CDP RETI S.p.A.

FINANCIAL STATEMENTS
at 31 December 2014

Financial statements 2014

CDP RETI

Società per azioni

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 €161,514.00 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

BOARD OF DIRECTORS

Franco Bassanini	*Chairman*
Giovanni Gorno Tempini	*Chief Executive Officer*
Ludovica Rizzotti	*Director*
Jun Yu	*Director*
Yunpeng He	*Director*

BOARD OF AUDITORS

Guglielmo Marengo	*Chairman*
Francesca Di Donato	*Auditor*
Paolo Sebastiani	*Auditor*

Independent auditors **PricewaterhouseCoopers S.p.A.**

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REPORT ON OPERATIONS

(FINANCIAL YEAR ENDED 31/12/2014)

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REPORT ON OPERATIONS

1. PRESENTATION OF THE COMPANY

1.1 CDP RETI S.P.A.'S ROLE AND MISSION

CDP RETI S.p.A. ("CDP RETI" or the "Company") is an investment vehicle established in October 2012 whose shares are owned 59.1% by Cassa Depositi e Prestiti S.p.a. ("CDP"), 35.0% by State Grid Europe Limited ("SGEL"), and the remainder by Italian institutional investors.

On 15 October 2012, as part of the corporate purpose of CDP RETI, which on that date included the management of equity investments in the field of energy and gas grid infrastructure, the Company acquired a stake in SNAM SpA ("SNAM") from ENI equal to 30% of the voting capital minus one share.

Subsequently, on 27 October 2014, as part of the process to open CDP RETI's share capital to outside investors, CDP transferred its entire stake in TERNA Spa ("TERNA"), equal to 29.851% of share capital, to CDP RETI.

The Company's corporate purpose was therefore amended and now specifically provides for the ownership and management of equity investments in SNAM and TERNA.

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. SNAM is also active in Europe in the construction and integrated management of natural gas infrastructure.

TERNA is an operator of energy transmission grids. Through its subsidiary Terna Rete Italia, TERNA ensures the safe management of the National Transmission Grid, which comprises more than 63,500 km of high-voltage power lines. It manages its domestic and foreign new business opportunities and non-traditional activities through Terna Plus.

CDP RETI's mission is therefore to manage the holdings in SNAM and TERNA, monitoring the infrastructure they operate to ensure it is developed and maintained appropriately, and developing the necessary expertise in gas transport, dispatching, distribution, regasification and storage, and electricity transmission, in order to oversee its investments most effectively.

1.2 BACKGROUND SCENARIO

With reference to the Italian gas market and to SNAM, statistics produced by SNAM[1] show that 2014 saw an acceleration in the decline in natural gas consumption in Italy that began in 2011, falling 11.6% to 61,416 million cubic metres (650.0 TWh). The decline was partly a reflection of lower demand in the thermoelectric sector, equal to 17,655 million cubic metres, down 14.3%, as well as the sharp fall in the residential sector, only partially attributable to the mild temperatures recorded last year. In fact, residential demand fell 14.5% to 28,836 million cubic metres. Demand from the industrial sector was, however, fairly stable compared to the past five years, at 13,135 million cubic metres (-0.3%). Lastly, exports also fell to 1,790 million cubic meters (-6.8%), while gas injected into storage fell 7.4% from the record high of 2013, reaching 9,088 million cubic metres.

On the supply side, domestic production fell to 6,938 million cubic metres (-6.5%), while imports of natural gas – which have been in continuous decline for four years – fell to 55,341 million cubic metres (-10.1%). The reduction in purchases of gas from abroad affected all entry points, except for Gela (+14.0%) and Passo Gries (+52.5%). Withdrawals from storage systems fell 20.1% to 8,224 million cubic metres. As a result, the amount of gas remaining in storage on the last day of the year, equal to 8,836 million cubic meters, showed an increase of 6.9% compared to the same day in 2013.

[1] Source: Report by GME (Gestore Mercati Energetici) of 15 January 2015; SNAM data

With reference to the Italian electricity market and to TERNA, according to initial data produced by the same company,[2] in 2014 electricity demand net of calendar and temperature differences fell 2.1% compared to 2013. Not considering the combined effect of calendar and temperature differences (two fewer working days, a milder winter, and a cooler summer), demand fell 3% to 309.0 billion kWh in 2014.

At regional level, the biggest falls were seen in Lombardy (-6.4%) in the North-West macro-area (-4.4%), which includes Liguria, Piedmont and Valle d'Aosta, and in Sicily (-3.4%).

In 2014, domestic power generation satisfied 85.9% of demand, with the remainder (14.1%) provided from the balance of energy traded internationally. In particular, net domestic power generation (267.6 billion kWh) fell 4.0% compared to 2013. There were increases in production from photovoltaic (+9.8%), hydroelectric (+7.4%), geothermal (+4.2%) and wind (+1.0%) power sources; and a decrease in thermoelectric energy generation (-9.7%). Power generation from hydroelectric, photovoltaic, wind and geothermal sources totalled 102 billion kWh (compared to 95 billion kWh in 2013), accounting for 38% of net domestic power generation.

2. MAIN ACTIVITIES IN 2014

The year 2014 was CDP RETI's third year of operations. At an extraordinary meeting held on 22 May 2014, the shareholders resolved to convert the company into a joint-stock company, increasing share capital to €120,000.00 and issuing 120,000 ordinary shares with no par value.

During the year, the Company did not alter the number of shares held in SNAM; at 31 December 2014, CDP RETI held 1,014,491,489 shares in SNAM. The

[2] Source: TERNA press release, 14 January 2015

percentage ownership corresponding to these shares was diluted over the course of the year from 30.00% to 28.98% of share capital, as a result of SNAM's capital increase, completed on 19 December 2014, and the transfer to SNAM of the investment held by CDP GAS Srl – a company entirely controlled by CDP – in Trans Austria Gasleitung GmbH ("TAG").

On 27 October 2014, CDP transferred its entire stake in TERNA, equal to 599,999,999 shares accounting for 29.851% of share capital, to CDP RETI. The holding in TERNA was transferred through the underwriting and subscription by CDP of an increase in the share capital of CDP RETI (which brought its share capital from €120,000 to €161,514), approved by the shareholders of CDP RETI on 24 September 2014, and reserved to the then sole member CDP, subsequent to the waiver by the Office of the Italian Prime Minister of the special powers established under Italian Decree Law no. 21/2012.
As a result of this transfer, CDP RETI – which already owned the holding in SNAM – also became the owner of 29.851% of TERNA. The number of shares in Terna and the percentage ownership of the company did not change in the remainder of the year.

The year 2014 also saw the completion of the process to open CDP RETI's share capital to outside investors. On 27 November 2014, an overall stake of 40.9% of CDP RETI was transferred to State Grid Europe Limited ("SGEL"), a company of the State Grid Corporation of China, and a group of Italian institutional investors. Specifically, SGEL acquired a 35% stake, Cassa Nazionale di Previdenza e Assistenza Forense acquired 2.6%, and 33 bank foundations acquired 3.3%. On the same date, CDP, SGEL and its parent, State Grid International Development Limited, signed a shareholders' agreement granting SGEL governance rights to protect its investment.

In connection with the transaction, CDP RETI received a loan totalling €1,500 million (45% from CDP and the remaining 55% from a pool of banks). This amount – net of expenses incurred for fees relating to the structuring of the loan

– was used to pay a distribution of reserves to CDP before the completion of the sale to outside investors.

