | **720,891** | **261,708** | **521,165** |

The increase in the goodwill of the other companies is mainly attributable to the following factors:

- adjustment of the goodwill in respect of foreign subsidiaries to reflect end-period exchange rate differences;
- the goodwill recognised following the acquisition of ETEO.

# LIABILITIES

## DUE TO BANKS – ITEM 10

*(thousands of euros)*

**DUE TO BANKS: COMPOSITION BY TYPE**

| | Banking group | Insurance undertakings | Other entities | 30/6/2008 | 31/12/2007 |
|---|---|---|---|---|---|
| **1. Due to central banks** | **25,308** | | **-** | **25,308** | **318,341** |
| **2. Due to banks** | **1,361,764** | | **1,242,689** | **2,604,453** | **1,946,600** |
| 2.1 Current accounts and demand deposits | 1,037 | | | 1,037 | 4,002 |
| 2.2 Fixed-term deposits | 889,415 | | | 889,415 | 410,275 |
| 2.3 Borrowings | 471,312 | | 1,242,689 | 1,714,001 | 1,516,800 |
| 2.3.1 finance leases | | | | | |
| 2.3.2 other | 471,312 | | 1,242,689 | 1,714,001 | 1,516,800 |
| 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 | 15,827 | | | 15,827 | 15,523 |
| **Total** | **1,402,899** | | **1,242,689** | **2,645,588** | **2,264,941** |

As regards the banking group, amounts due to other banks include the debt in respect of financial contracts with deferred settlement and cash collateral securing the credit risk on derivatives. Other borrowings regard loans from the EIB and amounts to be transferred to banks in the loan monetization operation.

As regards the Terna Group, borrowing at 30 June 2008 regards loans received.

## DUE TO CUSTOMERS – ITEM 20

*(thousands of euros)*

**DUE TO CUSTOMERS: COMPOSITION BY TYPE**

| | Banking group | Insurance undertakings | Other entities | 30/6/2008 | 31/12/2007 |
|---|---|---|---|---|---|
| 1. Current accounts and demand deposits | 77,789,734 | | | 77,789,734 | 76,282,114 |
| 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 | 11,970,150 | | | 11,970,150 | 11,334,969 |
| **Total** | **89,759,884** | | | **89,759,884** | **87,617,083** |

Amounts due to customers are entirely accounted for by the parent company's funding.

"Current accounts and demand deposits" regard the value at 30 June 2008 of postal passbooks issued by CDP S.p.A.

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 | 30/06/2008 | 31/12/2007 |
|---|---|---|---|---|---|
| **A. Listed** | **7,770,156** | | **1,842,519** | **9,612,675** | **9,756,863** |
| 1. bonds | 7,770,156 | | 1,842,519 | 9,612,675 | 9,756,863 |
| 1.1 structured | | | | | |
| 1.2 other | 7,770,156 | | 1,842,519 | 9,612,675 | 9,756,863 |
| 2. other | | | | | |
| 2.1 structured | | | | | |
| 2.2 other | | | | | |
| **B. Unlisted** | **87,382,877** | | | **87,382,877** | **82,253,654** |
| 1. bonds | 1,533,583 | | | 1,533,583 | 1,291,538 |
| 1.1 structured | | | | | |
| 1.2 other | 1,533,583 | | | 1,533,583 | 1,291,538 |
| 2. other | 85,849,294 | | | 85,849,294 | 80,962,116 |
| 2.1 structured | 5,676,218 | | | 5,676,218 | 4,504,760 |
| 2.2 other | 80,173,076 | | | 80,173,076 | 76,457,356 |
| **Total** | **95,153,033** | | **1,842,519** | **96,995,552** | **92,010,517** |

As regards the banking group, securities issued include covered bonds, bonds issued under the Euro Medium Term Notes programme and postal savings bonds. During the period, new issues under the EMTN programme came to €250 million.

Other structured securities report indexed postal savings bonds and the Premia bonds, for which the embedded derivative has been separated from the host contract.

## FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

*(thousands of euros)*

**FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE**

| | Banking group | | | | Insurance undertakings | | | | Other entities | | | | 30/06/2008 | | | | 31/12/2007 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | | | 351,963 | | | | | | | | 0 | | | | 351,963 | | | | 362,886 | |
| 1.1 trading | | | | | | | | | | | 0 | | | | 0 | | | | 445 | |
| 1.2 associated with fair value option | | | | | | | | | | | | | | | | | | | | |
| 1.3 other | | | 351,963 | | | | | | | | | | | | | | | | 362,441 | |
| 2. Credit derivatives | | | | | | | | | | | | | | | | | | | | |
| 2.1 trading | | | | | | | | | | | | | | | | | | | | |
| 2.2 associated with fair value option | | | | | | | | | | | | | | | | | | | | |
| 2.3 other | | | | | | | | | | | | | | | | | | | | |
| **Total B** | | | **351,963** | | | | | | | | **0** | | | | **351,963** | | | | **362,886** | |
| **Total (A+B)** | | | **351,963** | | | | | | | | **0** | | | | **351,963** | | | | **362,886** | |

*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
L = listed
UL = unlisted

The item includes the embedded option component of indexed bonds issued by CDP S.p.A. that was separated from the host contract.

## 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*** | **1,209,951** | **796** | | | | **1,210,747** |
| • with exchange of principal | | 796 | | | | 796 |
| - options written | | | | | | |
| - other derivatives | | 796 | | | | 796 |
| • without exchange of principal | 1,209,951 | | | | | 1,209,951 |
| - options written | | | | | | |
| - other derivatives | 1,209,951 | | | | | 1,209,951 |
| ***2. Credit derivatives*** | | | | | | |
| • with exchange of principal | | | | | | |
| • without exchange of principal | | | | | | |
| **Total B** | **1,209,951** | **796** | | | | **1,210,747** |
| **Total (A+B) 30/06/2008** | **1,209,951** | **796** | | | | **1,210,747** |
| **Total (A+B) 31/12/2007** | **952,996** | **1,251** | | | | **954,247** |

## GROUP SHAREHOLDERS' EQUITY – ITEMS 140, 160, 170, 180, 190, 200 AND 220

*(thousands of euros)*

### GROUP SHAREHOLDERS' EQUITY: COMPOSITION

| | 30/06/2008 | 31/12/2007 |
|---|---|---|
| 1. Share capital | 3,500,000 | 3,500,000 |
| 2. Share premium reserve | 806 | 425 |
| 3. Reserves | 3,995,295 | 2,887,049 |
| 4. Treasury shares | | |
| a) parent company | | |
| b) subsidiaries | | |
| 5. Valuation reserves | 4,873,061 | 6,726,977 |
| 6. Equity instruments | | |
| 7. Net income (loss) for the period | 776,233 | 1,660,609 |
| **Total** | **13,145,395** | **14,775,060** |

The decrease in valuation reserves is essentially attributable to the measurement of the investments in ENI S.p.A. and ENEL S.p.A. at end-period prices.
The increase in "Reserves" is a consequence of the allocation to reserves of €1,206 million in 2007 net income, alongside the distribution in the first half of 2008 of a dividend of €318.5 million on ordinary shares and €136.5 million on preference shares.

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 shareholders 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".

From an accounting standpoint, 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. In March 2008, 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.

The treatment of the preference shares as a component of shareholders' equity, rather than as a financial instrument composed of a financial liability and an equity instrument, is in accordance with the intentions of the shareholders, which underscored the equity nature of the shares, in line with the provisions of the company's articles of association, where the preference shares are included in share capital.

The intention of the shareholders to proceed with early conversion in accordance with the above timetable is an essential element supporting to accounting treatment that has been adopted. If the conversion is not carried out by the deadline specified above, the component of the preference shares that is not ascribable to an equity instrument will be reclassified as a financial liability.

# 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 2008 | 1st half 2007 |
|---|---|---|---|---|---|---|
| | Debt securities | Loans | | | | |
| 1 Financial assets held for trading | | | | | | |
| 2 Financial assets available for sale | 4,781 | | | | **4,781** | **4,197** |
| 3 Financial assets held to maturity | 1,335 | | | | **1,335** | **-** |
| 4 Loans to banks | | 21,474 | | 72,727 | **94,201** | **77,916** |
| 5 Loans to customers | 12,005 | 1,895,316 | 2,611 | | **1,909,932** | **1,889,237** |
| 6 Financial assets recognised at fair value | | | | | | |
| 7 Hedging derivatives | | | | | | |
| 8 Financial assets assigned but not derecognized | | | | | | |
| 9 Other assets | | | | 1,987,598 | **1,987,598** | **1,468,022** |
| **Total** | **18,121** | **1,916,790** | **2,611** | **2,060,325** | **3,997,847** | **3,439,372** |

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

- loans to customers: interest income on loans to customers, equal to about €1,907 million, represents the revenues on CDP lending activities;

- debt securities: interest income on debt securities, equal to about €18 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, equal to about €1,988 million.

