Half-Year Report

at 30 June 2011

iren

Summary

Key Figures of the Iren Group 1
Company officers 2
Mission and values of the Iren Group 3

Half-Year Report

Iren Group: corporate structure 6
Information on the Iren share in the first half of 2011 12
Operating figures 14
Market Context 17
Significant events of the period 21
Financial position, results of operations and cash flows of the Iren Group 22
Income Statement 22
Statement of Financial Position 32
Cash flow figures 34
Legislative framework 37
Financial management 45
Transactions with Related Parties 47
Risk Management 51
Research and development 56
Organisation 65
Personnel 66
Training 66
Quality, Environment and Safety 67
Iren and Sustainability 71

Condensed Interim Consolidated Financial Statements and Notes thereto at 30 June 2011

Statement of Financial Position 74
Income Statement 76
Statement of Comprehensive Income 77
Statement of Changes in Equity 78
Cash Flow Statement 80
Notes to the Financial Statements 81
I. Content and Structure of the Consolidated Financial Statements 81
II. Changes in the scope of consolidation compared to 31 december 2010 83
III. Risk Management 83
IV. Information on transactions with related parties 89
V. Subsequent events 92
VI. Other information 93
VII. Notes to the statement of financial position 93
VIII. Notes to the income statement 114
IX. Guarantees and contingent liabilities 122
X. Segment reporting 124
XI. Annexes to the condensed interim consolidated financial statements 126
Statement regarding the condensed interim consolidated financial statements pursuant to art. 154-bis of Italian Legislative Decree 58/1998 134
Auditors' report on review of condensed interim consolidated financial statements 135

KEY FIGURES OF THE IREN GROUP

	First Half of 2011	First Half of 2010 pro forma (*)	% Change
Income statement figures *(millions of euro)*			
Revenue	1,686	1,749	(3.6)
Gross operating profit	327	323	1.1
Operating profit	194	185	4.7
Profit before tax	171	167	2.7
Consolidated profit for the period	100	108	(8.1)
Statement of financial position figures *(millions of euro)*	*At 30/06/2011*	*At 31/12/2010*	
Net invested capital	4,618	4,342	6.4
Equity	2,055	2,082	(1.3)
Net financial position	(2,563)	(2,260)	13.4
Financial/economic indicators	*First Half of 2011*	*First Half of 2010 pro forma*	
GOP/Revenue	19.39%	18.47%	
Debt/Equity	1.25	1.08	
Technical and trading figures	*First Half of 2011*	*First Half of 2010 pro forma*	
Electrical energy sold (GWh)	6,782	7,800	(13.1)
Heat energy produced (GWht)	1,409	1,613	(12.6)
District heating volume (mln m3)	66	64	4.6
Gas sold (mln m3)	1,598	1,843	(13.3)
Water distributed (mln m3)	92	94	(1.9)
Waste handled (tons)	525,120	481,778	9.0

(*) reference is made to the section "Financial position, results of operations and cash flows of Iren Group" for the criteria for calculating the pro forma data

Iren is a multi-utility company, listed at the Italian Stock Exchange and established on 1 July 2010 as a merger of Iride and Enìa. It operates in the sectors of electricity (production, distribution and sale), heat (production and sale), gas (distribution and sale), integrated water services, environmental services (collection and disposal of waste) and services for public administrations.

Iren is structured as an industrial holding; Iren's main corporate offices are in Reggio Emilia, with operational branches in Genoa, Parma, Piacenza, and Turin, as well as other companies in charge of individual business lines. Thanks to its substantial production assets, to its investments, to a leadership established in all business areas and to its territorial penetration, today Iren ranks among the top Italian multi-utility actors.

The holding company handles strategic, development, coordination and control activities, while the five operating companies ensure the coordination and development of business lines pursuant to the guidelines set forth below:

- Iren Acqua Gas - integrated water cycle;
- Iren Energia - electric and thermal power production and technology services;
- Iren Mercato - sales of electric power, gas and district heating;
- Iren Emilia - gas, waste collection, environmental health and management of local services;
- Iren Ambiente - engineering and management of waste treatment and disposal plants, as well as management of heat production plants for district heating in the Emilia Romagna area.

Production of electrical energy: Thanks to a considerable number of electrical and thermal energy plants for district heating production, an overall electric production capacity of over 7,400 GWh/year, including the portion ensured by Edipower.

Gas Distribution: Through its 8,800 km long network, Iren serves over a million customers.

Distribution of electrical energy: With over 7,200 km of medium and low voltage networks, the Group distributes electrical energy to over 710,000 customers in Turin and Parma.

Integrated water service: With 13,900 km of aqueduct networks, 7,868 km of sewerage networks and 813 treatment plants, Iren provides services to over 2,400,000 residents.

Waste management: With 122 equipped ecological stations, 2 waste-to-energy plants and 1 landfill, the group serves 111 municipalities with over 1,200,000 residents.

District heating: through dual-pipe underground networks spanning approximately 700 km, the Iren Group supplies heating for an overall volume of over 66 million cubic metres, or equivalent to a population of over 550,000 citizens.

Sales of gas, electrical energy and thermal energy: each year the Group sells over 3.1 billion cubic metres of gas, over 12,000 GWh of electric power and 2,840 GWht of heat into the district heating networks.

COMPANY OFFICERS

Board of Directors

Chairman	Roberto Bazzano [1]
Deputy Chairman	Luigi Giuseppe Villani [2]
CEO	Roberto Garbati [3]
General manager	Andrea Viero [4]
Directors	Franco Amato [5]
	Paolo Cantarella [6]
	Gianfranco Carbonato [7]
	Alberto Clò [8]
	Marco Elefanti [9]
	Ernesto Lavatelli [10]
	Ettore Rocchi
	Alcide Rosina [11]
	Enrico Salza [12]

Board of Statutory Auditors

Chairman	Aldo Milanese
Standing auditors	Lorenzo Ginisio
	Giuseppe Lalla
Supplementary auditors	Massimo Bosco
	Emilio Gatto

Manager in charge of financial reporting

Massimo Levrino

Independent Auditors

KPMG S.p.A.

[1] [2] [3] [4] Members of the Executive Committee
[5] Member of the Remuneration Committee
[6] Chairman of the Remuneration Committee
[7] Member of the Supervisory Body
[8] [11] Member of the Internal Control Committee
[9] Chairman of the Supervisory Body
[10] Member of the Remuneration Committee and the Supervisory Body
[12] Chairman of the Internal Control Committee

MISSION AND VALUES OF THE IREN GROUP

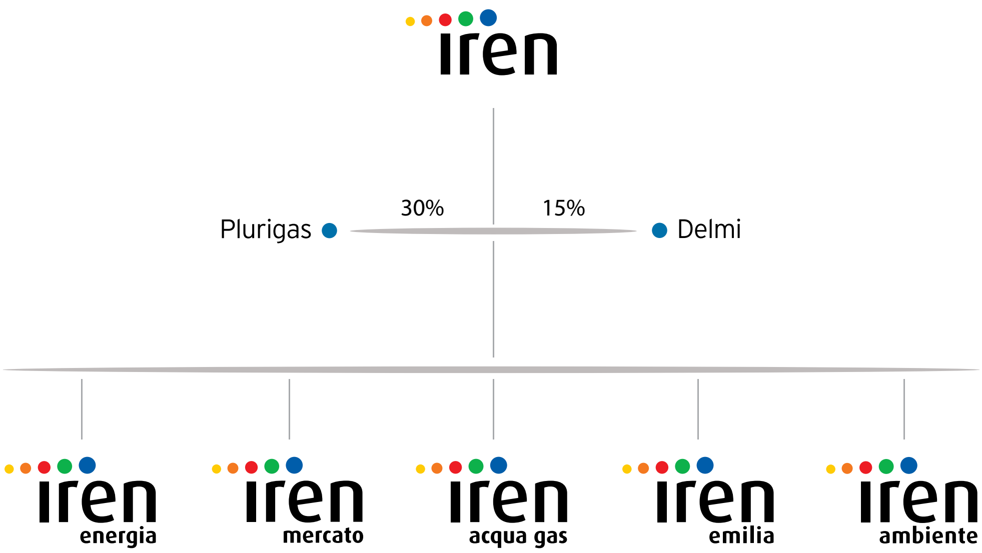
For the Iren Group, sustainable development, energy efficiency and protection of the environment, together with technological innovation and a particular focus on the territories in which it operates, constitute fundamental characteristics.

Protecting the environment, limiting energy consumption, innovation, promoting economic and social development in the territories in which it operates, guaranteeing customer satisfaction, quality and safety, creating value for shareholders and enhancing and increasing staff skills and know-how are specific values that the Iren Group intends to respect.

Iren S.p.A.
Via Nubi di Magellano, 30 - 42123 Reggio Emilia
Share capital, fully paid up: euro 1,276,225,677.00
Reggio Emilia Register of Companies,
Tax Code and VAT no. 07129470014

Half-Year Report
at 30 June 2011

IREN GROUP: CORPORATE STRUCTURE



The major equity investments of Iren Holding are shown in the chart above.

IREN ENERGIA

Production of cogeneration electrical and heat energy

Iren Energia's installed capacity totals approximately 2,300 MW, of which around 1,400 MW is generated directly and around 900 MW through Edipower and Energia Italiana. Specifically, Iren Energia owns 20 electrical energy production plants: 12 hydroelectric plants and 8 thermoelectric cogeneration plants, for a total capacity of 1,400 MW of electrical energy and 1,800 MW of heat energy, of which 700 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration sources – are completely eco-compatible. The hydroelectric production plant plays a particularly important role in environmental protection, as it uses a renewable and clean resource which does not emit pollutants. Hydroelectric energy reduces the need to turn to other forms of production that have a greater environmental impact. Environmental protection is a corporate priority for Iren Energia which has always maintained that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to protect the environment. Iren Energia's total heat capacity is equal to 1,800 MWt, of which 40% is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. The heat production in the first half of 2011 was approximately 1,409 GWh_t, with a heated district volume of approximately 66 million cubic metres. Iren Energia currently has numerous investments in the hydroelectric and cogeneration sectors, aimed at strengthening its position as an energy producer. These investments will result in an increase of approximately 370 MW in installed capacity, from the current 2,300 MW. As regards the "Torino Nord" combined cycle cogeneration plant, which will allow the district heating network to be extended from the current 40% to 54% of the city's volumes, the construction works are at the advanced stage, reaching approximately 73% of the project at 30 June 2011, in line with the schedule, according to which the launch of test operations are planned for October 2011. In relation to the repowering of hydroelectric plants in Valle Orco, the renewal works on the Rosone plant have been concluded, with the provisional start up of the new units.

Distribution of electrical energy

Through its subsidiary, AEM Torino Distribuzione, Iren Energia distributes electrical energy to the entire metropolitan areas of Turin and Parma (around 1,085,000 residents). In the first half of 2011, the total electrical energy distributed was equal to around 2,126 GWh, of which 1,679 GWh in Turin and 447 GWh in Parma.

Services to Local Authorities and Global Service

Iride Servizi, a subsidiary of Iren Energia, provides Turin with street lighting services, traffic light management, heating and electrical systems management in municipal buildings, and the global technology service management of the Turin Court House.
The electronic infrastructures and connections in the cities of Turin and Genoa are managed by the subsidiaries AemNet and SasterNet, respectively.

Gas distribution and District Heating

The district heating and gas distribution activities in the city of Turin are carried out by AES Torino (51% controlled by Iren Energia S.p.A.), which owns one of the largest district heating networks in the whole Italian territory (approximately 430 km of dual-piping at 30 June 2011). As of 30 June 2011, the 1,329 km gas network was serving approximately 500,000 end costumers. After the merger with Enìa, Iren Energia also owns the Parma, Reggio Emilia and Piacenza district heating network, with an overall extension of approximately 298 km.
Finally, Nichelino Energia which was established jointly with Iren Energia (which holds a 62% shareholding), Iren Mercato (5%) and AES Torino (33%), aims to develop district heating in the city of Nichelino. At 30 June 2011, the network extended for 20 km of double piping.

IREN MERCATO

Through Iren Mercato, the Group operates in the electrical energy, gas and heat marketing sector, acts as fuel provider to the Group, performs energy efficiency certificates, green certificates and emission trading, provides customer management services to Group companies and supplies heat services and heat sales through the district heating network.
Commercial activities on the free market are implemented both directly and through business investments in local trading companies mainly located in the northwest and the Tyrrhenian area.
The main sources of electricity available for Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia S.p.A. and, through tolling agreements; furthermore, Iren Mercato receives 10% of the electrical energy from Edipower plants.
At 30 June 2011, the gas customers directly served by Iren Mercato totalled approximately 747,000, while the electric power customers served were approximately 678,000.

Sale of natural gas

During the first half of 2011, a total natural gas volume of 1,598 million cubic meters was supplied, including 894 million cubic meters sold to end customers outside the Group, 105 million cubic meters employed to produce electric power via the tolling agreements with Edipower, and 599 million cubic meters used within the Iren Group both for the production of electric and thermal power (571 million cubic meters) and for other uses (28 million cubic meters).

Sale of electrical energy

During the first half of 2011, a total volume of 6,782 GWh was sold, net of distribution losses.

Following is a cluster analysis of end customers.

Free market and stock exchange:

A total 3,713 GWh were sold to end customers and wholesalers through the first half of 2011, while a total volume of 2,487 GWh was employed in stock exchange.
Regarding supplies, in the first half of 2011 a total 3,251 GWh were available internally to the Iren Group (Iren Energia, Tirreno Power), with 684 GWh coming from the Edipower tolling. Recourse to the IPEX market amounted to 2,275 GWh while supplies from wholesalers amounted to 248 GWh.

Former non-eligible market:

An overall approximate 418,000 customers were served by Iren Mercato in a superior protection regime in the first half of 2011. Total volumes sold during the first half were 582 GWh.

Sale of heat through the district heating network

Iren Mercato handles heat sales to customers in the Genoa, Turin and Nichelino municipalities and the Reggio Emilia, Piacenza and Parma provinces.
This takes the form of the supply of heat to customers already on the district heating network, the

management of customer relations and the control and management of the substations that supply power to the thermal plants in the buildings served by the network. The heat sold to customers is in turn supplied by Iren Energia S.p.A. at such trading conditions as to guarantee adequate remuneration. As of June 2011 the heated district volume amounted to approximately 66 million cubic metres.

Heat service management

During the first half of 2011, the development of Energy Service Agreements was pursued, particularly in contracts aimed at the private business sector.
The contract with the Liguria Regional Government is also operative with regard to the management of energy services in hospitals and health authority premises in which, through CAE (Global Services) and the Climatel and OCCLIM specialist companies, the company has managed a number of important operational management and maintenance contracts. Iren Mercato is the supplier of the energy services of this enterprise. A similar initiative was launched with A2A in the Lazio region ATI.

IREN ACQUA GAS

Integrated Water Services

The first-level company Iren Acqua Gas is active, both directly and via its subsidiary Mediterranea delle Acque, in water supply services to the Genoa, Parma and Reggio Emilia provinces.
The current corporate configuration is the result of a re-organisation project of the activities pertaining to the Mediterranea delle Acque subsidiary and the water-related branch in Iren Acqua Gas that led to the company F2i Rete Idrica Italiana S.p.A. entering the Group.
Said re-organisation was effected in order to overcome the inefficiencies in the Italian integrated water supply system by grouping together previously fragmented activities, and to create a more flexible structure suitable for taking advantage of development opportunities related to the new regulations and standards in this field.
In particular, it assumed from July 2004 the role of market operator for the Genoa District and from 1 July 2010, the management of the water division for the Reggio Emilia and Parma areas was granted to Iride Acqua Gas as part of the Iride-Enìa merger.
The water services reform introduced in Italy by the Galli Law consists of essentially two principles: the overcoming of fragmentation of operators and the implementation of integrated systems, which would include the entire water cycle, from captation, to distribution, collection, treatment and disposal, until water is returned to the environment again.
The recent referendum resulted in the repeal of art. 23 bis of Italian Law Decree no. 112/08 and par. 1 of art. 154 of Italian Law Decree no. 152/06, which should be formalised through the publication of a specific Italian Presidential Decree in the Official Gazette.
While waiting for the repeal to enter into force, the leading parties involved in the integrated water service hope that in the meantime, suitable legal and regulatory provisions are issued to overcome the legislative gaps resulting from the outcome of the referendums.
An immediate consequence of repealing art. 23 bis is the application in Italian law of EU regulations on the matter of the assignment of services of economic importance.
As the adequacy of the return on invested capital has been repealed, it is urgent that the future National Agency for Water Regulation and Supervision (provided for by the Development Decree), once established, issue a new tariff method which takes account of all cost components, "with a view to ensuring full coverage of investment and operating costs based on both cost recovery principles and the principle according to which "he who pollutes, pays"" (art. 154, par.1 of Italian Law Decree no. 152/06).
Through its own structure, Iren Acqua Gas reaches through its managed ATOs [Ambito Territoriale Ottimale] (Genoa, Reggio Emilia and Parma) a total of 128 municipalities serving over 1.7 million residents.
In the first half of 2011, Iren Acqua Gas sold approximately 80 million cubic metres of water in the areas managed, through a distribution network of over 9,400 km. In regard to waste water, it manages a sewerage network spanning approximately 5,400 km.
IdroTigullio manages the integrated water service in the Levante area of the Genoa ATO through 464 km of aqueduct networks with 453 km of sewerage networks, 7 medium-sized treatment plants and another 34 minor plants.
AmTer manages the integrated water service in the Ponente area of the province of Genoa for a total of 316 km of aqueduct networks, 140 km of sewerage networks and 4 water treatment plants.

Gas Distribution

Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes methane gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 end customers. The distribution network comprises about 1,800 km of network of which about 418 km is medium pressure and the rest low pressure. The area served covers around 571 sq. km and is characterised by an extremely complex chorography with considerable changes in altitude. Natural gas arriving from the domestic transport pipelines transits through seven interconnected reception cabins owned by the company and is introduced into the local distribution network. Thanks to innovative technologies for the laying and maintenance of networks, ordinary maintenance can be performed while reducing time, costs and inconvenience, for residents, to a minimum.
In addition, through the subsidiary Gea S.p.A., the distribution service is supplied to the Grosseto territory.
In the first half of 2011, through its subsidiaries, Iren Acqua Gas distributed an overall 243 million cubic metres of gas.

Special technological services / research

Through its Saster and SasterPipe Divisions, Iren Acqua Gas is able to offer network engineering services to the market, such as computerisation, modelling, or simulation, as well as renewal of technology networks through no-dig technologies, where the company boasts an exclusive know how. In order to specially promote and organise scientific and cultural initiatives aimed at safeguarding environment and water resources, and at managing at best network services, in 2003 the Fondazione AMGA Onlus was also created. The corporate business is aimed at promoting and implementing research, training and information projects, as well as supporting actions carried out by other entities as to environmental safeguard and organisation of public utility services.

IREN EMILIA

Iren Emilia operates in the gas distribution, waste collection and waste management sectors and coordinates the activities of Emilia Romagna territorial companies for the management of the integrated water cycle, electricity and district heating networks and other minor businesses (public lighting, management of public parks, etc).
Iren Emilia manages the distribution activity for natural gas in 71 of the 140 municipalities of the provinces of Reggio Emilia, Parma and Piacenza. The company manages over 5,700 km of high, medium and low pressure distribution networks with a designed maximum collection capacity of 726,879 SCMH.
Iren Emilia is active in the environmental hygiene service supplies in the Piacenza, Parma and Reggio Emilia provinces, totalling 112 municipalities and 1,109,000 inhabitants in these territories. In line with its sensitive approach to environmental protection and sustainable development, Iren Emilia has implemented differentiated and widespread waste collection systems which, also thanks to the management of over 122 equipped ecological stations, has allowed the basin served to achieve results near 58%.
In particular, the company collects urban waste, performs street and sidewalk cleaning, snow clearing and cleaning and maintenance of parks and urban green areas and dispatches recyclable waste

to the correct chains, in order to transform it into raw materials or renewable energy. Through Iren Ambiente, a company belonging to the Iren Group, it ensures that waste collection takes place in such a way as to preserve and safeguard the environment and studies the aspects of the waste collection problem, increasing its knowledge and the development of technologies that are more innovative and "environmentally safe" than existing ones.
It also carries out operations management of the integrated water cycle (aqueduct, purification and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity refers to a total network of 11,416 km of aqueduct networks, 6,075 km of sewerage networks, 3,379 wastewater pumping systems and 735 purification plants, both biological treatment plants and Imhoff tanks, distributed throughout an area of 110 Municipalities.
The operations management of the district heating network is carried out in the cities of Reggio Emilia, Parma and Piacenza and refers to a total network spanning 298 km that serves a volume of 17.6 million cubic meters. Operations management of the electrical energy distribution network is carried out in the city of Parma for 2,320 km of network and approximately 124,000 delivery points to end customers.

IREN AMBIENTE

Waste Management sector

Whether directly or through investees, Iren Ambiente operates in the collection, treatment, storage, recovery and recycling of urban and special waste, both dangerous and non-dangerous, the generation of electrical energy and heat and the production of bio gas using its plants, in the provinces of Parma, Reggio Emilia and Piacenza. Iren Ambiente owns contractual relations with customers for the management and marketing of special waste, while it carries out services for the disposal and management of urban waste for Iren Emilia S.p.A., which has been entrusted with the collection service, based on a specific contract which also envisages the management of urban waste from differentiated waste collection (including related activities), through the various phases of treatment, selection, recovery, recycling and final disposal.
The undifferentiated component of the waste collected is to be used, adopting different disposal methods, for the search for better usage of the waste resource, according to a hierarchy which sees the recovery of energy through waste-to-energy operations and the captation of biogas at the top and, finally, the disposal in a rubbish dump. In addition, aware of the environmental impact of dumping waste, in certain cases Iren Ambiente arranges for prior mechanical selection which allows a humid fraction to be identified, rich in organic substance, to be stabilised biologically.
Iren Ambiente handles more than 1,000,000 tonnes of waste per annum, with 11 treatment and storage plants, 2 waste-to-energy plants (Piacenza and Reggio Emilia), 1 landfill, (Poiatica - Reggio Emilia), 2 composting plants (Reggio Emilia) and 1 automatic selection plant for urban waste (Parma).

Production of electrical energy from renewable sources

Iren Ambiente also operates in the renewables sector, through various projects mainly focused on the photovoltaic sector, where a 5MW plant has been constructed in Puglia (through the subsidiary Enia Solaris) as well as a 1 MW plant which covers the requirements of a company building. The above plants, completed in 2010 (to protect the Conto Energia 2010 tariff) were connected to the distribution network by 30 June 2011. An additional own 29 photovoltaic plants with lower capacity were also built in headquarters of companies and municipal buildings (schools). Concurrent with the construction of owned plants, throughout the first half of 2011, via the subsidiary Iren Rinnovabili S.r.l., a marketing operation in the photovoltaic sector under the logo "Raggi & Vantaggi" continued. However, following a positive launch in 2010 – 50 plants contractualised -, there was a slowdown in the first half as a result of the regulatory amendments approved at the start of 2011, which significantly reduced the level of incentives in the sector. The above subsidiary also operates in the hydroelectric sector, following the construction and start up of the 1 MW hydroelectric plant in Fornace (Baiso – province of Reggio Emilia) at 30 December 2010, with energy production and sales of approximately 8,000 MWh estimated for 2011.
With regard to projects in the wind energy sector, after the wind measurement recordings in the Apennine area in 2010, the process for obtaining authorisation for the construction of a 6 MW wind farm was begun. Particular attention was paid to the development of a business model for promotion of initiatives in the biogas and biomethane sectors.

Management of district heating plants

Iren Ambiente also operates, on the basis of specific contracts with Iren Energia S.p.A., in the district heating sector for the operation, extraordinary maintenance and construction of thermal and cogeneration plants owned by the aforementioned Group company in the three provinces of Emilia Romagna: Parma, Reggio Emilia and Piacenza.

INFORMATION ON THE IREN SHARE IN THE FIRST HALF OF 2011

Iren share performance on the Stock Market

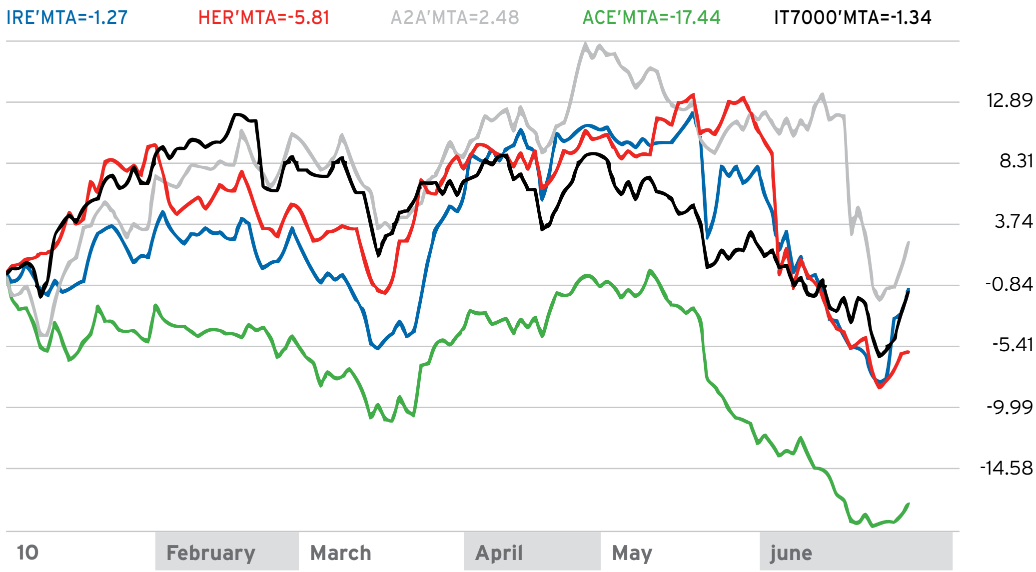
In the first half of 2011, the financial markets showed conflicting performance: after showing early signs of recovery in the first quarter, after a long recession, concerns were once again raised regarding the debt not only of several sovereign European countries, but also of the solvency of the US debt. Therefore from the beginning of June, the financial markets inverted the growth trend, showing a downward trend which resulted in the All Shares index losing -1.34% over the six months. The Iren share at the end of June 2011 was traded at euro 1.23 per share, down -1.27% compared to its value at the beginning of the year, with volumes that amounted to an average of approximately 1.9 million shares daily.
Through the same period, the average share price was euro 1.29, with a euro 1.14 minimum on 24 June 2011 and a euro 1.42 maximum on 19 May, before starting a decreasing trend triggered by the downturn in the financial markets.

STOCK EXCHANGE DATA **Eur/share in the first six months of 2011**

Average price	1.29
Maximum price	1.42
Minimum price	1.14
Number of shares ('000)	1,276,226

Price performance and volumes of the Iren share

Iren shares showed trends in line with the All Shares index during the period.



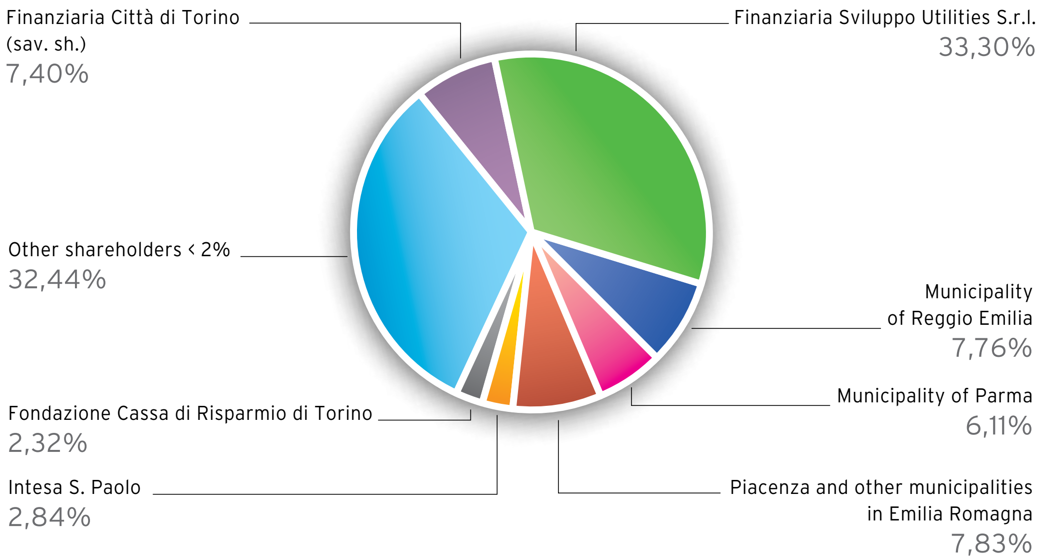
Share coverage

The Iren Group is currently handled by ten brokers: on 17 May, Unicredit began to cover the share, which was added to Banca Across, Banca IMI, Banca Leonardo, Centrobanca, Cheuvreux, Deutsche Bank, Equita, Intermonte and Mediobanca.