3. STRUCTURE AND OPERATIONS

3.1 CORPORATE BODIES

At the date of preparation of this report, the corporate bodies of CDP RETI consisted of a Board of Directors and a Board of Auditors, whose composition reflect the provisions of the shareholders agreement between CDP and SGEL. In a meeting held upon completion of the sale transaction described above, the shareholders of CDP RETI appointed the Company's board of directors – composed of Franco Bassanini (Chairman), Giovanni Gorno Tempini (Chief Executive Officer), Ludovica Rizzotti (nominated by CDP), and Mr Jun Yu and Mr He Yunpeng (nominated by SGEL) – and expanded the Board of Auditors – composed of Guglielmo Marengo (Chairman), Francesca Di Donato (nominated by CDP) and Paolo Sebastiani (representing SGEL), as auditors, and of Maria Sardelli (nominated by CDP) and Ugo Tribulato (nominated by SGEL), as alternate auditors.

3.2 ORGANISATIONAL STRUCTURE

At 31 December 2014, 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 through contracts providing the Company access to all the expertise and services required for the due performance of its business.

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 investments in the listed companies SNAM and TERNA 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 2014 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 2014 can be grouped into the following aggregates:

(thousands of euros)

Assets	31/12/2014	31/12/2013
Equity investment in SNAM	3,520,230	3,520,230
Equity investment in TERNA	1,315,200	-
Other assets	8,875	29,050
Cash and cash equivalents	192,867	252,646
TOTAL ASSETS	**5,037,172**	**3,801,926**

At that date, assets totalled €5,037 million and primarily consisted of items relating to the investments in SNAM and TERNA and the cash and equivalents held mainly in an interest-bearing deposit account with the parent CDP. In 2014, assets increased mainly as a result of the transfer of TERNA (€1,315 million) in October 2014. The fall in cash and equivalents recorded in 2014 is attributable to the distribution of dividends to the then sole member CDP (€284 million), which was only partially offset by dividends received from investee companies and other income.

4.1.2 LIABILITIES AND EQUITY

The reclassified liabilities and equity of CDP RETI at 31 December 2014 can be grouped into the following aggregates:

(thousands of euros)

Equity and Liabilities	**31/12/2014**	**31/12/2013**
Share capital and reserves	3,345,272	3,517,379
Net income for the period	189,097	284,324
Loans	1,502,621	-
- of which owed to CDP:	*(676,179)*	
Other liabilities	182	223
- of which owed to CDP:	*(100)*	*(55)*
TOTAL LIABILITIES	**5,037,172**	**3,801,926**

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, net of the portion of that reserve distributed to CDP during the year (approximately €1.5 billion). In addition, the component of equity relating to the reserves includes the share premium reserve deriving form the transfer of TERNA (approximately €1.3 billion). The liabilities also include the €1.5 billion loan granted to CDP RETI by CDP (45%) and a pool of banks.

4.2 RECLASSIFIED INCOME STATEMENT

4.2.1 INCOME PERFORMANCE

The reclassified income statement of CDP RETI at 31 December 2014 is composed as follows:

(thousands of euros)

Reclassified income statement	**31/12/2014**	**31/12/2013**
Dividends	194,174	253,623
Profit (loss) on core business	**194,174**	**253,623**
Financial income and expenses	(938)	1,921
Administrative expenses	(12,876)	(123)
Profit (loss) on operations	**(13,814)**	**1,798**
Operating income	**180,360**	**255,421**
Income taxes	8,737	28,903
NET INCOME (LOSS)	**189,097**	**284,324**

The main components of CDP RETI's income derive from the dividends distributed by SNAM and TERNA and from income taxes, which are positive mainly due to the ACE benefit (Aiuto per la Crescita Economica – Aid for Economic Growth). In 2014, CDP RETI received the balance of the 2013 dividend distributed by SNAM totalling approximately €152 million and the 2014 interim dividend distributed by TERNA, which joined the corporate perimeter in October 2014, totalling approximately €42 million. In 2014, in contrast to the previous year, CDP RETI did not receive an interim dividend from SNAM since, in accordance with its new dividend policy, SNAM will distribute a single dividend in 2015 based on the profits generated in the previous year. The expense items in 2014 included in particular the administrative expenses largely attributable to fees paid to lenders for the structuring of the loan disbursed during the year.
The income and expenses referred to above led CDP RETI to end 2014 with net income of approximately €189 million.

5. OUTLOOK - PROSPECTS FOR 2015

The entry of outside investors into CDP RETI's share capital in November 2014 and the associated loan have necessitated a new organisational structure, involving the hiring of staff and new contracts with CDP, which were not required under the previous arrangements. In 2015, the Company will be engaged in implementing this new organisational structure.

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 2014.

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 2014, either directly or through trusts or intermediaries.

During 2014, the Company maintained relationships with the parent company Cassa Depositi e Prestiti in relation to:

1) an interest-bearing deposit account;
2) a share custody and administration agreement;
3) 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

We hereby submit for shareholder approval the financial statements for 2014, 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 directors' report on operations.

We propose to distribute the entire net income for the period, equal to €189,097,114.71, as a dividend to the shareholders.

Rome, 2015

The Board of Directors

FINANCIAL STATEMENTS

AT 31/12/2014

FORM AND CONTENT OF THE FINANCIAL STATEMENTS AT 31 DECEMBER 2014

The financial statements at 31 December 2014 have been prepared in 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 2013 of the parent company Cassa depositi e prestiti S.p.A..

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Balance sheet

(euros)

Assets	Notes	31/12/2014	31/12/2013
Non-current assets			
Property, plant and equipment			
Investment property			
Intangible assets			
Equity investments	I.1.1.	4,835,430,115	3,520,230,115
Non-current financial assets			
Deferred tax assets	I.1.2.	14,421	6,811
Other non-current assets			
Total non-current assets		**4,835,444,536**	**3,520,236,926**
Current assets			
Loans to investees			
Current financial assets			
Tax receivables	I.2.1.	131,004	24,939
Other current assets	I.2.2.	8,729,405	29,018,383
Cash and cash equivalents	I.2.3.	192,866,999	252,645,701
Total current assets		**201,727,408**	**281,689,023**
Total assets		**5,037,171,944**	**3,801,925,949**

Balance sheet

(euros)

Liabilities and equity	Notes	31/12/2014	31/12/2013
Equity			
Share capital	II.1.1.	161,514	100,000
Reserves	II.1.2.	3,345,110,811	3,517,279,741
Net income for the period (+/-)		189,097,115	284,323,720
Total Equity		**3,534,369,440**	**3,801,703,461**
Non-current liabilities			
Provisions			
Staff severance pay			
Loans	II.2.1.	500,000,000	
Other financial liabilities			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		**500,000,000**	**-**
Current liabilities			
Current portion of loans	II.3.1.	1,002,620,917	
Tax payables	II.3.2.		108,292
Other current liabilities	II.3.3.	181,587	114,196
- Trade payables		21,938	21,593
- Payables to parent companies		99,692	55,410
- Other payables		59,957	37,193
Total current liabilities		**1,002,802,504**	**222,488**
Total liabilities and equity		**5,037,171,944**	**3,801,925,949**

Income statement

(euros)

