CDP RETI S.r.l.

FINANCIAL STATEMENTS
at 31 December 2013

Financial statements 2013

CDP RETI

Limited liability company with a single member

REGISTERED OFFICE

ROME – Via Goito, 4

COMPANY REGISTER OF ROME

Entered in Company Register of Rome no. 12084871008

Registered with Chamber of Commerce of Rome at no. REA RM-1349016

SHARE CAPITAL

Share capital €100,000.00 fully paid up

Tax code and VAT registration no. 12084871008

Company subject to management and coordination by Cassa depositi e prestiti società per azioni – Via Goito 4, Rome – Share capital €3,500,000,000.00 fully paid up, registered with Chamber of Commerce of Rome at no. REA 1053767 - Tax code and Company Register of Rome no. 80199230584 - VAT registration no. 07756511007

CORPORATE AND SUPERVISORY BODIES

Sole Director	**Giovanni GORNO TEMPINI**
Sole Auditor	**Guglielmo MARENGO**
Independent auditors	**PricewaterhouseCoopers S.p.A.**

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REPORT

ON

OPERATIONS

(FINANCIAL YEAR ENDED 31/12/2013)

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REPORT ON OPERATIONS

1. PRESENTATION OF THE COMPANY

1.1 CDP RETI S.R.L.'S ROLE AND MISSION

CDP RETI S.r.l. ("CDP RETI") is an investment vehicle established in October 2012 and 100% owned by Cassa Depositi e Prestiti S.p.a. ("CDP" or "Sole Member"), through which on 15 October 2012 an equity interest was acquired in SNAM SpA ("SNAM") from ENI, equal to 30% of its voting capital less one share.

SNAM is an integrated group that oversees regulated activities in the gas sector in Italy. The Group operates in the areas of natural gas transport and dispatching, regasification of liquefied natural gas, and distribution and storage of natural gas.

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

CDP RETI's corporate purpose also includes the management of equity investments in the field of energy grid infrastructure.

At 31 December 2013, CDP RETI exclusively holds an equity investment in the share capital of SNAM.

1.2 BACKGROUND SCENARIO

The European gas market is the only sector in which CDP RETI has invested as of the end of the financial year 2013. In recent years it has been characterised by an erratic trend, with signs of a fall in demand. In particular, the Italian market saw a 6.5% reduction in gas demand in 2013.

The gas sector is undergoing significant changes caused by the gradual implementation of the regulations set out in Directive 2009/73/EC (the "Third Gas Directive”). The Third Gas Directive establishes common rules on natural gas transmission, distribution, supply and storage. For the gas transport segment, it requires EU member states to pursue "unbundling” starting from 3 March 2012, by separating transport systems and transport system operators.

The European legislation covers three different models:

- Ownership unbundling: ownership separation between the entity that owns and manages the network and the enterprises active in the commercial gas supply segment (art. 9);
- Independent System Operator or “ISO”: vertically integrated enterprises can maintain ownership of the network assets, provided its management is delegated to a third-party operator, entirely responsible for the transmission functions (art. 14);
- Independent Transmission Operator or “ITO”: vertically integrated undertakings can maintain ownership and control of the company that owns the network and manages transmission, provided it guarantees its decision-making and functional independence (chapter IV, articles 17 et seq.).

Legislative Decree 93/11 transposes the provisions of the Third Energy Package, identifying the ITO as the unbundling option for Italy and setting out the certification procedures.

Through Decree-Law 1 of 24 January 2012 (converted with amendments by Law 27 of 24 January 2012), the Italian Government adopted a package of structural reforms to promote and support the growth and development of the country, one requirement of which was the ownership unbundling of SNAM and ENI.

The aim of the government's measure was to unbundle ownership of the infrastructure manager and gas importers/distributors, in order to increase competition in the market while optimising the development of the network and ensuring non-discriminatory access for all operators.

Implementation was governed by the Prime Minister's Decree adopted on 25 May 2012, which identified CDP as the appropriate candidate to guarantee the stable core ownership of SNAM that would ensure the development of key assets and protect the public service characteristics of the activities performed by the company.
With the support of CDP, its owner, CDP RETI intends to provide SNAM with all necessary support to ensure that the investee can continue to safeguard and develop its business.

2. MAIN ACTIVITIES IN 2013

The year 2013 was CDP RETI's second year of operations. The company did not alter its stake in SNAM during the year. As at 31 December 2013, CDP RETI holds 1,014,491,489 shares in SNAM, equal to 30.0258% of the voting share capital and 30.00000002% of SNAM's issued share capital. Although CDP Reti exceeded the threshold of owning more than 30% of the voting capital in SNAM, it was not obligated to make a takeover bid pursuant to art. 106, paragraph 1, of Legislative Decree 58/98 (Single Finance Act), as also confirmed by CONSOB decision 18330 of 26 September 2012, due to the exemption applicable to the case in question in the event of “transfers between entities linked by significant ownership relationships” as set out in art. 106, paragraph 5, letter b) of the Single Finance Act.

SNAM is a company listed on the Milan stock exchange that operates in regulated gas-sector activities in Italy and is a highly significant European operator in terms of regulatory asset base (RAB).

SNAM and its investees cover four business areas:

natural gas transmission: provision of transmission capacity and transmission of gas delivered to the entry points of the national gas pipelines up to the redelivery points of the regional network, where the gas is redelivered to the users of the service;

regasification of natural gas: regasification involves unloading LNG previously liquefied by the LNG carrier, storing it for the time required to vaporise the LNG, its regasification and feeding it into the national grid;

natural gas storage: performed under a concession system with the purpose of balancing the difference between gas supply and demand. This activity is made possible by using an integrated system of infrastructure, comprising reservoirs, gas treatment plants, compression stations and an operational dispatching centre;

natural gas distribution: performed under a concession through assignment of the service by local public entities, consisting of the distribution of gas through networks of local pipelines from pressure reducing and metering systems ("City Gates") to the redelivery points in of the gas distribution network with final customers (households, businesses, etc.). The gas distribution service is provided to companies authorised to sell to final customers and is performed by transmitting gas through city networks.

SNAM has more than 32,000 km of transmission network and more than 50,000 km of distribution network; it has 8 storage reservoirs and a regasification plant.

Given the percentage of ownership, and in the absence of any evidence demonstrating the power to manage financial and management policy, the investment has been classified as subject to significant influence.

Since its incorporation, CDP RETI has been focused on the management of the equity investment in SNAM and the organisational structuring of the company through contracts providing the company access to all the expertise and services required for the due performance of its business.

At the end of the financial year 2013, the Sole Member started a process to dispose of a minority holding in CDP RETI.

3. STRUCTURE AND OPERATIONS

3.1 CORPORATE BODIES

At the date of preparation of these financial statements, the Company is managed by the Sole Director Mr. Giovanni Gorno Tempini, who was appointed upon the incorporation of the Company.

At the same time:

- Mr. Guglielmo Marengo was appointed the company's sole auditor;
- PricewaterhouseCoopers S.p.A. was appointed the company's independent auditor.

3.2 ORGANISATIONAL STRUCTURE

At 31 December 2013, CDP RETI had one employee, as a result of the partial secondment to the company of one CDP employee. Until now, CDP RETI has relied on the operational support of the parent CDP.

3.3 ORGANISATIONAL, COMPLIANCE AND RISK MANAGEMENT ASPECTS

Risks are typically identified, measured and managed on an individual basis for each of the CDP RETI's holdings. The risk deriving from the equity investment in the listed company Snam is currently measured on the basis of market price volatility.

CDP RETI RESULTS

4. FINANCIAL POSITION AND OPERATING PERFORMANCE

In order to facilitate understanding of the results for the period, an analysis of financial position and operating performance at 31 December 2013 is provided below using statements reclassified on the basis of operational criteria.

4.1 RECLASSIFIED BALANCE SHEET

4.1.1 ASSETS

The reclassified assets of CDP RETI at 31 December 2013 can be grouped into the following aggregates:

(thousands of euros)

ASSETS	31/12/2013	31/12/2012
Equity investment in SNAM	3,520,230	3,520,230
Deferred tax assets	7	1
Tax receivables	25	-
Other current assets	29,018	-
Cash and cash equivalents	252,646	981,811
Total assets	**3,801,926**	**4,502,042**

At that date, assets totalled €3,802 million and primarily consisted of items relating to the investments in SNAM acquired from ENI and the balance of the interest-bearing deposit account with the parent CDP.

On 28 February 2013, the Company paid the third and final tranche of the amount payable to ENI arising from the sale of SNAM shares for a total of €892.6 million, including the contractual interest accrued.

On 31 May 2013, a dividend totalling €101.5 million was paid to the sole member.