SHAREHOLDING STRUCTURE

At 30 June 2011, based on information available to the company, the shareholding structure of Iren was as follows:

Iren S.p.a. Shareholding Structure
(% of total share capital)

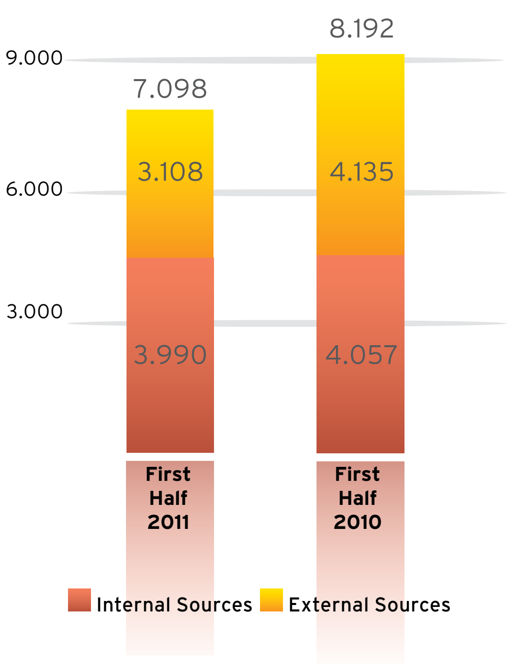


OPERATING FIGURES

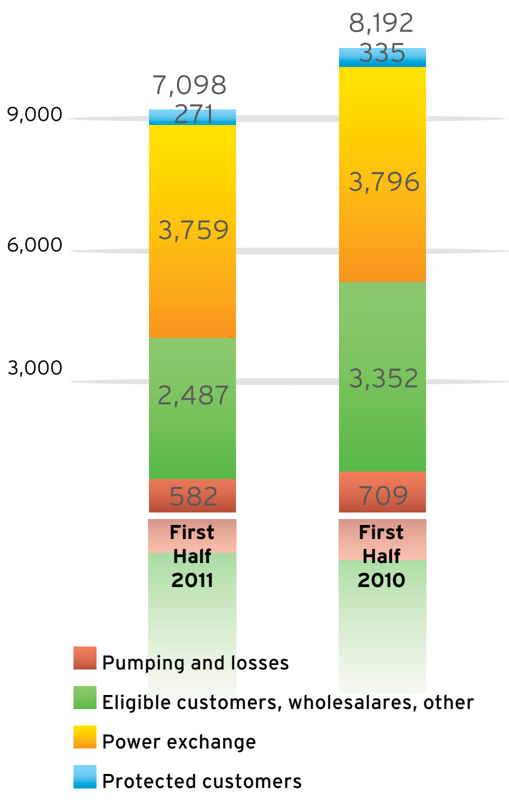
ELECTRICAL ENERGY PRODUCTION

GWh	First Half 2011	First Half 2010 pro forma	% Change
SOURCES			
Gross production	3,990	4,057	(1.7)
a) Thermoelectric	2,668	2,602	2.5
b) Hydroelectric	473	523	(9.6)
c) WTE plants production	55	68	(18.6)
d) Edipower plants production	684	697	(1.9)
e) Tirreno Power plants production	110	167	(34.2)
Purchases from the Single Buyer	584	762	(23.3)
Energy purchased on the Power Exchange	2,275	2,714	(16.2)
Energy purchased from wholesalers and imports	248	658	(62.3)
Total sources	**7,098**	**8,192**	**(13.4)**
APPLICATION			
Sales to protected customers	582	709	(17.9)
Sales on the Power Exchange	2,487	3,352	(25.8)
Sales to eligible end customers, wholesalers and others	3,759	3,796	(1.0)
Pumping and distribution losses	271	335	(19.2)
Total application	**7,098**	**8,192**	**(13.4)**

Breakdown of Sources



Breakdown of Uses

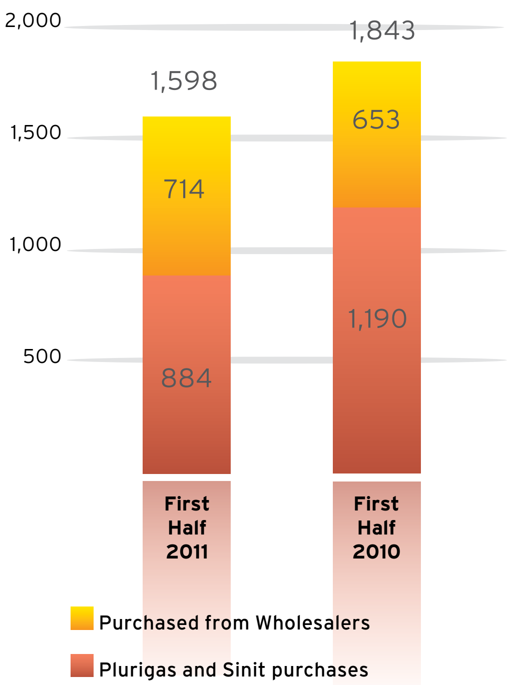


GAS PRODUCTION

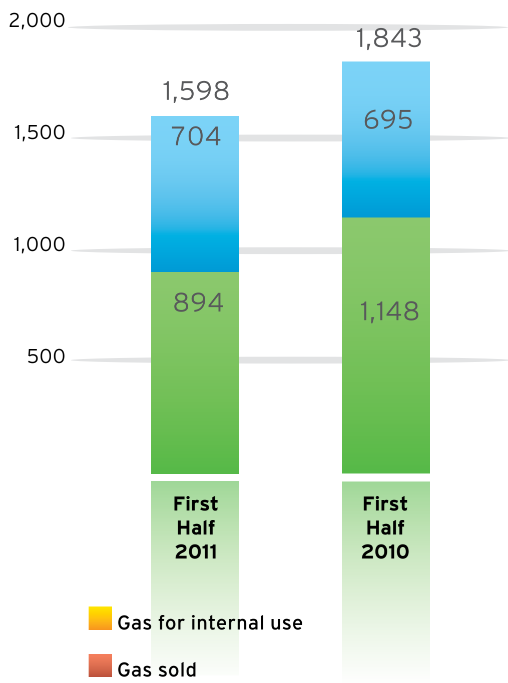
millions of cubic metres	First half of 2011	First half of 2010 pro forma	% Change
SOURCES			
Purchases (Plurigas and Sinit)	884	1,190	(25.8)
Purchases (other wholesalers)	714	653	9.4
Total sources	**1,598**	**1,843**	**(13.3)**
APPLICATION			
Gas marketed by the Group	894	1,148	(22.2)
Gas for internal use (*)	704	695	1.3
Total application	**1,598**	**1,843**	**(13.3)**

(*) Internal use involved thermoelectric plants, tolling, use in the generation of heat services and auto-consumption.

Breakdown of sources



Breakdown of Uses



NETWORK SERVICES AND WASTE

	First half of 2011	First half of 2010 pro forma	% Change 2011 - 2010
ELECTRICAL ENERGY DISTRIBUTION			
Electrical energy distributed (GWh)	2,126	2,122	0.2
No. of electronic meters	665,308	627,103	6.1
GAS DISTRIBUTION			
Gas distributed by AES Torino (mln m3) (*)	375	402	(6.7)
Gas distributed by Iren Acqua Gas (mln m3)	243	280	(13.2)
Gas distributed by Iren Emilia (mln m3)	551	599	(8.1)
Total Gas distributed	1,169	1,281	(8.8)
DISTRICT HEATING			
District heating volume (mln m3)	66	64	4.6
District heating network (Km)	760	676	12.4
INTEGRATED WATER SERVICE			
Water volume (mln m3)	92	94	(1.9)
WASTE			
Waste handled (tons)	525,120	481,778	9.0

(*) AES Torino 51%

MARKET CONTEXT

THE DOMESTIC ENERGY CONTEXT

In the period from January to June 2011, net electrical energy production in Italy totalled 141,316 GWh, an increase (1.0%) compared to the same period of 2010. The demand for electrical energy, equal to 162,895 GWh (+1.6%), was 86.8% met by domestic production (+1.4%), with the remaining 13.2% coming from foreign balance. At a domestic level, traditional thermoelectric production was 107,462 GWh, an increase of 2.0% over 2010 and represented 76.0% of production demand. Production from hydroelectric sources was 24,168 GWh (-11.3% compared to 2010) representing 17.1%, whilst geothermal, wind energy, and photovoltaic production amounted to 9,686 GWh (+30.4%) and met 6.9% of demand.

Accumulated demand and supply of electrical energy

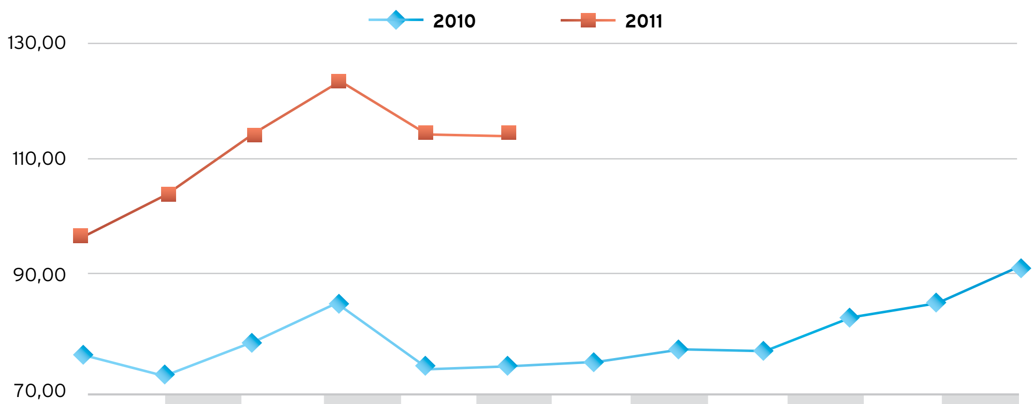
(GWh and changes in trends)

	To 30/06/2011	To 30/06/2010	% Change
Demand	**162,895**	**160,306**	**1.6%**
-Northern Italy	75,369	74,229	1.5%
-Central Italy	46,919	46,392	1.1%
-Southern Italy	23,925	23,564	1.5%
-Islands	16,682	16,121	3.5%
Net production	**141,316**	**139,986**	**1.0%**
- Hydroelectric	24,168	27,255	-11.3%
- Thermoelectric	107,462	105,304	2.0%
- Geo-thermoelectric	2,663	2,517	5.8%
- Wind and photovoltaic	7,023	4,910	43.0%
Foreign balance	**22,744**	**22,915**	**-0.8%**

Source: RIE processing using TERNA data

The first six months of 2011 showed an overall recovery in electricity demand on the same half of the previous year (+1.6%), an increase which was nonetheless slight if compared to the pre-crisis levels of demand. Compared to 2009, which in turn showed a – 8.2% decrease from the first half of 2008, a 4.7% or approximately + 7 TWh increase can be observed, with a remaining negative gap of 3.9% compared to 2008. The per cent growth was positive in all regions within the Italian territory, particularly in the two major islands (+3.5%) and the north region (+1.5%).
In the first 6 months of 2011 the average crude oil price was USD 111.05 per barrel, with a +43% increase from the first half of 2010. The average euro/USD exchange rate was 1.40, with a 0.07 increase from the average rate over the first quarter of 2010 (+6%). Due to these dynamics, the average crude oil quotation in euros in 2011 was euro 79.0 per barrel, with a +35.0% increase from the average price in 2010.
In the second quarter of 2011, opposing forces tangled in the oil market: on one hand, there was an upward trend attributable to the revolts in countries in the Middle East & North Africa (MENA) – and the concerns over interruption of supply in other areas in addition to Libya; on the other, there was a downward factor as economic uncertainty which continues to weigh on the OCSE countries which could worsen due to the continuing high oil prices, eroding the related demand for oil. These two forces resulted in a range of fluctuation from 100 and 130 USD per barrel.

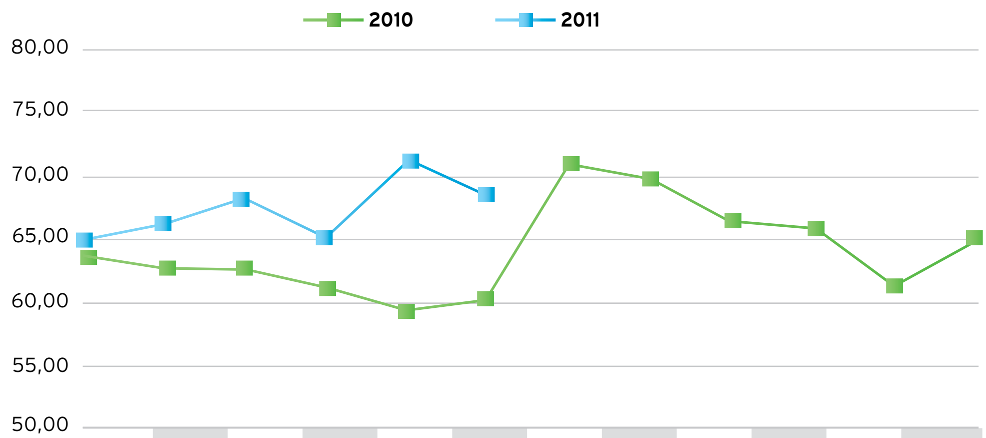
Brent (€/bbl)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010	76,19	73,64	78,90	84,89	75,17	74,85	75,64	77,15	77,79	82,75	85,33	91,36
2011	96,54	103,76	114,60	123,49	114,56	114,04						

During the first half of 2011 the Power Exchange prices showed increases with respect to the first half of 2010. The PUN average value was 67.4 euro/MWh, an increase of 9.4% on the first half of 2010.
Apparently this increase was related to the need of recovering from higher fuel prices experienced in the past months. Since the first quarter of 2010, all fossil fuels used in electric power production started moving upwards again. Exchange prices in off-peak hours showed the highest increases, +13.2%, equal to 7.3 euro/MWh compared to the first half of 2010.

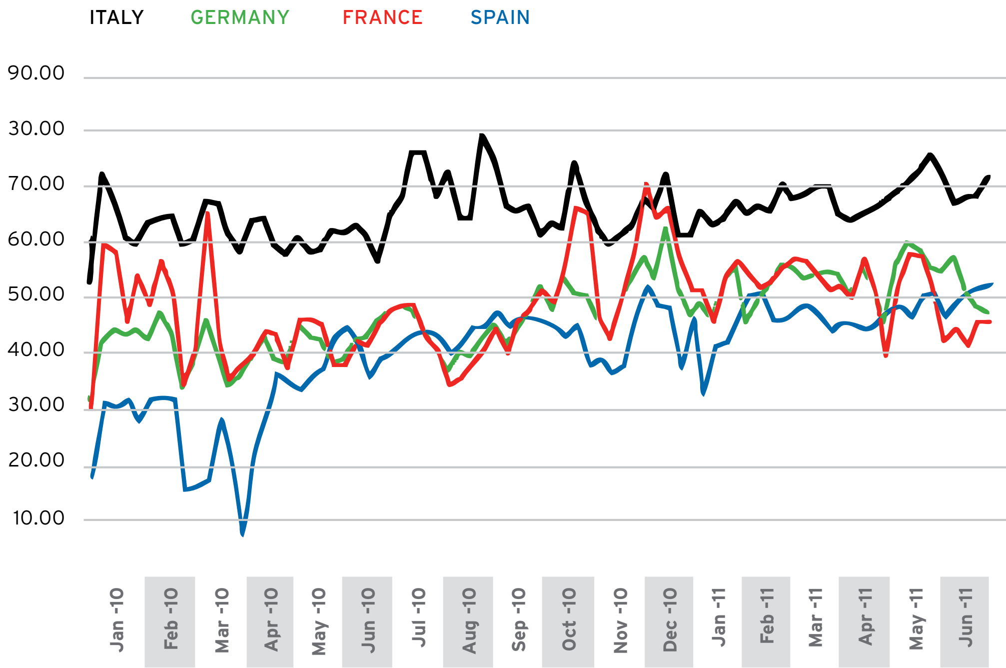
Pun €/MWh



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010	63,45	62,55	62,73	61,31	59,36	60,20	70,90	69,91	66,55	65,78	61,38	64,88
2011	65,00	66,29	68,18	65,18	71,28	68,41						

As for regional prices, the area with the lowest prices as in 2010 is the South region, at 63.92 euro/MWh (-5,2% from PUN), whereas Sicily has the highest prices at 89.7 euro/MWh (+33.1% from PUN). In both cases the variance from the average price decreased. However, while for the South region the price was almost halved (from -9.9% in the first half of 2010), the decrease was smaller for Sicily, which reported +53.6% in the same period of 2010.

Weekly Prices on the Power Exchanges (Euro/MWh)



In the first six months of 2011, the liquidity on the stock exchange market decreased by 10.5% on an annual basis to 58.1% or 89.8 TWh. By contrast, the Forward Electricity Account Trading Platform (Piattaforma dei Conti Energia – PCE) saw a 12.5% increase in trading, reaching 41.9% of electricity demand (equal to roughly 64.7 TWh).
Market liquidity, which was still rising from the low of last March, reached 59.9% in June, losing 2.7% on an annual basis.
The following table shows values and comparisons between average monthly future prices through the half year. An increasing trend was observed from January to June that confirmed a bullish sentiment in prices to April, which then reversed in May, to recover in June. Annual future prices (December 2012), which stood at 70.89 euro/MWh at the beginning of the year, grew to 74.12 euro/MWh in June, after reaching a peak of 75.89 euro/MWh in April.

Jan- 11		Jun-11	
Futures	**€/MW h**	**Futures**	**€/MWh**
Monthly		**Monthly**	
Feb-11	65.50	Jul-11	76.44
Mar-11	64.41	Aug-11	74.12
Apr-11	62.49	sep-11	75.80
Quarterly		**Quarterly**	
Jun-11	63.68	Sep-11	75.45
Sep-11	71.36	Dec-11	78.14
Dec-11	71.04	Mar-12	76.73
Mar-12	71.66	Jun-12	70.52
Yearly		**Yearly**	
Dec-12	70.89	Dec-12	74.12

Source: RIE on IDEX data

The Natural Gas Market

According to pre-consumptive data made available by Snam Rete Gas, in the first six months of the year, total withdrawals were -4.5% lower than 2010, or 2 billion cubic metres, of which approximately 1.50 billion cubic metres (75%) was attributable to lower withdrawals from the distribution network in relation to milder temperatures, and 0.49 billion cubic metres to the fall in thermoelectric uses. The figures, currently final only for January and March, show thermoelectric uses decreasing by -3.4% compared to 2010, 9.9% higher than in 2009 and -16.4% lower than in 2008.
Industrial withdrawals seem to be slowing. The increase on 2010 decreased to +2.3%. However, they remain +16.7% higher than in 2009 and still significantly lower than the pre-recession situation: -12.8 % compared to 2008.
The decreasing trend in consumption was absorbed by the decrease in domestic production, which dropped to 3.9 billion cubic metres (-6.2%) and, primarily, by the fall in import flows – down to 38.1 billion cubic metres (-2.1%) – as the net result of the increase in Algerian flows, Russian flows and flows incoming from the LNG terminal in Cavarzere and the reduction in Dutch flows as a result of the continuing interruption of the Greenstream gas pipeline that connects Italy to Libya through the entry point in Gela. In line with the seasonal factor of low demand, storage recorded sharp injection flows. As a result, the level of gas stored at the sites reached 6,431 million cubic metres, thus 1-2 months ahead of the normal refilling process seen in the previous years.

January-June	2011	2010	2009	2008	% Change 11/10	% Change 11/09	% Change 11/08
GAS DRAWN (bil cbm)							
Distribution plants	19.7	21.2	19.7	19.4	-7.1%	-0.2%	1.4%
Industrial use	7.0	6.8	6.0	8.0	2.3%	16.7%	-12.8%
Thermoelectric use	13.9	14.4	12.7	16.7	-3.4%	9.9%	-16.4%
Exports, other networks and system consumption (*)	1.5	1.6	1.5	1.6	-8.7%	-4.7%	-11.8%
Total withdrawn	**42.0**	**44.0**	**39.9**	**45.7**	**-4.5%**	**5.4%**	**-8.1%**
GAS INPUT (bil cbm)							
Domestic production	3.9	4.1	4.1	4.66	-6.2%	-6.8%	-17.2%
Imports	38.1	38.9	34.0	40.73	-2.1%	12.1%	-6.5%
Storage	0.1	0.9	1.7	0.30	-93.8%	-96.6%	-80.3%
Total input	**42.0**	**44.0**	**39.9**	**45.7**	**-4.5%**	**5.4%**	**-8.1%**

Source: processing of Snam Rete Gas figures; final figures for January-February 2011; non-definitive figures for March-April 2011; provisory figures for May-June 2011
(*) includes: transport, exports, transport company redeliveries, reservoir/widening changes, losses, consumption and gas not accounted for.

The geo-political situation does not allow for any forecast about the Libyan imports restoration timeline; ENI stated that the plants did not suffer any concrete damage, thus it will be possible to restore gas production to previous levels as soon as the situation will be back to normal.
Within the current scenario of increases in oil prices and international tensions, we can observe a growth trend in gas prices, compared both to indexed prices and spot prices. Regarding indexed prices, the "Gas Release 2007" price for the first 6 months of 2011 was around 32 eurocents/scm compared to 28.6 eurocents/scm in autumn 2010, with an expected increase in the coming months. Raw material-QE, set by AEEG for home customer reference prices, grew to approximately 26 eurocents/scm in the first quarter of 2011 and was fixed to 27.25 eurocents/scm for the second quarter. As for spot prices, a price around 28.70 eurocents/scm[1], was recorded at the Virtual Exchange Point in June, the maximum value since August-September 2010 (when a maximum of 29 eurocents/scm was reached after the Transitgas import line was closed), whereas prices and volumes traded on the spot market governed by GME ("Gas exchange") showed growth through the half year: the MGP monthly average price in continuous negotiation increased to 25.83 euro/MWh in June from 25.10 euro/MWh in January.

[1] Source: GME from Thomson-Reuters

SIGNIFICANT EVENTS OF THE PERIOD

EDISON GROUP REORGANISATION

On 15 March 2011, Edison's Italian shareholders, including Iren, reached an agreement with Edf to postpone to 15 September 2011 the expiration date (originally 16 March 2011) for optional cancellation of shareholders' agreements in order to define a reorganisation project for the energy group from Foro Bonaparte.
Contextually, an understanding was reached on the governance that will guide Edison and Transalpina di Energia for a year during their transition phase.
As reported to the mass media, the parties restarted negotiations at the end of June: Iren's representatives are carefully following the evolution of said negotiations under their specific responsibilities.

TRANSFORMATION OF SAN GIACOMO S.R.L. INTO A JOINT-STOCK COMPANY AND RENAMING OF THE COMPANY TO MEDITERRANEA DELLE ACQUE S.P.A.

By virtue of the resolution taken by the shareholders of San Giacomo S.r.l. in their meeting on 28 December 2010, effective on 5 January 2011, San Giacomo was transformed from a limited liability company into a joint-stock company. Concurrently, the company was renamed Mediterranea delle Acque S.p.A., thus adopting the name of the merged company.

REFERENDUM REPEALING ART. 23 BIS OF ITALIAN LAW DECREE 112/2008

On 12 and 13 June 2011 a referendum was held which resulted in the repeal of art. 23 bis of Italian Law Decree no. 112/2008 and part of paragraph 1 of art. 154 of Italian Legislative Decree no. 152/2006.
Repealing the legal rules by way of referendum becomes effective from the publication in the Official Gazette (on 20 July 2011) of the outcome of the referendum. Therefore, the effects produced by the rules prior to their being repealed remain valid, and the administrative deeds implemented during the period of effectiveness of said rules continue to produce effects.

As a result, the repealment of art. 23 bis shall not result in the numerous provisions repealed by art. 23 bis regaining effectiveness (as specifically identified by Italian Presidential Decree 168/2010), including the various paragraphs of art. 113 of the Consolidated Law on Local Entities (TUEL – Italian Legislative Decree 267/2000), and several provisions of Italian Legislative Decree 152/2006.
Following the above series of repeals (as specified by the Constitutional Court with judgment no. 24 dated 26 January 2011 on the admission of the referendum), a gap was created in national regulations, a gap which will probably be overcome by Community regulations and case-law on the matter of the assignment of public services of economic importance. At Community level, references can be found in the provisions of art. 86 of the Treaty (on the application of competition rules also to the operation of services of general economic interest or having the character of a revenue-producing monopoly), according to the interpretation and application which can be inferred from European Court of Justice case-law.
As regards the compliance of existing assignments with Community principles, the provisions of European Parliament resolution no. 2006/2043, aimed at protecting existing operations set up based on domestic regulations which legalised the assignment thereof should be considered.
The same considerations apply to the partial repeal of art. 154 of Italian Legislative Decree 152/06, limited to the section regarding the adequacy of the return on invested capital in operating the Integrated Water Service.
Therefore, the repeal of the regulation does not involve the water service tariffs, which were defined prior to the outcome of the referendum. Moreover, art. 170 of said Legislative Decree 152/2006 has remained in force (as it was not subject to referendum). This requires the application of the tariff method currently in force (defined by Ministerial Decree date 1 August 1996) until such method is replaced through the issue of a new decree. It is important to consider that the responsibility for defining the tariff method has been assigned to the National Agency for Water Regulation and Supervision, which was established and is governed by the Development Decree (Law dated 12 July 2011).

FINANCIAL POSITION, RESULTS OF OPERATIONS AND CASH FLOWS OF THE IREN GROUP

The Iren Group was established on 1 July 2010 following the merger of Enìa into Iride. The reclassified Income Statement and Statement of Financial Position, as well as the Statement of Cash Flows are shown hereunder.

The Iren Group's figures regarding the reclassified statement of financial position are compared with the corresponding figures as at 31 December 2010. Figures in the income statement and the statement of cash flows are compared with the Iren Group's corresponding pro forma data regarding the first half of the previous year.

As regards the pro forma figures, the pro forma consolidated financial statements at 30 June 2010 were drawn up in order to simulate the effects of the merger on Iride's income statement and statement of financial position, according to measurement criteria consistent with those applied by Iride in the preparation of its consolidated financial statements and compliant with reference legislation. This, while assuming that the non-recurring transaction took place at the beginning of the period to which the Income statement and the Statement of cash flows refer, that is to say at 1 January 2010.

INCOME STATEMENT

Income Statement of the Iren Group for the First Half of 2011

thousands of euro

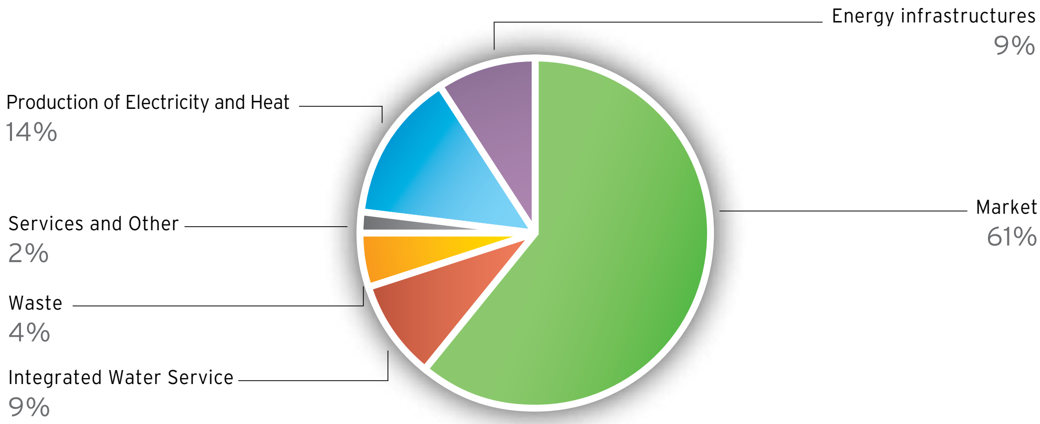
	First Half of 2011	First Half 2010 pro forma	% Change
Revenue			
Revenue from goods and services	1,584,039	1,634,798	(3.1)
Change in contract work in progress	252	519	(51.4)
Other revenue and income	101,805	113,963	(10.7)
TOTAL REVENUE	**1,686,096**	**1,749,280**	**(3.6)**
OPERATING EXPENSE			
Raw materials, consumables, supplies and goods	(762,586)	(866,381)	(12.0)
Services and use of third-party assets	(441,257)	(406,355)	8.6
Other operating expense	(38,535)	(35,635)	8.1
Capitalised expenses for internal work	14,085	17,734	(20.6)
Personnel expense	(131,240)	(135,498)	(3.1)
Total operating expense	**(1,359,533)**	**(1,426,135)**	**(4.7)**
GROSS OPERATING PROFIT	**326,563**	**323,145**	**1.1**
AMORTISATION, DEPRECIATION, PROVISIONS AND IMPAIRMENT LOSSES			
Amortisation/depreciation	(98,087)	(98,191)	(0.1)
Provisions and impairment losses	(34,318)	(39,526)	(13.2)
Total amortisation, depreciation, provisions and impairment losses	**(132,405)**	**(137,717)**	**(3.9)**
OPERATING PROFIT	**194,158**	**185,428**	**4.7**
Financial expense			
Financial income	11,883	14,483	(18.0)
Financial expense	(43,467)	(40,917)	6.2
Net financial expense	**(31,584)**	**(26,434)**	**19.5**
Share of profit of associates accounted for using the equity method	8,803	7,561	16.4
Impairment losses on investments	(381)	(33)	(*)
PROFIT BEFORE TAX	**170,996**	**166,522**	**2.7**
Income tax expense	(72,259)	(59,027)	22.4
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**98,737**	**107,495**	**(8.1)**
Profit from discontinued operations	866	829	4.5
PROFIT FOR THE PERIOD	**99,603**	**108,324**	**(8.1)**
attributable to:			
- owners of the Parent	96,298	104,551	(7.9)
- non-controlling interests	3,305	3,773	(12.4)

(*) Change of more than 100%

Revenue

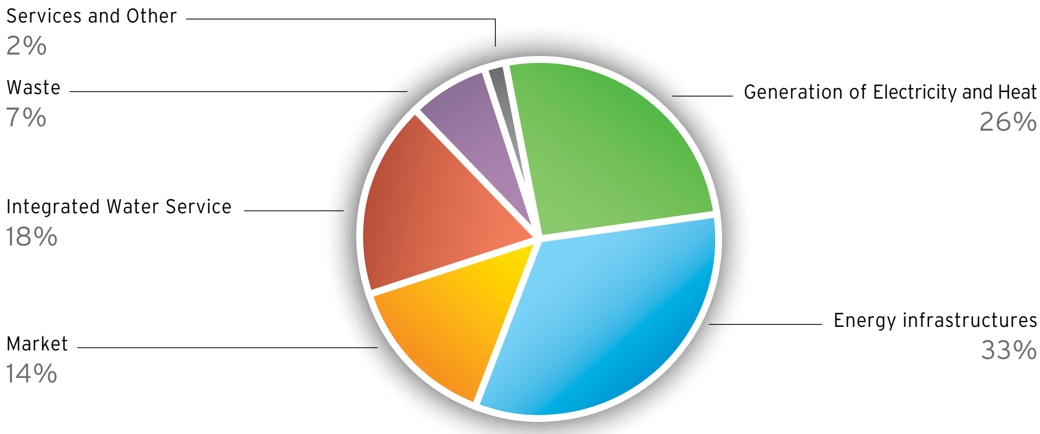
In the first half of 2011 the Iren Group recognised revenue of euro 1,686 million, down by 3.6% compared to the euro 1,749 million in the first half of 2010. The total decrease in revenue was comprised of the following: euro -183 million relating to the lower quantity sold (of which euro -102 million relating to sales of electrical energy and euro -81 million to gas sales) and euro +122 million resulting from tariff effects (of which euro 69 million relating to electrical energy and euro 53 million relating to gas).