Income statement items	Notes	31/12/2014	31/12/2013
Revenues			
Dividends		194,173,723	253,622,872
Capital gains on equity investments			
Increases in the value of financial instruments			
Total revenues		**194,173,723**	**253,622,872**
Costs			
Capital expenditure			
Capital losses on equity investments			
Decreases in the value of financial instruments			
Total costs			
Profit (loss) on operations	III.1.1.	**194,173,723**	**253,622,872**
Financial income	III.2.1.	1,683,006	4,802,918
Borrowing expenses	III.2.2.	(2,620,917)	(2,882,403)
Administrative expenses:	III.2.3.	(12,875,606)	(123,033)
a) staff costs		(99,032)	(41,220)
b) other administrative expenses		(12,776,574)	(81,813)
Amortisation, depreciation and impairment of non-current assets			
Impairment of current assets			
Profit (loss) on operations		**(13,813,517)**	**1,797,482**
Other operating income (costs)	III.3.1.	1	
Other income		1	
Other cost			
Income before taxes		**180,360,207**	**255,420,354**
Income taxes, current and deferred taxes	III.4.1.	8,736,908	28,903,366
NET INCOME FOR THE YEAR		**189,097,115**	**284,323,720**

STATEMENT OF COMPREHENSIVE INCOME *(euros)*

	31/12/2014	31/12/2013
Income (loss) for the period	**189,097,115**	**284,323,720**
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	**189,097,115**	**284,323,720**

STATEMENT OF CHANGES IN EQUITY

(euros)

				Allocation of net income for previous year		Changes for the period							
						Equity transactions							
	Balance at 31.12.2013	Change in re-opening balances	Balance at 01.01.2014	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 2014	Equity at 31.12.2014
Share capital:													
shares subscribed	100,000		100,000			61,514							161,514
Share premium reserve						1,315,158,486							1,315,158,486
Reserves:													
a) income	20,000		20,000			12,303							32,303
b) other	3,517,259,741		3,517,259,741			(1,487,339,719)							2,029,920,022
Valuation reserves:													
a) available for sale													-
b) cash flow hedges													-
c) other reserves													-
Equity instruments													-
Treasury shares													-
Net income (loss) for the year	284,323,720		284,323,720		(284,323,720)							189,097,115	189,097,115
Equity	**3,801,703,461**		**3,801,703,461**	**-**	**(284,323,720)**	**(172,107,416)**	**-**	**-**	**-**	**-**	**-**	**189,097,115**	**3,534,369,440**

STATEMENT OF CHANGES IN EQUITY

(euros)

				Allocation of net income for previous year		Changes for the period							
						Equity transactions							
	Balance at 31.12.2012	Change in re-opening balances	Balance at 01.01.2013	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	Comprehensive income for 2013	Equity at 31.12.13
Share capital: shares subscribed	100,000		100,000										100,000
Share premium reserve													-
Reserves: a) income b) other	 3,517,259,741		 3,517,259,741	 20,000									 20,000 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**

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

A. OPERATING ACTIVITIES	31/12/2014	31/12/2013
1. Operations	**182,981,124**	**255,407,783**
Net income for the year	189,097,115	284,323,720
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	(8,736,908)	(28,915,937)
Net impairment adjustments of disposal groups held for sale net of tax effect		
Other adjustments	2,620,917	
2. Cash generated by / used in financial assets	**28,912,211**	**(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	28,912,211	(24,939)
Other non-current assets		
3. Cash generated by / used in financial liabilities	**1,499,959,099**	**(883,011,488)**
Payables to the parent company and current banks	1,000,000,000	
Payables to the parent company and current banks	500,000,000	
Payables to investees		
Other current liabilities	(40,901)	(883,011,488)
Other non-current liabilities		
Cash generated by / used in operating activities	**1,711,852,434**	**(627,628,644)**
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	**-**	**-**
Purchase of equity investments		
Purchase of property, plant and equipment		
Purchase of intangible assets		
Cash generated by / used in investing activities	**-**	**-**
C. FINANCING ACTIVITIES		
Issue/purchase of treasury shares (payment/reimbursement of share capital and reserves)	20,000	
Dividend distribution and other allocations	(1,771,651,136)	(101,535,747)
Cash generated by / used in financing activities	**(1,771,631,136)**	**(101,535,747)**
CASH GENERATED / USED IN THE PERIOD	**(59,778,702)**	**(729,164,391)**

Reconciliation

Financial statement items		
Cash and cash equivalents at the beginning of the period	252,645,701	981,810,092
Total cash generated/used during the period	(59,778,702)	(729,164,391)
Cash and cash equivalents: effects of changes in exchange rates		
Cash and cash equivalents at the end of the period	192,866,999	252,645,701

NOTES

INTRODUCTION

COMPANY INFORMATION

See the Report on operations.

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

The financial statements of CDP RETI S.p.A. (hereinafter "CDP RETI") have been prepared based on IAS/IFRS, exercising the option provided by Italian Legislative Decree no. 38 of 28 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 22 December 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 28 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.

It is also noted that the Company has exercised the option provided by IFRS 10 paragraph 4 to not prepare consolidated financial statements, even though it has a significant controlling interest, as it is controlled by CDP, which is required to prepare consolidated financial statements. A copy of the consolidated financial statements of the parent, as well as the reports of the directors and the control body, will be published in accordance with the law.

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 directors' 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.p.A. is owned 59.10% by CDP S.p.A.. The Company is managed and coordinated by 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.

New accounting standards applicable to financial statements for the year ended 31 December 2014

During 2014, a number of accounting standards and interpretations issued by the IASB and endorsed by the European Commission became applicable on a compulsory basis.

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the accounting standards, amendments and interpretations applicable to the Company, from 1 January 2014, for the preparation of these financial statements are listed below:

- IFRS 10 Consolidated financial statements;
- IFRS 11 Joint Arrangement;
- IFRS 12 Disclosure of interest in other entities;
- Amendment to IFRS 10, 11 e 12 Transition guidance;
- Amendment a IFRS 10, 11 e 12 Exception from consolidation for investment entities;
- IFRIC 21 Levies;
- Amendment to IAS 32 Financial Instruments: presentation;
- Amendment to IAS 36 Impairment of assets;
- Amendment to IAS 39 Novation of derivatives and continuation of hedge accounting.

The new accounting standards and interpretations issued but not yet effective

Below is a list of new standards and interpretations issued but not yet effective or not yet approved by the European Union, which, accordingly, are not applicable to the preparation of financial statements for the year ended 31 December 14:

- amendment to IAS 19, Employee contributions (as at 31 December 14 not yet approved by the European Union);
- Annual improvements 2010-2012: they refer to IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 38 and to IAS 24;
- Annual improvements 2011-2013: they refer to IFRS 3, IFRS 13 and to IAS 40.

IFRS that will enter into force as of the reporting periods beginning later than 1 January 2016 but not yet endorsed by the European Union:

- IFRS 14 regulatory deferral accounts;
- Amendment to IAS 1 Disclosure initiative;
- Amendments to IAS 27 Equity Method in Separate Financial Statements;
- Amendment to IFRS 11, Joint arrangements on acquisition of an interest in a joint operation;
- Amendments to IAS 16, Property, plant and equipment, and IAS 41, Agriculture, regarding bearer plants;
- Amendment to IAS 16, Property, plant and equipment and IAS 38,'Intangible assets', on depreciation and amortization;
- Amendments to IFRS 10 Consolidated financial statements and IAS 28, Investments in associates and joint ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;

  Annual improvements 2012-2014. Le modifiche contenute nel ciclo di miglioramenti 2012-2014 riguardano: l’IFRS 5, l’IFRS 7, lo IAS 19, lo IAS 34e l’IFRS 15;
- IFRS 9, ‘Financial instruments’.

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 ASPECTS

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 (IFRS 10), in companies subject to joint control (IFRS 11) 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 10, 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.

II - INFORMATION ON THE BALANCE SHEET

I. ASSETS

I.1. NON-CURRENT ASSETS

I.1.1. EQUITY INVESTMENTS

The balance of "Equity investments" refers to the value of equity investments in SNAM S.p.A. and in Terna S.p.A..