4.1.2 LIABILITIES AND EQUITY

The reclassified liabilities and equity of CDP RETI at 31 December 2013 can be grouped into the following aggregates:

(thousands of euros)

Reclassified balance sheet

EQUITY AND LIABILITIES	**31/12/2013**	**31/12/2012**
Equity	3,801,703	3,618,916
- Share capital and reserves	*3,517,379*	*3,517,360*
- Net income for the period	*284,324*	*101,556*
Other liabilities	223	883,126
- Payables to ENI	*-*	*883,076*
- Payables to parent company	*56*	*6*
- Operating payables	*22*	*24*
- Tax payables	*108*	*12*
- Payables to directors and board of auditors	*37*	*8*
Total equity and liabilities	**3,801,926**	**4,502,042**

Equity includes the value of the contribution by CDP, to the investment reserve, of approximately €3.5 billion to finance the acquisition of the investment in SNAM.

Among the other liabilities, the reduction in the amount payable to ENI refers to the third and final tranche of the price for the acquisition of the equity investment in SNAM, as described in the preceding paragraph.

4.2 RECLASSIFIED INCOME STATEMENT

4.2.1 INCOME PERFORMANCE

The reclassified income statement of CDP RETI at 31 December 2013 is composed as follows:

(thousands of euros)

Reclassified income statement

	31/12/2013	31/12/2012
- Dividends	*253,623*	*101,362*
Profit (loss) on core business	*253,623*	*101,362*
- Financial income	4,803	5,881
- Borrowing expenses	(2,882)	(5,642)
- Administrative expenses	(123)	(35)
Profit (loss) on operations	1,798	204
Income taxes	28,903	(10)
Net income for the year	**284,324**	**101,556**

The main components of CDP RETI's income derive from the dividends distributed by SNAM and from financial income arising from the amounts deposited with the parent CDP.

On 23 May 2013, CDP RETI received the balance of the 2012 dividend distributed by SNAM totalling approximately €152 million.

On 24 October 2013, CDP RETI received the 2013 interim dividend distributed by SNAM totalling approximately €101 million.

The dividends and financial income referred to above led CDP RETI to end 2013 with net income of approximately €284 million.

5. OUTLOOK - PROSPECTS FOR 2014

In 2014, the Company will be engaged in the process to open its share capital to outside investors and implementing its organisational structure. With reference to it only investment held, and in accordance with its mission, CDP RETI intends to promoted SNAM as a hub for transmission network aggregation, domestically and in Europe.

6. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

No particularly significant events have occurred since the end of the financial year that could affect the financial position and operating performance as represented in the financial statements at 31 December 2013.

7 FURTHER INFORMATION PURSUANT TO ART. 2428 OF THE ITALIAN CIVIL CODE

With reference to the further requirements of article 2428 of the Italian Civil Code, it is hereby declared that CDP Reti: (i) has not performed research and development activities; (ii) does not hold, and has not acquired and/or disposed of, shares or ownership interests in parent companies during the course of 2013, either directly or through trusts or intermediaries.
During 2013, the Company maintained relationships with the parent company Cassa Depositi e Prestiti in relation to:

1) an interest-bearing deposit account;
2) a service agreement for support activities.

These contractual relationships are conducted under arm's length conditions.

8. PROPOSED ALLOCATION OF NET INCOME FOR THE YEAR

The financial statements for 2013 are hereby submitted for the approval of the Sole Member, consisting of the balance sheet, the income statement, the statement of comprehensive income for the year, the statement of changes in equity, the cash flow statement, and the notes to the financial statements. The financial statements are accompanied by the Sole Director's report on operations.

It is proposed that the Company will distribute the entire net income for the period, equal to €284,323,719.58, to the Sole Member.

Rome, 31 March 2014

The Sole Director
Giovanni Gorno Tempini

FINANCIAL STATEMENTS

AT 31/12/2013

FORM AND CONTENT OF THE FINANCIAL STATEMENTS AT 31 DECEMBER 2013

The financial statements at 31 December 2013 have been prepared in accordance with applicable regulations and consist of:

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

The Notes consist of the following:

INTRODUCTION

I - Basis of presentation and accounting policies

II - Information on the balance sheet

III - Information on the income statement

IV - Information on risks and related hedging policies

V - Transactions with related parties

VI - Segment reporting

The section "Annexes", which is an integral part of the financial statements, also includes the separate financial statements at 31 December 2012 of the parent company Cassa depositi e prestiti S.p.A..

SEPARATE FINANCIAL STATEMENTS

AT 31 DECEMBER 2013

Balance sheet

Income statement

Statement of comprehensive income

Statement of changes in equity

Cash flow statement

Balance sheet

(euros)

Assets	Notes	**31/12/2013**	**31/12/2012**
Non-current assets			
Property, plant and equipment			
Investment property			
Assets used in finance leases			
Intangible assets			
Equity investments	II.1.1.	3,520,230,115	3,520,230,115
Non-current financial assets			
Deferred tax assets	II.1.2.	6,811	1,311
Other non-current assets			
Total non-current assets		**3,520,236,926**	**3,520,231,426**
Current assets			
Loans to investees			
Current financial assets			
Tax receivables	II.1.3.	24,939	-
Other current assets	II.1.4.	29,018,383	-
Cash and cash equivalents	II.1.5.	252,645,701	981,810,092
Total current assets		**281,689,023**	**981,810,092**
Total assets		**3,801,925,949**	**4,502,041,518**

Balance sheet

(euros)

Liabilities and equity	Notes	**31/12/2013**	**31/12/2012**
Equity			
Share capital	II.2.1.	100,000	100,000
Reserves	II.2.2.	3,517,279,741	3,517,259,741
Net income for the period (+/-)		284,323,720	101,555,747
Total Equity		**3,801,703,461**	**3,618,915,488**
Non-current liabilities			
Provisions			
Staff severance pay			
Loans			
Other financial liabilities			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Current liabilities			
Liabilities to banks			
Other financial liabilities			
Tax payables	II.3.1.	108,292	11,629
Other current liabilities	II.3.2.	114,196	883,114,401
- Trade payables		21,593	23,861
- Payables to pension and social security institutes			
- Payables to parent companies		55,410	6,440
- Other payables		37,193	883,084,100
Total current liabilities		**222,488**	**883,126,030**
Total liabilities and equity		**3,801,925,949**	**4,502,041,518**

Income statement

(euros)

Income statement items	Notes	31/12/2013	31/12/2012
Revenues			
Dividends		253,622,872	101,362,052
Capital gains on equity investments			
Increases in the value of financial instruments			
Total revenues		**253,622,872**	**101,362,052**
Costs			
Capital expenditure			
Capital losses on equity investments			
Decreases in the value of financial instruments			
Total costs			
Profit (loss) on operations	III.1.1.	**253,622,872**	**101,362,052**
Financial income	III.2.1.	4,802,918	5,880,779
Borrowing expenses	III.2.2.	(2,882,403)	(5,642,271)
Administrative expenses:	III.2.3.	(123,033)	(34,495)
a) staff costs		(41,220)	(7,651)
b) other administrative expenses		(81,813)	(26,844)
Amortisation, depreciation and impairment of non-current assets			
Impairment of current assets			
Profit (loss) on operations		**1,797,482**	**204,013**
Other operating income (costs)			
Other			
Other			
Income before taxes		**255,420,354**	**101,566,065**
Income taxes, current and deferred taxes	III.3.1.	28,903,366	(10,318)
NET INCOME FOR THE YEAR		**284,323,720**	**101,555,747**

STATEMENT OF COMPREHENSIVE INCOME *(euros)*

	31/12/2013	31/12/2012
Income (loss) for the period	**284,323,720**	**101,555,747**
Other comprehensive income net of taxes not transferred to income statement		
Property, plant and equipment		
Defined benefit plans		
Other comprehensive income net of taxes transferred to income statement		
Financial assets available for sale		
Cash flow hedges		
Total other comprehensive income net of taxes	**-**	
COMPREHENSIVE INCOME	**284,323,720**	**101,555,747**

STATEMENT OF CHANGES IN EQUITY

(euros)

	Balance at 31.12.2012	Change in re-opening balances	Balance at 01.01.2013	Allocation of net income for previous year		Changes for the period							Equity at 31.12.2013
						Equity transactions						Comprehensive income for 2013	
				Reserves	Dividends and other allocations	Payment of subscribed shares and changes in reserves	Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Stock options		
Share capital:													
shares subscribed	100,000		100,000										100,000
Share premium reserve													-
Reserves:													
a) income				20,000									20,000
b) other	3,517,259,741		3,517,259,741										3,517,259,741
Valuation reserves:													
a) available for sale													-
b) cash flow hedges													-
c) other reserves													-
Equity instruments													-
Treasury shares													-
Net income (loss) for the year	101,555,747		101,555,747	(20,000)	(101,535,747)							284,323,720	284,323,720
Equity	**3,618,915,488**		**3,618,915,488**	**-**	**(101,535,747)**	**-**	**-**	**-**	**-**	**-**	**-**	**284,323,720**	**3,801,703,461**