Breakdown of revenue



The gross operating profit, equal to approximately euro 327 million, increased slightly (+1.1%), compared to euro 323 million in the corresponding period of 2010.
With the sole exception of Production of Electricity and Heat, and, to an immaterial extent, in Waste, all the other business segments of the Group showed improved margins on 2010, specifically Gas Sales in the Market segment. Thanks to this it was possible to absorb the downturn in Production of Electricity and Heat, also as a result of the significant contribution provided by synergies relating to the reduction in external costs and personnel expense.

Breakdown of EBITDA



Operating profit

The operating profit amounted to approximately euro 194 million and improved by +4.7% on the euro 185 million in the first half of 2010, thanks to the increase in gross operating profit and a reduction in provisions for risks and charges (about euro 5 million) mainly relating to the production of electrical energy.

Financial income and expense

Net financial expense was negative by euro 32 million. Specifically, financial expense totalled euro 43 million, up (+6.2%) on the 2010 figures, mainly due to the increase in the average indebtedness of the period and, to a lesser extent, due to the slight increase in the average cost of debt. Financial income amounted to euro 12 million, down (-18%), due to the fact that no dividends were received from Delmi. The results of associates accounted for using the equity method was a positive euro 9 million, up by 16% compared to the same period in 2010.

Profit before tax

As a result of the trends indicated above, the consolidated profit before tax reached euro 171 million, an increase of 3% compared to 2010.

Income tax expense

Income taxes in the first half of 2011 amounted to euro 72 million, an increase of 22% on the first half of 2010.

The increase is due to the following factors:

- in 2010 these included extraordinary components which had a positive effect on taxes. Specifically, the inapplicability (following Ministerial clarifications) for 2009 of the 1% increase of the so-called "Robin Hood Tax" rate (additional IRES). This increase which was not applied was recovered in 2010;
- in 2010, benefits were also provided by tax concessions for investments (so-called Tremonti Ter), provided for by Law Decree no. 78 of 1/7/2009, converted into Law no. 102/2009, consisting in the reduction of the company income, for an amount of 50% of the value of investments made, within 30 June 2010;
- in 2011, as a result of the approval of Italian Law Decree 98/2011, the IRAP tax rate for companies operating through concession, such as most of the companies in the Iren Group, was increased by 0.30%.

Profit for the period from continuing operations

Profit from continuing operations was euro 99 million, down by 8% on the first half of 2010 as a result of the cancellation of the "Tremonti Ter" tax concessions.

Profit for the period

Profit for the period amounted to euro 100 million, a decrease compared to euro 108 million in the same period in 2010. This decrease was impacted by the positive tax effect of the "Tremonti Ter" (euro +9.7 million) in the first half of 2010.

ANALYSIS BY BUSINESS SEGMENT

Following the above-described merger, the Iren Group operates in the following business segments:

- Production of Electricity and Heat (Hydroelectric energy, co-generation of electricity and heat, production from renewable sources);
- Market (Sale of electric energy, gas, heat);
- Energy Infrastructures (Distribution networks of electricity, distribution networks of gas, district heating networks, LNG regasification plants);
- Integrated Water Service (sale and distribution of water, water treatment and sewerage);
- Waste Collection (Waste collection and disposal);
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

These operating segments are disclosed pursuant to IFRS 8. Under this Standard, the disclosure about operating segments should be based on the elements which the executive committee and the management use in taking operational and strategic decisions.

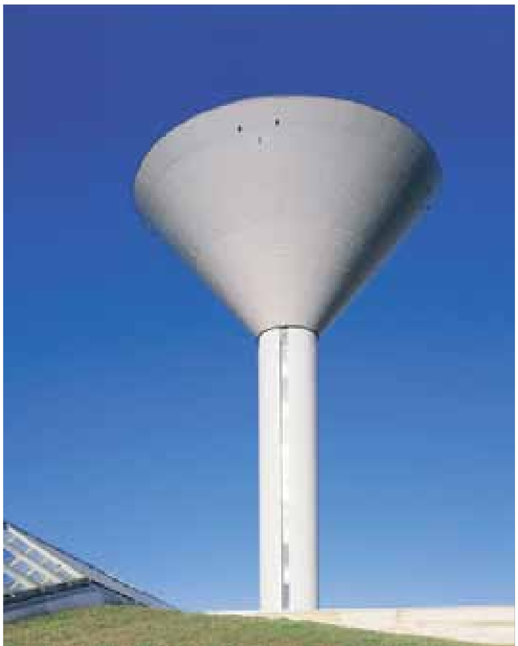
To correctly read the income statements relating to the individual activities that are presented and commented on below, it is hereby noted that revenue and expense referring to joint activities have been entirely allocated to the businesses, based on the actual usage of the services provided or according to technical and economic drivers.

Given the fact that the Group mainly operates in the North-West area, the following segment information does not include information broken down by geographical areas.

Net invested capital and income statements (up to the operating performance) are presented below by segment and with corresponding figures at 31 December 2010 for net invested capital, and at 30 June 2010 for income statements. For the purposes of better presentation, the following amounts relating to investments recognised under non-current assets were restated compared to the data recognised in the financial statements at 31 December 2010:

- The investments of Edipower and Energia Italiana (euro 234.5 million) were allocated to the generation segment, as they directly refer to this segment;
- The investments of AGA and Zeus (euro 39.9 million) were removed from the environmental segment where they had been allocated, and recognised in the "non allocatable" column, as they cannot be directly attributed to a single operating segment.

As a result, the corresponding data at 31 December 2010 was reclassified in the tables below.



Segment results at 30 June 2011

millions of euro

	Generation	Market	Energy infrastructures	Water cycle	Waste	Other services	Non allocatable	Total
Non-current assets	1,500.2	60.3	1,547.7	998.6	253.4	70.8	270.1	4,701.1
Net working capital	87.2	263.3	(91.3)	91.3	(5.2)	(18.6)	11.2	337.9
Other non-current assets and liabilities	(58.7)	17.1	(83.7)	(243.5)	(42.9)	6.7	(15.8)	(420.8)
Net invested capital (NIC)	**1,528.7**	**340.7**	**1,372.7**	**846.4**	**205.3**	**58.9**	**265.5**	**4,618.2**
Equity								2,055.3
Net financial position								2,562.9
Own funds and net financial indebtedness								**4,618.2**

Segment results at 31 December 2010

millions of euro

	Generation	Market	Energy infrastructures	Water cycle	Waste	Other services	Non allocatable	Total
Non-current assets	1,458.0	60.5	1,494.1	981.8	221.1	72.2	278.4	4,566.1
Net working capital	60.7	35.4	(22.5)	57.3	5.8	(22.9)	23.2	137.0
Other non-current assets and liabilities	(39.3)	22.9	(85.1)	(205.3)	(36.7)	(14.1)	(3.8)	(361.4)
Net invested capital (NIC)	**1,479.4**	**118.8**	**1,386.5**	**833.9**	**190.2**	**33.3**	**297.8**	**4,341.8**
Equity								2,081.6
Net financial position								2,260.2
Own funds and net financial indebtedness								**4,341.8**

Financial results by segment at 30 June 2011

millions of euro

	Generation	Market	Energy infrastructures	Water cycle	Waste	Other services	Netting and adjustments	Total
Total revenue and income	370.7	1,484.0	216.9	211.7	107.2	57.1	(761.5)	1,686.1
Total operating expense	(286.0)	(1,438.6)	(108.7)	(154.0)	(83.6)	(50.1)	761.5	(1,359.5)
Gross operating profit (EBITDA)	**84.7**	**45.4**	**108.2**	**57.7**	**23.6**	**7.0**	**-**	**326.6**
Net am./depr., provisions and impairment losses	(42.2)	(9.7)	(31.1)	(32.4)	(13.5)	(3.5)	-	(132.4)
Operating profit	**42.5**	**35.7**	**77.1**	**25.3**	**10.1**	**3.5**	**-**	**194.2**

Financial results by segment at 30 June 2010

millions of euro

	Generation	Market	Energy infrastructures	Water cycle	Waste	Other services	Netting and adjustments	Total
Total revenue and income	387.4	1.541.0	205.4	208.0	112.2	50.2	(754.9)	1.749.3
Total operating expense	(271.6)	(1,521.5)	(100.3)	(153.6)	(88.1)	(46.0)	754.9	(1,426.2)
Gross Operating Profit	**115.8**	**19.5**	**105.1**	**54.4**	**24.1**	**4.2**	**-**	**323.1**
Net am./depr., provisions and impairment losses	(39.0)	(7.5)	(42.1)	(32.8)	(12.8)	(3.5)	-	(137.7)
Operating profit	**76.8**	**12.0**	**63.0**	**21.6**	**11.3**	**0.7**	**-**	**185.4**

The main economic components are shown below, with comments for each business segment.

Production of electricity and heat

In the first half of 2011, turnover for the segment amounted to euro 370.7 million, down by -4.3% compared to euro 387.4 million in the first half of 2010.

		First half of 2011	First half of 2010 pro forma	Δ %
Revenue	€/mil.	370.7	387.4	(4.3%)
Gross Operating Profit	€/mil.	84.7	115.8	(26.9%)
Gross Operating Margin		*22.8%*	*29.9%*	
Operating profit	€/mil.	42.5	76.8	(44.7%)
Investments	€/mil.	71.1	81.3	(12.5%)
Electrical energy produced	GWh	3,141	3,125	0.5%
from hydroelectric sources	GWh	473	523	(9.6%)
from thermoelectric sources	GWh	2,668	2,602	2.5%
Heat produced	GWh_t	1,409	1,613	(12.6%)
from cogenerative sources	GWh_t	1,107	1,241	(10.7%)
from non-cogenerative sources	GWh_t	302	372	(19.0%)

During the period the electrical energy produced was 3,141 GWh, an increase of 0.5% compared to 3,125 GWh in the first half of 2010, on account of the higher production in cogeneration (+2.5%) and lower hydroelectric production (-9.6%).
Specifically, hydroelectric production was around 473 GWh, down (-9.6%) compared to the 523 GWh in the same period of 2010 due to lower water levels, the stop of the plants in Canate-Brugneto and Telessio for repowering, which are currently being completed. This trend is in line with the national figure for production from hydroelectric sources, which saw a decrease of -11.3% on 2010.
Thermoelectric production was around 2,668 GWh, up compared to the 2,602 GWh in the first half of 2010, mainly thanks to the higher production of the GT2 plant in Moncalieri.
The production of heat amounted to 1,409 GWht, down compared to the 1,613 GWht of the same period of 2010 (-12.6%), due to lower consumption linked to milder temperatures (-18.4%) compared to the same period of 2010, in spite of the higher volumes supplied, equal to over +2 million cubic metres. District heating volumes exceeded 66 million cubic metres (64 million in the first half of 2010)

The gross operating profit was euro 84.7 million, down by approximately euro 31 million (-26.9%) compared to the euro 115.8 million in the first half of 2010.

Specifically, the gross operating profit fell (26.9%) compared to the previous year, due to the combined effect of the following: lower production in the hydroelectric segment (-50 GWh), the decrease in the spark spread on cogeneration production of electrical energy and the lower contribution of green certificates on the production of heat energy.

Operating profit, equal to approximately euro 42.5 million, was down by -44.7% compared to the euro 76.8 million in the first half of 2010, mainly due to the effect of the reduction in gross operating profit.

Capital expenditure for the period amounted to euro 71.1 million, of which about euro 59.4 million refers to cogeneration production (mainly to complete the Torino Nord project) and euro 10.4 million to hydroelectric production (repowering of the Valle dell'Orco hydroelectric plants).

Market

The turnover in the Market segment amounted to euro 1,484.0 million, down by -3.7% compared to euro 1,541.0 million in the corresponding 2010 period.

		First half of 2011	First half of 2010 pro forma	Δ %
Revenue	€/mln.	1,484.0	1,541.0	(3.7%)
Gross Operating Profit	€/mln.	45.4	19.5	(*)
Gross Operating Margin		*3.1%*	*1.3%*	
from electrical energy	€/mln.	6.3	3.1	(*)
from gas	€/mln.	32.3	11.9	(*)
from heat	€/mln.	6.7	4.5	51.1%
Operating profit	€/mln.	35.7	12.0	(*)
Investments	€/mln.	2.7	2.4	11.5%
Electrical energy sold	GWh	6,782	7,800	(13.1%)
Electrical energy sold net of purchases/sales in the Stock Exchange	GWh	5,133	6,107	(16.0%)
Gas purchased	Mln m^3	1,598	1,843	(13.3%)
Gas marketed by the Group	Mln m^3	894	1,148	(22.2%)
Gas for internal use	Mln m^3	704	695	1.3%

(*) Change of more than 100%

Sale of electrical energy

Overall volume sold on the market (end customers, stock exchange and wholesalers) amounts to 6,782 GWh, down by 13.1% compared to 7,800 GWh in the first half of 2010. In the first half of 2011, availability within the Group (Iren Energia and Tirreno Power) was in line with the first half of 2010, totalling 3,251 GWh (3,292 GWh in the first half of 2010), whilst volumes from Edipower tolling were slightly down and amounted to 684 GWh (697 GWh in the first half of 2010). Less recourse was made to external sources such as the IPEX market (2,275 GWh compared to 2,714 GWh in the first half of 2010) and wholesalers (248 GWh compared to 658 GWh in the first half of 2010).

Volumes sold to end customers (3,267 GWh, +11.8%) and wholesalers amount to 3,713 GWh versus the 3,739 in the first half of 2010 (-0.7%); gross sales on the power exchange amount to 2,487 GWh versus the 3,352 in the first half of 2010 (-25.8%).

As concerns the number of protected customers, the total volumes sold in the first half of 2011 amounted to 582 GWh, down on the first half of 2010 by approx. 18% due to deregulation of the market to which the company contributed with marketing development initiatives on the liberalized market.

Sale of natural gas

Overall volumes of natural gas supply during the first half of 2011 amounted to approximately 1,598 million cubic metres (approximately 1,843 million cubic metres in the first half of 2010), sold directly to customers outside the Group and used for the production of electrical energy and the provision of heating services.
The downturn compared to the first half of 2010, amounting to approximately euro 245 million cubic metres (-13.3%), takes account of the unfavourable weather conditions and a decrease in trading, which was only partially offset by the effect of the marketing campaign which mitigated the contraction in the customer portfolio on the markets traditionally served, due to the deregulation of the market.

Gross operating profit amounted to euro 45.4 million, a sharp increase compared to the euro 19.5 million of the first half of 2010. The increase in profit is mainly attributable to the sale of energy efficiency certificates in the electrical energy segment and, as regards the gas sales segment, to the improved procurement conditions resulting from renegotiations of contracts with suppliers, as well as positive exchange rate effects.

Operating profit amounted to euro 35.7 million, up compared to the euro 12.0 million in the first half of 2010, mainly due to the effect of the improvement in gross operating profit.

Energy infrastructures

In the first half of 2011, the energy infrastructures segment, including distribution of gas, electrical energy and heat businesses, recognised revenue of euro 216.9 million, up by +5.6% compared to euro 205.4 million in the first half of 2010.

		First half of 2011	First half of 2010 pro forma	Δ %
Revenue	€/mln.	216.9	205.4	5.6%
Gross Operating Profit	€/mln.	108.2	105.1	2.9%
Gross Operating Margin		*49.9%*	*51.2%*	
from electricity networks	€/mln.	40.0	44.5	(10.1%)
from gas networks	€/mln.	48.8	42.6	14.5%
from district heating networks	€/mln.	19.9	18.2	9.3%
from the regasification plant	€/mln.	-0.5	-0.3	91.8%
Operating profit	€/mln.	77.1	63.0	22.4%
Investments	€/mln.	76.7	69.8	9.9%
in electricity networks	€/mln.	9.5	12.5	(23.6%)
in gas networks	€/mln.	25.9	21.4	20.7%
in district heating networks	€/mln.	27.0	12.7	(*)
in regasification plant	€/mln.	14.3	23.1	(38.1%)
Electrical energy distributed	GWh	2.126	2.122	0.2%
Gas distributed	Mln m^3	1.169	1.281	(8.8%)
District heating volumes	Mln m^3	66	64	4.6%

(*) Change of more than 100%

Gross operating profit amounted to euro 108.2 million, an increase of 2.9% on the euro 105.1 million of the first half of 2010.
The gross operating profit amounted to euro 77.1 million, improving compared to euro 63.0 million in the corresponding period of 2010 (+22.4%).
The analysis by individual business is shown below.

Electricity networks

The gross operating profit was around euro 40.0 million, down compared to the euro 44.5 million in the first half of 2010 (-10.1%).
The decrease of approximately euro 4.5 million on the same period of 2010 is attributable to a negative balance of prior year income relating to electricity equalisation of previous years.

During 2011, investments of approximately euro 9.5 million were made (of which euro 6.9 million related to Turin electricity networks and euro 2.6 million to Parma electricity networks), mainly referring to new connections, the construction of new primary MV/LV cabins, and the completion of the replacement of metres with electronic devices.

Gas networks

The gross operating profit of gas distribution amounted to euro 48.8 million, an increase of +14.5% compared to the first half of 2010 (approximately euro 42.6 million). The increase of approximately euro +6 million was due to higher revenue deriving from the application of the restriction on revenue, as provided by AEEG resolution no. 206/09 as amended, in addition to significant operating cost synergies.

Capital expenditure made in the segment amounted to approximately euro 25.9 million and specifically involves the long-term renovation plan of the distribution network through the replacement of the great cast iron pipes and the development initiatives for the distribution network and connections in the main areas served by the Group (Genoa, Turin and the Emilia area).

District heating networks

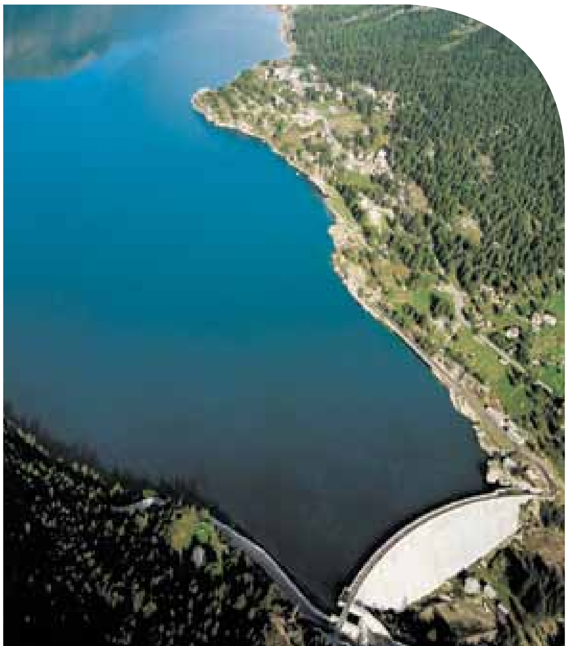
The gross operating profit for the district heating segment was euro 19.9 million, up compared to the euro 18.2 million in the first half of 2010 (+9.3%), mainly due to the increase in volumes connected. During the first half of 2011, investments were made of approximately euro 27.0 million, mainly in regard to network extensions for the Torino Nord project (euro 16 million), Nichelino Energia (euro 6.1 million) and in the Emilia area (euro 4.4 million).

Regasification plant

Investments during the period amounted to approximately euro 14.3 million. The construction of the OLT regasification plant in Livorno is approximately 85% completed. Nonetheless, several technical issues which arose during the construction of the plant are currently being handled.
At this stage, the plant is expected to come on stream, for commercial purposes, during the thermal year 2012-2013.

Integrated Water Service

In the first half of 2011, the Integrated Water Service segment had revenue of euro 211.7 million, up by +1.8% compared to euro 208.0 million in the same period of 2010.
The increase in revenue compared to 2010 is mainly attributable to tariff increases resolved by the Optimal District Authorities (*Agenzie di Ambito territoriale ottimale* - AATOs), partly offset by a reduction in volumes of drinking water sold and the reduction in capitalized costs for the realization of investments on assets under concession which are recognised under revenue, as required by IFRIC12.



		First half of 2011	First half of 2010 pro forma	Δ %
Revenue	€/mln.	211.7	208.0	1.8%
Gross Operating Profit	€/mln.	57.7	54.4	6.0%
Gross Operating Margin		*27.3%*	*26.2%*	
Operating profit	€/mln.	25.3	21.6	17.1%
Investments	€/mln.	35.8	41.2	(13.2%)
Water sold	Mln m^3	92	94	(1.9%)

Gross operating profit amounted to euro 57.7 million, up by 6% on the euro 54.4 million of the first half of 2010.
The significant increase in gross operating profit, equal to approximately euro 3.3 million on the previous period of 2010, is attributable to the aforementioned effects of the tariff increase.
Operating profit, amounting to euro 25.3 million, increased by 17.1% compared to the euro 21.6 million in the same period of the previous year.

Capital expenditure made in the integrated water services management segment amounted to euro 35.8 million for the construction of infrastructures set out in the Area Plan for the development of captation works, the distribution network, sewerage and treatment systems.

Waste Management

		First half of 2011	First half of 2010 pro forma	Δ %
Revenue	€/mln.	107.2	112.2	(4.5%)
Gross Operating Profit	€/mln.	23.6	24.1	(2.1%)
Gross Operating Margin		*22.0%*	*21.5%*	
Operating profit	€/mln.	10.1	11.3	(10.6%)
Investments	€/mln.	42.9	14.1	(*)
Waste handled	ton	525,120	481,778	9.0%
Urban waste	ton	386,503	384,121	0.6%
Special waste	ton	138,617	97,657	41.9%

(*) Change of more than 100%

The segment's turnover volume of business amounted to euro 107.2 million, a decrease of -4.5% compared to the euro 112.2 million in the same period in 2010. The downturn in revenue is mainly attributable to the Tecnoborgo (PC) waste-to-energy plant, as the combined effect of the expiry, starting from the second half of 2010, of Cip6 incentives, as well as the reduction in electrical energy produced due to extraordinary maintenance of the alternator.
During the period, revenue from several accessory waste management services also decreased (maintenance of public parks and snow removal), offset by the increases in waste management service tariffs and higher revenue related to the collection procedures and the sale of materials recovered from differentiated waste collection.
Gross operating profit amounted to euro 23.6 million, down by 2.1% compared to the euro 24.1 million of 2010. The slight decrease in gross operating profit, in spite of lower revenue from electrical energy from the Tecnoborgo waste-to-energy plant, was achieved through the contribution of higher revenue from tariffs and the sale of recovered materials, along with a reduction in operating costs for waste collection and disposal.
Operating profit amounted to euro 10.1 million, down by 10.6% on the euro 11.3 million of the first half of 2010.

Investments for the period amounted to euro 42.9 million and mainly refer to the works for the construction of the Parma Integrated Environmental Hub (IEH) for euro 37.2 million, in addition to works to expand landfills and the installation of biogas engines for the production of electrical energy.

Services

The Services segment includes the global service, facility management, telecommunications, street lighting, cemetery services and other minor services.

Revenue in the first of 2011 totalled euro 57.1 million, up by +13.7% compared to the euro 50.2 million in the first half of 2010.
Gross operating profit increased to euro 7.0 million compared to euro 4.2 million in 2010.
Operating profit amounted to euro 3.5 million.

		First half of 2011	First half of 2010 pro forma	Δ %
Revenue	€/mil.	57.1	50.2	13.7%
Gross Operating Profit	€/mil.	7.0	4.2	63.1%
Gross Operating Margin		*12.2%*	*8.6%*	
Operating profit	€/mil.	3.5	0.7	(*)
Investments	€/mil.	8.3	19.9	(58.4%)

(*) Change of more than 100%

STATEMENT OF FINANCIAL POSITION

Reclassified Statement of Financial Position of the Iren Group as at 30 june 2011

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	30.06.2011	31.12.2010	% Change
Non-current assets	4,701,056	4,566,148	3.0
Other non-current assets (liabilities)	(123,467)	(118,920)	3.8
Net working capital	337,934	137,040	(*)
Deferred tax assets	25,662	27,241	(5.8)
Provisions and employee benefits	(343,873)	(325,267)	5.7
Assets held for sale	20,840	55,528	(62.5)
Net invested capital	**4,618,152**	**4,341,770**	**6.4**
Equity	2,055,300	2,081,620	(1.3)
Non-current financial assets	*(72,666)*	*(88,388)*	*(17.8)*
Non-current financial indebtedness	*1,849,516*	*1,829,263*	*1.1*
Net non-current financial indebtedness	1,776,850	1,740,875	2.1
Current financial assets	*(479,726)*	*(521,828)*	*(8.1)*
Current financial indebtedness	*1,265,728*	*1,041,103*	*21.6*
Net current financial indebtedness	786,002	519,275	51.4
Net financial indebtedness	2,562,852	2,260,150	13.4
Own funds and net financial indebtedness	**4,618,152**	**4,341,770**	**6.4**

(*) Change of more than 100%

The following are the main dynamics affecting the statement of financial position as at 30 June 2011.

The increase in **non-current assets** reflects the increased investments with particular reference to: *production of electricity and heat* with the Torino Nord project of Euro 71 million, the *energy infrastructures* (gas networks of euro 26 million, district heating networks of euro 27 million and electricity networks of euro 10 million and OLT project of euro 14 million), the *integrated water cycle* of euro 36 million, the *market* of euro 3 million and the *environment* of euro 43 million.

The increase in **net working capital** reflects the seasonal trend in trade payables and receivables and tax items.

The increase in provisions and employee benefits is mainly due to the provisions for the half year, only partially offset by releases and uses.

The decrease in **assets held for sale** was affected by the deconsolidation of Aquamet as a result of the finalisation of the transfer of the entire investment held by the Group, equal to 60% of the share capital. At 31 December 2010 the net assets of Aquamet were recognised under assets held for sale.

The reduction in **equity** mainly derives from the distribution of dividends, only partially offset by profit for the period.

The higher **net financial indebtedness** is the result of outflows for investments and dividends paid. The statement of cash flows, which is presented below, provides a breakdown of the movements in the first half of 2011.

CASH FLOW FIGURES

Statement of Cash Flows for the Iren Group

thousands of euro

	First Half of 2011	First Half 2010 pro forma	% Change
A. Opening cash and cash equivalents	**144,112**	**56,905**	**(*)**
Cash flow from operating activities			
Profit for the period	99,603	108,324	(8.1)
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	98,087	98,191	(0.1)
Net change in post-employment benefits and other employee benefits	(549)	(2,658)	(79.3)
Net change in provision for risks and other charges	22,508	22,004	2.3
Loss from the sale of discontinued operations net of tax effects	(892)	-	(*)
Change in deferred tax asset and liabilities	(1,650)	(3,733)	(55.8)
Variation in non-current assets	4,547	4,533	0.3
Dividends received	(3)	(6,605)	(100.0)
Portion of loss of associates	(8,803)	(7,561)	16.4
Net impairment losses (reversals of impairment losses) on non-current assets	690	33	(*)
B. Cash flows from operations before variations in NWC	**213,538**	**212,528**	**0.5**
Variation in inventories	(2,643)	496	(*)
Variation in trade receivables	2,917	(101,833)	(*)
Variation in tax assets and other current assets	(27,300)	(41,235)	(33.8)
Variation in trade payables	(196,595)	(54,515)	(*)
Variation in tax liabilities and other current liabilities	22,727	67,831	(66.5)
C. Cash flow from variations in NWC	**(200,894)**	**(129,256)**	**55.4**
D. Operating cash flows (B+C)	**12,644**	**83,272**	**(84.8)**
Cash flows from/(used in) investing activities			
Investments in intangible assets and in property, plant and equipment and investment property	(242,938)	(233,086)	4.2
Investments in financial assets	(38)	(7,717)	(99.5)
Proceeds from the sale of investments and changes in assets held for sale	6,427	8,802	(27.0)
Transfer of discontinued operations net of cash disposed of	21,955	-	(*)
Dividends received	10,143	15,937	(36.4)
Other variations in financial assets	-	251	(100.0)
E. Total cash flows used in investing activities	**(204,451)**	**(215,813)**	**(5.3)**
F. Free cash flows (D+E)	**(191,807)**	**(132,541)**	**44.7**
Cash flows from/(used in) financing activities			
Dividends paid	(121,297)	(110,589)	9.7
Other changes in equity	(52)	338	(*)
New non-current loans	100,000	-	(*)
Repayment of non-current loans	(55,973)	(35,394)	58.1
Variation in financial receivables	(19,165)	(39,425)	(51.4)
Variation in financial payables	211,407	335,613	(37.0)
G. Total cash flow from financing activities	**114,920**	**150,543**	**(23.7)**
H. Cash flows for the period (F+G)	**(76,887)**	**18,002**	**(*)**
I. Closing cash and cash equivalents (A+H)	**67,225**	**74,907**	**(10.3)**

(*) Change of more than 100%

The following table shows the change in the Group's consolidated net financial indebtedness for the relevant periods.

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	First Half of 2011	First Half 2010 pro forma	% Change
Free cash flow	(191,807)	(132,541)	44.7
Dividends paid	(121,297)	(110,589)	9.7
Other changes in equity	(52)	338	(*)
Fair value changes on financial instruments	10,454	(15,716)	(*)
Financial assets (liabilities) held for sale	-	13,956	(100.0)
Change in net financial indebtedness	**(302,702)**	**(244,552)**	**23.8**

(*) Change of more than 100%

30 June 2011, net financial indebtedness amounted to euro 2,563 million, up by 13% compared to 31 December 2010 due to a negative free cash flow of euro 192 million, the changes in equity, including dividends paid, which were negative by euro 121 million.
The free cash flow, negative by euro 192 million, derives from the combined effect of the following cash flows:
- cash flows from operations are positive by euro 13 million and are composed of euro 214 million from the cash flows from operations before variations in net working capital and euro -201 million from the cash flows from variations in net working capital;
- negative cash flows from investing activities of euro 204 million, generated from euro 243 million in investments in property, plant and equipment, investment property and intangible assets (including investments made for the building of infrastructures under concession, pursuant to IFRIC 12), euro 7 million in investments made in property, plant and equipment, investment property and intangible assets, euro 22 million from the sale of Aquamet, Alegas and a portion of investment property, and euro 10 million from the collection of dividends from associates.