*(thousands of euros)*

**INTEREST EXPENSE AND SIMILAR CHARGES: COMPOSITION**

| | Debt | Securities | Other liabilities | 1st half 2008 | 1st half 2007 |
|---|---|---|---|---|---|
| 1 Due to banks | 63,174 | | | **63,174** | **43,088** |
| 2 Due to customers | 1,084,414 | | | **1,084,414** | **805,456** |
| 3 Securities issued | | 1,710,793 | | **1,710,793** | **1,548,026** |
| 4 Financial liabilities held for trading | | | | | |
| 5 Financial liabilities at fair value | | | | | |
| 6 Financial liabilities in respect of assets assigned but not derecognized | | | | | |
| 7 Other liabilities | | | | | |
| 8 Hedging derivatives | | | 47,655 | **47,655** | **69,502** |
| **Total** | **1,147,588** | **1,710,793** | **47,655** | **2,906,036** | **2,466,072** |

Interest expense on amounts due to customers mainly regards interest on passbook savings accounts, totalling about €818 million, an increase of 44% on the first half of 2007, and interest on loans being repaid but not yet disbursed by CDP, equal to about €266 million.

Interest on debt securities regarded bond issues for about €166 million and postal savings bonds for about €1,500 million.

The negative differences on hedges amounted to about €48 million.

## COMMISSIONS - ITEMS 40 AND 50

During the period, CDP earned commission income on lending operations amounting to about €1 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 €404 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 of profits from equity investments in Istituto per il Credito Sportivo (about €2.4 million), ENI S.p.A. (about €280 million) and ENEL S.p.A. (about €182 million).

## GENERAL AND ADMINISTRATIVE EXPENSES – ITEM 180

Staff costs came to about €145 million, an increase of 10% on the year-earlier period. The rise was essentially attributable to the increase in the workforce at Terna and its Brazilian subsidiaries.
Other administrative expenses totalled some €101.3 million, an increase of 14.2% on the first half of 2007.

## OTHER OPERATING COSTS AND INCOME– ITEM 220

Net other operating costs and income showed net income of about €699 million, an increase of about 5.5% on 30 June 2007.

The rise is due in particular to the following factors:

- increased network usage fees, which are attributable to the parent company as a result of higher revenues from electricity transport on the NTN and to the subsidiary R.T.L. (Rete Trasmissione Locale S.p.A.) as a result of the increase in its ownership share of the national network;
- increased revenues from the Brazilian companies as a result of the annual adjustment of the concession fee (RAP), the average appreciation of the local currency against the euro compared with the year-earlier period and the transmission fees from companies acquired in 2007 and ETEO, which was acquired on 30 May 2008.

## GAINS (LOSSES) ON EQUITY INVESTMENTS – ITEM 240

The decrease with respect to the same period of 2007 is mainly attributable to the writedown of about €224.6 million recognised on the investment in STHolding following the decline over the period in the share price of STMicroelectronics, the only asset of the company.

# SEGMENT INFORMATION

**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 | Total CDP Group |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Transmission - Italy | Transmission - Brazil | Dispatching | Metering | | | |
| Interest income and similar revenues | 3,946,836 | 39,707 | | (1,254) | | | | | | 12,557 | 3,997,847 |
| *- of which in respect of internal transactions* | 759 | 494 | | (1,254) | | | | | | | |
| Interest expense and similar charges | (2,779,362) | (37,902) | | 1,254 | | | | | | (90,026) | (2,906,036) |
| *- of which in respect of internal transactions* | (494) | (759) | | 1,254 | | | | | | | |
| **NET INTEREST INCOME** | **1,167,474** | **1,805** | | | | | | | | **(77,469)** | **1,091,811** |
| Net commissions | (402,876) | 1,026 | (36) | | | | | | | (824) | (402,711) |
| Dividends and similar revenues | 464,518 | | | | | | | | | 19 | 464,537 |
| Net gain (loss) on trading activities | (3,946) | | | | | | | | | 56,460 | 52,514 |
| Net gain (loss) on hedging activities | (3,397) | (16) | | | | | | | | 519 | (2,895) |
| Gains (losses) on disposal or repurchase of loans | 2,588 | 12 | | | | | | | | | 2,600 |
| **GROSS INCOME** | **1,224,361** | **2,827** | **(36)** | | | | | | | **(21,295)** | **1,205,856** |
| Net impairment adjustments of loans | (1,051) | | | | | | | | | | (1,051) |
| Administrative expenses | (6,323) | (1,091) | (21,109) | | | | | | | (217,802) | (246,325) |
| Other operating income (costs) | 37 | 1 | 351 | | 513,431 | 93,588 | 34,994 | 128 | 25,719 | 30,549 | 698,798 |
| **OPERATING INCOME** | **1,217,024** | **1,737** | **(20,795)** | | **513,431** | **93,588** | **34,994** | **128** | **25,719** | **(208,548)** | **1,657,278** |