STATEMENT OF CHANGES IN EQUITY

(euros)

		Allocation of net income for previous year		Changes for the period							
				Equity transactions							
	Balance at 05.10.2012 *	Reserves	Dividends and other allocations	Payment of subscribed shares and changes in reserves	Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Stock options	Comprehensive income for 2012	Equity at 31.12.12
Share capital:											
shares subscribed	100,000										100,000
Share premium reserve											-
Reserves:											
a) income											-
b) other				3,517,259,741							3,517,259,741
Valuation reserves:											
a) available for sale											-
b) cash flow hedges											-
c) other reserves											-
Equity instruments											-
Treasury shares											-
Net income (loss) for the year										101,555,747	101,555,747
Equity	**100,000**	**-**	**-**	**3,517,259,741**	**-**	**-**	**-**	**-**	**-**	**101,555,747**	**3,618,915,488**

* Date of incorporation of the company

CONSOLIDATED CASH FLOW STATEMENT (indirect method) *(euros)*

A. OPERATING ACTIVITIES	**31/12/2013**	**31/12/2012**
1. Operations	**255,407,783**	**105,327,579**
Net income for the year	284,323,720	101,555,747
Gains (losses) on financial assets held for trading and on financial assets/liabilities measured at fair value		
Net impairment adjustments		
Net value adjustments to property, plant and equipment and intangible assets		
Net writedowns on equity investments		
Net provisions and other costs/revenues		
Unpaid taxes and duties	(28,915,937)	10,318
Net impairment adjustments of disposal groups held for sale net of tax effect		
Other adjustments		3,761,514
2. Cash generated by/used in financial assets	**(24,939)**	**-**
Receivables from the parent company and current banks		
Receivables from the parent company and non-current banks		
Receivables from current investees		
Receivables from non-current investees		
Other current assets	(24,939)	-
Other non-current assets		
3. Cash generated by/used in financial liabilities	**(883,011,488)**	**879,352,887**
Payables to the parent company and current banks		
Payables to the parent company and current banks		
Payables to investees		
Other current liabilities	(883,011,488)	879,352,887
Other non-current liabilities		
Cash generated by/used in operating activities	**(627,628,644)**	**984,680,466**
B. INVESTMENT ACTIVITIES		
1. Cash generated by	**-**	**-**
Sale of equity investments		
Sale of property, plant and equipment		
Sale of intangible assets		
2. Cash used in	**-**	**(3,520,230,115)**
Purchase of equity investments		(3,520,230,115)
Purchase of property, plant and equipment		
Purchase of intangible assets		
Cash generated by/used in investing activities	**-**	**(3,520,230,115)**
C. FINANCING ACTIVITIES		
Issue/purchase of treasury shares (payment/reimbursement of share capital and reserves)		3,517,359,741
Dividend distribution and other allocations	(101,535,747)	
Cash generated by/used in financing activities	**(101,535,747)**	**3,517,359,741**
CASH GENERATED/USED IN THE PERIOD	**(729,164,391)**	**981,810,092**

Reconciliation

Financial statement items		
Cash and cash equivalents at the beginning of the period	981,810,092	
Total cash generated/used during the period	(729,164,391)	981,810,092
Cash and cash equivalents: effects of changes in exchange rates		
Cash and cash equivalents at the end of the period	252,645,701	981,810,092

NOTES

INTRODUCTION

COMPANY INFORMATION

See the Report on operations.

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

The financial statements of CDP RETI S.r.l. (hereinafter "CDP RETI") have been prepared based on IAS/IFRS, exercising the option provided by Italian Legislative Decree no. 38 of 20 February 2005 to prepare the financial statements without applying the Italian accounting standards because the company belongs to a group whose parent company prepares financial statements based on the IAS/IFRS.

The parent company Cassa Depositi e Prestiti S.p.A. (hereinafter "CDP") prepares its financial statements in accordance with the regulations of the Bank of Italy, set out in its circular concerning banking and financial service supervision of 22 December 2005, updated to 21 January 2014, which establishes the formats and rules for preparing bank financial statements, incorporating the introduction of the IAS/IFRS for bank financial reporting.

With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, for EU companies that issue equity or debt securities on a regulated market in the European Union to adopt IFRS in preparing their financial statements.
Italian Legislative Decree 38 of 20 February 2005 was then issued in Italy in order to govern the application of:

- the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB);
- the International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC);

as well as the Implementation Guidance and Basis for Conclusions adopted by the International Financial Reporting Interpretations Committee (IFRIC, formerly the Standing Interpretations Committee, or SIC) and by the IASB.

The financial statements include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and these notes to the financial statements, and are accompanied by the Sole Director's report on operations.

The financial statements present a clear, true and fair view of the company's financial position and performance of operations.
The account balances correspond with the company's accounting records and fully reflect the transactions conducted during the year.

All figures in the financial statements and in the tables in the notes are in euros.
In the income statement, revenues are indicated without a sign, while costs are shown in parentheses.
The rounded totals for the various figures are obtained by summing the rounded balances of the items making up such totals.

As detailed below, the notes to the financial statements provide all information required by IAS, as well as any additional information deemed necessary in order to provide a true and fair view of the company's financial position and performance.

AUDITING OF THE FINANCIAL STATEMENTS

The financial statements of CDP are audited by the independent auditors PricewaterhouseCoopers S.p.A., in compliance with the memorandum of association of the company, which has appointed this firm to audit the financial statements and accounts for the period 2012-2014.

MANAGEMENT AND COORDINATION BY CDP S.P.A.

The company CDP RETI S.r.l. is owned 100% by its sole member, CDP S.p.A. The Company is managed and coordinated by the sole member, Cassa depositi e prestiti S.p.A.. This management and coordination is performed in such a way as to not infringe European law on state aid and, in particular, the principles of the Notice of the European Commission no. 2001/C 235/03 on "State aid and risk capital".

I – BASIS OF PRESENTATION AND ACCOUNTING POLICIES

I.1. GENERAL INFORMATION

I.1.1. DECLARATION OF CONFORMITY TO INTERNATIONAL ACCOUNTING STANDARDS

These financial statements have been prepared in accordance with IAS/IFRS issued by the IASB (including the interpretation documents SIC and IFRIC) endorsed by the European Commission, taking into account the minimum reporting requirements established by the Italian Civil Code, where compatible with the standards adopted.

I.1.2. BASIS OF PRESENTATION

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

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

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

Where the information required by international accounting standards is considered inadequate for providing a true and fair view, the notes to the financial statements also include additional information for such purpose.

Accounting standards and interpretations adopted from 1 January 2013

During the financial year 2013, certain mandatory international accounting standards or interpretations issued by the IASB and endorsed by the European Commission were applied.

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the main accounting policies, amendments and interpretations listed below are applicable from 1 January 2013 and are relevant to the Company's circumstances for the purposes of preparing these Financial Statements:

- IAS 1 (revised) "Presentation of financial statements";
- IAS 19 (revised) "Employee benefits";
- IFRS 13 "Fair value measurement";
- IFRS 7 "Financial instruments: Disclosures";
- IAS 16 "Property, plant and equipment";
- IAS 32 "Financial Instruments: Presentation";
- IAS 34 "Interim Financial Reporting".

Accounting standards and interpretations that will come into force in future

The standards that will apply from 1 January 2014 are shown below:

- IAS 27 (revised) "Separate financial statements";
- IAS 28 (revised) "Associates and joint ventures";
- IFRS 10 "Consolidated financial statements";
- IFRS 11 "Joint arrangements";
- IFRS 12 "Disclosures of interests in other entities";
- IAS 39 "Financial Instruments: Recognition and Measurement".

It is noted that at 31 December 2013, the IAS had issued the following standards or revisions:

- IFRS 9 "Financial instruments", as part of the review of the current IAS 39;
- Amendment to IAS 19 on defined benefit plans issued on 21 November 2013;

- Improvement projects of a number of IFRS 2010-2012, 2011-2013, approved on 12 December 2013;
- IFRIC 21 containing interpretations on some special taxes, issued on 20 May 2013.

None of the standards listed above are relevant for the purposes of the financial statements as at 31 December 2013, as their application is subject to endorsement by the European Union, which has not yet taken place as at the date of preparation of these financial statements.

The 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.

In compliance with IAS 1 Revised, CDP RETI has conducted an assessment of the Company's ability to continue to operate as a going concern, considering all available information over the medium term.

Based on analysis of this information, CDP RETI considers it appropriate to prepare the financial statements on a going-concern basis.
No assets have been offset against liabilities, or revenues against costs, unless expressly required or allowed by accounting standards or a related interpretation.

I.1.3. EVENTS SUBSEQUENT TO THE REPORTING DATE

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

I.1.4. OTHER ISSUES

USE OF ESTIMATES

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

The only items estimated at the reporting date are attributable to those relative to current and deferred taxes and equity investments.