On 27 October 2014, the parent company CDP S.p.A. transferred 29.85% equity investment held by it in Terna S.p.A. to CDP RETI, as part of the wider pre-scheduled operation to open up the company's capital to minority investors.

CDP RETI, continuing from the transferor CDP and presuming that the conditions leading to its determination have not changed, exercises control over Terna S.p.A..

(euros)

Equity investments: composition	31/12/2014	31/12/2013
SNAM SpA	3,520,230,115	3,520,230,115
Terna SpA	1,315,200,000	
Total	**4,835,430,115**	**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	28.98%
2. Terna SpA	Rome	29.85%

EQUITY INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE: ACCOUNTING DATA

(millions of euros)

	Total assets	Total revenues	Net income (loss)	Equity	Carrying amount	type of transaction
SNAM SpA (1)	23,836	3,908	917	5,994	3,520	Significant influence
Terna SpA (1)	14,735	1,964	514	2,941	1,315	Control

(1) Data from the 2013 Annual Report - Consolidated Financial Statements

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

(euros)

EQUITY INVESTMENTS: CHANGE FOR THE YEAR

	31/12/2014	31/12/2013
A. Opening balance	**3,520,230,115**	**3,520,230,115**
B. Increases	**1,315,200,000**	**-**
B.1 Purchases	1,315,200,000	
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	**4,835,430,115**	**3,520,230,115**
E. Total revaluations		
F. Total writedowns		

I.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	**31/12/2014**	**31/12/2013**
Deferred IRES	14,421	6,811
Total	**14,421**	**6,811**

The table below shows movements recorded in the year:

(euros)

CHANGES IN DEFERRED TAX ASSETS (RECOGNISED IN INCOME STATEMENT)

	31/12/2014	**31/12/2013**
1. Opening balance	**6,811**	**1,311**
2. Increases	**7,610**	**5,500**
2.1 Deferred tax assets recognised during the year	7,610	5,500
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	7,610	5,500
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	**14,421**	**6,811**

I.2. CURRENT ASSETS

I.2.1. 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	**31/12/2014**	**31/12/2013**
Advances for IRAP	109,566	24,832
Taxes withheld	21,438	107
Total	**131,004**	**24,939**

I.2.2. 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	**31/12/2014**	**31/12/2013**
Receivables from CDP for tax consolidation	8,729,405	29,018,383
Total	**8,729,405**	**29,018,383**

I.2.3. 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 2014, the balance of the demand deposit was approximately €164 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 1.00% up to 30 April 2014;

- 1 month EURIBOR of the previous month, increased by a margin equal to 0.70% from 1 May to 31 July 2014;
- 1 month EURIBOR of the previous month, increased by a margin equal to 0.50% from 1 August to 30 September 2014;
- 1 month EURIBOR of the previous month, increased by a margin equal to 0.25% from 1 October to 31 December 2014.

The interest accrued on the demand deposit in 2014, capitalised at the end of each month on the deposit, is equal to approximately €1.6 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 2014 including interest accrued and not yet paid.

(euros)

Current financial assets: composition	**31/12/2014**	**31/12/2013**
Irregular deposit with CDP	163,937,752	252,634,452
Banks	28,929,247	11,249
Total	**192,866,999**	**252,645,701**

The decrease in cash and cash equivalents, of approximately 60 million, is due to lower dividends collected compared to the previous year.

II. LIABILITIES

II.1. EQUITY

II.1.1. SHARE CAPITAL

(euros)

Share capital: composition	31/12/2014	31/12/2013
Share capital	161,514	100,000
Total	**161,514**	**100,000**

The extraordinary shareholders' meeting of the company, held on 22 May 2014, resolved on changing the company into a company limited by shares, increasing the share capital to €120,000.00 and issuing 120,000 ordinary no par value shares. This increase was issued by the single member Cassa depositi e prestiti, through a payment of €20,000.

The subsequent shareholders' meeting, on 24 September 2014, as part of a wider pre-scheduled operation to open up the share capital of CDP RETI to new investors with minority interests, with particular reference to the State Grid Corporation of China, with whom CDP had signed a binding agreement for the sale of a portion of share capital, resolved:

- to increase share capital, from €120,000 to €161,514, through the issue of 41,514 new no par value shares, with a share premium reserve of €1,315,158,486, to be subscribed by CDP. The latter may also subscribe to this increase through the transfer of its equity investment, amounting to 29.85% of the share capital, held in Terna S.p.A.;
- supplement the legal reserve by €12,303, using the reserve for shareholder payments for investments, in order to increase it to €32,303, i.e. 1/5 of the share capital.
- to distribute part of the reserve for shareholder payments for investments, of an amount equal to that collected by the company for the decrease in a loan of a nominal value of €1.5 billion.

In the shareholders' meeting of 24 November 2014, new company by-laws were adopted, introducing three separate categories of shares giving holders different rights concerning company governance.

The table below shows the breakdown of shareholders at 31 December 2014:

Member	Share category A	Share category B	Share category C	%
CDP	95,458			59.10%
State Grid		56,530		35.00%
Cassa Forense			4,253	2.63%
Fondazioni e Casse di risparmio bancarie			5,273	3.26%
	95,458	**56,530**	**9,526**	**100.00%**

The table below shows movements in the number of shares:

SHARE CAPITAL - NUMBER OF SHARES: CHANGES

Items/Types	Ordinary	Other share / Unit
A. Shares at start of the year	**-**	**1**
- fully paid		1
- partly paid	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares in circulation: opening balance	**-**	**1**
B. Increases	161,514	-
B.1 New issues	161,514	-
- for consideration:	161,514	-
- business combinations		
- conversion of bonds		
- change to a company limited by shares	*120,000*	
- other	*41,514*	
- bonus issues:	-	-
- to employees		
- to directors		
- other		
B.2 Sale of own shares		
B.3 Other changes		
C. Decreases	-	**(1)**
C.1 Cancellation		(1)
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	**161,514**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares at end of the year	**161,514**	**-**
- fully paid	161,514	-
- partly paid		

II.1.2. RESERVES

At the end of the year, “Reserves” were as follows:

(euros)

Reserves: composition	31/12/2014	31/12/2013
Legal reserve	32,303	20,000
Share premium reserve	1,315,158,486	
Reserve for shareholder payments for investments	2,029,920,022	3,517,259,741
Total	**3,345,110,811**	**3,517,279,741**

The item “Reserve for shareholder payments for investments” included the residual value of the payment made by CDP to fund the purchase of the investment in SNAM. During the year, a part of this reserve, equal to €1,487,339,720, was:

- distributed to the member Cassa depositi e prestiti, for an amount of €1,487,327,417 as part of the wider operation that led to the transfer of Terna S.p.A. to CDP RETI and new shareholders joining the latter;
- allocated to an increase of the legal reserve, in accordance with the resolution of the shareholders' meeting, for an amount equal to €12,303.

At 31 December 2014, the company did not hold treasury shares directly or through intermediaries.

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 31/12/2014	Possible uses (*)	Amount available
Share capital	161,514		
Reserves			
- Legal reserve	32,303	B	32,303
- Share premium reserve	1,315,158,486	A, B	1,315,158,486
- Shareholder payment reserve	2,029,920,022	A, B, C	2,029,920,022
Total	**3,345,272,325**		**3,345,110,811**

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

II.2. NON-CURRENT LIABILITIES

II.2.1. LOANS

(euros)

Loans	31/12/2014	31/12/2013
Term loan facility	500.000.000	
Total	**500.000.000**	

As part of the wider operation to open up the share capital of CDP RETI to minority shareholders, with the aim of improving CDP RETI's equity return profile, the company revised its financial structure, reducing the capital contribution of shareholders, as noted above, by using a loan for a total amount of €1.5 billion, agreed in September and disbursed in November 2014.