**DISTRIBUTION BY BUSINESS SEGMENT: BALANCE SHEET**

*thousands of euros*

| | Separate Account | Ordinary Account | Joint Services | Regulated activities in electricity sector | | | | Not allocable | Total CDP Group |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Transmission - Italy | Transmission - Brazil | Dispatching | Metering | | |
| Loans to customers | 77,819,632 | 1,407,308 | 8 | 1,451,238 | 28,087 | 1,518 | 14 | | **80,707,805** |
| Due to customers | 89,759,838 | 47 | | | | | | | **89,759,884** |
| Securities issued | 93,619,450 | 1,533,583 | | | | | | 1,842,519 | **96,995,552** |
| Cash and cash equivalents and net interbank position | 100,391,662 | 62,423 | (8,444) | | | | | (3,011,646) | **97,433,995** |

# BUSINESS COMBINATIONS

## ACQUISITIONS IN BRAZIL

During the period, the Group continued to expand in Brazil through its subsidiaries. In particular, on 30 May 2008, Terna Partecipacoes, acting through its subsidiary Lovina Partecipacoes, completed the acquisition from Tyco International ltd of the entire share capital of Empresa de Transmissão de Energia do Oeste Ltda ("ETEO") for 562.2 million reais, equal to about €219.3 million. The incidental expenses of 4.3 million di reais included costs for consulting and tax on financial transactions, bringing the total cost of the investment to 566.5 million reais. On 2 June 2008 Lovina Participações SA was merged into ETEO following the approval of their respective shareholders' meetings.

ETEO holds a 30-year concession for 502 km of 440 kV power lines in the state of São Paolo.
The transaction was entirely financed by Terna Participações with a one-year bank loan involving the issue of commercial paper, as discussed in "Short-term loans" in the half-year report of the Terna Group.
The revenues and net income achieved in the first half of 2008 by ETEO, as calculated on the basis of the accounting policies adopted by the Terna Group came to €12.8 million and €7.6 million, respectively. The contribution since the acquisition date to consolidated net income at 30 June 2008 amounted to €3.0 million.
The assets and liabilities of the company break down at the acquisition date as follows:

| | R$ | Euros (thousands) |
|---|---|---|
| ***Non-current assets*** | **216,612,548.45** | **85,310.76** |
| 1 Property, plant and equipment | 160,546,607.05 | 63,229.73 |
| 4 Deferred tax assets | 55,772,572.04 | 21,965.49 |
| 7 Other non-current assets | 293,369.36 | 115.54 |
| ***Current assets*** | **15,087,761.03** | **5,942.17** |
| 1 Inventories | 3,362,496.86 | 1,324.29 |
| 2 Trade receivables | 10,508,299.02 | 4,138.59 |
| 4 Cash and cash equivalents | 825,930.99 | 325.28 |
| 5 Other current assets | 391,034.16 | 154.01 |
| **TOTAL ASSETS** | **231,700,309.48** | **91,252.93** |
| ***Non-current liabilities*** | **138,171,459.25** | **54,417.49** |
| 6 Other non-current liabilities | 138,171,459.25 | 54,417.49 |
| ***Current liabilities*** | **15,105,031.03** | **5,948.97** |
| 3 Trade payables | 2,830,120.41 | 1,114.62 |
| 4 Income tax payables | 10,473,013.62 | 4,124.70 |
| 6 Other current liabilities | 1,801,897.00 | 709.66 |
| **TOTAL LIABILITIES** | **153,276,490.28** | **60,366.46** |
| | | |
| **Net identifiable assets and liabilities** | **78,423,819.20** | **30,886.46** |
| Goodwill from acquisition* | 488,062,567.26 | 192,218.73 |
| **Price** | **566,486,386.46** | **223,105.19** |

*The difference between the price paid for ETEO and the fair value of the assets and liabilities at the acquisition date will be allocated on the basis of an appraisal by independent experts.