I.2. THE MAIN FINANCIAL STATEMENT ACCOUNTS

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

An asset or liability is classified as "**current**" when its trading, realisation or settlement is expected within twelve months from the reporting date or within the normal business cycle if after twelve months; all other assets and liabilities are classified as "**non-current**".

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment refers to non-current assets for long-term use in business operations.
Property, plant and equipment and other tangible assets used in operations are governed by IAS 16, while investment property (land and buildings) is governed by IAS 40.
Property, plant and equipment is recognised at purchase cost including incidental expenses and VAT, increased by any revaluations carried out under the provisions of specific laws.
The financial statements show the carrying amount of property, plant and equipment, net of depreciation. The depreciation rates are calculated based on rates considered adequate to reflect the remaining useful life of each asset or value. Newly purchased assets are depreciated starting from when they are used in the production process.
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.
Buildings are depreciated over a 33-year period, which is considered to be the useful life of the buildings.
Assets whose use or nature classifies them as capital equipment are depreciated on a straight-line basis over their remaining useful lives.

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.

ASSETS USED IN FINANCE LEASES

Leased asses, if the operation has a financial purpose, are recognised in the financial statements of the user. A financial purpose is assumed when the lease agreement substantially transfers to the lessee the main part of risks and rewards attached to the leased items. It is also presumed when the agreement, at the time of signature, establishes that the actual value of the asset at the time of exercise of the buy out option is significantly higher than the remaining price.

These include assets under finance leases (for the lessee) and operating leases (for the lessor), as well as leasehold improvement costs. In determining whether a contract contains a lease, the provisions of IFRIC 4 are applied.

INTANGIBLE ASSETS

Intangible assets include industrial patent and intellectual property rights, concessions, licences, marks and similar rights, as well as development costs.

For IAS purposes, "Intangible assets" are governed by IAS 38.

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

An intangible asset is only recognised under the following conditions:

a) the company can control the future economic benefits generated by the asset;
b) future economic benefits from the asset are expected to flow to the entity;
c) the cost of the asset can be measured reliably.

Intangible assets are therefore derecognised when sold or when future economic benefits are no longer expected.

Costs incurred for the purchase and development of software by third parties are amortised, usually on a straight-line basis, over the residual useful lives of the assets, which is no greater than 5 years.
Costs incurred for software development before the year in which the project is completed are capitalised when the development/implementation of the project is likely to be successful and the utility of the product extends over more than one year. In this case, the costs are amortised over a period of no more than 5 years. In the year in which the software is completed, the costs incurred and not yet amortised are imputed to the asset and the cost is amortised over 5 years.
"Assets under development and advances" are composed of advances or expenses incurred in respect of intangible assets that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, amortisation is suspended.

EQUITY INVESTMENTS

This item includes investments in other companies, both represented by securities and not, that give rise to a relationship of control or association or a joint venture. Securities and investments that are non-current and cannot be classified as equity investments are classified as financial instruments and are recognised as "Financial assets".
"Equity investments" means investments in subsidiaries (IAS 27), in companies subject to joint control (IAS 31) and in companies under significant influence (IAS 28), other than investments recognised as "Financial assets".
Subsidiaries are companies in which more than half of the voting rights are held directly or indirectly, or for the purpose of appointing directors or, in any event, when the power to determine financial and operating policies is exercised, regardless of the above. 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. Other equity investments are recognised as "Financial assets".

In accordance with IAS 27, paragraph 37, equity investments are initially recognised and subsequently carried at cost at the settlement date.

If there is evidence of impairment, the recoverable amount of the investment is estimated. 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 impairment is significant and prolonged. Impairment losses on investments listed on active markets, unless there are additional, specifically justified reasons, are recognised when the impairment is deemed to be significant or long lasting.

In the absence of market prices or valuation models, the value of the equity investment is prudentially written down by the amount of the loss reported in the financial statements of the investee where the loss is considered to be a reliable indicator of impairment.

Equity investments are derecognised when the contractual rights to the cash flows of the business terminate or when the financial asset is sold, transferring substantially all risks and rewards connected with it.

FINANCIAL ASSETS

Financial assets include:

1. Loans;
2. Financial assets held for trading;
3. Financial assets available for sale;
4. Financial assets held to maturity.

1) LOANS

Financial instruments, including debt securities, that are not listed on active markets which IAS 39 refers to as "loans and receivables", for which the company has a right to receive future cash flows are recognised as "Financial and other receivables".

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.
Interest on loans and on arrears is recognised as interest income and similar revenues, on an accruals basis.
The carrying amount of loans is subject to periodic testing for impairment that could reduce their expected realisable value.
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.
The recovery of all or a part of previously written down loans is recognised as a reduction in "Increases in the value of financial instruments".
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. "Loans to customers" include unlisted financial assets in respect of customers (loans, debt securities, operating receivables, etc.).

2) FINANCIAL ASSETS HELD FOR TRADING

"Financial assets held for trading" refer to 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 signing date for derivative contracts and at the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.

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

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

If the fair value of a financial asset becomes negative, it is recognised as a financial liability held for trading.

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

3) FINANCIAL ASSETS AVAILABLE FOR SALE

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

Available-for-sale financial assets are initially recognised on the contract date for all financial assets, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is carried out at the settlement date and on the disbursement date in the case of loans.

The financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or gains. Where the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss.

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.

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

Available-for-sale financial assets undergo impairment testing to determine whether there is objective evidence of impairment. Where the decline in the fair value of an available-for-sale security with respect to its initial cost value is significant or long lasting, an impairment is recognised through profit or loss, regardless of other measurement considerations. To this end, the "significance" and "durability" of the reduction in fair value are measured separately, setting appropriate materiality thresholds.

When an available-for-sale security is impaired, the cumulative, unrealised change in value recorded in the equity reserve is recognised through profit or loss. The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of an available-for-sale financial asset exceeds its recoverable amount. The amount of this loss is measured using specific valuation techniques and models for equity securities. Any writebacks of investments in equity instruments are not recognised in the income statement but in an equity reserve, while any writebacks of investments in debt instruments go through the income statement. The value of the instrument after the writeback shall in any event not exceed the 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 through profit and loss at the time of the sale of the asset. Accordingly, in the event of disposal of an investment in available-for-sale securities, the related cumulative, unrealised change in value recorded in equity is recognised through profit and loss.

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

4) 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.

CURRENT AND DEFERRED TAXATION

Corporate income tax (IRES) and regional tax on business activities (IRAP) are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year and were calculated on the basis of the tax rates currently in force (27.5% for IRES and 5.57% for IRAP).

As regards IRES, in particular, following the CDP Group joining the tax consolidation scheme and in compliance with Regulations on consolidation and legal theory and practice, the Company determined its own "potential" liability, recognising the loan to the consolidating Company which, in conformity to the new regulation, is the only party required to settle with the Financial Administration.

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

Deferred tax assets/liabilities are classified as non-current assets/liabilities pursuant to IAS 1.56.
Deferred tax items are therefore recognised as non-current liabilities under "Deferred tax liabilities", where they are related to items that will become taxable in future tax periods. Where they represent assets, i.e. they are related to items that will be deductible in future tax periods, they are recognised as "Deferred tax assets", under non-current assets in the balance sheet.
If the deferred tax items regard operations that directly affected equity, they are recognised in equity.

PROVISIONS

Provisions are allocated only to cover liabilities that are specific, certain or probable, but whose value or date of occurrence cannot be determined at the end of the reporting period.

"Provisions" are therefore recognised solely under the following conditions:

a) there is a present (legal or constructive) obligation resulting from a past event;
b) it is probable/expected that a charge, i.e., 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 reporting date) of the charges that are expected to be incurred in order to settle the obligation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised at fair value.

Liquidity is represented by cash held at banks and at the controlling company in respect of an irregular deposit held with that company, with returns aligned to market conditions.

Cash and cash equivalents are increased by interest accrued, as well as interest still to be paid.

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.

DIVIDENDS

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

TRANSACTIONS WITH RELATED PARTIES

Reporting is provided on transactions with related parties identified according to the criteria established by IAS 24 revised.

II - INFORMATION ON THE BALANCE SHEET

II.1. ASSETS

NON-CURRENT ASSETS

II.1.1. EQUITY INVESTMENTS

The balance of "Equity investments" refers to the value of the equity investment in 30.00000002% of SNAM's share capital. The size of the investment is unchanged since last year.

In the absence of any evidence demonstrating the power to manage the economic, financial and management policy of the investee, the percentage ownership of SNAM leads to the presumption of the existence of significant influence and, therefore, that they are associates.