The loan consists of two facilities:

- a bridge to bond facility: a €1 billion euro bullet facility, expiring on 29 September 2015, that may be extended at the discretion of CDP RETI, once, up to 24 months from the date when the loan was signed and, subsequently, up to five years from the date the agreement was signed. Payment consists of half-year coupons, with interest linked to the 6 month Euribor, increased by a spread calculated based on the rating assigned to the company and on any exercise of the option to extend the duration. The initial spread is 1%;
- a term loan facility: of €500 million and lasting five years from the date when loan was signed. Payment comprises half-year coupons linked to the 6 month Euribor, increased by a spread calculated based on the rating assigned to the company. The initial spread is 1.95%;

The loan was disbursed by Cassa depositi e prestiti and a pool of banks, with Banca Imi acting as agent and coordinator, as shown below:

(euros)

	Bridge to bond facility	Term loan facility
Cassa depositi e prestiti	450,000,000	225,000,000
Pool of banks	550,000,000	275,000,000
Total	**1,000,000,000**	**500,000,000**

The loan includes covenants typical of international market practices, such as financial covenants, pari passu and change of control.

II.3. CURRENT LIABILITIES

II.3.1. CURRENT PORTION OF LOANS

This item includes the current portion of loans as well as coupons maturing and expiring in the following year. The table below shows the breakdown of the item at 31 December 2014:

(euros)

	31/12/2014		31/12/2013	
Loans	**Bridge to bond facility**	**Term loan facility**	**Bridge to bond facility**	**Term loan facility**
Cassa depositi e prestiti	450,620,025	559,388		
Pool of banks	550,757,808	683,696		
Total	**1,001,377,833**	**1,243,084**	-	-

II.3.2. TAX PAYABLES

In the previous year, this item included payables for IRAP and residually for withheld taxes. The absence of an IRAP tax base, relative to 2014, explains the elimination of the payable in the current year.

(euros)

Tax payables: composition	31/12/2014	31/12/2013
Payable for IRAP		107,946
Payable for withheld taxes		346
Total	**-**	**108,292**

II.3.3. 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	31/12/2014	31/12/2013
- Trade payables	21,938	21,593
- Payables to parent companies	99,692	55,410
- Other payables	59,957	37,193
Total	**181,587**	**114,196**

Specifically:

- Trade payables

(euros)

Trade payables: composition	31/12/2014	31/12/2013
a) Trade payables		12,438
b) Trade payables for invoices to receive	21,938	9,155
Total	**21,938**	**21,593**

- Payables to parent companies

(euros)

Payables to parent companies :composition	31/12/2014	31/12/2013
Administrative services	23,424	46,878
Payables to directors to pay to CDP	48,603	
Seconded personnel	27,665	8,532
Total	**99,692**	**55,410**

- Other payables

(euros)

Other payables: composition	31/12/2014	31/12/2013
Due to company bodies	59,957	37,193
Total	**59,957**	**37,193**

At 31 December 2014, the item Other payables only included payables to the Board of Auditors and Directors nominated by the member State Grid Corporation of China.

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

At 31 December 2014, no assets or liabilities measured at fair value on a recurrent basis were recognised.

(euros)

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRENT BASIS: BREAKDOWN BY LEVEL OF FAIR VALUE INPUTS

	31/12/2014				31/12/2013			
	CA	**L1**	**L2**	**L3**	**CA**	**L1**	**L2**	**L3**
Non-current assets								
Current assets								
- Cash and cash equivalents	*192,866,998*			*192,866,998*	*252,645,701*			*252,645,701*
Total	**192,866,998**			**192,866,998**	**252,645,701**			**252,645,701**
Non-current liabilities								
- Loans	*500,000,000*			*500,000,000*				
Current liabilities								
- Current portion of loans	*1,002,620,917*			*1,002,620,917*				
Total	**1,502,620,917**			**1,502,620,917**				

II.5. OTHER INFORMATION

II.4.1. GUARANTEES ISSUED AND COMMITMENTS

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

II.4.2. 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.4.3. OWN SECURITIES PORTFOLIO DEPOSITED WITH THIRD PARTIES

The shares of Snam S.p.A. equal to 1,014,491,489, and of Terna S.p.A., equal to 599,999,999, 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 2013 dividend) and €42,000,000 from the subsidiary Terna as an advance on the 2014 dividend:

(euros)

Dividend: composition	**2014**	**2013**
SNAM dividend	152,173,723	253,622,872
Terna dividend	42,000,000	
Total	**194,173,723**	**253,622,872**

III.2. PROFIT (LOSS) ON OPERATIONS

III.2.1. FINANCIAL INCOME

(euros)

Financial income:composition	**2014**	**2013**
Interest income on irregular deposit contract	1,598,358	4,802,383
Interest income on current bank account	84,648	535
Total	**1,683,006**	**4,802,918**

III.2.2. Borrowing expenses

(euros)

Borrowing expenses: composition	2014	2013
Interest on Bridge to bond facility	1,377,834	
Interest on term facility	1,243,083	
Interest expense in respect of ENI	-	2,882,199
Other interest expense		204
Total	**2,620,917**	**2,882,403**

Interest expense in respect of ENI recorded in the previous year refers to expenses accrued for deferred settlement, in compliance with contractual agreements made with ENI, of the portion of the purchase price of the equity investment in SNAM.

III.2.3. Administrative expenses

	2014	2013
Administrative expenses	**12,875,606**	**123,033**
a) staff costs	99,032	41,220
b) other administrative expenses	12,776,574	81,813

Staff costs

Staff costs, equal to €99,032, 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	2014	2013
1) Employees		
2) Other personnel in service		
3) Board of Directors and Board of Auditors	71,367	32,688
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	27,665	8,532
Total	**99,032**	**41,220**

OTHER ADMINISTRATIVE EXPENSES

(euros)

OTHER ADMINISTRATIVE EXPENSES: COMPOSITION	2014	2013
Professional and financial services	12,717,427	33,626
Outsourcing CDP	46,848	46,848
General and administrative services	11,340	169
Utilities, taxes and other expenses	959	1,170
Total	**12,776,574**	**81,813**

Professional and financial services include commissions, equal to €12,672,583, of which €5,702,663 relative to CDP, paid to banks for the structuring of the loan granted to CDP RETI during the last quarter of the year.

The 2014 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	28,608
	Total	**28,608**

III.3.1 Other operating income / costs

This item, with a balance of 1 euro, consists entirely of roundings up.

III.4.1 Income taxes, current and deferred taxes

Taxes for 2013 are detailed below:

(euros)

INCOME TAXES: COMPOSITION	**2014**	**2013**
1. Current taxes (-)	8,729,298	28,910,437
- of which income from participation in the tax consolidation	*8,729,298*	*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 (+/-)	7,610	5,500
5. Change in deferred tax liabilities (+/-)		
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	**8,736,908**	**28,903,366**

Current taxes, amounting to €8,729,298 euro, refer entirely to gains 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 benefit (Aiuto per la Crescita Economica - Aid for Economic Growth) and the tax loss resulted in an amount receivable to the consolidating company CDP. 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.