The euro 100 million in "New non-current loans" relates to a medium-term loan with Cassa Depositi e Prestiti entered into in June.

SIGNIFICANT EVENTS AND OUTLOOK

SUBSEQUENT EVENTS

Parma Integrated Environmental Hub

On 6 July 2011 the Municipality of Parma served an order for suspension of works, reiterated on 24 August pursuant to Regional Law no. 23/2004, on the waste-to-energy plant being built in the Parma Integrated Environmental Hub. The order was issued as a precautionary measure, on the matter of the existence of the building permit within the Integrated Environmental Assessment procedures. Iren Ambiente, which has been building the plant since September 2009, in the full conviction of the legality of its operations, has initiated all the actions required to protect its image and its interests, also in terms of economic damage, deriving from the order to suspend the works.

Law Decree no. 138 of 13 august 2011 - "Robin Hood Tax"

On 13 August 2011, the Italian Government issued Law Decree no. 138, containing "additional urgent measures for financial stabilisation and development." This Decree includes several provisions regarding utilities. Of particular importance is the provision which envisages the increase and extension of the "Robin Hood Tax" to other parties.
The law increases the additional IRES, which to date was applied only to entities which produce and trade gas and electrical energy, from 6.5% to 10.5% for the three-year period 2011-2013. Above all, it extended the application of the additional tax and the related increase to companies operating in the segment of transmission, dispatching and distribution of electrical energy, as well as the transport and distribution of natural gas. This tax also targets companies which produce electrical energy primarily through the use of biomass and solar-photovoltaic or wind energy sources. However, the above additional IRES is applied only to companies whose revenue from those segments comprises the majority of total revenue.
In the event that the decree is converted into law without amendments, the increase in the effective tax rate for the Group's 2011 financial statements, as a result of partial compensation between the current tax charges and the positive effect of the recalculation of deferred tax assets, the increase is estimated at approximately 1.5% and 3%.

BUSINESS OUTLOOK

Based on available information and the forecasts for the year underway, the outlook for 2011 is a macroeconomic scenario still characterised by the persisting weakness recorded in 2010 that affected the demand for electrical energy and gas. This scenario will be influenced by the sovereign debt of EU member states and the resulting extraordinary actions to contain such debt. The Iren Group forecasts consolidation in the growth of its assets as a result of the progressive contribution of the investments made.
The results of the Iren Group will however be influenced by developments in the energy industry, applicable regulations and the seasonality of the segments in which it operates, especially as regards weather conditions.
The forecast entry into operation of one of the Group's main strategic investments in the last quarter of the year is confirmed: the new 390 MW cogeneration plant in the north-west area of Turin, capable of providing heat to an additional 18 million cubic metres (approximately 180,000 inhabitants).

LEGISLATIVE FRAMEWORK

REGULATIONS ON THE MANAGEMENT OF LOCAL PUBLIC SERVICES OF ECONOMIC IMPORTANCE

On 12 and 13 June 2011, referendums were held which repealed art. 23 bis of Italian Legislative Decree no. 122 dated 25 June 2008, converted into law, with amendments, by art. 1, par. 1 of Italian Law no. 133 dated 6 August 2008, which had introduced substantial amendments to the law in force regarding economically significant Local Public Services, as well as of art. 154, par. 1 (tariff for the integrated water service) of Legislative Decree no. 152 of 13 April 2006 "Determination of the tariff for the integrated water service" only insofaras the portion "based on adequate remuneration of invested capital".
As the quorum of voters required by law was reached, and as the majority of voters voted in favour of repeal, the above regulations ceased to be effective from the date of their publication in the Official Gazette (Italian Presidential Decrees no. 113 and 116 of 18 July 2011, Official Gazette no. 167 of 20 July). From the same date, Italian Presidential Decree no. 168 of 7 September 2010 (regulation on economically significant local public services, pursuant to art. 23 – bis of Law Decree no. 112/2008) became null and void.
Specifically, as a result of repealing art. 23-bis and the related implementing regulations, the provisional resolutions which brought forward the deadlines for the assignments of local public services ceased to exist.
As a result, there are no legal impediments to the assignments of services to companies in the Iren Group continuing to their natural deadlines.

The deadline for management of the Integrated Water Service carried out by Iren Acqua Gas in the Genoa ATO is set for 2032.

The deadline for management of the Turin District Heating Service, provided by the subsidiary AES Torino S.p.A., is set for 2036.

The deadline for management of the integrated water services and waste management in the Emilia Romagna ATOs are those summarised below (integrated water service segment in the first table and waste management in the second table).

ATO	REGIME FOR WATER	AGREEMENT DATE	EXPIRATION DATE
Reggio Emilia	ATO/Operator Agreement	10 June 2004	20 December 2011
Parma	ATO/Operator Agreement	27 December 2004	30 June 2025
Piacenza	ATO/Operator Agreement	18 May 2004	20 December 2011
ATO	**REGIME FOR WASTE MANAGEMENT**	**AGREEMENT DATE**	**EXPIRATION DATE**
Reggio Emilia	ATO/Operator Agreement	10 June 2001	20 December 2011
Parma	ATO/Operator Agreement	27 December 2004	27 December 2014
Piacenza	ATO/Operator Agreement	18 May 2001	20 December 2011

The assignments to public-private business combinations, in which the Iren Group has non-controlling interests, are in line with Community regulations (which now govern the matter, following repeal of art. 23-bis) as these investments were acquired through a public tender, and the private partner (an Iren Group company) has been assigned governance powers in line with the principles established in the EC Interpretation Guidance of 5 February 2008 on the matter of public-private partnerships.
Considering that by repealing art. 23-bis, the provisions which set forth considerable limits to participation in tenders by companies in groups including companies to which local public services have been assigned directly (without tenders), Iren Group companies can participate in any public tenders called by Public Entities for the assignment of concessions for public services or for the selection of private partners in business combinations. Moreover, for the integrated water services segment, the partial repeal of art. 154 of Legislative Decree no. 152 of 3 April 2006 must be taken into account. This article established that the tariff, which represents the fee for the service, was set also by tak-

ing into account "the adequacy of the return on invested capital". Currently, the Community rules are in force, which are the principles set forth by art. 117 of the Consolidated Law on Local Entities and by Ministerial Decree dated 1/8/96 "*Normalised method for defining cost components and determining the reference tariff of the integrated water service*".
Law Decree no. 70 of 2011 (known as the Development Decree), converted into Law 106/2011, set forth the establishment of the National Agency for Water Regulation and Supervision (whose establishment and operating methods shall be set forth in subsequent ministerial decrees) – which shall be in charge of supervision and tariff regulation.

INTEGRATED WATER SERVICE

The reform process of the integrated water service, begun with Law 36/94 (the Galli Law) was revised with the approval of Legislative Decree no. 152 of 3 April 2006, as amended by Legislative Decree no. 219 of 10 December 2010. Furthermore, Law no. 42 of 2010 provided for elimination of the Optimal District Authorities (ATOs) one year following the effective date of that law (the period was extended to 31 March 2011 by the "Milleproroghe" [thousand extensions] decree (Law Decree no. 225 of 29 December 2010).
The integrated water service is also governed by Regional Laws no. 25 of 1999 and no. 10 of 2008 for the Emilia Romagna region.
Legislative Decree 152/06 states that "*the tariff represents the fee for the integrated water service and is calculated taking into account the quality of the resource and the service rendered, necessary works and upgrading, management costs, adequacy of the return on invested capital, costs for safeguard works, and ATO's operating costs. This with a view to ensuring full coverage of investment and operating costs based on both cost recovery principles and the principle according to which "he who pollutes, pays". All tariff quotas of the integrated water service are to be considered fees*" (Art. 154). As stated, the expression "adequacy of the return on invested capital" was repealed as a result of the referendum held on 12 – 13 June 2011. However, said repeal is not applied to tariffs of existing agreements, as the repeal by referendum has no retroactive effects, only effects on future integrated water service concessions.
Based on the provisions of the Normalised Method (decree of 1 August 1996), the tariff of each ATO must be determined according to a reference tariff that forms the basis for the initial tariff level and progressively guides and establishes adjustments taking into account productivity improvement objectives, the quality of the service provided and inflation. The reference tariff, set forth in the Decree dated 1 August 1996, is governed by a mechanism of moderation of the price cap (cap 2).

REGULATIONS RELATING TO WASTE MANAGEMENT

Like the regulation for the Integrated Water Service, the general regulation applicable to the Integrated Waste Management services sector is set forth and covers the entire country in the Environment Code (Legislative Decree 152/2006 as amended) and at the regional level by Emilia Romagna Regional Laws nos. 25/99 and 10/2008.
Article 2, paragraph 186-bis of law 191/2009 (Finance Law 2010) and Law Decree 225/10 are also

noted in particular. The coordination of these regulations indicates that, as from 31 March 2011, the District Authorities for the management of water resources and integrated management of urban waste pursuant to articles 148 and 201 of Legislative Decree no. 152/2006 (the Environment Code) will be eliminated and the regions will be assigned the task of assigning through laws the functions previously carried out by these organizations, according to principles of subsidiarity, differentiation and adequacy. However, this deadline has now been extended to 31 March 2011 and the government has been granted the right to postpone the elimination of the ATOs to 31 December 2011.
The sector regulations on the SISTRI (sistema informatico di tracciabilità dei rifiuti) IT system for the traceability of waste: Ministerial Decree of 17 December 2009 as amended and Decree of 22 December 2010 should also be noted.
Integrated Waste Management means the total activities carried out to optimize management of waste, these being the transportation, treatment and disposal of waste, including street sweeping and the management of these operations (article 8 of the Environment Decree).
The Environment Decree also provides for organization by ATOs and management by a District Authority (in Emilia Romagna, pursuant to Regional Law 25/99) for the integrated waste service as well, which must have a legal entity in which local authorities are obliged to participate as they transfer the execution of their competences in regard to integrated waste management to it.
The Iren Group provides waste services based on agreements entered into with the competent ATO. The table below indicates the information regarding the agreements in existence in the territory in which the Group operates.

ATO	REGIME	AGREEMENT DATE	EXPIRATION DATE
Reggio Emilia	ATO/Operator Agreement	10 June 2001	20 December 2011
Parma	ATO/Operator Agreement	27 December 2004	27 December 2014
Piacenza	ATO/Operator Agreement	18 May 2001	20 December 2011

Based on the regulations for the Emilia Romagna region (for waste services, article 16 of Regional Law no. 25/99 as modified by Regional Law no. 1/2003), the agreement provides for a decade-long term of the Assignments.

EXTENSION OF THE ABOLITION OF ATOS

Law Decree no. 225 of 22 December 2010 (the "Milleproroghe" decree) provided for the postponement to 31 March 2011 of the elimination of the ATOs which had been provided by the 2010 Finance Act. This term was further postponed to 31 December 2011, with Italian Presidential Decree of 25 March 2011.

CONCESSION FOR SHUNTS TO BE USED FOR HYDROELECTRIC ENERGY PRODUCTION

By order dated 18 January 2008, the Constitutional Court declared certain provisions of Italian Law no. 266 of 23 December 2005 (art. 1 subsections 483, 485-488 and 492) to be illegal, containing specific rulings on licences for large-scale shunts for hydroelectric purposes and envisaging both regulations with immediate and transitory effect and regulations destined to become standard.
Specifically, in settling attribution disputes between the State and Regions instigated by a number of regional governments, the Constitutional Court considered the provision to extend the term of concessions in existence at the date of entry into force of the Law no. 266/2005 by ten years, dependent upon the implementation of consistent plant modernisation, to be unconstitutional given that it was damaging the competition between Regions on questions of production, transport and national energy distribution in Italy, pursuant to Art. 117, subsection 3 of the Constitution.
Law no. 122 of 30 July 2010, based on the Law Decree no. 78 of 31 May 2010 (Urgent measures on finance and competition stability), published in the Official Gazette of 30 July 2010 sets forth a five-year extension to the current hydroelectric concessions, in order to allow the term for the launch of tenders to be fulfilled and ensure a fair indemnity to operators for investments made. A further seven-year extension is also foreseen (thus bringing the extension to a total of twelve years) for concessions in force at 31 December 2010 which are fully or partially located in the territories of several provinces in the north of Italy. These concessions are to be defined with a decree of the Ministry of the Economy and Finance, provided that the outgoing concessionaires contribute their concessions to public-private business combinations which are least 30%, with a maximum of 40%, held by said provinces or by companies they control. The extension of all the concessions (not only those expiring in 2010), as well as the further seven-year extension, were negatively assessed in an opinion issued by the Italian Antitrust Authority.
By order no. 205/2011 dated 8 June 2011, filed on 13 June 2011, the Constitutional Court declared the rules of Law Decree no. 78 of 2010, converted into Law no. 122 of 2010, which set forth the five-year extension, and possibly an additional seven-year extension, of large-scale concessions to be unconstitutional. The provisions of the above law which permit the outgoing concessionaire to continue to manage the concession until replaced by the awardee of the tender remain valid.

GREEN CERTIFICATES, ENERGY EFFICIENCY CERTIFICATES AND THE ETS

Green certificates

In terms of green certificates (hereinafter, GC), the most important regulatory change relates to Legislative Decree 28/2011 of 3 March 2011, which implements Directive 2009/29/EC on renewable sources. The main impacts for Iren include those relating to Title V on supporting regimes, highlighted below:

- On the matter of electricity, according to the decree, incentives will be provided for plants entering into operation after 31 December 2012, with a feed in system diversified by source and

capacity ranges for plants up to 5 MW, while those above this threshold will have the right to an incentive assigned through auctions for the lowest price managed by the GSE.

- The plants in operation and those which enter into operation up to 31 December 2012 shall have the right to GCs. All plants benefitting from GCs will then be converted to the feed in system starting from 2016. For the implementation methods, refer to a decree of the Ministry for the Environment, on obtaining the opinion of the Authority, to be adopted within six months from entry into force of the Legislative Decree.
- The GSE will collect all GCs (at 78% of the value determined using the current mechanism) until they are extinguished. The most important change is the fact that TRL GCs will also be collected by the GSE at a price equal to the 2010 average market price.
- The decree also intervenes on the matters of authorisations (with a simplified regime), whose application may also be extended to plants of up to 1 MW, technical regulations and the promotion of renewable energy sources in construction and biomethane in transportation. The decree also contains rules for development of transmission and distribution networks, as well as for the connection of biomethane production plants to the gas network, up to the connection with the district heating/remote controlled air-conditioning networks.

Energy efficiency certificates

On the issue of energy efficiency, it is worth noting the steady increase in annual obligations to achieve energy savings targets set for AEM Torino Distribuzione as an electrical energy distributor, as well as the setting of challenging obligations for the three-year period 2010-2012 (pursuant to Ministerial Decree dated 21/12/2007). In consideration of the critical issues that operators have in fulfilling the obligations, repeatedly notified to the competent entities, several proposals of the AEEG have been submitted for consultation, to modify the energy efficiency certificate mechanism (DCO 43/10) and to introduce new technical sheets (DCO 44/10). As a result of the consultation, three new technical sheets were issued in the lighting segment (res. EEN 4/11), while the sector is still awaiting amendments to the energy efficiency certificate mechanism.
These amendments, if the recent Legislative Decree 28/2011 is also considered, could reduce the current gap between the obligations up to 2012 (very high) and the energy efficiency certificates available (limited), through the following measures:

- approval of various standard sheets drawn up by ENEA (the Italian National Agency for Energy Efficiency),
- periodic reconciliation of right to the certificates with the useful life of the measures,
- rendering savings in transportation equivalent to savings of gas,
- reducing obligations by way of savings from increased efficiency in electricity and gas networks.

It is also noted that the failure to return 2,439 energy efficiency certificates on the obligation to distribute electrical energy in the Parma area in 2009 resulted in AEM Torino Distribuzione purchasing said amount of energy efficiency certificates (at a cost of approximately euro 200,000), which it returned in conjunction with the 2010 obligation at the end of May 2011. Also in order to fulfil its obligations for 2010, and in view of those for 2011, AEM Torino Distribuzione purchased 11,584 energy efficiency certificates at a price of approximately euro 1 million.

Emission trading system

Regarding the emission trading system, the quotas for the 2nd GT Repowering of the Moncalieri thermoelectric plant, authorization no. 15, defined by the national assignment plant (NAP) as a part of the "new entry" plant for "inclusion in period II", were assigned for the years 2009, 2010, 2011 and 2012, which are added to those established by the NAP 2008-2012 relating to the entire plant.
On 28 July 2010 the Committee approved resolution no. 016/2010, pursuant to art. 2, par. 1 of Law no. 111 of 19 July 2010, which determined the CO2 quotas for "New Entry" plants which did not receive quotas free of charge, due to the depletion of the reserve.
The list attached to the aforementioned resolution also includes the Pappagnocca Plant, formerly of Enìa, authorization no. 1586, which, for the years 2010-2012, would be entitled to 10,858 t of CO2 per year, which were not assigned free of charge, given the depletion of the "new entry reserve" for which the criteria set forth by Law 111/2010 apply.
The procedures for the assignment of emission quotas for the plant in via Diete di Roncaglia, Piacenza, authorization no. 1617, are currently underway.
The requested update for the "Energy Hub" in via Hiroshima 5, Reggio Emilia, Authorisation no. 429, concerning the new use of the boilers at the plant was approved with Resolution no. 09/2011 of 11 March 2011.

ENERGY REGULATIONS

- Legislative Decree no. 93 of 1 June 2011 "Implementation of Directives 2009/72/EC, 2009/73/EC and 2008/92/EC concerning common rules for the internal market in electricity and natural gas, and Community procedure to improve the transparency of gas and electricity prices, and repealing Directives 2003/54/EC and 2003/55/EC" (Third Energy Package).
The Legislative Decree is divided into five Titles, which, respectively, set forth rules for the development of the natural gas and electrical energy markets, specific rules for the gas and electricity sectors, and provisions governing the objectives and responsibilities of the national regulation authorities. On the whole, the 50 articles included in the measure introduce significant amendments to domestic regulations on the electricity and gas markets, specifically amending several provisions pursuant to Legislative Decree 79/99 and Legislative Decree 164/00.
Among the most important rules, the following are specifically noted.

- The Electricity and Gas Authority shall ensure that:
  - when a customer intends to switch suppliers, in compliance with contractual terms and conditions, the operator or operators concerned shall carry out said switch within three weeks, ensuring that the start of supply occurs on the first day of the month;
  - customers receive all the pertinent consumption figures and, to that end, the distribution companies are required to make customer consumption figures available to the vendors, guaranteeing the quality and promptness of the information provided;
  - when an end customer connected to the distribution network lacks a natural gas supplier and the conditions are not in place to activate the supplier of last resort, the distribution company responsible for that geographical area shall guarantee that its network is balanced for withdrawal from that point for the period in which physical disconnection is not possible, according to the methods and conditions defined by the Authority, which must also guarantee adequate compensation to the company for the activities performed and coverage of the costs incurred.

The obligation to unbundle the distribution operations from all other operations in the gas sector remains in force, and gas distribution companies which are part of a vertically integrated company are also required to be independent, in terms of organization and decision-making power, from the other operations not connected to distribution.

- Replacing article 14, par. 8 of Legislative Decree no. 164/2000, it is established that reimbursement value to be paid to the outgoing operator on expiry of the gas distribution concession, in the periods following the first period, equals the value of the net fixed assets at the location of the distribution and metering service, relating to the plants whose ownership is transferred by the outgoing distributor to the new operator, including the assets under construction, net of grants related to assets and private grants relating to assets at the location, calculated according to the current tariff regulation method and based on the amount of plants at the time ownership is transferred.
- Limited to the first period of operation of the gas distribution concession assigned for minimum areas pursuant to art. 46-bis of Law Decree no. 159/2007, the Authority shall include in the tariff to the incoming operator the amortisation of the difference between the reimbursement value, as calculated pursuant to the decree to be issued on tender criteria according to art. 46-bis and the value of fixed assets, net of grants relating to assets and private grants relating to assets at the location.
- Local Authorities which, at the date of entry into force of the decree, have published tenders, in the event of open tenders, or have also sent letters of invitation, in the event of restricted tenders, including, in both cases, the definition of the bid assessment criteria and the reimbursement value for the outgoing operator, and have not awarded the tender to the winning company, may assign the natural gas distribution service according to the procedures applicable at the date the related tender was called. Starting from the date of entry into force of the decree (29 June 2011), tenders for the assignment of the service shall be carried out solely for the areas pursuant to the aforementioned art. 46-bis of Law Decree no. 159/2007.
- The Authority's responsibilities in the electricity and natural gas sectors are expanded, through new operating, inspection and supervisory powers and, in certain cases, powers to impose sanctions for the failure to apply the rules envisaged by the Community directives.

Electrical energy

- AEEG consultation document no. 21/11 "Control of the sale of electricity from renewable sources to end user customers", published on 6 June 2011.

Con il documento l'AEEG individua:

With this document, the AEEG identifies:

1. source certifications (CO-FER) as the most suitable instrument for promoting transparency of sales of energy from renewable sources;
2. the mechanism of exchange/transfer of said CO-FER certifications as the instrument for controlling and monitoring the above sales, in order to ensure that the same energy produced from renewable sources is not included in several sales contracts to end customers. To this end, CO-FER certificates are the basis for implementing the regulation and verifying commercial offers of green energy.

Gas

- AEEG consultation document no. 22/11 "Natural gas balancing: settlement of physical quantities and income and expense items – Final Guidance" published on 16 June 2011.

With reference to the method for measuring, estimating and attributing quantities of gas to users of the natural gas transport system, with this DCO the AEEG analyzes in greater detail the proposals previously illustrated in an initial phase in DCO 46/10 of 13 December 2010, highlighting its final approaches to the methods for determining physical quantities withdrawn (measurement/estimation) and the corresponding income and expense items (settlement) for management the natural gas balancing service, as defined by AEEG resolution ARG/gas 45/11 of 15 April 2011.

Specifically, the detailed proposal in the document offers solutions for managing the accounting for amounts withdrawn in the natural gas market, referring to the withdrawal points. The difficulty in obtaining measures for time periods consistent with the timing of valuation in force on the wholesale market (the significant period is the gas day), makes it necessary to determine certain gas quantities based on load-profiling agreements and to draw up specific methods for determining the income and expense items functional to the balancing service (settlement).

Considering the fact that the load-profiling and settlement methods are a fundamental element of connection and reconciliation of the wholesale market to the retail market, this DCO proposes im-

provements and innovations of said methods, and introduces new disclosure obligations for distributors, for the purpose of smooth performance of the related activities.
The proposals of "Point 7.D", where the Authority puts forth the idea of using the daily closing price of the Gas Balancing Market being set up, managed by the GME (MB-GAS) – pursuant to art. 7.4 of Resolution ARG/Gas 45/11 – as the reference price to assess the economic value of any differences found between the physical quantities arising as a result of the monthly balancing session (under full operations, to be carried out by the 25th days of m+1) and those resulting from the ex-post adjustment session (under full operations, to be carried out by the end of m+14, the time when all the measures of the network withdrawal points are available and considered final) should be noted.This solution is based on the fact that, for an adequate valuation process, the daily closing price of the MB-GAS may represent – with a sufficient degree of approximation – the reference price for gas in the time period to which the ex-post adjustment session refers.

Resolution ARG/gas 81/11 "Postponement of the date of application of the provisions concerning the governance of natural gas balancing based on economic merit, pursuant to articles 3 to 11 of the Electricity and Gas Authority ARG/gas 45/11, dated 14 April 2011", published on 24 June 2011
With reference to the entry into force of the governance of natural gas balancing based on economic merit and the launch of the related balancing platform managed by GME, with resolution ARG/gas 45/11 of 15 April 2011, the Authority initially set the start date as the first gas day of July 2011.
As a result of the GME's consultation on the Regulation of the balancing platform, various sector operators reported the opportunity to establish a suitable test period for the balancing platform, prior to its effective launch, as well as the opportunity to complete the definition of the system of guarantees to cover the system's exposure to users, in relation to which Snam Rete Gas is invited to sent the Authority its related proposal for amending the Network Code, pursuant to art. 12, par. 3 of resolution ARG/gas 45/11, by 30 October 2011.
Also considering the above, with the measure in question, the AEEG postponed the first gas day of December 2011, the start date for application of the governance of balancing based on economic merit of the gas system.

- Provisions for thermal year 1 October 2011 – 30 September 2012, concerning the criteria pursuant to art. 6 of Attachment A (the Consolidated Text on Natural Gas Sales - TIVG) to the Electricity and Natural Gas Authority resolution ARG/gas 64/09 of 28 May 2009 and start of the procedures for reform of the economic conditions of natural gas supply and protection service
The AEEG launched procedures to define reforms of the economic conditions of natural gas supply for the protected customer service and, specifically, of the component CCIt, starting from 1 October 2012, also in light of possible changes in the gas market linked to the upcoming implementation of balancing based on economic merit, as well as the provisions already operational in favour of flexibility and competition, pursuant to Legislative Decree no. 130/10.

FINANCIAL MANAGEMENT

GENERAL FRAMEWORK

In the first half of 2011 the upwards trend in interest rates which started in the second half of 2010 continued. However, in the second quarter of 2011 this trend was reversed in the medium/long-term interest rate segment of the curve. Through two subsequent measures in April and July, the European Central Bank raised the benchmark rate to 1.5%, which had remained steady since May 2009. An analysis of the 6-month Euribor rate shows a steady increase, from a minimum of 0.94% at the end of March 2010 to the current 1.8%. Fixed rates, reflected in the IRS 5-year and 10-year values, increased up to the first quarter of 2011, however, in the last few months they recorded significant reductions.

ACTIVITIES PERFORMED

During the first half of 2011, activities aimed at consolidating the financial structure of the Iren Group continued. The development of funding needs is monitored through careful financial planning, which enables requirements for new financial resources to be anticipated, taking into account the repayments of outstanding loans, the development of indebtedness as a result of carrying out the investment programme, the development of working capital and the balance of short-term and long-term sources.

The organisational model adopted by the Iren Group, with the goal of financial optimisation of all Group companies, provides for Iren's adoption of a centralised treasury management, medium to long-term loans and financial risk monitoring and management. Iren has relations with the leading Italian and international banks, for the purpose of locating the types of loans best suited to its needs, and the best market conditions.

In more detail, moving on to the financing transactions completed in the first half of 2011, in June a new medium term loan was agreed and used of euro 100 million with the Cassa Depositi e Prestiti. In July 2011 two new medium-term loans were agreed and used for euro 100 million from Mediobanca and euro 150 million from Unicredit.

The new loans were specifically granted in support of the investment programme and make it possible to maintain a proper balance between the Group's short and long term financial exposure. At 30 June 2011 the Group's mortgage and put bond debt represented 78% of the total net financial indebtedness, and the net non-current indebtedness accounted for 69%. This percentage takes into account the classification of receivables due from the Municipality of Turin under non-current financial assets.

Within the Group, in the first half of 2011 OLT Offshore LNG Toscana (41.71% consolidated) obtained a new facility from the shareholders Iren Mercato (financed by Iren within the Group cash pooling) and E.On, in equal portions and for a total amount of euro 35 million. Total facilities from shareholders to OLT to support investments amounted to euro 506 million at 30 June 2011.

The Iren Group is exposed to various types of financial risks, including liquidity risk, interest rate risk, and currency risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit such risks. Further information can be found on the paragraph "Risk Management" in the Notes to the Financial Statements.

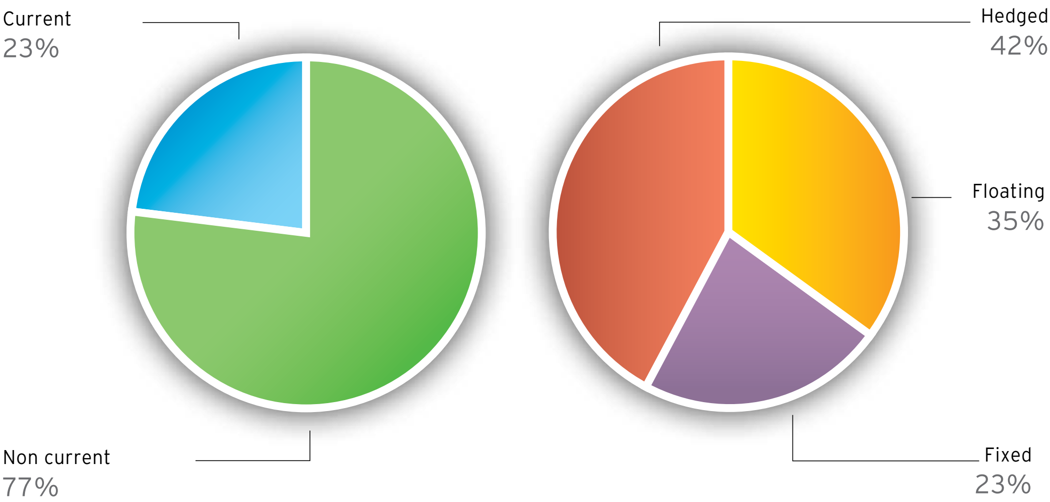
In the first half of 2011 no new financial risk hedge agreements were entered into.

At 30 June 2011, the portion of variable rate debt which is not hedged with derivative instruments was 29% of the loan positions and 44% of the consolidated net financial indebtedness, in line with the target of the Iren Group which is to maintain a balance between fixed and variable interest rate positions or ones that are protected from significant increases in interest rates.