(euros)

Equity investments: composition	**31/12/2013**	**31/12/2012**
SNAM SpA	3,520,230,115	3,520,230,115
Total	**3,520,230,115**	**3,520,230,115**

EQUITY INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE: INFORMATION ON INVESTMENTS

Name	**Registered office**	**% holding**
1. SNAM SpA	San Donato Milanese	30.00000002%

(millions of euros)

	Total assets	**Total revenues**	**Net income (loss)**	**Equity**	**Carrying amount**	**type of transaction**
SNAM SpA (1)	22,584	4,008	779	5,930	3,520	significant influence

(1) Data from the 2012 Annual Report - Consolidated Financial Statements

The table below shows movements of equity investments recorded in the year:

(euros)

EQUITY INVESTMENTS: CHANGE FOR THE YEAR

	31/12/2013	31/12/2012
A. Opening balance	**3,520,230,115**	**-**
B. Increases		**3,520,230,115**
B.1 Purchases		3,520,230,115
B.2 Writebacks		
B.3 Revaluations		
B.4 Other increases		
C. Decreases		
C.1 Sales		
C.2 Writedowns		
C.3 Other decreases		
D. Closing balance	**3,520,230,115**	**3,520,230,115**
E. Total revaluations		
F. Total writedowns		

II.1.2. DEFERRED TAX ASSETS

The balance of "Deferred tax assets" refers to deferred tax assets in respect of taxes calculated on temporary differences in the values reported for tax purposes and those used for financial reporting that will become deductible in periods following the period in which they are recognised:

(euros)

Deferred tax assets: composition	31/12/2013	31/12/2012
Deferred IRES	6,811	1,311
Total	**6,811**	**1,311**

The table below shows movements recorded in the year:

(euros)

CHANGES IN DEFERRED TAX ASSETS (RECOGNISED IN INCOME STATEMENT)

	31/12/2013	31/12/2012
1. Opening balance	**1,311**	**-**
2. Increases	**5,500**	**1,311**
2.1 Deferred tax assets recognised during the year	5,500	1,311
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	5,500	1,311
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets derecognised during the year		
a) reversals		
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**6,811**	**1,311**

II.1.3. TAX RECEIVABLES

The balance of "Tax receivables" includes assets related to current taxes. The balance mainly refers to the advance payment of IRAP (regional production tax) and marginally to receivables for taxes withheld on bank interest income.

(euros)

Tax receivables: composition	31/12/2013	31/12/2012
Advances for IRAP	24,832	
Taxes withheld	107	
Total	**24,939**	

II.1.4. Other current assets

The balance of "Other current assets" refers to the receivable due from the parent company arising from CDP's participation in the tax consolidation scheme as from 2013.

(euros)

Other current assets: composition	31/12/2013	31/12/2012
Receivables from CDP for tax consolidation	29,018,383	
Total	**29,018,383**	

II.1.5. Cash and cash equivalents

"Cash and cash equivalents" of CDP RETI are mainly in an interest-bearing irregular demand deposit held with the parent company CDP. At 31 December 2013, the balance of the demand deposit was approximately €253 million.

As regards the above deposit, CDP has granted CDP RETI market conditions and in particular:

- 1 month EURIBOR of the previous month, increased by a margin equal to 1.20% up to 31 October 2013;
- 1 month EURIBOR of the previous month, increased by a margin equal to 1.00% from 1 November to 31 December 2013.

The interest accrued on the demand deposit in 2013, capitalised at the end of each month on the deposit, is equal to approximately €4.8 million.
"Cash and cash equivalents" also include the balance of the access current bank account held with a leading bank.
The table below summarises cash and cash equivalents at 31 December 2013 including interest accrued and not yet paid.

(euros)

Current financial assets composition	31/12/2013	31/12/2012
Irregular deposit with CDP	252,634,452	981,710,092
Banks	11,249	100,000
Total	**252,645,701**	**981,810,092**

The reduction in cash and cash equivalents, equal to €729 million, is attributable to the payment of the third and final tranche of the amount payable to Eni Spa, arising last year for the acquisition of the equity investment in SNAM. The third tranche was paid on 28 February 2013.

11.2. EQUITY

11.2.1. SHARE CAPITAL

(euros)

Share capital: composition	31/12/2013	31/12/2012
Share capital	100,000	100,000
Total	**100,000**	**100,000**

11.2.2. RESERVES

At the end of the year, "Reserves" were as follows:

(euros)

Reserves: composition	31/12/2013	31/12/2012
Legal reserve	20,000	
Reserve for shareholder payments for investments	3,517,259,741	3,517,259,741
Total	**3,517,279,741**	**3,517,259,741**

The item "Reserve for shareholder payments for investments" included the value of the payment made by CDP to fund the purchase of the investment in SNAM.

Information required by Article 2427, point 7-bis, of the Italian Civil Code on the individual details of equity items is given, specifying their origin, possible use and possible distribution.

DATA PURSUANT TO ARTICLE 2427 OF THE ITALIAN CIVIL CODE *(euros)*

Items/Figures	Balance at 31/12/2013	Possible uses (*)	Amount available
Share capital	100,000		
Reserves			
- Legal reserve	20,000	B	20,000
- Other profit reserves			
- Shareholder payment reserve	3,517,259,741	A, B, C	3,517,259,741
Valuation reserves			
- AFS reserve			
- Property revaluation reserve			
- CFH reserve			
Total	**3,517,379,741**		**3,517,259,741**

(*) A = capital increase; B = loss coverage; C = distribution to shareholders

II.3. LIABILITIES

CURRENT LIABILITIES

II.3.1. TAX PAYABLES

The figure for "Tax payables" refers to the amounts payable to the tax authorities in the subsequent financial year on the basis of the deadlines set out in laws and regulations:

(euros)

Tax payables: composition	31/12/2013	31/12/2012
Payable for IRAP	107,946	11,629
Payable for withheld taxes	346	
Total	**108,292**	**11,629**

II.3.2. OTHER CURRENT LIABILITIES

"Other current liabilities" refer to short-term payables that will be paid in the year following the reporting date.

(euros)

Trade payables: composition	31/12/2013	31/12/2012
- Trade payables	21,593	23,861
- Payables to pension and social security institutes		
- Payables to parent companies	55,410	6,440
- Other payables	37,193	883,084,100
Total	**114,196**	**883,114,401**

Specifically:

- Trade payables

(euros)

Trade payables: composition	31/12/2013	31/12/2012
a) Trade payables	12,438	8,976
b) Trade payables for invoices to receive	9,155	14,885
Total	**21,593**	**23,861**

- Payables to parent companies

(euros)

Payables to parent companies: composition	31/12/2013	31/12/2012
Loan for purchase of SNAM shares on secondary market		3,456
Administrative and securities custody services	46,878	2,984
Seconded personnel	8,532	
Total	**55,410**	**6,440**

- Other payables

(euros)

Other payables: composition	**31/12/2013**	**31/12/2012**
Due to ENI		883,076,449
Due to company bodies	37,193	7,651
Total	**37,193**	**883,084,100**

On 28 February 2013, the third and final tranche of the amount payable to ENI was paid, arising from the sale of SNAM shares; at 31 December 2013, the item Other payables therefore only included payables to the Director and the Sole Auditor for the fees due to them.

II.4. REPORTING ON FINANCIAL INSTRUMENTS FOR IAS/IFRS PURPOSES

Statement of financial position
Categories of financial assets and liabilities under IFRS 7 §8 and IAS 39 §9

(euros)

	31/12/2013	**31/12/2012**
ASSETS		
a) financial assets at fair value through profit or loss, of which:		
i) designated as such at initial recognition and		
ii) classified as held for trading under IAS 39		
b) financial assets held to maturity		
c) loans and receivables	252,645,701	981,810,092
d) financial assets available for sale		
LIABILITIES		
a) financial liabilities at fair value through profit or loss, of which:		
i) designated as such at initial recognition and		
ii) classified as held for trading under IAS 39		
f) financial liabilities measured at amortised cost		883,076,449

II.5. OTHER INFORMATION

II.5.1. GUARANTEES ISSUED AND COMMITMENTS

The company did not issue guarantees or make commitments recognised in the memorandum accounts.

II.5.2. ASSETS PLEDGED AS COLLATERAL FOR OWN DEBTS AND COMMITMENTS

No collateral or guarantees were pledged either directly or indirectly in the interest of third parties.

II.5.3. OWN SECURITIES PORTFOLIO DEPOSITED WITH THIRD PARTIES

The 1,014,491,489 shares in Snam S.p.A. owned by CDP RETI are held at the parent company CDP S.p.A..

III - INFORMATION ON THE INCOME STATEMENT

III.1. PROFIT (LOSS) ON CORE BUSINESS

Profit (loss) on core business comprises dividends from the subsidiary SNAM (€152,173,723 as the balance of the 2012 dividend and €101,449,149 as an advance on the 2013 dividend):

(euros)

Dividend: composition	31/12/2013	31/12/2012
Dividends paid by SNAM	253,622,872	101,362,052
Total	**253,622,872**	**101,362,052**

III.2. PROFIT (LOSS) ON OPERATIONS

The excess of financial income over expense is due to the remuneration of cash and cash equivalents, supplemented by the receipt of dividends paid by SNAM, paid into the irregular deposit held with CDP.