Income (loss) before taxes	**180,360,207**	**Tax rate**
IRES theoretical tax liability (rate 27.5%)	(49,599,057)	-27.50%
Increases in taxes		
- non-deductible temporary differences	(7,610)	n/s
- non-deductible permanent differences	(258,005)	-0.14%
Decreases in taxes		
- dividends 95% exempt	50,727,885	28.12%
- ACE benefit	7,863,510	4.36%
- other	2,575	
IRES Actual tax liability	**8,729,298**	**4.84%**

(euros)

Difference between revenues and production costs	**(12,847,662)**	**Tax rate**
IRAP Theoretical tax liability (5.57% rate)	715,615	-5.57%
Increases in taxes	(7,381)	n/s
Decreases in taxes	52,242	n/s
IRAP Actual tax liability	**-**	**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 investments in the listed companies SNAM and TERNA 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)

	Board of Directors	Board of Auditors	Key management personnel
a) short-term benefits	27,672	43,696	
b) post-employment benefits			
c) other long-term benefits			
d) severance benefits			
e) share-based payments			
Total	**27,672**	**43,696**	

(euros)

Name	Position	Period in office	Expiry of office (1)	Compensation and bonuses
Directors				
Franco Bassanini	Chairman	27/11/2014-31/12/2014	2016	(2)
Giovanni Gorno Tempini (3)	Chief Executive Officer	01/01/2014-31/12/2014	2016	(2)
Ludovica Rizzotti	Director	27/11/2014-31/12/2014	2016	(2)
Jun Yu	Director	27/11/2014-31/12/2014	2016	(5)
Yunpeng He	Director	27/11/2014-31/12/2014	2016	(5)
Board of Auditors				
Guglielmo Marengo (4)	Chairman	01/01/2014-31/12/2014	2016	20,440
Francesca Di Donato	Auditor	22/05/2014-31/12/2014	2016	11,628
Paolo Sebastiani	Auditor	27/11/2014-31/12/2014	2016	1,825
Stefano Fiorini (6)	Auditor	22/05/2014-26/11/2014	2016	9,803

(1) Date of Shareholders' Meeting called to approve financial statements for the year.
(2) Compensation paid to Cassa depositi e prestiti S.p.A.
(3) Giovanni Gorno Tempini held the position of Sole Director of CDP RETI up until 27/11/2014; from this date until 09/12/2014, he held the position of Board Dirctor; since 09/12/2014, he has been Chief Executive Officer.
(4) Mr Marengo held the position of Sole Auditor up until 22/05/2014, when the Shareholders' Meeting of CDP RETI appointed him Chairman of the newly elected Board of Auditors.
(5) Compensation is paid to the State Grid Corporation of China
(6) Mr Fiorini resigned from his position as auditor, with effect from 26/11/2014

V.2. Information on transactions with related parties

The Company is managed and coordinated by the majority shareholder 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.p.A.'s ordinary operations.

Transactions with the parent company

Transactions with the parent company

Transactions with CDP in 2014 concerned the following:

- the deposit contract with the cash and cash equivalents of the Company; interest income accrued on the above, as specified;
- the receivable arising from CDP RETI's participation in the tax consolidation scheme;
- the loan disbursed by CDP and interest accrued on that loan;
- outsourced services and securities custody and administration services provided by CDP to CDP RETI;
- the cost of CDP personnel seconded to the company;
- the compensation of directors paid to the Parent Company.

Transactions, carried out on an arm's length basis, as at 31 December 2014 and relative financial and economic effects (including VAT where due) are summarised as follows:

TRANSACTIONS WITH CDP SpA	31/12/2014	31/12/2013
		(euros)
Assets		
- Irregular deposit balance	163,937,752	252,634,452
- Receivable for tax consolidation	8,729,405	29,018,383
Liabilities		
- Payables for seconded personnel	27,665	8,532
- Payables for directors' compensation to pay to CDP	48,603	
- Payable for outsourced administrative services and securit	23,424	46,878
- Loans:		
included in current liabilities	*451,179,413*	
included in non-current liabilities	*225,000,000*	
Revenues		
- Interest income on irregular deposit contract	1,598,358	4,802,383
Costs		
- Interest expense on CDP loan	(1,179,413)	
- Outsourced administrative services and securities custody	(46,879)	(46,878)
- Costs for personnel seconded to CDP RETI	(27,665)	(8,532)
- Costs for directors' compensation to pay	(23,836)	
- Commissions for loan structuring	(5,702,663)	

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 2013, which are available as provided for by law.

(millions of euros)

RECLASSIFIED BALANCE SHEET DATA	**2013**
Total assets	314,685
Cash and cash equivalents held with banks	147,507
Loans to banks and customers	103,211
Equity investments and shares	32,693
Postal funding	242,417
Other direct funding	26,788
Equity	18,138
RECLASSIFIED PERFORMANCE DATA	
Net interest income	2,539
Gross income	3,114
Operating income	2,953
Net income (loss)	2,349

The separate financial statements for 2013 of Cassa depositi e prestiti S.p.A. are attached.

VI - SEGMENT REPORTING

CDP RETI S.p.A., was established by CDP S.p.A. as a special-purpose entity to manage equity investments in companies with infrastructure of national interest in the electricity and gas sector.

In 2014, company operations concerned management of the equity investment in SNAM and the development of activities to acquire an investment in Terna S.p.A., which is why the reporting required by IFRS 8 coincides with the financial statements of these companies.

ANNEXES

1. **LIST OF EQUITY INVESTMENTS**

2. **SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2013 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)	28.98%	3,520,230,115	Significant influence
TERNA S.p.A.	Rome	29.85%	1,315,200,000	Control
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	31/12/2013	31/12/2012
10.	Cash and cash equivalents	3,530	4,061
20.	Financial assets held for trading	472,679,479	640,480,778
40.	Financial assets available for sale	4,939,291,611	4,975,191,408
50.	Financial assets held to maturity	18,327,082,721	16,730,803,183
60.	Loans to banks	14,851,354,609	13,178,302,664
	of which securing covered bonds	-	*575,161,865*
70.	Loans to customers	242,136,225,003	238,305,758,261
	of which securing covered bonds	-	*2,102,395,438*
80.	Hedging derivatives	325,064,442	371,592,827
100.	Equity investments	31,769,037,804	30,267,806,038
110.	Property, plant and equipment	217,930,399	206,844,583
120.	Intangible assets	6,252,398	7,142,943
130.	Tax assets	1,233,688,891	508,263,385
	a) current	1,065,965,451	359,110,010
	b) deferred	167,723,440	149,153,375
	- out of which for purposes of L. 214/2011	-	-
150.	Other assets	406,692,190	239,289,471
	Total assets	**314,685,303,077**	**305,431,479,602**

Cassa depositi e prestiti società per azioni

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

(euros)

BALANCE SHEET

	Liabilities and equity	31/12/2013	31/12/2012
10.	Due to banks	24,008,645,722	34,055,028,612
20.	Due to customers	261,520,355,925	242,303,149,301
30.	Securities issued	6,907,470,302	6,672,411,389
	of which covered bonds	-	*2,639,474,757*
40.	Financial liabilities held for trading	444,815,354	477,087,678
60.	Hedging derivatives	1,449,143,501	2,575,862,638
70.	Adjustment of financial liabilities hedged generically (+/-)	52,258,202	56,412,601
80.	Tax liabilities	669,026,281	915,731,204
	a) current	565,597,478	818,196,453
	b) deferred	103,428,803	97,534,751
100.	Other liabilities	1,479,946,192	1,527,970,453
110.	Staff severance pay	756,139	750,996
120.	Provisions	14,928,023	11,789,925
	b) other provisions	14,928,023	11,789,925
130.	Valuation reserves	975,182,823	965,418,317
160.	Reserves	11,371,230,455	9,517,249,132
180.	Share capital	3,500,000,000	3,500,000,000
190.	Treasury shares (-)	(57,220,116)	-
200.	Net income for the period (+/-)	2,348,764,274	2,852,617,356
	Total liabilities and equity	**314,685,303,077**	**305,431,479,602**