# TRANSACTIONS WITH RELATED PARTIES

## 1. Information on the compensation of directors and management

*(thousands of euros)*

**REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS**

| | 1st half 2008 |
|---|---|
| a) Directors | 380 |
| b) Statutory auditors | 54 |
| **Total** | **434** |

*(thousands of euros)*

**REMUNERATION OF RELATED PARTIES (1)**

| | 1st half 2008 |
|---|---|
| (a) short-term benefits | 2,207 |
| (b) post-employment benefits | 36 |
| (c) other long-term benefits | - |
| (d) severance benefits | 116 |
| (e) share-based payments | - |
| **Total** | **2,359** |

*(1) Includes gross compensation and related social security contributions of directors and senior management*

*(thousands of euros)*

## REMUNERATION PAID TO DIRECTORS AND STATUTORY AUDITORS

| Name | Position | Period in office | End of term (*) | Compensation and bonuses |
|---|---|---|---|---|
| **Board of Directors** | | | | |
| Alfonso Iozzo | Chairman | 01/01/08-30/06/08 | 2009 | 100 |
| Franco Bassanini | Deputy Chairman | 01/01/08-30/06/08 | 2009 | 55 |
| Vittorio Grilli | Director | 01/01/08-30/06/08 | 2009 | (**) |
| Nunzio Guglielmino | Director | 01/01/08-30/06/08 | 2009 | 18 |
| Luisa Torchia | Director | 01/01/08-30/06/08 | 2009 | 21 |
| Renato Cambursano | Director | 01/01/08-30/06/08 | 2009 | 12 |
| Francesco Giovannucci | Director | 01/01/08-30/06/08 | 2009 | 18 |
| Gianfranco Imperatori | Director | 01/01/08-30/06/08 | 2009 | 21 |
| Gianfranco Viesti | Director | 01/01/08-30/06/08 | 2009 | 18 |
| **Supplementary members for administration of Separate Account (Art. 5.8, Decree Law 269/2003)** | | | | |
| Edoardo Grisolia | Director (1) | 01/01/08-30/06/08 | 2009 | (**) |
| Maria Cannata | Director (2) | 01/01/08-30/06/08 | 2009 | (**) |
| Isaia Sales | Director (3) | 01/01/08-30/06/08 | 2009 | 18 |
| Francesco Scalia | Director (3) | 01/01/08-30/06/08 | 2009 | 21 |
| Giuseppe Pericu | Director (3) | 01/01/08-30/06/08 | 2009 | 18 |
| **Board of Auditors** | | | | |
| Alberto Sabatini | Chairman | 01/01/08-30/06/08 | 2009 | 14 |
| Mario Basili | Auditor | 01/01/08-30/06/08 | 2009 | (**) |
| Fabio Alberto Roversi Monaco | Auditor | 01/01/08-30/06/08 | 2009 | 10 |
| Antonello Arru | Auditor | 01/01/08-30/06/08 | 2009 | 10 |
| Biagio Mazzotta | Auditor | 01/01/08-30/06/08 | 2009 | (**) |
| Francesco Bilotti | Alternate | 01/01/08-30/06/08 | 2009 | - |
| Gerhard Brandstätter | Alternate | 01/01/08-30/06/08 | 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*

*(3) Appointed with MEF decree on 25 May 2007*

## 2. Information on transactions with related parties

### CDP

With the exception of transactions with Poste Italiane S.p.A., which places postal savings products on behalf of CDP, in the first half of 2008 CDP did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the company. All transactions with related parties were carried out on an arm's length basis and form part of CDP's ordinary operations.

At 30 June 2008 CDP had the following transactions with the parent and associates, while it had no transactions with its subsidiary, Terna S.p.A.

***Transactions with the Ministry for the Economy and Finance***

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

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

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

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

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

*(thousands of euros)*

| **Transactions with Ministry for the Economy and Finance** | **30/06/2008** |
|---|---|
| Current account balances | 97,356,479 |
| Loans to customers | 32,652,328 |
| Other assets | 7,248 |
| Due to customers | 4,482,094 |
| Other liabilities | 55 |
| Interest income | 2,821,892 |
| Commission income for services rendered | 1,500 |
| Interest expense | (105,565) |

***Transactions with subsidiaries***

At the end of the first half of 2008, CDP had no outstanding transactions with Terna.