III.2.1. FINANCIAL INCOME

(euros)

Financial income: composition	31/12/2013	31/12/2012
Interest income on irregular deposit contract	4,802,383	5,880,779
Interest income on current bank account	535	
Total	**4,802,918**	**5,880,779**

III.2.2. BORROWING EXPENSES

(euros)

Borrowing expenses: composition	31/12/2013	31/12/2012
Interest expense in respect of ENI	2,882,199	5,642,271
Other interest expense	204	
Total	**2,882,403**	**5,642,271**

Interest was incurred on the amount payable, settled on 28 February 2013, relative to the third tranche of the payment for the SNAM shares sold by ENI.

III.2.3. ADMINISTRATIVE EXPENSES

(euros)

	31/12/2013	31/12/2012
Administrative expenses	**123,033**	**34,495**
a) staff costs	41,220	7,651
b) other administrative expenses	81,813	26,844

STAFF COSTS

Staff costs, equal to €41,220, refer to the compensation of company bodies and costs of CDP S.p.A. personnel seconded to CDP RETI, as detailed below:

STAFF COSTS: COMPOSITION *(euros)*

Type of costs/Figures	31/12/2013	31/12/2012
1) Employees		
2) Other personnel in service		
3) Board of Directors and Board of Auditors	32,688	7,651
4) Retired personnel		
5) Recovery of expenses for employees seconded to other companies		
6) Reimbursement of expenses for third-party employees seconded to the Company	8,532	
Total	**41,220**	**7,651**

OTHER ADMINISTRATIVE EXPENSES

(euros)

OTHER ADMINISTRATIVE EXPENSES: COMPOSITION	31/12/2013	31/12/2012
Professional and financial services	33,626	26,844
Outsourcing CDP	46,848	
General and administrative services	169	
Utilities, taxes and other expenses	1,170	
Total	**81,813**	**26,844**

The 2013 fees for the independent auditors PricewaterhouseCoopers S.p.A. are summarised below:

(euros)

FEES FOR AUDITING AND NON-AUDIT SERVICES

Type of service	Service Fees for provider the year	Fees for the year
Auditing Certification	PricewaterhouseCoopers SpA	28,183
	Total	**28,183**

III.3.1 INCOME TAXES, CURRENT AND DEFERRED TAXES

Taxes for 2013 are detailed below:

(euros)

INCOME TAXES: COMPOSITION	31/12/2013	31/12/2012
1. Current taxes (-)	28,910,437	(11,629)
- of which income from participation in the tax consolidation me	*29,018,383*	
2. Change in current taxes from previous years (+/-)	(12,571)	
3. Reduction of current taxes for the year (+)		
4. Change in deferred tax assets (+/-)	5,500	1,311
5. Change in deferred tax liabilities (+/-)		
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	**28,903,366**	**(10,318)**

Current taxes, amounting to €28,910,437, refer to:

- IRAP (regional production tax) for the year of €107,946, calculated using the current rate of 5.57%;
- gains totalling €29,018,383 arising from CDP's participation in the tax consolidation scheme, as from 14 June 2013.

In this regard, in compliance with Regulations on consolidation and legal theory and practice, the Company determined its own "potential" tax liability. The ACE (Help for Economic Growth) benefit fully absorbed the potential tax burden and made it possible to transfer an excess to the consolidating company CDP, in line with current laws in force and established practice. Consequently, a receivable was recognised as income due from the consolidating company which, as mentioned previously, is the sole entity required to settle with the Financial Administration.

The reconciliation between the theoretical and actual tax liability is shown below.

(euros)

Income (loss) before taxes	**255,420,354**	**Tax rate**
IRES theoretical tax liability (rate 27.5%)	(70,240,597)	-27.50%
Increases in taxes		
- non-deductible temporary differences	(5,500)	n/s
- non-deductible permanent differences	(182)	n/s
Decreases in taxes		
- dividends 95% exempt	66,258,975	25.94%
- ACE benefit	33,005,687	1.56%
IRES Actual tax liability	**29,018,383**	**0.00%**

Difference between revenues and production costs	**(114,501)**	**Tax rate**
IRAP Theoretical tax liability (5.57% rate)	6,378	-5.57%
Increases in taxes	(275,095)	n/s
Decreases in taxes	160,771	n/s
IRAP Actual tax liability	**(107,946)**	**n/s**

IV - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Risks are typically identified, measured and managed on an individual basis for each of the CDP RETI's holdings. The risk deriving from the equity investment in the listed company SNAM is currently measured on the basis of market price volatility.

V - TRANSACTIONS WITH RELATED PARTIES

V.1. INFORMATION ON THE COMPENSATION OF KEY MANAGEMENT PERSONNEL

(euros)

	Sole Director	Sole Auditor	Key management personnel
a) short-term benefits	20,000	12,688	
b) post-employment benefits			
c) other long-term benefits			
d) severance benefits			
e) share-based payments			
Total	**20,000**	**12,688**	

(euros)

Name	Position	Period in office	Expiry of office	Compensation and bonuses (*)
Directors				
Giovanni Gorno Tempini	Sole Director (**)	01/01/2013 - 31/12/2013	Approval of Financial Statements	20,000
Board of Auditors				
Guglielmo Marengo	Sole Auditor	01/01/2013 - 31/12/2013	Approval of Financial Statements	10,000

(*) Annual compensation
(**) Compensation paid to Cassa depositi e prestiti S.p.A.

V.2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

The company is managed and coordinated by the sole member, Cassa depositi e prestiti S.p.A..

The CDP Group did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the company. All transactions with related parties were carried out on an arm's length basis and form part of CDP RETI S.r.l.'s ordinary operations.

Transactions with the parent company

Transactions with CDP S.p.A.

CDP RETI S.r.l. has agreements in place with CDP S.p.A. for an interest-bearing deposit account, which at 31 December 2013 had a balance of €981,710,092, and for depository and custodian services for the shares in SNAM, both of which at under arm's length conditions.

The relationships in existence at the end of the year and their economic effects can be summarised as follows:

	(euros)
TRANSACTIONS WITH CDP SpA	**31/12/2013**
Assets	
- Irregular deposit balance	252,634,452
- Receivable for tax consolidation	29,018,383
Liabilities	
- Payables for seconded personnel	8,532
- Payable for outsourced administrative services and securities custo(	46,878
Revenues	
- Interest income on irregular deposit contract	4,802,383
Costs	
- Outsourced administrative services and securities custody service	(46,878)
- Costs for personnel seconded to CDP RETI	(8,532)

Transactions with companies subject to significant influence of the parent

Transactions with ENI S.p.A.

Relationships with ENI, which is subject to the significant influence of the parent CDP, refer to the interest paid in relation to the payment, on 28 February 2013, of the third and final tranche of the amount payable to ENI as a result of the purchase of the equity interest in SNAM.

The relationships in existence at the end of the year can be summarised as follows:

RELATIONS WITH ENI SpA	*(euros)* 31/12/2013
Costs	
- Interest due on Snam shares deferred settlement	(2,882,199)

V.3. KEY DATA OF THE COMPANY PERFORMING MANAGEMENT AND COORDINATION

In compliance with Article 2497bis, paragraph 4 of the Italian Civil Code, key data from the last financial statements of the parent company Cassa depositi e prestiti S.p.A. are summarised below.

The key data are taken from the relative financial statements at 31 December 2012, which are available as provided for by law.

(millions of euros)

RECLASSIFIED BALANCE SHEET DATA	2012
Total assets	305,431
Cash and cash equivalents held with banks	139,062
Loans to banks and customers	100,508
Equity investments and shares	30,570
Postal funding	233,631
Other direct funding	16,462
Equity	16,835
RECLASSIFIED PERFORMANCE DATA	
Net interest income	3,522
Gross income	3,653
Operating income	3,530
Net income (loss)	2,853

The separate financial statements for 2012 of Cassa depositi e prestiti S.p.A. are attached.

VI - SEGMENT REPORTING

CDP RETI S.r.l. was established by CDP S.p.A. as a special-purpose entity to purchase, from ENI, an equity investment in SNAM (a company that oversees regulated activities in the gas sector in Italy) as the first step in a broader development scheme.

In 2013, company operations concerned management of the equity investment in SNAM, which is why the reporting required by IFRS 8 coincides with the financial statements of the company.