Cassa depositi e prestiti società per azioni

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

(euros)

INCOME STATEMENT

		31/12/2013	31/12/2012
10.	Interest income and similar revenues	8,734,350,209	10,590,682,908
20.	Interest expense and similar charges	(6,194,954,542)	(7,068,867,902)
30.	**Net interest income**	**2,539,395,667**	**3,521,815,006**
40.	Commission income	40,300,483	38,348,222
50.	Commission expense	(1,623,148,314)	(1,650,123,072)
60.	**Net commission income**	**(1,582,847,831)**	**(1,611,774,850)**
70.	Dividends and similar revenues	3,088,977,849	1,206,749,144
80.	Net gain (loss) on trading activities	76,056,378	156,407,006
90.	Net gain (loss) on hedging activities	(14,833,356)	(10,120,204)
100.	Gains (losses) on disposal or repurchase of:	15,736,734	389,563,961
	a) loans	9,219,840	19,469,378
	b) financial assets available for sale	6,477,522	366,189,473
	c) financial assets held to maturity	39,372	145,310
	d) financial liabilities	-	3,759,800
120.	**Gross income**	**4,122,485,441**	**3,652,640,063**
130.	Net impairment adjustments of:	(45,290,748)	(22,884,956)
	a) loans	(42,802,267)	(22,097,331)
	d) other financial transactions	(2,488,481)	(787,625)
140.	**Financial income (expense), net**	**4,077,194,693**	**3,629,755,107**
150.	Administrative expenses:	(119,717,268)	(103,285,487)
	a) staff costs	(62,335,374)	(54,205,757)
	b) other administrative expenses	(57,381,894)	(49,079,730)
160.	Net provisions	(395,528)	(2,058,191)
170.	Net adjustments of property, plant and equipment	(5,147,912)	(5,225,787)
180.	Net adjustments of intangible assets	(2,345,796)	(2,464,066)
190.	Other operating income (costs)	4,758,168	3,504,759
200.	**Operating costs**	**(122,848,336)**	**(109,528,772)**
210.	Gains (losses) on equity investments	(1,008,947,000)	147,334,875
240.	Gains (losses) on the disposal of investments	91	(107,901)
250.	**Income (loss) before tax from continuing operations**	**2,945,399,448**	**3,667,453,309**
260.	Income tax for the period on continuing operations	(596,635,174)	(814,835,953)
270.	**Income (loss) after tax on continuing operations**	**2,348,764,274**	**2,852,617,356**
290.	**Income (loss) for the period**	**2,348,764,274**	**2,852,617,356**

Cassa depositi e prestiti società per azioni

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

(euros)

STATEMENT OF COMPREHENSIVE INCOME

		31/12/2013	31/12/2012
10.	**Income (loss) for the period**	**2,348,764,274**	**2,852,617,356**
	Other comprehensive income net of taxes transferred to income statement		
90.	Cash flow hedges	(1,380,880)	24,212,441
100.	Financial assets available for sale	11,145,386	(139,907,692)
130.	**Total other comprehensive income net of taxes**	**9,764,506**	**(115,695,251)**
140.	**Comprehensive income (items 10+130)**	**2,358,528,780**	**2,736,922,105**

Cassa depositi e prestiti società per azioni

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(euros)

STATEMENT OF CHANGES IN EQUITY: CURRENT PERIOD

	Balance at 31.12.12	Changes in opening balance	Balance at 1.1.13	Allocation of net income for previous year		Changes for the period								Equity at 31.12.13
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income for 2013	
Share capital:														
a) ordinary shares	2,450,000,000		2,450,000,000			1,050,000,000								3,500,000,000
b) preference shares	1,050,000,000		1,050,000,000			(1,050,000,000)								
Share premium reserve														
Reserves:														
a) income	9,517,249,132		9,517,249,132	1,853,981,323										11,371,230,455
b) other														
Valuation reserves:														
a) available for sale	777,034,074		777,034,074										11,145,386	788,179,460
b) cash flow hedges	20,812,241		20,812,241										(1,380,880)	19,431,361
c) other reserves														
- revaluation of property	167,572,002		167,572,002											167,572,002
Equity instruments														
Treasury shares								(57,220,116)						(57,220,116)
Income (loss) for the period	2,852,617,356		2,852,617,356	(1,853,981,323)	(998,636,033)								2,348,764,274	2,348,764,274
Equity	**16,835,284,805**		**16,835,284,805**		**(998,636,033)**			**(57,220,116)**					**2,358,528,780**	**18,137,957,436**

Cassa depositi e prestiti società per azioni

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

(euros)

STATEMENT OF CHANGES IN EQUITY: PREVIOUS PERIOD

	Balance at 31.12.11	Changes in opening balance	Balance at 1.1.12	Allocation of net income for previous year		Changes for the period								Equity at 31.12.12
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income for 2012	
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**

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	31/12/2013	31/12/2012
1. Operations	**6,556,718,122**	**(1,268,664,051)**
- net income for the year (+/-)	2,348,764,274	2,852,617,356
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(61,608,965)	(137,571,535)
- gains (losses) on hedging activities (-/+)	9,085,774	(200,183,695)
- net impairment adjustments (+/-)	45,290,748	22,884,956
- net value adjustments to property, plant and equipment and intangible assets (+/-)	7,493,709	7,689,853
- net provisions and other costs/revenues (+/-)	9,965,112	7,428,900
- unpaid taxes, duties and tax credits (+/-)	596,635,174	814,835,953
- net impairment adjustments of disposal groups held for sale net of tax effect (+/-)	-	-
- writedowns/writebacks of equity investments (+/-)	1,008,947,000	-
- other adjustments (+/-)	2,592,145,296	(4,636,365,839)
2. Cash generated by / used in financial assets	**(8,252,843,730)**	**(1,358,378,980)**
- financial assets held for trading	229,410,265	78,171,539
- financial assets at fair value	-	-
- financial assets available for sale	78,249,706	(2,030,319,043)
- loans to banks: on demand	-	-
- loans to banks: other	(1,347,809,928)	6,948,868,710
- loans to customers	(6,360,054,751)	(6,374,480,471)
- other assets	(852,639,022)	19,380,285
3. Cash generated by / used in financial liabilities	**5,145,738,562**	**34,558,471,140**
- due to banks: on demand	-	-
- due to banks: other	(10,076,287,893)	14,456,286,818
- due to customers	16,500,048,145	20,235,839,912
- securities issued	284,771,714	(1,720,450,110)
- financial liabilities held for trading	(32,272,324)	5,272,444
- financial liabilities at fair value	-	-
- other liabilities	(1,530,521,079)	1,581,522,076
Cash generated by / used in operating activities	**3,449,612,954**	**31,931,428,109**
B. INVESTING ACTIVITIES		
1. Cash generated by	**11,106,483,000**	**24,715,175,635**
- sale of equity investments	-	2,034,309,999
- dividends from equity investments	-	-
- sale of financial instruments held to maturity	11,106,483,000	22,680,756,000
- sale of property, plant and equipment	-	109,636
2. Cash used in	**(15,095,313,300)**	**(42,581,105,251)**
- purchase of equity investments	(2,519,511,610)	(12,660,567,850)
- purchase of financial assets held to maturity	(12,561,075,775)	(29,903,053,001)
- purchase of property, plant and equipment	(13,270,664)	(12,452,043)
- purchase of intangible assets	(1,455,251)	(5,032,357)
Cash generated by / used in investing activities	**(3,988,830,300)**	**(17,865,929,616)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares	(57,220,116)	-
- dividend distribution and other allocations	(998,636,033)	(371,000,000)
Cash generated by / used in financing activities	**(1,055,856,149)**	**(371,000,000)**
CASH GENERATED / USED DURING THE YEAR	**(1,595,073,495)**	**13,694,498,493**