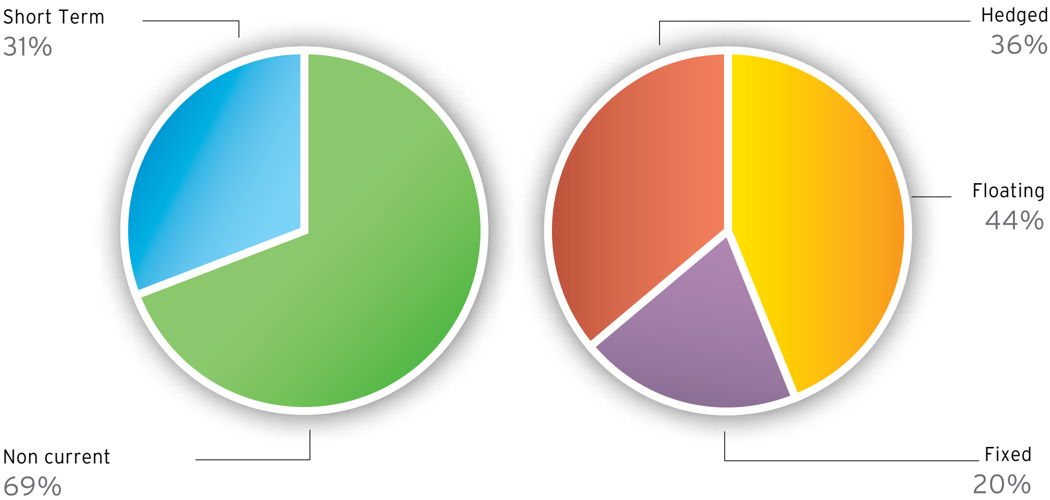
Net financial indebtedness
by expiry

Net
by rate type

Situation at 31/12/2010



Situation at 30/06/2011



TRANSACTIONS WITH RELATED PARTIES

On 30 November 2010, Iren's Board of Directors adopted the "Internal regulation for transactions with related parties" which was issued in implementation:

a) of the provisions relating to transactions with related parties pursuant to article 2391-bis of the civil code;
b) the provisions set forth under article 114 of Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance");
c) the regulation containing provisions on transactions with related parties, adopted by Consob with its resolution 17221 of 12 March 2010 and subsequently amended with resolution 17389 of 23 June 2010 (the "Consob Regulation").

The "Internal regulation on transactions with related parties", which was applied from 1 January 2011, is published on Iren's website (www.gruppoiren.it) and, in summary, provides for:

a) identification of related parties;
b) the meaning of transaction with related parties;
c) transactions of a significant amount;
d) transactions of a lesser significance and the relative procedure;
e) transactions of a higher significance and the relative procedure;
f) exclusions;
g) establishment of the committee for transactions with related parties;
h) transactions for which the shareholders' meeting is competent;
i) amendments to the articles of association to be submitted to the extraordinary shareholders meeting of Iren;
j) forms of advertising.

Transactions between the Company and its subsidiaries and related parties are ruled by a transparent and fair approach. A good part of these transactions concern services provided to the customers in general (gas, water, electricity, heat, technological services in general, etc.) and are governed by contract rules normally applicable to these situations.
Where they do not concern current services, the transactions are governed by specific contracts, whose terms are established in accordance with normal market terms. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.

TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES

Intercompany Services - In order to make best use of the organisational synergies arising from the merger of IRIDE and Enìa, the Iren structure was designed in accordance with a holding model, with sufficient staff structures to support the coordination activity of the Group and to deal with the most challenging matters of general interest. Therefore, Iren can provide professional services to the first-level companies and subsidiaries, according to their needs, based on service agreements signed by the parties.
These activities are governed by special supply contracts at arms' length terms.

Financial management – Organisational solutions were adopted with the aim of centralising financial management for the entire Group under the direct responsibility of Iren S.p.A., in order to optimise the structure and conditions of access to third party financing.
To this end, medium/long-term loans are taken out from financial institutions by Iren, whereby the funds are subsequently transferred to the Group's companies to support the investments made by these companies based on intercompany facility agreements.
The Board of Directors approved the regulation of financial transactions between the Parent and the First-level Companies, regarding both the cash pooling of the resources available within the Group for day to day requirements (working), and for the management of the resources needed to support medium/long term investments. The conditions of infragroup contracts, signed based on the above regulation, were defined according to the conditions at which the Parent procures on the financial market.

Tax consolidation scheme - Starting from 2010, Iren S.p.A. adopted the tax consolidation scheme pursuant to art. 117 et seq. of the new Consolidated Income Tax Act (TUIR). Under this approach, IRES is calculated on the taxable income of the Group, calculated as the total taxable profits and losses recognised by the individual consolidated companies, properly adjusted for the consolidation changes.
Since 2010, all financial and legal transactions between the parties are governed by the specific infragroup agreement between the companies involved and the parent, Iren S.p.A..
From 2010, the tax consolidation scheme therefore includes, in addition to the parent Iren S.p.A., the following companies: AEM Torino Distribuzione, Celpi, Iride Servizi, Aemnet, Iren Acqua Gas, Iren Mercato, Iren Energia, CAE AMGA Energia, AGA, AES Torino, Mediterranea delle Acque, Zeus, Immobiliare delle Fabbriche, Nichelino Energia, Enia Parma, Enia Piacenza, Enia Reggio Emilia, Eniatel, Tecnoborgo, Iren Ambiente e Iren Emilia and Genova Reti Gas.
In particular, this contract covers the way in which the Ires taxable amounts are transferred and the related remuneration charge, as well as the effects of any suspension of the above-mentioned regime or of its non-application in future years.
Italian Law 244 of 24 December 2007 (2008 Finance Law), with effect starting from the 2008 tax period, radically changed the group taxation rules. It abolished all consolidation adjustments provided for by art. 122 of the Consolidated Income Tax Act, abrogated the rules regarding infragroup transfers pursuant to art. 123 of the Consolidated Income Tax Act and introduced the possibility, under certain conditions, to deduct from the consolidated income surplus interest expense of the participating companies that may have accrued due to the new interest expense deductibility provisions set forth in art. 96 of the Consolidated Income Tax Act.
As a result of the regulatory modifications mentioned above, the parties agreed on the need to update the previous Regulation in effect, in conformity with the provisions of art. 22 of the Regulation. The update protects the principles stated above.
After the companies chose to adhere to the tax consolidation scheme, in return for the taxable income earned and transferred to the parent, the consolidated company commits to pay to the parent "tax settlements" equal to the amount of taxes owed on the income transferred, net of the IRES receivables transferred.
The other obligations of the parties are also pointed out in the Regulation, including the consolidated entities having to send information flows so that the parent is able to determine the total group Income for IRES purposes.
The consequences regarding early interruption of the consolidation, failure to renew and the responsibilities of the parties in the case of errors attributable to them, pursuant to art. 127 paragraph 2 of the Consolidated Income Tax Act, are indicated in specific paragraphs.

Group VAT option – The Iren Group opted for Group VAT Settlement in 2011, sending their adherence to this option within the terms of law.
In terms of procedures, for 2011, the payment of Group VAT involved the transfer to the parent Iren S.p.A. of all obligations regarding settlements and VAT periodic payments.
The companies that took part in the settlement procedure are the parent Iren S.p.A. and the following companies: Iren Energia S.p.A., Iride Servizi S.p.A., Iren Acqua Gas S.p.A., Iren Mercato S.p.A., AEM Torino Distribuzione S.p.A., AEM NET S.p.A., CAE AMGA Energia S.p.A., AES Torino S.p.A., Celpi, Genova Reti Gas, Nichelino Energia, Idrotigullio, Enia Reggio Emilia S.p.A., Enia Parma S.p.A., Enia Piacenza S.p.A., Iren Ambiente S.p.A., Iren Emilia S.p.A., and Enia Solaris S.p.A..

Other significant transactions with associates

Furthermore, in 2011, Iren Mercato operations continued through a gas supply contract entered into with the associates Plurigas and Sinergie Italiane. This allowed the company to supply not only the Genoa and Emilia catchment areas, but also some trading companies belonging to the Iren Group.

The Group, through Iren Mercato, has a share of energy deriving from Edipower power plants through tolling contracts.

TRANSACTIONS WITH SHAREHOLDER MUNICIPALITIES-RELATED PARTIES

Iren S.p.A. provides a series of services to Finanziaria Sviluppo Utilities S.r.l. (in the legal, administrative, financial and tax areas) in accordance with specific agreements that provide for fair compensation for the services.

Specifically, an agreement was signed through which FSU S.r.l assigned management of temporary cash surpluses to Iren S.p.A., through the creation of an infragroup current account.

Furthermore, special attention is paid to the local authorities on whose territory Iren is also active through its subsidiaries.

Through IRIDE Servizi, Iren S.p.A. provides various services to the Municipality of Turin in support of its activities for the administered community, such as management of street lighting and traffic light services, management of heating and electrical systems and municipal buildings or buildings used to provide services to the community, global services and similar. The services rendered by IRIDE Servizi are governed by specific long-term agreements. In relation to these agreements, negotiations were held with the Municipality of Turin to amend several contractual clauses, including the clause regarding the consideration for ordinary maintenance activities in the existing contracts. For the contracts for management of heating and electric systems, expiring on 31 December 2014, negotiations were carried out for a new assignment up to 31 December 2017. As per the Internal regulation on transactions with related parties, the specific committee of independent directors was involved. The committee classified the transaction to be carried out with the Municipality of Turin as a transaction of lesser significance, given that the value of said transaction did not meet the thresholds to be classified as of higher significance, and issued a written opinion on 13 May 2011, which was favourable to the Company's interest in carrying out the above transactions, as well as on the economic viability and substantial correctness of the related conditions. The Board of Directors of the listed parent Iren S.p.A. and the Board of Directors of the subsidiary Iride Servizi both acknowledged this opinion, and the latter assigned its specific body to finalise the related deeds/contracts.

Iren Mercato supplies the Municipalities of Turin, Genoa, Reggio Emilia, Parma and Piacenza with electrical energy and the Municipalities of Genoa, Reggio Emilia and Parma also with gas, at conditions similar to those applied to the other customers. Its subsidiary, CAE S.p.A., provides services relating to the management of air conditioning systems in public buildings and to the management of technological systems at sports and public service facilities to the Municipality of Genoa, based on long-term contracts.

Iren Acqua Gas, through its subsidiary Mediterranea delle Acque S.p.A., provides the offices and facilities of the municipality of Genoa and directly the Municipalities of Reggio Emilia and Parma with drinking water and sewers based on supply contracts similar to those signed with the other customers.

Iren Emilia provides

a) the Municipalities of Reggio Emilia, Parma and Piacenza with the waste collection and disposal services at terms similar to those applied to the other customers;
b) the Municipality of Piacenza with drinking water and sewers based on supply contracts similar to those signed with the other customers;
c) the Municipality of Parma with public lighting services;
d) the Municipality of Reggio Emilia with maintenance of public parks and snow removal;
e) the Municipality of Piacenza with maintenance of public parks, snow removal and cemetery services.

Information on financial transactions with related parties is included in the Notes to the consolidated financial statements.

TRANSACTIONS WITH TOP MANAGERS

Lastly, and regarding top managers, the following should be noted:

a) the Chairman of Iren S.p.A. (Mr. Bazzano) is also CEO and Managing Director of Iren Acqua Gas;
b) the CEO of Iren S.p.A. (Mr. Garbati) is also CEO and Managing Director of Iren Energia;
c) the Managing Director of Iren S.p.A. (Mr. Viero) is also CEO and Managing Director of Iren Emilia and CEO of Iren Ambiente.

Any interests that these authorised bodies have in operations between the Parent and the First-level Companies will be declared when they are being approved by the respective Boards of Directors.

RISK MANAGEMENT

The management of business risks is an essential component of the Internal Control System of corporate governance in a listed company, and the Code of Conduct set forth by Borsa Italiana assigns specific responsibilities as regards this aspect. The enterprise risk management model in place within the Group is currently being adapted and implemented in the new Iren entity. The model includes the methodological approach to the integrated identification, assessment and management of Group risks.
For each of the following risk types:

- Financial risk (interest rate, currency, spread);
- Credit risk;
- Energy risk (risk factors associated to energy and/or financial markets, such as market variables or pricing choices);
- Operational risk (risk factors associated with the ownership of assets, involvement in business activities, processes, procedures and information flows, and with the group's image);

specific "policies" were defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of related risks.
This model also regulates the roles of the various parties involved in the risk management process, which is governed by the Group Board of Directors. The document requires the creation of a Group Risk Committee and specific Risk Commissions, which shall take more hands-on action regarding specific management models for each of the following types of risk.
The "Risk Management" department, reporting to the CEO, was set up within the Iren Group. This department is formally entrusted with the following activities:

- coordinating the integrated management process of the Group's risks;
- signing and managing insurance policies, with the cooperation of the Legal department.

A summary of the Group risk management models is shown hereunder.

1. FINANCIAL RISKS
Iren Group's activity is exposed to various types of financial risks, including liquidity risk, currency risk and interest rate risk. The Group uses non-speculative hedging contracts to mitigate such risks. Derivatives are not used or held for purely trading purposes.

a) *Liquidity risk*
Liquidity risk is the risk that financial resources available to the company are insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The Group Finance Department was centralised in order to optimise the collection and use of financial resources. Specifically, the centralised management of cash flows in Iren, both through cash pooling and centralisation of all collection and payments within the Iren current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infragroup bank accounts along with infragroup interest income and expense.
Other investees have an independent financial management structure in compliance with the guidelines provided by the Parent.
Based on the cash pooling model, the accounts of all the companies are zeroed every day by means of a netting system that transfers the balances of currency transactions on the accounts of the Parent.
The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored.
Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suitable to its needs, and the best market conditions.
Furthermore, a new medium-term loan of euro 100 million was finalised and utilised in June 2011. In July 2011 two new medium-term loans were agreed and used for euro 100 million from Mediobanca and euro 150 million from Unicredit. Within the Group, in the first half of 2011 OLT Offshore LNG Toscana (41.71% consolidated) obtained a new facility from the shareholders

Iren Mercato (financed by Iren within the Group cash pooling) and E.On, in equal portions and for a total amount of euro 35 million. Total facilities from shareholders to OLT to support investments amounted to euro 506 million at 30 June 2011.

At 30 June 2011, 25% of the residual amount payable for mortgages was contractualised at a fixed interest rate and 75% at a floating rate.
With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default and covenant risk), we note that the clauses in Iren loan agreements do not contain critical elements.
For a number of Iren medium/long-term loan agreements, a commitment to observe financial covenants is envisaged (such as Debt-EBITDA, EBITDA-Financial expense). Checks are on an annual basis and limits were defined with adequate prudence criteria and have been met in full. Moreover, other covenants such as the Change of Control clause have been provided for, which sets forth that the Iren Group's should be kept under indirect or direct control of Local Authorities, as well as clauses concerning negative pledges, under which the company undertakes not to give collateral beyond a specific limit, and the Pari Passu clause, which reserves an equal treatment to lending banks with respect to the treatment for other unsecured creditors.
The medium/long-term loan agreements of certain Group companies also envisage the observance of financial covenants (Net Financial Position-EBITDA, Net Financial Position-Equity) which have been satisfied.

b) *Currency risk*
Except as indicated under the section on energy risk, the Iren Group is not particularly exposed to the currency risk.

c) *Interest rate risk*
The Iren Group is exposed to fluctuations in interest rates above all for financial charges regarding indebtedness. Iren Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.
The risks associated with the increase in interest rates are monitored non-speculatively and, if necessary, reduced or eliminated by signing hedging swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges. With the exception of certain marginal positions, at 30 June 2011 all contracts to limit exposure to the interest rate risk were classified as cash flow hedges in that they satisfy requisites for the application of hedge accounting.
The overall fair value of the above-mentioned interest rate hedges was a negative euro 12,930 thousand at 30 June 2011.
The hedging contracts agreed, together with fixed-rate loans, hedge approximately 56% of net financial indebtedness against interest rate risk, in line with the Iren Group target of maintaining a balance between floating rate loans and fixed rate loans or in any case hedged against significant increases in interest rates.

2. CREDIT RISK
The Group's credit risk is mainly related to trade receivables that show no particular concentration since the credit exposure is spread across a large number of counterparties. This risk is connected to the sale of electrical energy, district heating and gas to retail and business customers, public entities.

Risk factors related to trade receivables are attributable to the risk of increases in the ageing of receivables, insolvency risk and the risk of increases in receivables subject to bankruptcy proceedings.

In order to control credit risk, operating management of which is entrusted to individual regional functions, methodologies have been defined for monitoring and control of receivables in addition to the definition of strategies for reduction of credit exposure including Customer solvency analysis on acquiring receivables, the assignment of credit recovery to external credit recovery companies and the management of legal disputes regarding amounts receivable for services rendered, with the introduction of new recovery methods.

The trade receivables management policy and tools of creditworthiness, as well as monitoring and recovery activities differ in relation to the various categories of customers and the various consumption dimension levels.
Over the last few years in order to strengthen the analysis and monitoring capacities, new tools have been introduced for the acquisition of commercial information and customer payment records, operating management for the collection of overdue receivables, outsourcing the telephone inquiry activity for certain customer segments. The Group started and completed the project for "electronic meters" with the aim of enhancing the promptness in the decoupling of customers in arrears and reducing costs.

Credit risk is hedged, for certain types of business customers, by appropriate forms of bank or insurance guarantees upon demand issued by first rate credit entities.
An interest-bearing guarantee deposit is provided for some types of services (water, natural gas, "protected customer" electrical energy) in compliance with regulations governing these activities. This deposit must be reimbursed if the customer adopts the payment through bank/post current accounts.
Generally applied payment terms are compliant with regulations in force and are consistent with market standards. In the event of non payment, interest in arrears will be debited to the extent indicated in the supply contracts and as set out by regulations in force.

Accruals to the allowance for impairment accurately reflect the effective credit risk through the targeted quantification of the accrual, involving the analysis of the individual receivable items recorded in the database, specifically taking into account ageing, as well as comparison with historical impairment loss data and determination of the average non-payment rate.

With reference to the subsidiary Iride Servizi, the company's credit risk is basically linked to its credit concentration with the Municipality of Turin. For further details reference is made in particular to Note 7 "Non-current financial assets" of the consolidated financial statements.

3. ENERGY RISK
The Iren Group is exposed to the price risk, including the related currency risk, on the energy commodities traded, being electrical energy, natural gas, coal, etc., as both purchases and sales are either directly impacted by fluctuations in the price of such energy commodities or through indexing formulae.
The Group's strategy is to minimise the need to turn to the financial markets for hedges, both by aligning the indexing of the commodities purchased and sold and by exploiting, vertically and horizontally, its various business segments.
For this purpose, the Group carries out production planning for its plants and purchases electrical energy, with the aim of reconciling energy self-production and market supply with demand from Group customers.

In December 2010, two commodity forward contracts (Commodity swap on Gas Release 07 rate) were agreed upon as an energy portfolio hedge for 2011, for a total notional amount of 1 TWh and an average rate forward contract was agreed upon for USD 142,777 thousand. In the first half of 2011, two additional average rate forward contracts were agreed for a total of USD 91,000 thousand, to hedge the last quarter of 2011.

For 2011 the Iren Group also signed Electrical Energy purchase contracts for 166 GWh with Tirreno Power. These hedge the parties against the risk of excessive volatility in the price of electrical energy and do not involve energy trading.

The fair value of agreements that were still in force on 30 June 2011 is an aggregate negative by euro 1,651 thousand.

Iren Mercato launched trading operations which involve the trading of physical and financial contracts on the electrical market and financial contracts directly on the underlying commodities. These contracts may refer to various indexes (PUN, ITEC, Itmix, BINE). These also include trading on the IDEX.
The contracts that give rise to these activities are classified in a specific Trading Portfolio, which had a total fair value of euro -84 thousand at 30 June 2011.

4. OPERATIONAL RISKS

This category includes all the risks not included in the previous categories, which may influence the achievement of operational targets, i.e. relating to the effectiveness and efficiency of business transactions, including the levels of performance, profitability and protection of the resources against losses.
The Enterprise Risk Management model, which will be extended throughout the Iren Group, including on the basis of the models implemented in the former IRIDE and Enìa, focused on the integrated and synergic management of risks, and it implements a management process that consists of the following stages:

- identification;
- estimation;
- assessment;
- treatment;
- control;
- reporting.

Each process stage is performed in accordance with standards and references defined at Group level.
The operational risk management process also aims at optimizing the Group's insurance profiles in the key "property" and "liability" areas.

a. *Legislation and regulatory risks*

   The legislation and regulatory framework is subject to possible future changes, and therefore is a potential risk. For this purpose, the Iren Group set up internal structures in charge of the continuous monitoring of reference legislation, in order to assess and, as far as possible, mitigate its impact.

b. *Strategic Risks*

   The local utilities sector is experiencing a phase of important development and consolidation. Deregulation and liberalisation mean companies have been forced to adopt a more decisive approach to competitive pressure, taking advantage of the opportunities for external and internal corporate growth offered by the new market scenarios.
   The strategic development plan of the Iren Group provides for significant investments, from the development of joint ventures of important regasification plants for the gas supply, to the construction or upgrading of cogeneration plants to complete the district heating extension plan, as well as to the upgrading of the hydroelectric plants, and the consolidated presence in the electrical energy and gas distribution segments, and water segment.
   The above interventions entail an exposure of the Group to regulatory, technical, commercial, economic and financial risks (obtaining of licences, application of new technologies, compli-

ance with commercial schedules, analysis of competition, etc.), which the Group has to tackle through specific processes and structures, focused on covering all phases, from assessment, to authorisation and realization of such project.

c. *Plant-related risks*

As regards the compliance of Group production plants, the plant-related risks are managed with the above-mentioned approach in order to correctly allocate resources in terms of control and preventive measures (preventive/predictive maintenance, control and supervisory systems, emergency and continuity plans, etc.).

Insurance instruments, specially created based on the specific needs, were also created to further safeguard each single plant.

d. *IT Risks*

The main IT risks are related to the availability of core systems, amongst which the interfacing with the Power Exchange by Iren Mercato.

The Company is in fact one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers.

To mitigate such risks, specific measures have been adopted, such as the redundancy of parts of the system and appropriate emergency procedures ("Disaster recovery"), which are periodically subjected to efficiency testing.

RESEARCH AND DEVELOPMENT

TURIN AREA

Research and Development of Spl Iren Energia and Subsidiaries

The research and development activities carried out by the Group in the first half of 2011 were mainly aimed at:

- academic dialogue on strategic areas of interest related to district heating, which will be developed with the support of sector experts;
- optimising and improving operating applications;
- assessment of new technology opportunities.

The following are the principal research and development activities of SPL Iren Energia (and its subsidiaries) carried out in the first half of 2011.

Cogeneration and District Heating Committee
At the beginning of 2001, the "Cogeneration and District Heating Committee" was established, composed of both internal members of Iren and external members who are experts in specific sectors relating to the issue, who will be periodically involved in order to contribute to the achievement of the macro targets which have been set. Specifically, these are:

1. Competitiveness: increase the competitiveness of its business in the district heating segment through a systematic enhancement of the quality of the service provided and its inherent economic/financial ratios.
2. Development: promote further development of district heating in the areas the company operates in and beyond, also by comparing this business segment with other Group businesses.
3. Innovation: search for elements of technological and operating innovation which can provide synergies for competitiveness and development.

The purpose of the meetings held was to describe Iren's TLR systems and identify the main strategic areas related to district heating, which will be developed with the support of the experts on the Committee, in the following areas:

1. strategic marketing;
2. heat production systems;
3. remote controlled air-conditioning;
4. modelling the district heating networks;
5. distributed production of heat.

Photovoltaic plants
A 160 kWp plant was constructed on the roof of a building used as a garage in Turin's Martinetto industrial centre. The plant is currently operational.

Heating systems for Turin Municipal buildings
The small, gas-powered trigeneration systems (100 kW heat, air-conditioning and electricity systems) installed in the offices of the Civil Defence Department in Turin have been started up.

Municipal electrical systems
The use of fluorescent bulbs, which was the subject of previous experiments, within the renovation works of the electrical plants in municipal buildings and, in particular, in school buildings, continued. The installation such bulbs was combined with an automated system for light flow regulation based on light sensors and on people-detector systems. This gives an excellent yield of the bulbs, extends the average life of equipment and avoids energy wastage, considering the average usage levels.

Public lighting in Turin
The plan for the elimination of approximately 7,000 lights which still contain mercury vapour lamps was implemented, replacing them with "LED" lights for public lighting in Turin. In the first half of 2011, the municipal council approved the update of the PRIC (Regulation Plan for Public Lighting).

Services Innovation Project for the Municipality of Turin
This activity, managed through a dedicated project team, has continued in several sectors:
• Mobile Computing Applications: the MOB-I system, already used for real-time management of scheduled maintenance and fault repair work on heating plants, was expanded to incorporate management of the municipal electrical systems, and the system for traffic lights went into use.
• Website for breakdown notifications: pages have been added to the Iren portal for the notification of breakdowns and the insertion of intervention requests for municipal heating and electricity systems. The application communicates with SAP and automatically creates and assigns the activities which it forwards to the MOB-I system. During the first half of 2011, the extension of use of the application to all municipal buildings continued.

Mini-hydro plants
Requalification of Chiomonte and Susa plants.
The project of requalification of the hydroelectric plants in Chiomonte (TO) and Susa (TO) involves the installation of 3 new hydroelectric groups: one 8.7 MW group at the Chiomonte plant and two groups of 4.8 MW and 1.5 MW at Susa with expected production of approximately 40 GWh/year. In June 2011, Valle Dora Energia S.r.l. (a company established by Iren ENERGIA S.p.A. with the municipalities of Susa, Chiomonte, Exilles and Salbertrand) began the authorization process to obtain new hydroelectric concessions. The works are planned for 2014-2015.

New La Loggia plant.
The authorisation procedure for installation of a 0.6 MW hydroelectric unit on the artificial course for the fish population, to be constructed adjacent to the diversion weir on the River Po in the municipality of La Loggia (TO), expected to produce approximately 4 GWh/year, was concluded. The works are planned for 2012-2013.

New Noasca plant.
The authorisation procedure successfully continued for a new 1.2 MW plant for construction in the municipality of Noasca (TO), with expected production of around 3 GWh/year and for which the decision of the environmental compatibility authorities has already been obtained. The works are planned for 2013-2014.

New Dres plant.
The project involves the construction of a new 1.8 MW plant (Dres) in the municipality of Ceresole (TO), with expected production of around 4 GWh/year. During the preliminary examination, the Province of Turin requested that the works be subjected to an Environmental Impact Assessment, as they border the area of the Gran Paradiso National Park.

New Baiso plant.
The works on the new hydroelectric plant of Baiso (RE): two 1.1 MW groups, with expected production of around 9 GWh/year, have been completed and the plant is operating regularly. The final inspection is expected to be formalized in September 2011.

Management of Service and Telecommunications Networks and Infrastructures

New remote control of street lighting systems
The Remote Control System of the Street Lighting of Turin, managed by AEMD, is currently based on an Elsag system, and is comprised of the following levels: Supervision, Front-End, Communications and Peripherals (remote control apparatus - RTU) in the field. The communications architecture is organized into twenty-five areas, managed by the Front-End, which communicate with the "concentration hubs" located in strategic points of the city. Each "hub" is equipped with modems which, connected through dedicated duplex cables (rented from Telecom), form the communications infrastructure with the RTU in the IP supply panels. An accurate feasibility analysis, supported by evidence on various devices, led to AEMD's decision to modernize said system (which is approximately 15 years old) and migrate the entire fleet of peripherals in the field, both current and future, to wireless transmission, using GPRS technology, definitively abandoning transmission via duplex cables, which represent a critical issue in terms of line maintenance and operating costs. Individual panels may be managed automatically, based on the tables for turning equipment on/off agreed with the City of Turin, or manually. In the latter case, the system allows operators to turn on individual panels during specific time windows. If the central system or the GPRS transmission is out of order, the peripheral will autonomously turn on/off according to the pre-set times programmed in each single RTU. Any anomalies found in the field are accurately reported to the central location, where an operator may decide on the type of intervention to implement. To date, the new remote control system is operational, and, from the AEMD network remote control room, manages approximately 30 panels in the area, operating concurrently with the Elsag system, which is gradually being taken off line. It is planned for the new remote control system to replace its predecessor by the end of 2011, with resulting benefits in terms of service quality and cost reduction.

Remote control of the district heating networks
The project for the remote control of the district heating network aims to provide the tools for efficient management of consumption control, the configuration of the operating parameters, the technical maintenance activity and management of the SST alarms in order to improve the services to the district heating customers.
To this end the AEMNet technological platform has been planned which is able to acquire the operating parameters from the substations, process the data and offer the necessary reporting and control tools. The project consists of setting up the entire technological platform and includes both the supply and installation of the peripheral hardware to be installed at 5600 substations as well as the connection of the transmission data and central servers and development of processing software.
During the first half of 2011, the remote control of 800 SST became operational.

BAM (Business Activity Monitoring)
In 2010, a system was implemented for monitoring in real time the BAM (Business Activity Monitoring) company activities, which makes it possible to graph the work flows through various systems which are used to manage unbundling issues and organisation of field operations. The BAM system uses probes installed on the systems being monitored to recover the significant events of the works such as creation and the change of status. The events are collected cyclically by the system through a series of web services and memorized within its own database. The BAM is able to relay the events originating from various systems that refer to the same work providing both an aggregate report with the various details and a summary and intuitive graphic representation in the form of a UML sequence diagram; furthermore a series of rules defined in the rules engine makes it possible to send alarms via e-mail and signal situations defined as irregular or to be kept under control. In 2011, BAM was successfully launched to monitor AEMD workflows that pass through the distributor portal all the way to the electronic metre. In 2011, BAM was successfully launched to monitor AES workflows that pass through the distributor's controller all the way to Mobi.

AppLab Innovation Portal:
The purpose of this project is to create a web portal to the development group with a series of tools

to make user interfaces more functional and attractive, by using technologies taken from Web 2.0. The portal welcomes users with an interactive presentation that demonstrates the various components available. Each component is accompanied by an introduction, a functional example, an in-depth explanation of the methods of use and the source code which can be used to integrate the component into applications. Currently, the following components have been developed:
- Instant Search: a series of libraries and services which can be used to create an instant search interface that shows the most relevant results while the user is typing in the search text. This component was developed in both the web version, using AJAX technology and REST WebServices, and in a Java version to be integrated into customer server applications such as CNRG CRM.
- Multipanel Interface: this component, developed specifically for CNRG CRM, allows users to open various panels concurrently on the screen, relating to different transactions, in order to aid users in their search for information and in filling out forms, without having to keep two or more versions of the same application open. Grid view displays all open panels in a single screen. Each panel shown on the grid of open panels can be enlarged with a simple click.
- Interactive Map: this component creates interactive maps which use connected geometric shapes to graphically represent flow diagrams, organizational charts, company structures, network types, etc.. Users can drag the objects making up the map anywhere they want on the screen or click on them to activate additional functionalities. The interactive maps are developed using web technologies compatible with the latest generation of tablet PCs, in order to offer an intuitive user experience through the use of touchscreens.