ANNEXES

1. **LIST OF EQUITY INVESTMENTS**

2. **SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2012 OF CASSA DEPOSITI E PRESTITI SOCIETÀ PER AZIONI** (Registered office in Rome, Via Goito n. 4, tax code 80199230584)

   - **BALANCE SHEET**
   - **INCOME STATEMENT**
   - **STATEMENT OF COMPREHENSIVE INCOME**
   - **STATEMENT OF CHANGES IN EQUITY**
   - **CASH FLOW STATEMENT**

ANNEX 1

LIST OF EQUITY INVESTMENTS

(euros)

Name	Registered office	% holding	Carrying amount	type of transaction
A. Listed companies				
SNAM SpA	San Donato Milanese (MI - ITALY)	30.00000002%	3,520,230,115	significant influence
B. Unlisted companies				

ANNEX 2

Cassa depositi e prestiti società per azioni

Registered office in Rome, Via Goito n. 4, Tax Code 80199230584

(euros)

BALANCE SHEET

	Assets	31/12/2012	31/12/2011
10.	Cash and cash equivalents	4,061	2,237
20.	Financial assets held for trading	640,480,778	581,080,782
40.	Financial assets available for sale	4,975,191,408	2,714,382,743
	of which securing covered bonds	-	*200,479,303*
50.	Financial assets held to maturity	16,730,803,183	9,289,252,925
60.	Loans to banks	13,178,302,664	19,404,824,607
	of which securing covered bonds	*575,161,865*	*5,138,958,155*
70.	Loans to customers	238,305,758,261	220,537,662,851
	of which securing covered bonds	*2,102,395,438*	-
80.	Hedging derivatives	371,592,827	359,793,786
100.	Equity investments	30,267,806,038	19,641,548,187
110.	Property, plant and equipment	206,844,583	199,727,962
120.	Intangible assets	7,142,943	4,574,652
130.	Tax assets	508,263,385	617,523,230
	a) current	359,110,010	399,759,826
	b) deferred	149,153,375	217,763,404
150.	Other assets	239,289,471	235,665,166
	Total assets	**305,431,479,602**	**273,586,039,128**

Cassa depositi e prestiti società per azioni

Registered office in Rome, Via Goito n. 4, Tax Code 80199230584

(euros)

BALANCE SHEET

	Liabilities and equity	**31/12/2012**	**31/12/2011**
10.	Due to banks	34,055,028,612	19,415,892,384
20.	Due to customers	242,303,149,301	227,042,396,990
30.	Securities issued	6,672,411,389	8,512,364,699
	of which covered bonds	*2,639,474,757*	*5,307,748,156*
40.	Financial liabilities held for trading	477,087,678	471,815,234
60.	Hedging derivatives	2,575,862,638	2,621,250,529
70.	Adjustment of financial liabilities hedged generically (+/-)	56,412,601	60,440,182
80.	Tax liabilities	915,731,204	443,585,327
	a) current	818,196,453	356,236,426
	b) deferred	97,534,751	87,348,901
100.	Other liabilities	1,527,970,453	538,517,108
110.	Staff severance pay	750,996	732,560
120.	Provisions	11,789,925	9,681,415
	b) other provisions	11,789,925	9,681,415
130.	Valuation reserves	965,418,317	1,081,113,568
160.	Reserves	9,517,249,132	8,276,343,556
180.	Share capital	3,500,000,000	3,500,000,000
200.	Net income for the period (+/-)	2,852,617,356	1,611,905,576
	Total liabilities and equity	**305,431,479,602**	**273,586,039,128**

Cassa depositi e prestiti società per azioni

Registered office in Rome, Via Goito n. 4, Tax Code 80199230584

(euros)

INCOME STATEMENT

		31/12/2012	31/12/2011
10.	Interest income and similar revenues	10,590,682,908	7,737,829,670
20.	Interest expense and similar charges	(7,068,867,902)	(5,408,988,524)
30.	**Net interest income**	**3,521,815,006**	**2,328,841,146**
40.	Commission income	38,348,222	15,704,980
50.	Commission expense	(1,650,123,072)	(1,504,737,356)
60.	**Net commission income**	**(1,611,774,850)**	**(1,489,032,376)**
70.	Dividends and similar revenues	1,206,749,144	1,229,134,522
80.	Net gain (loss) on trading activities	156,407,006	(17,238,205)
90.	Net gain (loss) on hedging activities	(10,120,204)	(27,825,910)
100.	Gains (losses) on disposal or repurchase of:	389,563,961	6,425,648
	a) loans	19,469,378	6,074,385
	b) financial assets available for sale	366,189,473	345,580
	c) financial assets held to maturity	145,310	5,683
	d) financial liabilities	3,759,800	-
120.	**Gross income**	**3,652,640,063**	**2,030,304,825**
130.	Net impairment adjustments of:	(22,884,956)	(10,188,369)
	a) loans	(22,097,331)	(7,565,679)
	d) other financial transactions	(787,625)	(2,622,690)
140.	**Financial income (expense), net**	**3,629,755,107**	**2,020,116,456**
150.	Administrative expenses:	(103,285,487)	(85,168,357)
	a) staff costs	(54,205,757)	(50,780,722)
	b) other administrative expenses	(49,079,730)	(34,387,635)
160.	Net provisions	(2,058,191)	(350,298)
170.	Net adjustments of property, plant and equipment	(5,225,787)	(5,677,509)
180.	Net adjustments of intangible assets	(2,464,066)	(2,210,473)
190.	Other operating income (costs)	3,504,759	3,730,374
200.	**Operating costs**	**(109,528,772)**	**(89,676,263)**
210.	Gains (losses) on equity investments	147,334,875	(13,861,048)
240.	Gains (losses) on the disposal of investments	(107,901)	-
250.	**Income (loss) before tax from continuing operations**	**3,667,453,309**	**1,916,579,145**
260.	Income tax for the period on continuing operations	(814,835,953)	(304,673,569)
270.	**Income (loss) after tax on continuing operations**	**2,852,617,356**	**1,611,905,576**
290.	**Income (loss) for the period**	**2,852,617,356**	**1,611,905,576**

Cassa depositi e prestiti società per azioni

Registered office in Rome, Via Goito n. 4, Tax Code 80199230584

(euros)

STATEMENT OF COMPREHENSIVE INCOME

		31/12/2012	31/12/2011
10.	**Income (loss) for the period**	**2,852,617,356**	**1,611,905,576**
	Other comprehensive income net of taxes		
20.	Financial assets available for sale	(139,907,692)	(171,364,227)
60.	Cash flow hedges	24,212,441	2,341,008
110.	**Total other comprehensive income net of taxes**	**(115,695,251)**	**(169,023,219)**
120.	**Comprehensive income (items 10+110)**	**2,736,922,105**	**1,442,882,357**

Cassa depositi e prestiti società per azioni

Registered office in Rome, Via Goito n. 4, Tax Code 80199230584

(euros)

STATEMENT OF CHANGES IN EQUITY

	Balance at 31.12.11	Changes in opening balance	Balance at 1.1.12	Allocation of net income for previous year: Reserves	Allocation of net income for previous year: Dividends and other allocations	Changes for the period: Changes in reserves	Changes for the period – Equity transactions: Issue of new shares	Equity transactions: Purchase of own shares	Equity transactions: Special dividend distribution	Equity transactions: Changes in equity instruments	Equity transactions: Derivatives on own shares	Equity transactions: Stock options	Comprehensive income for 2012	Equity at 31.12.12
Share capital:														
a) ordinary shares	2,450,000,000		2,450,000,000											2,450,000,000
b) preference shares	1,050,000,000		1,050,000,000											1,050,000,000
Share premium reserve														
Reserves:														
a) income	8,276,343,556		8,276,343,556	1,240,905,576										9,517,249,132
b) other														
Valuation reserves:														
a) available for sale	916,941,766		916,941,766										(139,907,692)	777,034,074
b) cash flow hedges	(3,400,200)		(3,400,200)										24,212,441	20,812,241
c) other reserves														
- revaluation of property	167,572,002		167,572,002											167,572,002
Equity instruments														
Treasury shares														
Income (loss) for the period	1,611,905,576		1,611,905,576	(1,240,905,576)	(371,000,000)								2,852,617,356	2,852,617,356
Equity	**14,469,362,700**		**14,469,362,700**	**-**	**(371,000,000)**								**2,736,922,105**	**16,835,284,805**

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Cassa depositi e prestiti società per azioni

Registered office in Rome, Via Goito n. 4, Tax Code 80199230584

(euros)

STATEMENT OF CHANGES IN EQUITY

				Allocation of net income for previous year		Changes for the period								
							Equity transactions							
	Balance at 31.12.10	Changes in opening balance	Balance at 1.1.11	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income for 2011	Equity at 31.12.11
Share capital:														
a) ordinary shares	2,450,000,000		2,450,000,000											2,450,000,000
b) preference shares	1,050,000,000		1,050,000,000											1,050,000,000
Share premium reserve														
Reserves:														
a) income	6,233,823,643		6,233,823,643	2,042,519,913										8,276,343,556
b) other														
Valuation reserves:														
a) available for sale	1,088,305,993		1,088,305,993										(171,364,227)	916,941,766
b) cash flow hedges	(5,741,208)		(5,741,208)										2,341,008	(3,400,200)
c) other reserves														
- revaluation of property	167,572,002		167,572,002											167,572,002
Equity instruments														
Treasury shares														
Income (loss) for the period	2,742,519,913		2,742,519,913	(2,042,519,913)	(700,000,000)								1,611,905,576	1,611,905,576
Equity	**13,726,480,343**		**13,726,480,343**	**-**	**(700,000,000)**								**1,442,882,357**	**14,469,362,700**