***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** | **30/06/2008** |
|---|---|
| Loans to customers | 1,014,351 |
| Other assets | 24,023 |
| Due to customers | 90,234 |
| Other liabilities | 667,570 |
| Interest income | 19,373 |
| Commission expense for services received | (667,570) |
| *of which: subject to amortisation* | *(263,184)* |

# TERNA

*(thousands of euros)*

**TRANSACTIONS WITH RELATED PARTIES**

| | Income statement | | | | | |
|---|---|---|---|---|---|---|
| | Revenues | | | Operating costs | | |
| | Transmission network usage fee and other energy items in income statement | Pass-through energy items | Non-energy items | Transmission network usage fee and other energy items in income statement | Pass-through energy items | Non-energy items |
| *Associates* | | | | | | |
| Cesi SpA | | | | | | 385 |
| ***Total associates*** | ***0*** | ***0*** | ***0*** | ***0*** | ***0*** | ***385*** |
| *Jointly controlled entities* | | | | | | |
| Etau SA | | | 236 | | | |
| Brasnorte de Energia SA | | | 2.216 | | | |
| ***Total jointly controlled entities*** | ***0*** | ***0*** | ***2.452*** | ***0*** | ***0*** | ***0*** |
| *Other related companies* | | | | | | |
| GSE Group | 14.017 | 827.394 | 209 | 0 | 374.918 | 0 |
| Enel Group | 460.221 | 554.063 | 11.931 | 3.108 | 774.143 | 6.067 |
| Eni Group | 3.941 | 70.680 | 69 | 374 | 42.665 | 31 |
| Ferrovie Group | 7.180 | | 0 | 2.879 | 3.447 | 1 |
| ANAS SpA | | | 20 | 0 | 0 | 0 |
| ***Total other related companies*** | ***485.359*** | ***1.452.137*** | ***12.229*** | ***6.361*** | ***1.195.173*** | ***6.099*** |
| *Pension funds* | | | | | | |
| Fondenel | | | | | | 195 |
| Fopen | | | | | | 752 |
| ***Total pension funds*** | ***0*** | ***0*** | ***0*** | ***0*** | ***0*** | ***947*** |
| ***Total*** | ***485.359*** | ***1.452.137*** | ***14.681*** | ***6.361*** | ***1.195.173*** | ***7.431*** |

| | Balance sheet | | | | | Guarantees* |
|---|---|---|---|---|---|---|
| | Property, plant and equipment<br>Capitalized costs | Non-current financial assets | Receivables | Payables | Current liabilities | |
| *Associates* | | | | | | |
| Cesi SpA | 2.394 | | | 2.688 | | 1.000 |
| ***Total associates*** | ***2.394*** | ***-*** | ***-*** | ***2.688*** | | ***1.000*** |
| *Jointly controlled entities* | | | | | | |
| Etau SA | | 1.715 | 20 | | | |
| Brasnorte de Energia SA | | | 2.290 | | | |
| ***Total jointly controlled entities*** | ***-*** | ***1.715*** | ***2.310*** | ***-*** | | ***-*** |
| *Other related companies* | | | | | | |
| GSE Group | - | - | 42 | 4.613 | | |
| Enel Group | 545 | - | 107.401 | 38.568 | | 522.315 |
| Eni Group | - | - | 12.823 | 13.840 | | 29.704 |
| Ferrovie Group | - | - | 13 | 665 | 1.239 | 21.992 |
| ANAS SpA | - | - | 973 | - | 752 | |
| ***Total other related companies*** | ***545*** | ***-*** | ***121.252*** | ***57.686*** | ***1.991*** | ***574.011*** |
| *Pension funds* | | | | | | |
| Fondenel | | | | | | |
| Fopen | | | | 1.292 | | |
| ***Total pension funds*** | ***-*** | ***-*** | ***-*** | ***1.292*** | | ***-*** |
| ***Totale*** | ***2.939,0*** | ***1.715,0*** | ***123.561,5*** | ***61.666,0*** | ***1.991,0*** | ***575.011,0*** |

* Guarantees regard sureties received on contracts.