GENOA AREA

In the first half of 2011 Iren Acqua Gas continued to oversee hubs of technological innovation as part of the Research Project which has a priority focus on updating specific knowledge in the water area and the quality of the waters for human consumption. To this end, it promoted and supported specific research projects carried out in collaboration with Fondazione AMGA, Università degli Studi and national and international research centres.
Iren Acqua Gas has maintained its participation active in the water supply and sanitation technology platform (WssTP) which was initiated in 2004 by the European Commission as part of the seventh framework program in order to support, through the collaboration of all stakeholders, research and knowledge transfer and competences for sustaining growth and competitiveness in the water sector and providing useful suggestions for the definition of research priorities in the European water sector.
In addition to being involved in various working groups and task forces, the Group collaborates and coordinates the work group activities involving the Pilot Programme on Urban Area, with particular reference to activities relating to the management of infrastructures, flooding in urban areas, environmental contamination, the impact of climate change, the quality of water resources and sludge from purification plants.
In addition to that, Iren Acqua Gas and Fondazione AMGA are members of the Water Research Foundation (Water RF – American aqueduct foundation) in which approximately 1000 North American and international entities are members who contribute to carrying out research programs at the highest scientific level with which an effective collaboration has been established for years including through joint projects on issues of common interest.
Thanks to the networking activity and the collaboration promoted at the domestic and International level, the Iren Group is able to integrate available staff through external financing: Indeed, various projects which were presented were financed as European programs and proposals for projects which were presented as part of ad hoc partnerships are currently being defined.
The main research topics are: water analysis and control, best practices for water treatment and potabilisation, models and innovative technologies for the management of the infrastructures in the water sector.
Iren Acqua Gas participates in the TICASS Consortium (acronym for *Tecnologie Innovative per il Controllo Ambientale e lo Sviluppo Sostenibile* – Innovation Technologies for Environmental Control and Sustainable Development), a technological innovation hub for the promotion, development and transferral of innovative technologies in the control and management of the environment and sustainable development, aimed at improving the quality of life. In particular, Iren Acqua Gas supervises the activities planned within the management and valorisation of water and environmental resources, coordinating the activities of the specific sector and defining the research and development priorities for stakeholders, as these are proposed within industrial research project proposals.

Iren Acqua Gas launched and/or completed the following projects in the first half of 2011:

Interfering endocrines in waters destined for human consumption

This project was started in 2009 and takes into consideration the issue of interfering endocrines "EDs" which are a heterogeneous group of substances that imitate the effects of natural hormones or interfere with them, to interact with the endocrine system and can affect health.

The project "interfering endocrines in waters destined for human consumption," carried out in collaboration with several Italian universities (Genoa, Pisa, Trento), the Istituto Superiore di Sanità (ISS) and other Italian aqueducts (Genoa, Como, Florence, Bari, Turin and Bologna) aims to establish the valuation method to be used by the operators of aqueducts to check the vulnerability of their resources to the presence of EDs, which provides for the use of various tests that are partially directly executable by the operator of the structure in question.

During the first few months of 2011, the project continued the monitoring campaigns in the six case studies identified (at the aqueducts of Genoa, Turin, Bari, Como, Bologna and Florence) as well as in the Cagliari, Palermo and Venice plants, while optimizing both the chemical techniques as well as the biological techniques created especially for the project during the preceding year. The progress of the work group's activity was officially presented and published in domestic and international magazines. The Group activity is expected to be concluded in 2011, and, in particular, a convention on the specific issue will be held in Genoa on 24 November 2011, to illustrate the results obtained and present the publications developed.

Assessment of microbiological risk in the approach of Water Safety Plans and development of analytical support methods

The project named "Assessment of microbiological risk in the approach of Water Safety Plans and development of analytical support methods" aims to set up an investigation method for identifying new species of pathogens of communitarian and legal interest and identifying the work methodology that can be exported to any aqueduct making it possible to appropriately examine the criticality tied to microbiological contamination throughout the entire treatment chain. This methodology makes it possible to follow that course indicated by the criteria processed as part of the Water Safety Plans in regard to microbiological risk.

In collaboration with Istituto Superiore di Sanità, forms have been drafted for most of the pathogens affecting aqueducts, relating to the identification of risk conditions as they relate to territorial and structural features. Furthermore, the department of environmental and life sciences of the university of Piemonte Orientale have set up microbiological methods for researching pathogens that have been identified as being of a priority nature which have currently been transferred to the Iride Acqua Gas laboratory and are being used to increase knowledge about microbiological contamination in water, managed by the Iride Group.

Agreements are being defined with the Istituto Superiore di Sanità to form Guidelines from the information gathered and the methodological path designed, which could be published by the end of 2011.

Asset Management: decisional models under data uncertainty or unavailability scenarios
This project arises from the operators' need to plan investments in their water mains and sewer infrastructures, taking into account their impact on service levels and systematically overcoming the problem of uncertainty of available data.
The decision makers' support tools depend on the uncertainty of the incoming data and the models used in the parameters assumed; the project provides for identification of the types of uncertainty and their quantification, assessing the impact of the models on the outputs and developing methodologies aiming to obtain the best possible solutions.

Decision model for the management of water resources
The management of water resources based on multiple procurement sources requires complex decision processes, which take into consideration the demands of consumers, the energy implications, the quality requirements for the supplied water and the contingent and forecasted availability.
The project provides for implementation of a mathematical model, applied to the Genoa water system which contains all the elements of the procurement and distribution system and makes it possible to apply management strategies to water resources under ordinary and emergency conditions.

Definition of guidelines for the realisation of a processing system for urban waste water and sludge
This project included a preliminary study prior to the design of new purification systems that can centralize the treatment of a portion of the waters and sludge from certain zones surrounding the urban area. The applicable technologies were analyzed in order to obtain the best possible result in regard to the quality of the purified water, the energy used, the management of sludge destined for final disposal and the elimination of bad odours.

Finance and Regulation of the water sector
Research continued as part of the "Finance and Regulation of the Water Sector" project, which is part of the "Economy and Regulation in the Water Sector European Network". The results of the activities are being published and take up two volumes of the Fondazione Amga series. The following research carried out obtained financial grants from MIUR:
- Project Financing and other financing methods for the water sector
- Aspects of evolution of project financing: international analysis
- Rating problems in project financing: international analysis
- Alternative methods for assessing investment projects: critical analysis
- Finance and regulation of the UK water sector: causes and risks of high indebtedness
- Cost of capital in UK water companies
- IPOs and underpricing: application to the public utilities sector in Italy
- Economic analysis of European Directive 2000/60 and the economic value of water

Estimate Models of water demand
The project, which required a great deal of effort due to the lack of complete, consistent databases, involved the critical analysis of all the various econometric methods for estimating the function of water demand, processed by the main international research centres, also proposing several specifications for improvement.
Work is currently underway to create a database on tariff structures, volumes supplied and social and economic characteristics at municipality level. To date, also as a part of the EU project Prepared, data has been obtained on volumes, the related tariff structures, and revenue for 67 municipalities in Liguria, broken down by type of users in the 2004-2009 period.

The following European projects are worthy of note:

Prepared: Analysis of the impact of climate change on the integrated water service
The project, funded as part of the 7th Framework Program, has a term of four years (2010-2014) and the goal of defining global, shared strategies to handle the impact of climate change on the integrated water service. To this end, it encourages synergies and coordinated research programs among European utilities in the water sector. The results of the project will be useful for defining useful guidelines in defining investments and interventions to improve and renovating networks and plants.
The know-how, experience and technology acquired in the various European countries will be used as a basis for the development of innovative solutions applied by operator companies to sample

sites.
Iride Acqua Gas and Mediterranea delle Acque are participating, by contributing to the following activities: development of a system to support decision-making relating to exploitation of resources for drinking water; development of new GIS for the following applications: identification of points in the distribution network with higher temperatures, resulting in anomalous growth of pathogenic organisms, mapping of flooding risk, flow assessment with verification of the potential to exploit resources in periods of drought; development of new methods for monitoring rain precipitation; development of new methods for quantifying uncertainties in modelling urban water systems, aimed at reducing all types of uncertainties identified; development of DSS and warning systems for monitoring sources and water collection tanks; development of regulation models and econometric models to support efficient resource management; and definition of guidelines for the redesign of the urban drainage networks.

@QUA: Themed network for the efficiency of Water Systems

Fondazione AMGA is a partner in this project, which involves the creation of a themed network to disseminate best practices and technological groups most appropriate for efficient, sustainable management of water services. In this view, a domestic and European network of stakeholders will be created, identifying the needs and requirements of technological groups in the various segments of the water industry. The project will also define a roadmap for customizing research and development strategies necessary for water industry processes, including guidelines for managing water efficiency.
The activities include the approval and validation of a final document with validity as a deliverable, and a final document which will form the basis for organizing multiple training-information initiatives.

ROUTES: "Innovating solutions for efficient management of treatment sludge"

The goal of the project, funded as part of the 7th Framework Program, is to develop low cost, innovative technologies for effective treatment of sludge to be reused in farming; a strategy for integrated management of the wastewater and sludge treatment chain for the purpose of minimizing the production of sludge; treatment processes for recovery (production of biogas, biopolymers, fertilizers, disposal processes alternative to incineration, such as pyrolysis and wet oxidation).
Many of the activities indicated above will be carried out on plants at 100% scale, and the results of the tests will allow for defining optimum solutions to be integrated into the treatment chain and solutions for problems linked to the disposal of sludge.

AQUAKNIGHT – Management of the transfer of knowledge and innovation for water savings in the Mediterranean basin

This three-year project was funded through an ENPI tender, and has the following objectives: protecting the environment by ensuring sustainable use of water resources; setting up a cooperation network including partner countries (MPC) and EU Mediterranean Countries (EUMC) which border the Mediterranean, in order to improve the efficiency of water distribution networks.
In particular, the project intends to favour: 1) the development of five parallel pilot projects with the cooperation of partner countries (Egypt, Jordan and Tunisia) and EU member states (Cyprus and

Italy), for the transfer of experience in the integrated planning and management of water networks; 2) capacity building of companies and public authorities responsible for managing water services, in order to promote savings and the management of user demand; 3) synergies and collaborative actions between water companies in partner countries and EU member states to tackle problems related to water scarcity in the Mediterranean basin; and 4) the transfer of knowledge relating to best practices and state-of-the-art techniques for efficient management of services. Iren Acqua Gas is involved in reporting the project results and testing the methods developed during the project, in Genoa, specifically relating to controlling water loss and analyzing metre measurement errors.

TRUST - Transition to the Urban Water Services of Tomorrow

The project involves defining strategies and best practices for sustainable management (with low environmental impact) of urban water services, which do not have negative effects on service quality. Proposals for governance, systems to support decision-making and forecasting systems, asset management models, and technological innovations will be assess in ten pilot cities. The potential environmental, social and economic impact of various water service management policies and the most suitable solutions to handle future management problems will be analyzed.

e-LEANOR – e-LEArning and inNOvation for wateR industries

The project, conceived as a follow-up to VESTA-GIS, regards vocational training in the water industry in the public and private sectors. The project aims at improving the offer of training in the water sector by optimizing and standardizing training processes, supported by e-learning tools and the transfer of Good Practices.
The partnership involves 9 organizations which providing training in the water sector. The project has a term of 24 months.

EMILIA ROMAGNA AREA

The research and development issues relating to SPL Iren Ambiente and Iren Emilia focused mainly on the use of renewable resources, rationalizing energy consumption, processing waste and processing residue, watching over environmental well-being, developing new materials and converting into electrical energy.
Attention was paid to developing new materials to be used in the photovoltaic cells for the generation of electrical energy. Control units based on usage of biomass associated to turbines or small size motors for the generation of energy are currently being placed under observation. New integrated generation solutions are proposed constantly using different production methods, usually solar energy in combination with wind energy or biomass so as to use the source that is most convenient at the time. Energy savings is also an area in which in depth research is carried out. The combination of various plants set up in such a way that each uses the energy that has been unused by another plant (waste to energy, combined cycles) making it possible to recover energy that would otherwise be lost.
An important research area consists of the development of optimization algorithms and algorithms for control of plant management. The conversion into electric energy requires constant attention

to the development of appropriate generators (generators for wind plants) and the architecture of static converters and the relative regulation systems that make it possible to connect plants producing from heterogeneous sources to the national distribution network in such a way that the various energy sources can be used to the best advantage.
The research activity in the renewable sources and energy savings area also covers all areas of the water sector, from correct management of resources to usage of its various components.
Studying the treatment of waste and residues as a source of alternative energy is one more line of action taken by Research and Development, as well as in the sector of electric mobility, the study and development of smart grids and their sustainability.
Iren Rinnovabili was involved in order to expand the demonstrative actions of the Biomether project, to be submitted for the LIFE+ tender, with a plant which produces biomethane as automotive fuel.
Moreover, actions were developed for the design and management of biogas plants running on agro-food biomass in the agricultural field, with the study of related company, tax and operational problems, and research was carried out in legal, corporate, economic and operational engineering fields in collaboration with the Universities of Parma and Reggio Emilia.
Lastly, it is important to note Iren Rinnovabili's efforts on environmental issues and problems related to seeping and nitrogen loads.

ORGANISATION

As indicated at the start of this report, the Group structure includes:

- An industrial holding company (Iren S.p.A.), which through its departments/central units:
  - carries out management and coordination, through the definition of strategic guidelines, management guidelines, allocation of resources and the coordination of various business segments belonging to the Group
  - directly carries out certain operating activities for the various Group companies
  - carries out in-service activities for the various Group companies

  ensuring supervision of the integration of the group.
- Five first-level companies, wholly owned by the industrial holding company, that manage the individual business segments, through organizational structures appropriate for management of operations, act on the various market sector whether directly or through their subsidiaries or investees.

The First-level companies are:

- Iren Energia S.p.A. (registered office in Turin), leading company of the "Electrical Energy" and "Technological Services" segment, manages the electrical energy/energy-heat waste to energy plants and the electrical energy and heat generation and distribution systems, as well as technological services (thermal and electrical plant, street lighting and traffic lights, facility and fleet management, etc., excluding ICT) directly and/or through investees for internal as well as external customers.
- Iren Acqua Gas S.p.A. (registered office in Genoa), leading company in the "Water" segment, manages the Integrated Water Services directly and/or through investees;
- Iren Mercato S.p.A. (registered office in Genoa), leading company in the "Market" segment, manages the procurement, trading and sales activities of electrical energy-heat, gas and energy-related services, directly and/or through investees;
- Iren Emilia S.p.A. (registered office in Reggio Emilia), the leading company of the gas segment manages the gas distribution activity and ICT/TLC Services and sanitation services directly and/or through investees;
- Iren Ambiente S.p.A. (registered office in Piacenza), leading company in the "Waste treatment and disposal" segments, manages, either directly or indirectly, the waste treatment and disposal plants and plants as well as renewable resource plants (biomass, wind, sun, geothermal, etc., excluding hydroelectric power plants) directly and/or through investees.

The Appointed Bodies of the Holding are entrusted with the task of coordinating the First-level Companies and the related business segments, as defined by the articles of association of Iren S.p.A..

The First-level Companies have been assigned the task of "functional coordination" over the entire sector, also with respect to Companies located in different areas. They are mainly entitled to act on issues such as business development (off-area development, management of tenders, etc.), budget and multi-annual plans, tariff and investment policies, research and development, innovation, operational and project standards, etc..

PERSONNEL

At 30 June 2011, the employees working for the Iren Group totalled 4,707, down by 0.9% compared to the figure at 31 December 2010 which was 4,752 employees. The table below provides a breakdown of staff at 30 June 2011, divided into Holding and First-level companies (with their relative subsidiaries).

Company	Workforce at 30.06.2011	Workforce at 31.12.2010
Iren S.p.A.	268	270
Iren Acqua Gas and subsidiaries	1,040	1,049
Iren Ambiente and subsidiaries	238	241
Iren Emilia and subsidiaries	1,691	1,711
Iren Energia and subsidiaries	1,034	1,045
Iren Mercato and subsidiaries	436	436
Total	**4,707**	**4,752**

The decrease in 2011 is related to further development of the workforce management policy, with recruitment restrictions and staff-leaving incentives, which has led to a decrease of 45 employees.

Overall workforce decreased by 165 employees from 1 July 2010 (64 due to the hiring/dismissal balance and 101 due to changes in scope).

TRAINING

For the Iren Group, training and development are fundamental tools for:
- facilitating the execution of strategies and the achievement of targets, contributing to the operation and development of the Group;
- promoting and consolidating Group culture;
- professional development of personnel.

A Group training plan has been drawn up also for 2011, deriving from the recording of training needs in the last few months of 2010, using a method applied throughout the Group, based on questionnaires and structured interviews, which involved managers and junior managers of the Parent and First-Level Companies in the areas of Genoa, Turin and Emilia Romagna (amounting to 6% of the workforce of the managed companies).
Using a standard method for recording needs and the sharing of training and development policies, it was possible to draw up a common frame of reference not only to identify, but also to manage planned training initiatives, banking on the experience previously acquired and contributing to the Group integration process.
The 2011 training plan includes both technical, professional and managerial initiatives relating to consolidated activities, with a view to safeguarding and enhancing the existing experience and skills, and initiatives aimed at increasing skills to support the processes of change and integration of the Group and the individual Companies within it, also in order to contribute to building a Group culture.

Total man/hours related to the various training and development initiatives that were carried out by the Iren Group over the first half of 2011 amounted to around 35,000 and 49% of the entire Group workforce was involved in the courses. These figures do not include hours spent during informal on-the-job training and self-training, or hours spent training companies and third party entities.

QUALITY, ENVIRONMENT AND SAFETY

QUALITY

All the companies leading the business segments belonging to the Iren Group have systems that are certified according to international ISO 9001 (Quality), ISO 14001 (Environment), excluding Iren Mercato that does not obtain certifications according to the ISO 14001 standard. The Turin and Genoa companies also have certification pursuant to the OHSAS 18001 standard (Safety).
Currently the Quality, Safety and Environment systems are managed in each First-Level Company by the respective departments; furthermore, they are in line with the group policy, which is strongly focused on sustainable development of the company, in a corporate as well as environmental sense.

Pursuant to the certification programme which is defined by a model consistent with Group policy, in the first-level company in Turin and its subsidiaries, IRIDE Servizi and AEM Distribuzione, the following certifications have been respectively confirmed: International Quality Management System Certification (ISO 9001), Environmental Management Systems Certification (ISO 14001) and Health and Safety (OHSAS 18001), reiterating the constant attention the organisation pays to issues involving social and environmental responsibility with a view to sustainable development.
Along with the periodic supervisory inspection, the inspection of the extension of existing certification to assets acquired by IRIDE Servizi following the merger with the former ENIA was also conducted, with a positive outcome.
At the same time, a pre-audit was conducted, which confirmed the correct approach adopted by the Turin company for applying and extending the requirements of the QAS integrated management system to the cogeneration plants and structures and electrical energy distribution networks of the cities of Reggio Emilia, Parma and Piacenza, incorporated following the merger. The extension of the QAS certifications is expected in November 2011.

EMAS Registration (EU Regulation 761/2001 or the EMAS Eco-Management and Audit Scheme) was confirmed for 2011 for the Moncalieri thermoelectric production plants and the updated 2010 "Environmental Report" was approved.

Iren Energia and AEM Torino Distribuzione entered into a new agreement with AICQ and the Torino Agency of Public Services, to continue the path to EFQM (European Foundation for Quality Management) excellence. Thus, the self evaluation process was launched and is currently underway in each company, according to the criteria of the new version of the EFQM model.

Iren Acqua Gas, Mediterranea delle Acque and Genova Reti Gas have maintained their Excellence certification issued by the certification organisation. The pursuit of corporate excellence was obtained through control of all aspects relating to quality, environment and safety and the realization of an integrated management system that makes it possible to constantly monitor and control the three aspects.
Furthermore, Laboratori Iride Acqua Gas implemented an Integrated System and, at the same time, completed the certification process for UNI EN ISO 9001:2008, UNI EN ISO 14001:2004 BS OHSAS 18001:2007 standards.

In 2011, the following has been planned and implemented for the Genoa companies:

- for CAE and Idrotigullio – previously UNI EN ISO 9001 certified – the scope of certification of the OHSAS BS 18001 (Safety) was expanded.
- for Amter – previously UNI EN ISO 9001 certified - OHSAS BS 18001 (Safety) certification is expected.
- for the organizational units acquired following the merger with the former ENIA, extension of the scope of Quality, Environment and Safety certification is expected.
- for the Imperia and Reggio Emilia laboratories, renewal and/or maintenance of the accreditation is expected.

Also for the first-level company in Emilia Romagna, Iren Emilia S.p.A. and its subsidiaries Enìa RE S.r.l., Enìa PR S.r.l and Enìa PC S.r.l., and Iren Ambiente S.p.A., the existing Quality Management System Certification (ISO 9001) and the Environmental Management Systems Certification (ISO 14001)

were respectively confirmed, reiterating the importance of constant development and continuous improvement of the management systems in line with the Group policies and strategies and the specific company policies.

At the time of renewal of certification of the quality management systems, the inspection and extension of existing certification to the recently established Piacenza gas service was carried out, with a positive outcome.

Following the merger in 2010, the organizational structure and processes of the Emilia Romagna companies underwent significant changes. This resulted in the overall redefinition and restructuring of the management systems implemented and related documentation, which involved all Departments and structures.

Lastly, in terms of projects, the implementation of the system for managing the security of corporate information was completed, pursuant to international standard ISO 27001. The system is now being implemented in the companies leading business segments in Turin and Genoa and their subsidiaries.

SAFETY AND ENVIRONMENT

Safety

With regard to safety, the policies of the Parent Iren S.p.A and the first-level companies have always been aimed at complying with the relevant safety laws while also attaining constant improvement.

During the first half of 2011, safety-related activities were carried out in compliance with BS OHSAS 18001:2007 regulations, making it possible to maintain certification for the Turin companies.
All the inspections were successfully carried out for the Genoa companies in the first half of 2011, while the inspections for renewal or maintenance of certifications are planned for the second half of 2011.
In the Genoa area, the risk evaluation for ionizing optical radiation was completed, and the risk assessment for work-related stress is currently underway.
For Iren Energia, Iride Servizi and AEM Torino Distribuzione, the periodic management committees which handle and monitor safety aspects in general continue.
The risk assessment for work-related stress is currently being updated for Iren Energia, Iride Servizi and AEM Torino Distribuzione.
The verification of the safety aspects inherent in the Torino Nord project continued.
Health supervision of personnel has been launched, through the use of equipped check-up rooms in the various company offices. These check-ups were previously carried out externally.
A verification of the Individual Protection Devices in use is underway, for the purpose of possibly replacing said devices with others that have improved characteristics. In this context, a wide-scale replacement of non-conductive hardhats was carried out, using a new model with a visual indicator

for replacement.
In the Genoa area, health supervision was implemented throughout the areas covered, in line with the health plan defined by the coordinating qualified doctor. Moreover, for personnel concerned, the process for testing for psychotropic drug use has been started.

For Iren Emilia and Iren Ambiente, the implementation of the safety management system continued in line with ISO 18001, Law 231 and INAIL guidelines, in a context where the quality and environmental management systems implemented have already significantly covered the main related safety issues and defined procedures and specific work documentation which also fulfil the workers' health and safety requirements. Dialogue is underway with the Emilia Romagna local health authorities regarding emergency activities in temporary and mobile worksites in order to define shared rules which, in compliance with regulations, are an effective increase in safety and not additional bureaucratic formalities.

Waste Management

The Iren Group caries out the activities relating to its business segments and business lines with specific attention to protecting the environment. The work methods implemented focus on environmental quality criteria, the rational use of natural resources and full compliance with regulations in force. The following resources have been deployed in order to ensure a sustainable corporate growth based on a constant improvement:

- development of electrical energy from renewable resources (hydroelectric) or similar to renewable resources (waste to energy), as well as promotion of district heating, as supply of thermal energy having a lower environmental impact, and adoption of the best plant technologies available on the market to ensure the lowest environmental impact;
- enhancement of the use of water resources in terms of collection and use as well as release and discharge;
- correct management of production, stocking, transport and disposal/recovery of special waste;
- dissemination of information on the impacts of corporate activities on the external environment, through specific reporting, such as the Sustainability Report, the Environmental Statements, etc..

From an operational point of view, to ensure the lowest environmental impact, the Group reconfirmed its commitment especially to:

- maintenance of UNI EN ISO 14001:2004 Environmental Management Certification and EMAS registration for the environmental management systems;
- monitoring of environmental performance through the use of special indicators for each single significant environmental aspect;
- analytical control of the impact of plants on the environment, especially as regards emissions, air quality, waste water, noise and electromagnetic fields, odours and biodiversity;
- performance of special internal audits aimed at checking the correct management of critical environmental issues for the corporate plants;

- in compliance with administration tasks, especially as regards the monitoring and controls granted by the Environmental Integrated Authorisations (I.P.P.C. Directive) and the issue of greenhouse gas emissions (Emission Trading System) for the plants involved;
- continuous involvement of the company's staff, through special training courses, scheduled on an annual basis and focusing on environmental issues and the best practice for the management of plants, to ensure the lowest environmental impact;
- implementation in the various sites of the Iren Group of the new control system of waste traceability. This system is called SISTRI, created by the Minister of the Environment and Territorial and Sea Protection to ensure an innovative and more efficient management of the entire waste treatment segment through advanced technological solutions.

IREN AND SUSTAINABILITY

To grow in a sustainable way to generate value for stakeholders, while reconciling economic, social and environmental objectives is a fundamental target for the Iren Group.

The new group, which has come about through the vision of the shareholders which consisted of creating a modern company able to produce wealth while safeguarding the environment and respecting the expectations of stakeholders, proceeds along the road it has chosen in regard to sustainability since growth is planned and implemented in compliance with the principles of Corporate Social Responsibility (CSR).

Group policies are consistent with the fundamental principles of environmental, social and economic sustainability: respect for and protection of local areas, attention to and development of employees, customer satisfaction, constant dialogue with communities and the Public Administration, monitoring of the supply chain, and transparent communication with shareholders and financial institutions.

In order to communicate to its stakeholders the actions, results and objectives in regard to social responsibility, the Iren Group publishes a sustainability report each year.

The document represents a tool to expresses the values, strategies and qualitative/quantitative relations with major stakeholders. It furthermore constitutes a tool for management of corporate performance, able to monitor results and identify objectives for the future in regard to the company's social responsibility, in line with the principle of continual improvement.
The Iren Group prepares the sustainability report according to the "Sustainability Reporting Guidelines & Electric Utility Sector Supplement" provided by the Global Reporting Initiative (GRI) in 2009; furthermore, the "principles for the preparation of the social report" prepared by the study group for social reporting [Gruppo di Studio per il Bilancio Sociale (GBS)] are taken into account as a reference for the preparation of the report for the determination and distribution of added value.
The document is reviewed in accordance with the criteria issued by the International Auditing and Assurance Standards Board.

Currently, the first Sustainability Report of the Iren Group is being drawn up.