Cassa depositi e prestiti società per azioni

Registered office in Rome, Via Goito n. 4, Tax Code 80199230584

(euros)

CASH FLOW STATEMENT (indirect method)

A. OPERATING ACTIVITIES	31/12/2012	31/12/2011
1. Operations	**(1,268,664,051)**	**4,407,689,471**
- net income for the year (+/-)	2,852,617,356	1,611,905,576
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(137,571,535)	8,996,389
- gains (losses) on hedging activities (-/+)	(200,183,695)	(189,561,628)
- net impairment adjustments (+/-)	22,884,956	10,188,369
- net value adjustments to property, plant and equipment and intangible assets	7,689,853	7,887,982
- net provisions and other costs/revenues (+/-)	7,428,900	7,050,418
- unpaid taxes and duties (+)	814,835,953	304,673,569
- net impairment adjustments of disposal groups held for sale net of tax effect (+/-)	-	-
- writedowns/writebacks of equity investments (+/-)	-	13,861,048
- other adjustments (+/-)	(4,636,365,839)	2,632,687,748
2. Cash generated by / used in financial assets	**(1,358,378,980)**	**(14,525,818,442)**
- financial assets held for trading	78,171,539	266,360,752
- financial assets at fair value	-	-
- financial assets available for sale	(2,030,319,043)	(669,973,585)
- loans to banks: on demand	-	-
- loans to banks: other	6,948,868,710	(10,121,091,617)
- loans to customers	(6,374,480,471)	(4,060,860,800)
- other assets	19,380,285	59,746,809
3. Cash generated by / used in financial liabilities	**34,558,471,140**	**18,405,402,883**
- due to banks: on demand	-	-
- due to banks: other	14,456,286,818	11,561,064,716
- due to customers	20,235,839,912	7,427,749,672
- securities issued	(1,720,450,110)	795,615,500
- financial liabilities held for trading	5,272,444	(468,218,474)
- financial liabilities at fair value	-	-
- other liabilities	1,581,522,076	(910,808,531)
Cash generated by / used in operating activities	**31,931,428,109**	**8,287,273,912**
B. INVESTING ACTIVITIES		
1. Cash generated by	**24,715,175,635**	**259,988,457**
- sale of equity investments	2,034,309,999	-
- dividends from equity investments	-	-
- sale of financial instruments held to maturity	22,680,756,000	259,988,457
- sale of property, plant and equipment	109,636	-
2. Cash used in	**(42,581,105,251)**	**(7,589,857,643)**
- purchase of equity investments	(12,660,567,850)	(1,072,800,000)
- purchase of financial assets held to maturity	(29,903,053,001)	(6,509,653,862)
- purchase of property, plant and equipment	(12,452,043)	(5,592,908)
- purchase of intangible assets	(5,032,357)	(1,810,872)
Cash generated by / used in investing activities	**(17,865,929,616)**	**(7,329,869,186)**
C. FINANCING ACTIVITIES		
- dividend distribution and other allocations	(371,000,000)	(700,000,000)
Cash generated by / used in financing activities	**(371,000,000)**	**(700,000,000)**
CASH GENERATED / USED DURING THE YEAR	**13,694,498,493**	**257,404,726**

RECONCILIATION		
Cash and cash equivalents at beginning of year	**124,035,182,663**	**123,777,777,937**
Total cash generated/used during the year	**13,694,498,493**	**257,404,726**
Cash and cash equivalents: effects of changes in exchange rates	**-**	**-**
Cash and cash equivalents at end of year	**137,729,681,156**	**124,035,182,663**

REPORT OF THE INDEPENDENT AUDITORS

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the sole Shareholder of
Cdp Reti Srl

1 We have audited the financial statements of Cdp Reti Srl as of 31 December 2013 which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Cdp Reti Srl are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 26 March 2013.

3 In our opinion, the financial statements of Cdp Reti Srl as of 31 December 2013 comply with International Financial Reporting Standards as adopted by the European Union; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Cdp Reti Srl for the period then ended.

4 The directors of Cdp Reti Srl are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard no. 001 issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili and

recommended by Consob. In our opinion, the report on operations is consistent with the financial statements of Cdp Reti Srl as of 31 December 2013.

Rome, 8 April 2014

PricewaterhouseCoopers SpA

Signed by

Lorenzo Pini Prato
(Partner)

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

REPORT OF THE BOARD OF AUDITORS

CDP RETI S.r.l., with sole member

Registered office: Rome – Via Goito, 4

Company register of Rome, Tax Code and VAT no. 12084871008

Registered with Chamber of Commerce of Rome at no. REA RM-1349016

Company capital €100,000.00 fully paid in

Company subject to management and coordination by

Cassa Depositi e Prestiti S.p.A. - Rome

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REPORT OF THE CONTROL BODY

ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

PURSUANT TO ARTICLE 2429.2, ITALIAN CIVIL CODE

Dear Sole Member,

The financial statements as at 31/12/2013 relate to the second year of operations of CDP RETI S.r.l.

During the financial year, the Sole Statutory Auditor performed the statutory supervisory activities required by law, in accordance with the Board of Auditors standards recommended by the National Council of the Italian Accounting Profession, also taking into account the statutory audit of the accounts assigned to the Independent Auditors PricewaterhouseCoopers S.p.A..

In view of the above, the following is noted:

a) the financial statements as at 31/12/2013 have been prepared in accordance with the international accounting standards, adopted through Regulation (EC) no. 1606 of 19 July 2002, and transposed into Italian legislation through Legislative Decree 38 of 28 February 2005.

b) the proper recognition of operational events in the accounting records and their representation in the financial statements, in accordance with the IASs/IFRSs, has been verified by the Independent Auditors, who are responsible for the statutory audit of the accounts;

c) the financial statements as at 31/12/2013 report net income of €284,323,720 and equity of €3,801,703,461. The net income for the year comprises positive components of income, driven by dividends and financial income, offset by negative components of income primarily made up of financial expenses for the deferred payment of the purchase price for the equity investment in SNAM S.p.A.

In view of the above, the following is noted.

To the extent of his responsibilities, the Sole Auditor has monitored the work of the Sole Director in relation to: management of the investment in SNAM, the only equity investment held during the year, with respect to which there was no change in the ownership interest of 1,014,491,489 shares corresponding to 30.0258% of the voting share capital and 30.00000002% of the issued share capital; and the commencement, in the final part 2013, of the process for the disposal of a non-controlling interest in CDP RETI.

With regard to its organisational structure, the Company has entered into contractual arrangements that provide it all the expertise and services required to perform its operations properly.

The Sole Auditor has reviewed the decisions taken by the Sole Director during the period and has received the information on the performance of the Company's operations from the Sole Director and from the Operations

Functions of CDP S.p.A.

The Sole Auditor is satisfied of the independence of the Independent Auditors pursuant to Articles 10 and 17 of Legislative Decree 39/2010 and related implementing provisions.

While auditing the financial statements, the Sole Auditor discussed the results of his checks with the Independent Auditors and reviewed the work performed during the financial year. The Independent Auditors have not made any specific observations on the financial statements as at 31/12/2013 that would indicate the presence of any reservations in their report.

The Sole Auditor has examined the annual report and financial statements as at 31/12/2013. Since he is not responsible for auditing them, he has analysed the general layout of the financial statements and their compliance with the law, and has no observations to report.

It is noted that the Company was established on 5 October 2012 and, consequently, the 2012 comparative figures relate to that portion of the year.

The Company has declared that it is subject to management and coordination of the Sole Member C.D.P. S.p.A.

The information provided by the Sole Director in the Report on Operations is considered adequate. In the explanatory notes the Sole Director has described the valuation criteria adopted, which have been approved by the Sole Auditor.

There were no exceptions to the application of the international accounting standards.

The Sole Auditor did not receive any complaints pursuant to Article 2408 of the Italian Civil Code, or any reports of alleged concerns or irregularities.

In consideration of all the above, the Sole Auditor, to the extent of his responsibilities, declares that his supervisory activities have not revealed any omissions, facts or irregularities requiring mention to the Member and gives his recommendation for the approval of the financial statements as at 31/12/2013 accompanied by the report on operations. The Sole Auditor also approves the Sole Director’s recommendation to distribute the entire net income of €284,323,720, as the legal reserve has already reached the limit required by law.

Rome, 8 April 2014

The Sole Auditor

Guglielmo Marengo