RECONCILIATION

Items (*)		
Cash and cash equivalents at beginning of year	137,729,681,156	124,035,182,663
Total cash generated/used during the year	(1,595,073,495)	13,694,498,493
Cash and cash equivalents: effects of changes in exchange rates	-	-
Cash and cash equivalents at end of year	136,134,607,662	137,729,681,156

REPORT OF THE INDEPENDENT AUDITORS

pwc

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

To the shareholders of
Cdp Reti SpA

1 We have audited the financial statements of Cdp Reti SpA as of 31 December 2014 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 SpA 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 8 April 2014.

3 In our opinion, the financial statements of Cdp Reti SpA as of 31 December 2014 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 SpA for the period then ended.

4 The directors of Cdp Reti SpA 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 SpA as of 31 December 2014.

Rome, 16 March 2015

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.p.A.

Registered offices: Rome – Via Goito n. 4

Rome Company Register, Tax Code and VAT: no. 12084871008

Enrolled in the Rome CCIAA no. REA RM-1349016

Fully paid-in share capital € 161,514.00

Company under the co-ordination and management of

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

* * *

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014 PURSUANT TO ART. 2429, 2ND PARAGRAPH OF THE ITALIAN CIVIL CODE

Dear Shareholders,

Preliminarily we would like to remind you that the Board of Statutory Auditors, in its current composition, has been appointed on 27/11/2014; previously, up to the modifications to the corporate By-Laws resolved by the Shareholders’ Meeting held on 22/05/2014, the limited liability Company had a monocratic Supervisory Board pursuant to art. 2477 of the Italian Civil Code, and on the same date has been appointed for the first time the current Board of Statutory Auditors in charge for the three-year period up to the approval of the 2016 financial statements.

During the financial period, the Board of Statutory Auditors has carried out the supervisory activity envisaged by the law, in compliance with the Rules of Conduct for Boards of Statutory Auditors as recommended by the National Councils of the Italian Accounting Profession, taking also into account that the legal audit of accounts is entrusted to the Audit Firm PricewaterhouseCoopers S.p.A..

The above having been stated, please note the following:

a) The Financial Statements as of 31/12/2014 has been prepared in compliance with the international accounting principles adopted through EC Regulation no. 1606 dated 19 July 2002 and acknowledged by the Italian Law through Legislative Decree no. 38 dated 28 February 2005;

b) The correct recording of the operations in the accounting books and their inclusion in the financial statements, according to the IAS/IFRS principles, have been verified by the Audit Firm, entrusted with the legal audit of accounts;

c) The financial statements as of 31/12/2014 highlights a profit of € 189,097,115 and a net equity of € 3,534,369,440. The profit for the year, with reference to positive income components, depends on dividends and financial income, balanced, amongst negative components, mostly by financial expenses and commissions due to financial Institutions.

The above having been stated, please note the following.

Concerning the specific competences of the Board of Statutory Auditors, the same has followed the activity of the Sole Director and from 27/11/2014 of the Board of Directors:

- with reference to the management of the SNAM investment, whose ownership quoted has been diluted during the financial year, from 30% to 28.98% as a consequence of the SNAM's capital increase effected on 19/12/2014 and of the transfer to SNAM of the participation held by CDP GAS S.r.l. – Company entirely owned by CDP S.p.A. (hereinafter referred to as CDP) – in Trans Austria Gasleitung GmbH;

- with reference to the modification process of the Corporate By-Laws, commenced with the Shareholders' Meeting of 22 May 2014, which led, amongst others, to the transformation into a Share Capital Company and consequently to a first capital increase to € 120.000;

- with regards to the transfer from CDP to CDP RETI on 20/10/2014 of the participation held in Terna, equal to 29.851% of the share capital, which brought the Company's share capital from € 120,000 to € 161,514; such capital increase has been reserved for subscription to CDP, which at the time was the Sole Shareholder, as a consequence of the non-exercise by the Presidency of the Council of Ministers of the special powers envisaged by Legislative Decree no. 21/2012;

- with regard to the distribution of reserves in favor of the Shareholder CDP and in the funding operation to the Company for an amount equal to € 1,500 million, 45% of which received from CDP and the remaining 55% from a pool of banks;

- in the conclusion of the opening of the Company's share capital to third party investors, through the transfer, on 27/11/2014, of 35% to State Grid Europe Limited, company belonging to State Grid Corporation of China Group, of 2.6% to the Cassa Nazionale di Previdenza ed Assistenza Forense and lastly of a total quota equal to 3,3% to 33 Bank Foundations.

With reference to the corporate organization, the Company has kept on using, through contractual agreements with the parent company CDP, all the competences and necessary services for the correct carrying out of its own operations, provided by the same.

The Board of Statutory Auditors has received, at first from the Sole Director and then by the Board of Directors and CDP's operational functions, the information regarding the Company's activities.

The Board of Statutory Auditors has been confirmed the independence of the Audit Firm pursuant to articles 10 and 17 of Legislative Decree no. 39/2010 and the relevant implementation measures.

When examining the financial statements, the Board of Statutory Auditors has discussed with the Audit Firm the results of the controls carried out and has acknowledged the activities carried out during the financial period. According to the information received, the Audit Firm has not expressed any specific observation on the financial statements as of 31/12/2014, which may lead to assume that there will be remarks in their report.

The Board of Statutory Auditors has therefore examined the financial statements as of 31/12/2014, not being in charge of the analytical-accounting control of the same, analyzing the general formation of the financial statements and their compliance with the law, and has no particular remark to refer.

The Company confirms its being subject to the management and coordination of the Shareholder CDP.

We deem adequate the information included by the Board of Directors in the Management Report. In the Notes to the Financial Statements, the Board of Directors has illustrated the evaluation criteria adopted, shared with the Board of Statutory Auditors.

There have been no exceptions to the application of the international accounting principles.

The Board of Statutory Auditors has not received any report under art. 2408 of the Italian Civil Code, nor complaints or notifications of possible irregularities.

All the above having been considered, the Board of Statutory Auditors, as far as it is concerned, acknowledges that from the supervisory activity performed, no omissions, malpractices or irregularities have emerged, as to be noteworthy for the Shareholders and expresses it favorable opinion with regard to the approval of the financial statements as of 31/12/2014, accompanied by the Managements Report, and agrees with the Board of Director's proposal to entirely allocate the profit for the year equal to € 189,097,115, since the legal reserve has already reached the limit envisaged by the law.

Finally, we would like to remind you that with the approval of the 2014 financial statements, the three-year term envisaged by art. 2409-*bis* for the Audit Firm's office comes to its expiry; in this regard, the Board will present to the next Shareholders' Meeting, its motivated proposal for the reappointment pursuant to art. 13 of Legislative Decree no. 39/2010.

Rome, 16 March 2014

The Board of Statutory Auditors

Dott. Guglielmo Marengo

Dott.ssa Francesca Di Donato

Dott. Paolo Sebastiani