Iren S.p.A.
Via Nubi di Magellano, 30 - 42123 Reggio Emilia
Share capital, fully paid up: euro 1,276,225,677.00
Reggio Emilia Register of Companies,
Tax Code and VAT no. 07129470014

Condensed Interim Consolidated Financial Statements and Notes thereto

at 30 June 2011

Board of Directors
of 29 August 2011

STATEMENT OF FINANCIAL POSITION

thousands of euro

ASSETS	Note	30.06.2011	of which related parties	31.12.2010	of which related parties
ASSETS					
Property, plant and equipment	(1)	2,746,332		2,642,531	
Investment property	(2)	2,651		2,687	
Intangible assets with a finite useful life	(3)	1,202,877		1,168,458	
Goodwill	(4)	132,117		132,117	
Investments accounted for using the equity method	(5)	321,613		324,106	
Other investments	(6)	295,466		296,249	
Non-current financial assets	(7)	72,666	66,596	88,388	82,361
Other non-current assets	(8)	24,406		29,463	
Deferred tax assets	(9)	133,579		134,046	
Total non-current assets		**4,931,707**		**4,818,045**	
Inventories	(10)	47,870		45,227	
Trade receivables	(11)	1,112,318	166,122	1,115,235	168,367
Current tax assets	(12)	13,320		5,755	
Other receivables and other current assets	(13)	229,238	1,741	209,504	2,081
Current financial assets	(14)	412,501	394,952	377,281	367,728
Cash and cash equivalents	(15)	67,225		144,548	
Total current assets		**1,882,472**		**1,897,550**	
Assets held for sale	(16)	25,573		77,857	569
TOTAL ASSETS		**6,839,752**		**6,793,452**	

thousands of euro

LIABILITIES	Note	30.06.2011	of which related parties	31.12.2010	of which related parties
EQUITY					
Equity attributable to owners of the Parent					
Share capital		1,276,226		1,276,226	
Reserves and retained earnings		474,103		432,700	
Profit for the period/year		96,298		143,104	
Total equity attributable to owners of the Parent		**1,846,627**		**1,852,030**	
Non-controlling interests		208,673		229,590	
TOTAL EQUITY	**(17)**	**2,055,300**		**2,081,620**	
LIABILITIES					
Non-current financial liabilities	(18)	1,849,516		1,829,263	
Employee benefits	(19)	93,778		94,327	
Provisions for risks and charges	(20)	207,875		195,133	
Deferred tax liabilities	(21)	107,917		106,806	
Other payables and other non-current liabilities	(22)	147,873		148,383	
Total non-current liabilities		**2,406,959**		**2,373,912**	
Current financial liabilities	(23)	1,265,728	17,617	1,041,103	3,628
Trade payables	(24)	759,081	76,997	955,677	175,561
Other payables and other current liabilities	(25)	225,527	266	270,444	3,387
Current tax liabilities	(26)	80,204		12,560	
Provisions for risks and charges - current portion	(27)	42,220		35,807	
Total current liabilities		**2,372,760**		**2,315,591**	
Liabilities related to assets held for sale	(28)	4,733		22,329	
TOTAL LIABILITIES		**4,784,452**		**4,711,832**	
TOTAL EQUITY AND LIABILITIES		**6,839,752**		**6,793,452**	

INCOME STATEMENT

thousands of euro

	Note	First Half of 2011	of which related parties	First Half of 2010	of which related parties
REVENUE					
Revenue from goods and services	(29)	1,584,039	122,433	1,091,849	146,907
Variation in contract work in progress	(30)	252		449	285
Other revenue	(31)	101,805	10,002	93,937	7,038
Total revenue		**1,686,096**		**1,186,235**	
OPERATING EXPENSE					
Raw materials, consumables, supplies and goods	(32)	(762,586)	(277,425)	(616,298)	(280,248)
Services and use of third-party assets	(33)	(441,257)	(53,839)	(258,523)	(58,507)
Other operating expense	(34)	(38,535)	(2,493)	(28,027)	
Capitalised expenses for internal work	(35)	14,085		7,335	
Personnel expense	(36)	(131,240)		(73,983)	
Total operating expense		**(1,359,533)**		**(969,496)**	
GROSS OPERATING PROFIT		**326,563**		**216,739**	
AMORTISATION/DEPRECIATION, PROVISIONS AND IMPAIRMENT LOSSES					
Amortisation/depreciation	(37)	(98,087)		(59,109)	
Provisions and impairment losses	(38)	(34,318)	(275)	(23,451)	
Total amortisation/depreciation, provisions and impairment losses		**(132,405)**		**(82,560)**	
OPERATING PROFIT		**194,158**		**134,179**	
FINANCIAL INCOME	**(39)**				
Financial income		11,883	4,600	5,305	3,061
Financial expense		(43,467)	(35)	(29,360)	
Net financial expense		**(31,584)**		**(24,055)**	
Share of profit of associates accounted for using the equity method	(40)	8,803		5,499	
Impairment losses on investments	(41)	(381)		(33)	
PROFIT BEFORE TAX		**170,996**		**115,590**	
Income tax expense	(42)	(72,259)		(43,275)	
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**98,737**		**72,315**	
Profit from discontinued operations	(43)	866		829	
PROFIT FOR THE PERIOD		**99,603**		**73,144**	
attributable to:					
- owners of the Parent		96,298		70,534	
- non-controlling interests	(44)	3,305		2,610	
Earnings per ordinary and savings share	**(45)**				
- basic (euro)		0.08		0.08	
- diluted (euro)		0.08		0.08	

STATEMENT OF COMPREHENSIVE INCOME

thousands of euro

	Note	First Half of 2011	First Half of 2010
Profit for the period - Owners of the parent and non-controlling interests (A)		**99,603**	**73,144**
Other comprehensive income	**(46)**		
- effective portion of changes in fair value of cash flow hedges		10,556	(16,163)
- change in fair value of available-for-sale financial assets		(497)	-
- share of other profits (losses) of companies accounted for using the equity method		188	2,641
Tax effect of other comprehensive income		(3,229)	4,174
Total other comprehensive income/(loss) for the period, net of tax effect (B)		**7,018**	**(9,348)**
Total comprehensive income for the period (A)+(B)		**106,621**	**63,796**
attributable to:			
- owners of the Parent		103,236	61,317
- non-controlling interests		3,385	2,479

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve	Hedging reserve
31/12/2009	**832,042**	**105,102**	**20,258**	**(15,074)**
Legal reserve			3,604	
Dividends to shareholders				
Acquisition of non-controlling interests and capital increase of subsidiary				
Capital increase of subsidiaries				
Comprehensive income for the period/year				(9,217)
of which:				
- Profit for the period/year				
- Other comprehensive income				(9,217)
30/06/2010	**832,042**	**105,102**	**23,862**	**(24,291)**
31/12/2010	**1,276,226**	**105,102**	**23,862**	**(17,029)**
Legal reserve			5,134	
Dividends to shareholders				
Retained earnings				
Change in interests				
Changes in consolidation scope				
Other changes				
Comprehensive income for the period/year				7,266
of which:				
- Profit for the period/year				
- Other comprehensive income				7,266
30/06/2011	**1,276,226**	**105,102**	**28,996**	**(9,763)**

thousands of euro

Available for sale reserve	Other reserves and retained earnings (losses carried forward)	Total reserves and retained earnings (losses carried forward)	Profit for the period/year	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
-	**302,659**	**412,945**	**6,397**	**1,251,384**	**135,219**	**1,386,603**
		3,604	(3,604)	-		-
	(67,931)	(67,931)	(2,793)	(70,724)	(2,109)	(72,833)
	15,830	15,830		15,830	(15,676)	154
		-		-	182	182
		(9,217)	70,534	61,317	2,479	63,796
			70,534	70,534	2,610	73,144
-		(9,217)		(9,217)	(131)	(9,348)
-	**250,558**	**355,231**	**70,534**	**1,257,807**	**120,095**	**1,377,902**
(8,119)	**328,884**	**432,700**	**143,104**	**1,852,030**	**229,590**	**2,081,620**
		5,134	(5,134)	-		-
	(10,975)	(10,975)	(97,504)	(108,479)	(12,818)	(121,297)
	40,466	40,466	(40,466)	-		-
	(109)	(109)		(109)	109	-
		-		-	(11,592)	(11,592)
	(51)	(51)		(51)	(1)	(52)
(328)		6,938	96,298	103,236	3,385	106,621
			96,298	96,298	3,305	99,603
(328)		6,938		6,938	80	7,018
(8,447)	**358,215**	**474,103**	**96,298**	**1,846,627**	**208,673**	**2,055,300**

STATEMENT OF CASH FLOWS

thousands of euro

	First Half of 2011	First Half of 2010
A. Opening cash and cash equivalents	**144,112**	**40,373**
Cash flow from operating activities		
Profit for the period	99,603	73,144
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	98,087	59,109
Net variation of post-employment benefits and other employee benefits	(549)	(1,707)
Net variation in provision for risks and other charges	22,508	15,714
Loss from the sale of discontinued operations net of tax effects	(892)	-
Deferred tax asset and liabilities	(1,650)	(1,918)
Variation in other non-current assets and liabilities	4,547	2,633
Dividends received	(3)	(4)
Portion of loss of associates	(8,803)	(5,499)
Net impairment losses (reversals of impairment losses) on non-current assets	690	33
B. Cash flows from operations before variations in NWC	**213,538**	**141,505**
Variation in inventories	(2,643)	1,302
Variation in trade receivables	2,917	18,227
Variation in tax assets and other current assets	(27,300)	(48,709)
Variation in trade payables	(196,595)	(38,468)
Variation in tax liabilities and other current liabilities	22,727	25,583
C. Cash flow from variations in NWC	**(200,894)**	**(42,065)**
D. Operating cash flows (B+C)	**12,644**	**99,440**
Cash flows from/(used in) investing activities		
Investments in intangible assets and in property, plant and equipment and investment property	(242,938)	(163,268)
Investments in financial assets	(38)	(7,717)
Proceeds from the sale of investments and changes in assets held for sale	6,427	5,300
Transfer of discontinued operations net of cash disposed of	21,955	-
Dividends received	10,143	9,336
E. Total cash flows used in investing activities	**(204,451)**	**(156,349)**
F. Free cash flows (D+E)	**(191,807)**	**(56,909)**
Cash flows from financing activities		
Dividends paid	(121,297)	(72,833)
Other changes in equity	(52)	337
New non-current loans	100,000	-
Repayment of non-current loans	(55,973)	(35,394)
Variation in financial receivables	(19,165)	(40,685)
Variation in financial payables	211,407	202,190
G. Total cash flow from financing activities	**114,920**	**53,615**
H. Cash flows for the period (F+G)	**(76,887)**	**(3,294)**
I. Closing cash and cash equivalents (A+H)	**67,225**	**37,079**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Iren S.p.A. is an Italian multiutility company, listed on the Italian Stock Exchange (Borsa Italiana). It was established on 1 July 2010 from the merger of Iride and Enìa.

The business segments in which the Iren Group operates are:
- Production of Electricity and Heat (Hydroelectric energy, co-generation of electricity and heat, production from renewable sources);
- Market (Sale of electric energy, gas, heat);
- Energy Infrastructures (Distribution networks of electricity, distribution networks of gas, district heating networks, LNG regasification plants);
- Integrated Water Service (sale and distribution of water, water treatment and sewerage);
- Waste Collection (Waste collection and disposal);
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

Paragraph X, Information by operating segments, includes information as per IFRS 8.

Iren S.p.A. was structured after the model of an industrial holding, with registered office and headquarters in Reggio Emilia and operating offices in Genoa, Parma, Piacenza and Turin, as well as companies head of the single business lines.

In comparing the amounts included in the Financial Statements at 30 June 2010 and 30 June 2011, it should be noted that the first amounts refer to the Iride Group only and do not include the Enia Group contribution.

The pro forma figures and related preparation criteria are described in the Directors' Report.

In order to make the financial statements of the two Groups comparable, some reclassifications were required to the income statement for the six-month period ended 30 June 2010. The most significant reclassifications are described in these notes.

As regards the statement of cash flows, the main changes made to the corresponding figures regard dividends received, which reduced the operating cash flow and increased cash flows from financing activities, and the classification of the estimated income tax expense for the period in the statement of financial position, which is now posted under current tax liabilities.

The condensed interim consolidated financial statements at 30 June 2011 include those of the Company and its subsidiaries (jointly referred to as the "Group" and individually as "Group entities") and the Group's investment in associates and joint ventures.

I. CONTENT AND STRUCTURE OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Half-Year Report of the Iren Group at 30 June 2011 was prepared in accordance with art. 154-ter, subsection 2 of Italian Legislative Decree no. 58, 24 February 1998, as amended by Italian Legislative Decree no. 195 of 6 November 2007.

The condensed interim consolidated financial statements at 30 June 2011 were prepared in accordance with IAS 34 – Interim Financial Reporting. These condensed interim consolidated financial statements therefore do not include all information required for the annual financial statements and should be read together with the financial statements at 31 December 2010 available from the company's registered office, from Borsa Italiana S.p.A. and on the website www.gruppoiren.it.

The financial statements structure adopted by the Iren Group is the same as that applied in the annual financial statements at 31 December 2010.

The financial statements of the consolidated companies are prepared at the date of the period of reference. These condensed interim consolidated financial statements are stated in Euro, the company's functional currency. All amounts stated in euro have been rounded to thousands.

The accounting standards adopted in the preparation of these condensed interim consolidated financial statements are the same as those adopted for the consolidated financial statements at 31 December 2010, which should be referred to for greater details. In these condensed interim consolidated financial statements, the following accounting standard was also applied, adopted from 1 January 2011:

- Revision of IAS 24 – *Related party disclosures:* the amendment envisages the right for subsidiaries or subject to significant influence of government entities to provide briefer disclosure for transactions carried out with those entities and with other companies which are also controlled by or subject to significant influence of said entities. The new version of IAS 24 also changed the definition of a related party, significant for the purpose of the disclosure provided in the notes. The adoption of these amendments has no effect in terms of measurement of financial statements items and has limited effects on related party disclosures provided in the 2011 half-year report.

The following amendments, improvements and interpretations, effective from 1 January 2011, govern cases which are not present in the Group at the date of these condensed interim consolidated financial statements:

- Amendment to IAS 32 – *Financial instruments: Presentation: Classification of Rights Issues;*
- Amendment to IFRIC 14 - *Prepayments of Minimum Funding Requirements;*
- IFRIC 19 - *Extinguishing Financial Liabilities with Equity Instruments;*
- Improvements to the IAS/IFRS (2010).

Use of estimates

In order to prepare the condensed interim consolidated financial statements in compliance with IFRS, estimates and related assumptions are based on previous experience and other case factors which are deemed reasonable and were adopted to define the carrying amount of assets and liabilities to which they refer. The outcome of the occurrence of the events might differ from these estimates. Estimates have been used to recognise sales revenue allowances for impairment, provisions for obsolete inventory items, amortisation/depreciation and impairment losses on assets, employee benefits, to determine the fair value of derivatives and available-for-sale financial assets, taxes and other provisions for risks. These estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the period in which they are revised, if the revision refers only to the period under evaluation. Should the revision involve both current and future periods, the variation is recognised in both the year in which the revision occurs and in the related future periods.

Some measurement processes, especially those which are more complex, such as the calculation of impairment losses on non-current assets, are generally carried out fully only upon drawing up the annual financial statements, or when all information required is available, except when there are impairment indicators which require an immediate measurement of any impairment losses.

In compliance with IAS 36, in the first half of 2011 the Group updated the impairment tests in order to verify the inexistence of specific impairment triggers with special reference to goodwill, assets and value recoverability of their equity investments.

The notes shown hereafter illustrate the results of this process, which involved the recognition of an impairment loss of euro 380 thousand on the investment in Sarmato Energia.

Similarly, the actuarial valuations required to determine the Provisions for employee benefits are usually performed on preparation of the annual financial statements.

Seasonality

Iren Group results reflect the seasonality of its main business segments, particularly affected by weather conditions, and consequently may not be extrapolated for the entire year.

II. CHANGES IN THE SCOPE OF CONSOLIDATION COMPARED TO 31 DECEMBER 2010

In the first half of 2011, changes in the scope of consolidation of the Iren Group involved:

- the deconsolidation of Aquamet as a result of the finalisation of the transfer of the entire investment held by the Group, equal to 60% of the share capital. At 31 December 2010 the assets and liabilities of Aquamet were recognised under assets held for sale and liabilities related to assets held for sale. The transfer had an insignificant effect on the equity attributable to owners of the parent, while it involved a reduction of approximately euro 11,592 thousand in non-controlling interests;
- the change in the percentage of investment in the consolidated Laboratori Iren Acqua Gas, from 73.13% to 90.89% due to the share capital increase reserved to Iren Acqua Gas S.p.A., subscribed through transfer of the business unit relating to the laboratories, which was previously part of Iren Acqua Gas S.p.A..

III. RISK MANAGEMENT

The management of business risks is an essential component of the Internal Control System of corporate governance in a listed company, and the Code of Conduct set forth by Borsa Italiana assigns specific responsibilities as regards this aspect. The enterprise risk management model in place within the Group is currently being adapted and implemented in the new Iren entity. The model includes the methodological approach to the integrated identification, assessment and management of Group risks.
For each of the following risk types:

- Financial risk (interest rate, currency, spread);
- Credit risk;
- Energy risk (risk factors associated to energy and/or financial markets, such as market variables or pricing choices);
- Operational risk (risk factors associated with the ownership of assets, involvement in business activities, processes, procedures and information flows, and with the group's image);

specific "policies" were defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of related risks.
This model also regulates the roles of the various parties involved in the risk management process, which is governed by the Group Board of Directors. The document requires the creation of a Group Risk Committee and specific Risk Commissions, which shall take more hands-on action regarding specific management models for each of the following types of risk.
The "Risk Management" department, reporting to the CEO, was set up within the Iren Group. This function is formally entrusted with the following activities:

- coordinating the integrated management process of the Group's risks;
- signing and managing insurance policies, with the cooperation of the Legal department.

A summary of the Group risk management models is shown hereunder.

1. FINANCIAL RISKS

Iren Group's activity is exposed to various types of financial risks, including liquidity risk, currency risk and interest rate risk. The Group uses non-speculative hedging contracts to mitigate such risks. Derivatives are not used or held for purely trading purposes.

A) LIQUIDITY RISK

Liquidity risk is the risk that financial resources available to the company are insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The Group Finance Department was centralised in order to optimise the collection and use of financial resources. Specifically, the centralised management of cash flows in Iren, both through cash pooling and centralisation of all collection and payments within the Iren current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infragroup bank accounts along with infragroup interest income and expense.

Other investees have an independent financial management structure in compliance with the guidelines provided by the Parent.

Based on the cash pooling model, the accounts of all the companies are zeroed every day by means of a netting system that transfers the balances of currency transactions on the accounts of the Parent.

The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored. At 30 June the short-term bank credit facilities used by the Parent totalled euro 941 million, non-committed.

Nominal cash flows envisaged to settle financial liabilities and the contractual terms of existing loans remain essentially unchanged with respect to the Consolidated Financial Statements at 31 December 2010, as stated under paragraph a) Liquidity Risk in Chapter V. Risk Management.

Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suitable to its needs, and the best market conditions.

Furthermore, a new medium-term loan of euro 100 million was finalised and utilised in June 2011. In July 2011 two new medium-term loans were agreed and used for euro 100 million from Mediobanca and euro 150 million from Unicredit. Within the Group, in the first half of 2011 OLT Offshore LNG Toscana (41.71% consolidated) obtained a new facility from the shareholders Iren Mercato (financed by Iren within the Group cash pooling) and E.On, in equal portions and for a total amount of euro 35 million. Total facilities from shareholders to OLT to support investments amounted to euro 506 million at 30 June 2011.

At 30 June 2011, 25% of the residual amount payable for mortgages was contractualised at a fixed interest rate and 75% at a floating rate.

With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default and covenant risk), we note that the clauses in Iren loan agreements do not contain critical elements.

For a number of Iren medium/long-term loan agreements, a commitment to observe financial covenants is envisaged (such as Debt-EBITDA, EBITDA-Financial expense). Checks are on an annual basis and limits were defined with adequate prudence criteria and have been met in full. Moreover, other covenants such as the Change of Control clause have been provided for, which sets forth that the Iren Group's should be kept under indirect or direct control of Local Authorities, as well as clauses concerning negative pledges, under which the company undertakes not to give collateral beyond a specific limit, and the Pari Passu clause, which reserves an equal treatment to lending banks with respect to the treatment for other unsecured creditors.

The medium/long-term loan agreements of certain Group companies also envisage the observance of financial covenants (Net Financial Position-EBITDA, Net Financial Position-Equity) which have been satisfied.

b) Currency risk

Except as indicated under the section on energy risk, the IREN Group is not particularly exposed to the currency risk.

c) Interest rate risk

The Iren Group is exposed to fluctuations in interest rates above all for financial charges regarding indebtedness. Iren Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.

The risks associated with the increase in interest rates are monitored non-speculatively and, if necessary, reduced or eliminated by signing hedging swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges. With the exception of certain marginal positions, at 30 June 2011 all contracts to limit exposure to risk from fluctuating interest rates were classified as cash flow hedges in that they satisfy requisites for the application of hedge accounting.

The overall fair value of the above-mentioned interest rate hedges was a negative euro 12,930 thousand at 30 June 2011.

The hedging contracts agreed, together with fixed-rate loans, hedge approximately 56% of net financial indebtedness against interest rate risk, in line with the Iren Group target of maintaining a balance between floating rate loans and fixed rate loans or in any case hedged against significant increases in interest rate.

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables that show no particular concentration since the credit exposure is spread across a large number of counterparties. This risk is connected to the sale of electrical energy, district heating, gas and provision of water and environmental services to retail and business customers, public entities.

Risk factors related to trade receivables are attributable to the risk of increases in the ageing of receivables, insolvency risk and the risk of increases in receivables subject to bankruptcy proceedings.

In order to control credit risk, operating management of which is entrusted to individual regional functions, methodologies have been defined for monitoring and control of receivables in addition to the definition of strategies for reduction of credit exposure including Customer solvency analysis on acquiring receivables, the assignment of credit recovery to external credit recovery companies and the management of legal disputes regarding amounts receivable for services rendered, with the introduction of new recovery methods.

The trade receivables management policy and tools of creditworthiness as well as monitoring and recovery activities differ in relation to the various categories of customers and the various consumption dimension levels.
Over the last few years in order to strengthen the analysis and monitoring capacities, new tools have been introduced for the acquisition of commercial information and customer payment records, operating management for the collection of overdue receivables, outsourcing the telephone inquiry activity for certain customer segments. The Group started and completed the project for "electronic meters" with the aim of enhancing the promptness in the decoupling of customers in arrears and reducing costs.

Credit risk is hedged, for certain types of business customers, by appropriate forms of bank or insurance guarantees upon demand issued by first rate credit entities.
An interest-bearing guarantee deposit is provided for some types of services (water, natural gas, "protected customer" electrical energy) in compliance with regulations governing these activities. This deposit must be reimbursed if the customer adopts the payment through bank/post current accounts.
Generally applied payment terms are compliant with regulations in force and are consistent with market standards. In the event of non payment, interest in arrears will be debited to the extent indicated in the supply contracts and as set out by regulations in force.

Accruals to the allowance for impairment accurately reflect the effective credit risk through the targeted quantification of the accrual, involving the analysis of the individual receivables recognised in the database, specifically taking into account ageing, as well as comparison with historical impairment loss data and determination of the average non-payment rate.

With reference to the subsidiary Iride Servizi, the company's credit risk is basically linked to its credit concentration with the Municipality of Turin. For further details reference is made in particular to Note 7 of the condensed interim consolidated financial statements – Non-current financial assets.

3. ENERGY RISK

Iren Group is exposed to price risk, including the related currency risk, on the energy commodities traded, being electrical energy, natural gas, coal, etc., as both purchases and sales are either directly impacted by fluctuations in the price of such energy commodities or through indexing formulae.
The Group's strategy is to minimise the need to turn to the financial markets for hedges, both by aligning the indexing of the commodities purchased and sold and by exploiting, vertically and horizontally, its various business segments.
For this purpose, the Group carries out production planning for its plants and purchases electrical energy, with the aim of reconciling energy self-production and market supply with demand from Group customers.

In December 2010, two commodity forward contracts (Commodity swap on Gas Release 07 rate) were agreed upon as an energy portfolio hedge for 2011, for a total notional amount of 1 TWh and an average rate forward contract was agreed upon for USD 142,777 thousand. In the first half of 2011, two additional average rate forward contracts were agreed for a total of USD 91,000 thousand, to hedge the last quarter of 2011.

For 2011 the Iren Group also signed Electrical Energy purchase contracts for 166 GWh with Tirreno Power. These hedge the parties against the risk of excessive volatility in the price of electrical energy and do not involve energy trading.

The fair value of agreements that were still in force on 30 June 2011 is an aggregate negative by euro 1,651 thousand.

Iren Mercato launched trading operations which involve the trading of physical and financial contracts on the electrical market and financial contracts directly on the underlying commodities. These contracts may refer to various indexes (PUN, ITEC, Itmix, BINE). These also include trading on the IDEX.
The contracts that give rise to these activities are classified in a specific Trading Portfolio, which had a total fair value of euro -84 thousand at 30 June 2011.

Recognition of derivatives

Derivatives are measured at fair value, determined based on market values or, if unavailable, according to an internal measurement technique.
The Group makes derivative transactions having only the purpose of hedging specific currency, rate or price risks.
In order to recognise derivatives, within these transactions it is necessary to distinguish between transactions that abide by all of the IAS 39 requirements in order to reckon them in compliance with the hedge accounting rules and transactions that do not abide by all of the above-mentioned requirements.

Transactions recognised in compliance with the hedge accounting rules

These transactions include:

- other fair value hedging transactions: the derivative and the hedged item are recognised at fair value in the statement of financial position and the change of their fair values is recognised directly in the income statement;
- cash flow hedging transactions: the derivative is recognised at fair value with a balancing entry in a specific equity reserve for the effective component of the hedge and in the income statement for the ineffective component; when the hedged instrument appears, the amount deferred in equity is reversed to the income statement.

The transferred amount deferred in equity and the ineffective component are classified in the income statement based on the type of underlying instrument. Therefore, in the case of commodity derivatives they are recognised in the gross operating profit/loss, whereas in the case of interest rate risk hedges, they are recognised in financial income and charges.

Transactions not recognised in compliance with the hedge accounting rules

The derivative is recognised at fair value in the statement of financial position.
The change of fair value of the derivative is recognised in the income statement and is classified based on the type of underlying instrument:

- in the case of commodity derivatives, in the gross operating profit/loss; specifically, the component realised is recognised to adjust the income or expense referred to and that derived from the measurement of the derivative at the end of the period amongst other expense or other income;
- in the case of interest rate risk hedges, in financial income or charges.

As regards the measurement of the derivative in the statement of financial position items, the fair value of the derivative is recognised in long-term loans and financial receivables if the related underlying is a medium/long term item. Conversely, the derivative is recognised in short-term loans and financial receivables if the underlying is settled within the reference period.

Fair value

In addition to the carrying amount, the fair value along with the methods and major assumptions used to determine it must be disclosed for every class of assets and liabilities shown in the financial statements.

Fair value is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense discounted at period end. The present value of future flows is determined by applying the forward curve of interest rates at period end.

In order to provide as complete disclosure as possible, the corresponding figure from the previous year is also indicated.

thousands of euro

	30-giu-2011		31-dic-2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans - non-current portion and bonds	(1,830,814)	(1,841,193)	(1,799,801)	(1,829,229)
Loans - current portion	(173,729)	(227,723)	(159,145)	(213,987)
Liabilities for hedging derivatives	(15,169)	(15,169)	(26,065)	(26,065)
Assets for hedging derivatives	2,239	2,239	1,989	1,989
Total	**(2,017,473)**	**(2,081,846)**	**(1,983,022)**	**(2,067,292)**
Unrecognised loss		**(64,373)**		**(84,270)**

Fair value hierarchy

The following table shows the financial instruments recognised at fair value, based on the measurement technique used. The various levels were defined as shown hereunder:

- Level 1: prices quoted (not adjusted) on active markets for similar assets or liabilities
- Level 2: input data different from prices quoted, as per Level 1, which are observable for assets or liabilities, both directly (as per prices), and indirectly (or derived from prices)
- Level 3: input data related to assets or liabilities, which are not based on observable market data (non observable data).

thousands of euro

30 June 2011	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets			268,231	268,231
Financial assets designated at fair value through profit or loss				
Financial assets held for trading				
Derivative financial assets		9,628		9,628
Total assets		**9,628**	**268,231**	**277,859**
Derivative financial liabilities		(24,292)		(24,292)
Gross total		**(14,664)**	**268,231**	**253,567**

thousands of euro

31 December 2010	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets		137	268,424	268,561
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets		2,423		2,423
Total assets	**-**	**2,560**	**268,424**	**270,984**
Derivative financial liabilities		(29,349)		(29,349)
Gross total	**-**	**(26,789)**	**268,424**	**241,635**

All Group hedging financial instruments feature a fair value which can be classified at level 2. This level is measured based on the valuation techniques, which take as a reference parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different than quotations of the financial instruments, or however that do not require a significant adjustment based on data which cannot be observed on the market.
Moreover, no transfers occurred amongst the various Levels of the fair value hierarchy.
In addition to Sarmato Energy, for an amount of euro 397 thousand, the investment in Delmi, amounting to euro 267,834 thousand, is included in level 3. Although essentially based on the Business Plan of the Edison Group (see Note 6 and related comments), its value also reflects negotiations for the transformation of the investment into industrial assets. As regards the above, no sensitivity analysis is applicable and therefore is not submitted.

4. OPERATIONAL RISKS

This category includes all the risks not included in the previous categories, which may influence the achievement of operational targets, i.e. relating to the effectiveness and efficiency of business transactions, including the levels of performance, profitability and protection of the resources against losses.
The Enterprise Risk Management model, which will be extended throughout the Iren Group, including on the basis of the models implemented in the former Iride and Enìa, focused on the integrated and synergic management of risks, and it implements a management process that consists of the following stages:

- identification;
- estimation;
- assessment;
- treatment;
- control;
- reporting.

Each process stage is performed in accordance with standards and references defined at Group level.
The operational risk management process also aims at optimizing the Group's insurance profiles in the key "property" and "liability" areas.

A. Legislation and regulatory risks

The legislation and regulatory framework is subject to possible future changes, and therefore is a potential risk. For this purpose, the Iren Group set up internal structures in charge of the continuous monitoring of reference legislation, in order to assess and, as far as possible, mitigate its impact.

B. Strategic Risks

The local utilities sector is experiencing a phase of important development and consolidation. Deregulation and liberalisation mean companies have been forced to adopt a more decisive approach to competitive pressure, taking advantage of the opportunities for external and internal corporate growth offered by the new market scenarios.
The strategic development plan of the iren Group provides for significant investments, from the development of joint ventures of important regasification plants for the gas supply, to the construction or upgrading of cogeneration plants to complete the district heating extension plan, as well as to the upgrading of the hydroelectric plants, and the consolidated presence in the electrical energy and gas distribution segments, and water segment.
The above interventions entail an exposure of the Group to regulatory, technical, commercial, economic and financial risks (obtaining of licences, application of new technologies, compliance with commercial schedules, analysis of competition, etc.), which the Group has to tackle through specific processes and structures, focused on covering all phases, from assessment, to authorisation and realization of such project.

C. Plant-related risks

As regards the compliance of Group production plants, the plant-related risks are managed with the above-mentioned approach in order to correctly allocate resources in terms of control and preven-

tive measures (preventive/predictive maintenance, control and supervisory systems, emergency and continuity plans, etc.).
Insurance instruments, specially created based on the specific needs, were also created to further safeguard each single plant.

d. IT Risks

The main IT risks are related to the availability of core systems, amongst which the interfacing with the Power Exchange by Iren Mercato.
The Company is in fact one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers.
To mitigate such risks, specific measures have been adopted, such as the redundancy of parts of the system and appropriate emergency procedures ("Disaster recovery"), which are periodically subjected to efficiency testing.

Capital management

The capital management policies of the Board of Directors involves maintaining a high level of capital to uphold relations of trust with investors, creditors and the market, and also allowing future business development.
The Board of Directors monitors the return on capital and the level of dividends for distribution to ordinary shareholders, and aims to maintain a balance between achieving extra yield by recourse to indebtedness and the benefits and security offered by a solid equity position.

IV. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

On 30 November 2010, IREN's Board of Directors adopted the "Internal regulation for transactions with related parties" which was issued in implementation:

a) of the provisions relating to transactions with related parties pursuant to article 2391-bis of the civil code;
b) the provisions set forth under article 114 of Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance");
c) the regulation containing provisions on transactions with related parties, adopted by Consob with its resolution 17221 of 12 March 2010 and subsequently amended with resolution 17389 of 23 June 2010 (the "Consob Regulation").

The "Internal regulation on transactions with related parties", which was applied from 1 January 2011, is published on IREN's website (www.gruppoiren.it) and, in summary, provides for:

a) identification of related parties;
b) the meaning of transaction with related parties;
c) transactions of a significant amount;
d) transactions of a lesser significance and the relative procedure;
e) transactions of a higher significance and the relative procedure;
f) exclusions;
g) establishment of the Committee for transactions with related parties;
h) transactions for which the shareholders' meeting is competent;
i) amendments to the articles of association to be submitted to the extraordinary shareholders meeting of Iren;
j) forms of advertising.

Transactions between the Company and its subsidiaries and related parties are ruled by a transparent and fair approach. A good part of these transactions concern services provided to the customers in general (gas, water, electricity, heat, technological services in general, etc.) and are governed by contract rules normally applicable to these situations.
Where they do not concern current services, the transactions are governed by specific contracts, whose terms are established in accordance with normal market terms. If these references are not available or significant, the various profiles will be defined in consultation with independent experts and/or professionals.

Transactions with subsidiaries and associates

Intercompany Services - In order to make best use of the organisational synergies arising from the merger of iride and Enìa, the Iren structure was designed in accordance with a holding model, with sufficient staff structures to support the coordination activity of the Group and to deal with the most challenging matters of general interest. Therefore, Iren can provide professional services to the First-level companies and subsidiaries, according to their needs, based on service agreements signed by the parties.
These activities are governed by special supply contracts at arm's length terms.

Financial management – Organisational solutions were adopted with the aim of centralising financial management for the entire Group under the direct responsibility of Iren S.p.A., in order to optimise the structure and conditions of access to third party financing.
To this end, medium/long-term loans are taken out from financial institutions by Iren, whereby the funds are subsequently transferred to the Group's companies to support the investments made by these companies based on intercompany facility agreements.
The Board of Directors approved the regulation of financial transactions between the Parent and the First-level Companies, regarding both the cash pooling of the resources available within the Group for day to day requirements (working), and for the management of the resources needed to support medium/long term investments. The conditions of infragroup contracts, signed based on the above regulation, were defined according to the conditions at which the Parent procures on the financial market.

Tax consolidation scheme - Starting from 2010, Iren S.p.A. adopted the tax consolidation scheme pursuant to art. 117 et seq. of the new Consolidated Income Tax Act (TUIR). Under this approach, IRES is calculated on the taxable income of the Group, calculated as the total taxable profits and losses recognised by the individual consolidated companies, properly adjusted for the consolidation changes.
Since 2010, all financial and legal transactions between the parties are governed by the specific agreement between the companies involved and the parent, Iren S.p.A..
From 2010, the tax consolidation scheme therefore includes, in addition to the parent Iren S.p.A., the following companies: AEM Torino Distribuzione, CELPI, Iride Servizi, AEMNET, Iren Acqua Gas, Iren Mercato, Iren Energia, CAE AMGA Energia, AGA, AES Torino, Mediterranea delle Acque, Zeus, Immobiliare delle Fabbriche, Nichelino Energia, Enia Parma, Enia Piacenza, Enia Reggio Emilia, Eniatel, Tecnoborgo, Iren Ambiente e Iren Emilia and Genova Reti Gas.
In particular, this contract covers the way in which the IRES taxable amounts are transferred and the related remuneration charge, as well as the effects of any suspension of the above-mentioned regime or of its non-application in future years.
Italian Law 244 of 24 December 2007 (2008 Finance Law), with effect starting from the 2008 tax period, radically changed the group taxation rules. It abolished all consolidation adjustments provided for by art. 122 of the Consolidated Income Tax Act, abrogated the rules regarding infragroup transfers pursuant to art. 123 of the Consolidated Income Tax Act and introduced the possibility, under certain conditions, to deduct from the consolidated income surplus interest expense of the participating companies that may have accrued due to the new interest expense deductibility provisions set forth in art. 96 of the Consolidated Income Tax Act.
As a result of the regulatory modifications mentioned above, the parties agreed on the need to update the previous Regulation in effect, in conformity with the provisions of art. 22 of the Regulation. The update protects the principles stated above.
After the companies chose to adhere to the tax consolidation scheme, in return for the taxable income earned and transferred to the parent, the consolidated company commits to pay to the parent "tax settlements" equal to the amount of taxes owed on the income transferred, net of the IRES receivables transferred.
The other obligations of the parties are also pointed out in the Regulation, including the consolidated entities having to send information flows so that the parent is able to determine the total group Income for IRES purposes.
The consequences regarding early interruption of the consolidation, failure to renew and the responsibilities of the parties in the case of errors attributable to them, pursuant to art. 127 paragraph 2 of the Consolidated Income Tax Act, are indicated in specific paragraphs.

Group VAT option – The Iren Group opted for Group VAT Settlement in 2011, sending their adherence to this option within the terms of law.
In terms of procedures, for 2011, the payment of Group VAT involved the transfer to the parent Iren S.p.A. of all obligations regarding settlements and VAT periodic payments.
The companies that took part in the settlement procedure are the parent Iren S.p.A. and the following companies: Iren Energia S.p.A., Iride Servizi S.p.A., Iren Acqua Gas S.p.A., Iren Mercato S.p.A., AEM Torino Distribuzione S.p.A., AEM NET S.p.A., CAE AMGA Energia S.p.A., AES Torino S.p.A., CELPI, Genova Reti Gas, Nichelino Energia, Idrotigullio, Enia Reggio Emilia S.p.A., Enia Parma S.p.A., Enia Piacenza S.p.A., Iren Ambiente S.p.A., Iren Emilia S.p.A., and Enia Solaris S.p.A..

Other significant transactions with associates

Furthermore, in 2011, Iren Mercato operations continued through a gas supply contract entered with the associates Plurigas and Sinergie Italiane. This allowed the company to supply not only the Genoa and Emilia catchment areas, but also some trading companies belonging to the Iren Group.

The Group, through Iren Mercato, has a share of energy deriving from Edipower power plants through tolling contracts.

Transactions with shareholder Municipalities-related parties

Iren S.p.A. provides a series of services to Finanziaria Sviluppo Utilities S.r.l. (in the legal, administrative, financial and tax areas) in accordance with specific agreements that provide for fair compensation for the services.
Specifically, an agreement was signed through which FSU S.r.l assigned management of temporary cash surpluses to Iren S.p.A., through the creation of an infragroup current account.

Furthermore, special attention is paid to the local authorities on whose territory Iren is also active through its subsidiaries.
Through Iride Servizi, Iren S.p.A. provides various services to the Municipality of Turin in support of its activities for the administered community, such as management of street lighting and traffic light services, management of heating and electrical systems and municipal buildings or buildings used to provide services to the community, global services and similar. The services rendered by Iride Servizi are governed by specific long-term agreements. In relation to these agreements, negotiations were held with the Municipality of Turin to amend several contractual clauses, including the clause regarding the consideration for ordinary maintenance activities in the existing contracts. For the contracts for management of heating and electric systems, expiring on 31 December 2014, negotiations were carried out for a new assignment up to 31 December 2017. As per the Internal regulation on transactions with related parties, the specific committee of independent directors was involved. The committee classified the transaction to be carried out with the Municipality of Turin as a transaction of lesser significance, given that the value of said transaction did not meet the thresholds to be classified as of higher significance, and issued a written opinion on 13 May 2011, which was favourable to the Company's interest in carrying out the above transactions, as well as on the economic viability and substantial correctness of the related conditions. The Board of Directors of the listed parent Iren S.p.A. and the Board of Directors of the subsidiary Iride Servizi both acknowledged this opinion, and the latter assigned its specific body to finalise the related deeds/contracts.

Iren Mercato supplies the Municipalities of Turin, Genoa, Reggio Emilia, Parma and Piacenza with electrical energy and the Municipalities of Genoa, Reggio Emilia and Parma also with gas, at conditions similar to those applied to the other customers. Its subsidiary, CAE S.p.A., provides services relating to the management of air conditioning systems in public buildings and to the management of technological systems at sports and public service facilities to the Municipality of Genoa, based on long-term contracts.

Iren Acqua Gas, through its subsidiary Mediterranea delle Acque S.p.A., provides the offices and facilities of the municipality of Genoa and directly the Municipalities of Reggio Emilia and Parma with drinking water and sewers based on supply contracts similar to those signed with the other customers.

Iren Emilia provides
- a) the Municipalities of Reggio Emilia, Parma and Piacenza with the waste collection and disposal services at terms similar to those applied to the other customers;
- b) the Municipality of Piacenza with drinking water and sewers based on supply contracts similar to those signed with the other customers;
- c) the Municipality of Parma with public lighting services;
- d) the Municipality of Reggio Emilia with maintenance of public parks and snow removal;
- e) the Municipality of Piacenza with maintenance of public parks, snow removal and cemetery services.

Information on financial transactions with related parties is shown in paragraph "XI. Annexes to the Condensed interim consolidated financial statements", considered an integral part of these notes.

Transactions with top managers

Lastly, and regarding top managers, the following should be noted:
- a) the Chairman of Iren S.p.A. (Mr. Bazzano) is also CEO and Managing Director of Iren Acqua Gas;
- b) the CEO of Iren S.p.A. (Mr. Garbati) is also CEO and Managing Director of Iren Energia;
- c) the Managing Director of Iren S.p.A. (Mr. Viero) is also CEO and Managing Director of Iren Emilia and CEO of Iren Ambiente.

Any interests that these authorised bodies have in operations between the Parent and the First-level Companies will be declared when they are being approved by the respective Boards of Directors.

V. SUBSEQUENT EVENTS

Parma Integrated Environmental Hub

On 6 July 2011 the Municipality of Parma served an order for suspension of works, reiterated on 24 August pursuant to Regional Law no. 23/2004, on the waste-to-energy plant in the Parma Integrated Environmental Hub. The order was issued as a precautionary measure, on the matter of the existence of the building permit within the Integrated Environmental Assessment procedures. Iren Ambiente, which has been building the plant since September 2009, in the full conviction of the legality of its operations, has initiated all the actions required to protect its image and its interests, also in terms of economic damage, deriving from the order to suspend the works.

LAW DECREE NO. 138 OF 13 AUGUST 2011 - "Robin Hood Tax"

On 13 August 2011, the Italian Government issued Law Decree no. 138, containing "additional urgent measures for financial stabilisation and development." This Decree includes several provisions regarding utilities. Of particular importance is the provision which envisages the increase and extension of the "Robin Hood Tax" to other parties.
The law increases the additional IRES, which to date was applied only to entities which produce and trade gas and electrical energy, from 6.5% to 10.5% for the three-year period 2011-2013. Above all, it extended the application of the additional tax and the related increase to companies operating in the segment of transmission, dispatching and distribution of electrical energy, as well as the transport and distribution of natural gas. This tax also targets companies which produce electrical energy primarily through the use of biomass and solar-photovoltaic or wind energy sources. However, the above additional IRES is applied only to companies whose revenue from those segments comprises the majority of total revenue.
In the event that the decree is converted into law without amendments, the increase of the effective tax rate for the Group's 2011 financial statements, as a result of partial compensation between the current tax charges and the positive effect of the recalculation of deferred tax assets, is estimated at approximately 1.5% to 3%.

VI. OTHER INFORMATION

CONSOB COMMUNICATION no. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions

During the first half of 2011, the Group was not involved in significant non-recurring events and/or transactions, as defined in the Communication, i.e. events or transactions that are non-recurring, or transactions or events that are not frequent in the ordinary conduct of business.

Positions or transactions deriving from atypical and/or unusual transactions

In the first half of 2011, the Group was not involved in atypical and/or unusual transactions, as defined in the Communication, i.e. transactions that may, due to their significance/relevance, nature of the counterparties, subject of the transaction, methods for determining the transfer price and timing of the event (near period end), give rise to concerns about: the correctness/completeness of the financial statements disclosures, conflict of interest, safeguard of the company's assets, protection of minority shareholders.

Publication of the Half-Year Report

The Half-Year Report was authorised for publication by Iren S.p.A.'s Board of Directors during the meeting held on 29 August 2011.

VII. NOTES TO THE STATEMENT OF FINANCIAL POSITION

Unless otherwise stated, the following tables are in thousands of Euro.

ASSETS

Non-current assets

Note 1_Property, plant and equipment

The breakdown of property, plant and equipment, divided between historical cost, accumulated depreciation and carrying amount, is shown in the following table:

thousands of euro

	Cost at 30/06/2011	Acc. depreciation at 30/06/2011	Carrying amount at 30/06/2011	Cost at 31/12/2010	Acc. depreciation at 31/12/2010	Carrying amount at 31/12/2010
Land	75,124	(1,510)	73,614	74,147	(1,510)	72,637
Buildings	329,762	(99,831)	229,931	329,690	(96,110)	233,580
Leased buildings	6,740	(1,727)	5,013	6,740	(1,625)	5,115
Land and buildings	**411,626**	**(103,068)**	**308,558**	**410,577**	**(99,245)**	**311,332**
Plant and machinery	2,730,272	(1,069,739)	1,660,533	2,667,371	(1,017,747)	1,649,624
Leased plant and machinery	1,011	(505)	506	1,011	(476)	535
Plant and machinery	**2,731,283**	**(1,070,244)**	**1,661,039**	**2,668,382**	**(1,018,223)**	**1,650,159**
Industrial and commercial equipment	78,699	(47,697)	31,002	77,522	(45,217)	32,305
Leased industrial and commercial equipment	-	-	-	-	-	-
Industrial and commercial equipment	**78,699**	**(47,697)**	**31,002**	**77,522**	**(45,217)**	**32,305**
Other assets	116,712	(92,512)	24,200	115,318	(89,137)	26,181
Other leased assets	1,883	(1,450)	433	1,606	(1,384)	222
Accumulated depreciation of other assets	**118,595**	**(93,962)**	**24,633**	**116,924**	**(90,521)**	**26,403**
Assets under construction and payments on account	**721,100**	**-**	**721,100**	**622,332**	**-**	**622,332**
Total	**4,061,303**	**(1,314,971)**	**2,746,332**	**3,895,737**	**(1,253,206)**	**2,642,531**

The variation in the historical cost of property, plant and equipment is shown in the following table:

thousands of euro

	Opening balance	Increases	Decreases	Reclassifications	Closing balance
Land	74,147	900	(29)	106	75,124
Buildings	329,690	1,705	(3,642)	2,009	329,762
Leased buildings	6,740	-	-	-	6,740
Land and buildings	**410,577**	**2,605**	**(3,671)**	**2,115**	**411,626**
Plant and machinery	2,667,371	16,774	(332)	46,459	2,730,272
Leased plant and machinery	1,011	-	-	-	1,011
Plant and machinery	**2,668,382**	**16,774**	**(332)**	**46,459**	**2,731,283**
Industrial and commercial equipment	77,522	1,775	(598)	-	78,699
Leased equipment	-	-	-	-	-
Industrial and commercial equipment	**77,522**	**1,775**	**(598)**	**-**	**78,699**
Other assets	115,318	1,887	(754)	261	116,712
Other leased assets	1,606	305	(28)	-	1,883
Other assets	**116,924**	**2,192**	**(782)**	**261**	**118,595**
Assets under construction and payments on account	**622,332**	**147,878**	**(275)**	**(48,835)**	**721,100**
Total	**3,895,737**	**171,224**	**(5,658)**	**-**	**4,061,303**

The variation in the accumulated depreciation is shown in the following table:

thousands of euro

	Opening balance	Depreciation over the period	Decreases	Closing balance
Accumulated depreciation, land	(1,510)	-	-	(1,510)
Accumulated depreciation, buildings	(96,110)	(4,754)	1,033	(99,831)
Accumulated depreciation, leased buildings	(1,625)	(102)	-	(1,727)
Accumulated depreciation, buildings	**(99,245)**	**(4,856)**	**1,033**	**(103,068)**
Acc. depreciation, plant and machinery	(1,017,747)	(52,067)	75	(1,069,739)
Acc. depreciation, leased plant and machinery	(476)	(29)	-	(505)
Acc. depreciation, plant and machinery	**(1,018,223)**	**(52,096)**	**75**	**(1,070,244)**
Acc. depreciation, ind. and comm. equipment	(45,217)	(3,013)	533	(47,697)
Acc. depreciation, leased ind. and comm. equip.	-	-	-	-
Acc. depreciation, ind. and comm. equip.	**(45,217)**	**(3,013)**	**533**	**(47,697)**
Accumulated depreciation of other assets	(89,137)	(4,142)	767	(92,512)
Acc. depreciation of other leased assets	(1,384)	(80)	14	(1,450)
Accumulated depreciation of other assets	**(90,521)**	**(4,222)**	**781**	**(93,962)**
Total	**(1,253,206)**	**(64,187)**	**2,422**	**(1,314,971)**

Land and buildings

This item primarily includes industrial buildings connected with Group plants, owned buildings used as headquarter and branch offices and related land.

Plant and machinery

This item refers to costs for electrical energy production plants, heat production plants, electrical energy distribution networks, gas distribution networks, heat distribution networks and plants

related to waste disposal services. Freely transferable assets are included in assets of electrical energy production plants.
Investments for the period, equal to euro 16,774 thousand, mainly refer to:
- enlargement of the district heating network of the municipalities of Turin, Nichelino and of Emilia Romagna, totalling euro 2,395 thousand;
- installation of new electronic meters for end customers and new connections to the distribution network of electrical energy, totalling euro 5,746 thousand;
- repowering of the Valle Orco plants and works on hydroelectric production plants for euro 2,194 thousand.

Industrial and commercial equipment
This item includes costs related to the purchase of supplementary or auxiliary assets for plants and machinery, such as rubbish bins, laboratory and other equipment.

Other assets
This item refers to costs for the purchase of office furniture and machines and vehicles.

Assets under construction and payments on account
Assets under construction and payments on account include the various charges borne for investments under construction and not working yet. Investments for the period, equal to euro 147,878 thousand, mainly refer to:
- building of the "Torino Nord" cogeneration plant, amounting to euro 56,861 thousand;
- repowering of plants in Valle Orco, amounting to euro 3,387 thousand;
- development of the heat transportation and distribution network, amounting to euro 15,595 thousand;
- implementation of the Polo Ambientale Integrato (Integrated Environmental Hub) project for the Emilia Romagna region, amounting to euro 37,980 thousand;
- transformation of the gas carrier Golar Frost, purchased by OLT Offshore, into a regasification plant, within the construction project of the Livorno regasification terminal (OLT project), amounting to euro 14,185 thousand.

Ordinary depreciation for the first half of 2011, totalling euro 64,187 thousand, were calculated based on the rates indicated in the annual financial statements at 31 December 2010 and held to represent the residual useful life of the relevant asset.
The group holds assets acquired through finance leases, for a total amount of euro 5,952 thousand (euro 5,872 thousand at 31 December 2010), mainly related to industrial buildings.
Lastly, no assets are granted to guarantee liabilities.
For further information on investments for the year, reference is made to the pertaining section in the Directors' Report.

Note 2_Investment property
The following table highlights the breakdown of the item:

thousands of euro

	Cost at 30/06/2011	Acc. depreciation at 30/06/2011	Carrying amount at 30/06/2011	Cost at 31/12/2010	Acc. depreciation at 31/12/2010	Carrying amount at 31/12/2010
Land	446	-	446	446	-	446
Buildings	3,494	(1,289)	2,205	3,494	(1,253)	2,241
Total	**3,940**	**(1,289)**	**2,651**	**3,940**	**(1,253)**	**2,687**

The amounts indicated refer to investments property of the subsidiary Mediterranea delle Acque, amounting to euro 971 thousand, the portion of the investment property of Acque Potabili, proportionally consolidated (equal to euro 1,680 thousand) and mainly refer to buildings held to obtain lease payments.

Note 3_Intangible assets with a finite useful life

Intangible assets, broken down between historical cost and accumulated amortisation, are shown in the following table:

thousands of euro

	Cost at 30/06/2011	Acc. amortisation at 30/06/2011	Carrying amount at 30/06/2011	Cost at 31/12/2010	Acc. amortisation at 31/12/2010	Carrying amount at 31/12/2010
Development costs	524	(463)	61	524	(424)	100
Industrial patents and similar rights	40,981	(25,855)	15,126	38,451	(23,006)	15,445
Licences, trademarks and similar rights	1,541,340	(488,511)	1,052,829	1,502,879	(462,714)	1,040,165
Other intangible assets	70,249	(53,930)	16,319	66,763	(50,711)	16,052
Assets under development and payments on account	118,542	-	118,542	96,696	-	96,696
Total	**1,771,636**	**(568,759)**	**1,202,877**	**1,705,313**	**(536,855)**	**1,168,458**

The variation in the historical cost of intangible assets is shown in the following table:

thousands of euro

	Opening balance	Increases	Decreases	Reclassifications	Impairment losses for the period	Closing balance
Development costs	524	-	-	-	-	524
Industrial patents and similar rights	38,451	2,281	-	249	-	40,981
Licences, trademarks and similar rights	1,502,879	33,632	(2,306)	7,135	-	1,541,340
Other intangible assets	66,763	3,549	(116)	361	(308)	70,249
Assets under development and payments on account	96,696	32,252	(2,661)	(7,745)	-	118,542
Total	**1,705,313**	**71,714**	**(5,083)**	**-**	**(308)**	**1,771,636**

Changes in the accumulated amortisation are shown in the following table:

thousands of euro

	Opening balance	Amortisation over the period	Decreases	Closing balance
Acc. amortisation, development costs	(424)	(39)	-	(463)
Acc. amort. of ind. patents and similar rights	(23,006)	(2,849)	-	(25,855)
Acc. amort. of licences, trademarks and similar rights	(462,714)	(27,641)	1,844	(488,511)
Acc. amort. of other int. assets	(50,711)	(3,335)	116	(53,930)
Total	**(536,855)**	**(33,864)**	**1,960**	**(568,759)**

Industrial patents and similar rights

This item mainly relates to the total of costs borne for the purchase of corporate and management software and the acquisition of rights for the exclusive use of technical studies on the statistical trend of network losses, amortised over five years.

Licences, trademarks and similar rights

This item is primarily composed of:

- assets recognised in application of IFRIC 12, related to the business segments of natural gas distribution, the Integrated Water Service and, marginally, district heating;

- the right of use aqueduct networks by virtue of the concessions granted by the municipality of Genoa and other neighbouring municipalities;
- concessions for the use of the IT network of third party operators.

Other intangible assets
This item is primarily composed of:
- costs incurred for in-house customisation of licensed software applications;
- expense for the ordinary maintenance of electrical systems and special installations of the Turin municipal authorities, capitalised and amortised over the term of the fifteen-year agreement;
- costs for the commercial development of customers.

Assets under development and payments on account
This item mainly consists of investments for concession services governed by IFRIC 12, in addition to software licences and related implementation costs.

Note 4_Goodwill

Goodwill totals euro 132,117 thousand (unchanged compared to 31 December 2010) and mainly refers to:
- the majority of Acqua Italia S.p.A. (now Mediterranea delle Acque), where the positive difference between the purchase cost and fair value of acquired and identifiable assets and liabilities was recognised as goodwill for euro 23,202 thousand;
- Enel's acquisition of the business unit related to the distribution and sale of electricity to non-eligible customers in the Municipality of Turin, in which the positive difference between the purchase cost and fair value of acquired and identifiable assets and liabilities was recognised as goodwill for euro 64,608 thousand;
- the business unit purchased from Enel at the end of 2000 and referred to electric facilities of the town of Parma, for an amount of euro 10,441 thousand;
- shares in Enìa Energia, acquired by Sat Finanziaria S.p.A. and Edison, for an amount of euro 16,731 thousand.

Goodwill is referred to as an intangible asset with an indefinite useful life. Therefore, it is not amortised, but tested for impairment to check whether the carrying amount is still recoverable.
In the first half of 2011, no impairment tests were performed as there were no indications of impairment.

Note 5_Investments accounted for using the equity method

Investments accounted for using the equity method are those in associates owned by the Group, and amount to euro 321,613 thousand (31 December 2010: euro 324,106 thousand).

The list of Group companies measured using the equity method at 30 June 2011 and changes since 31 December 2010 are indicated in the following table:

thousands of euro

	31/12/2010	Increases	Decreases	Revers. (impair.)	Dividends	Measurements with direct effect on equity	30/06/2011
A2A Alfa	744	-	-	-	-	-	744
ABM Next	300	-	-	-	(45)	-	255
Aciam	315	-	-	(11)	-	-	304
Acos S.p.A.	6,865	-	-	199	-	-	7,064
Acos Energia	277	-	-	223	-	-	500
Acquaenna	1,380	-	-	-	-	-	1,380
Acqueinforma	5	-	-	-	-	-	5
Aguas de San Pedro	4,260	-	-	-	-	-	4,260
Aiga	308	-	-	-	-	-	308
Alegas	1,381	-	(1,381)	-	-	-	-
Amat	5,619	-	-	(1)	-	-	5,618
AMAT Energia	2	2	-	(1)	-	-	3
Amter	679	-	-	(36)	-	-	643

thousands of euro

	31/12/2010	Increases	Decreases	Revers. (impair.)	Dividends	Measurements with direct effect on equity	30/06/2011
ASA	11,883	-	-	210	-	-	12,093
ASMT Servizi Industriali	5,887	-	-	63	-	-	5,950
Atena	8,334	-	-	700	-	-	9,034
BT Enìa Tlc	6,834	-	-	272	-	-	7,106
Castel	433	-	-	-	-	-	433
Ceppo	254	-	-	-	-	-	254
Consorzio Servizi Integrati	50	-	-	-	-	-	50
Domus Acqua	28	-	-	-	-	-	28
Edipower	220,509	-	-	3,948	(4,265)	792	220,984
Fingas	8,193	-	-	-	-	-	8,193
Gas Energia	735	-	-	75	-	-	810
Gesam Gas	6,956	-	-	(129)	-	-	6,827
GICA	131	-	-	(4)	-	-	127
Globale Service	6	-	-	-	-	-	6
Il Tempio	32	-	-	14	-	-	46
Iniziative Ambientali	438	-	-	26	-	-	464
Livorno Holding	6	-	-	-	-	-	6
Mestni Plinovodi	9,227	-	-	-	-	-	9,227
Mondo Acqua	142	-	-	-	-	-	142
Plurigas	19,169	-	-	3,093	(5,580)	(604)	16,078
Rio Riazzone	229	-	-	(9)	-	-	220
S.M.A.G.	-	36	-	(30)	-	-	6
Salerno Energia Vendite	1,164	-	-	149	(229)	-	1,084
Sea Power & Fuel	3	-	-	-	-	-	3
Sosel	508	-	-	34	(21)	-	521
Tirana Acque	47	-	-	-	-	-	47
Valle Dora Energia	498	-	-	-	-	-	498
Vea Energia e Ambiente	274	-	-	18	-	-	292
TOTAL	**324,105**	**38**	**(1,381)**	**8,803**	**(10,140)**	**188**	**321,613**

Edipower is considered an associate, even though the investment percentage is less than 20%. Indeed, the Iren Group holds a significant influence considering the agreements and tolling contracts currently in place between the shareholders.

The investment in Sinergie Italiane, though it has a carrying amount of zero, was classified under assets held for sale, as the actions were started which involve the sale of company shares, expected after 30 September 2011.

Note 6_Other investments

This item relates to investments in companies over which the Group has neither control nor significant influence. Since their fair value could not be reliably determined, these investments, except for Delmi, were maintained at cost, adjusted for any impairment losses.

The list of Group investments in other companies at 30 June 2011 and changes since 31 December 2010 are indicated in the following table.

thousands of euro

	31/12/2010	Decreases	Impairment losses	Reclassifications	30/06/2011
Acque Potabili Siciliane	20	-	-	-	20
Agenzia Parma Energia	3	(3)	-	-	-
Astea Energia	7	-	-	-	7
Atena Patrimonio	12,030	-	-	-	12,030
ATO2 Acque società consortile	10	-	-	-	10
Autostrade Centro Padane	*1,248*	-	-	-	1,248
C.R.P.A.	52	-	-	-	52
CFR	13	-	-	-	13
Consorzio Leap	10	-	-	-	10
Consorzio Prometeo	2	(2)	-	-	-
Consorzio Topix	5	-	-	-	5
Cosme	2	-	-	-	2
CSP Innovazione nelle ICT	28	-	-	-	28
Delmi	267,834	-	-	-	267,834
Energia Italiana	12,928	-	-	-	12,928
Environment Park	397	-	-	-	397
IAM	25	-	-	-	25
Nord Ovest Servizi	780	-	-	-	780
RE Innovazione	8	-	-	-	8
Rupe	10	-	-	-	10
Sarmato Energia	777	-	(380)	(397)	-
SDB Società di biotecnologie	13	(2)	-	-	11
SI.RE	15	-	-	-	15
Sogea	2	-	-	-	2
Stadio di Albaro	27	-	-	-	27
T.I.C.A.S.S.	4	-	-	-	4
TOTAL	**296,250**	**(7)**	**(380)**	**(397)**	**295,466**

The investment in Sarmato Energia was reclassified to securities available for sale under current assets, as it will be sold during the second half of 2011, and its value was adjusted to the sales price.

With regard to the investment in Delmi S.p.A., the Directors of Iren decided to maintain the carrying amount in the Financial Statements at 31 December 2010, to which reference is made for further details regarding the criteria for calculating the values used.
The Directors' willingness to maintain a fair value model which illustrates both the industrial destination of the investment and the goal of considering Delmi and Edipower transactions univocally has been confirmed.
The related measurement is mainly based on the Business Plan of the Edison Group, as performed in TdE, on approval of its annual financial statements, which carried out this analysis with the help of an independent expert, by using cash flows for the subsidiary Edison, approved by Edison S.p.A.'s Board of Directors on 14 January 2011, as well as based on estimates made by Edison's corporate management included in the "2011-2018 Business Plan". In fact, this document reflects the best estimates made by the Top Management on the main assumptions underlying corporate operations (macro-economic and price trends, operating expectations of production assets and business development).
During the first half of 2011 activities continued for the following purposes, also via industrial and financial advisors: identifying targets for Delmi's shareholders aimed at increasing the value of their equity investments, discussing a preliminary economic assessment and a possible review of the industrial and corporate setting of Edison and its control chain, and defining an implementation program for the specific transaction.

The Edison Group half year report 2011 confirms both the achievements of the 2011 budget targets and the steady application and updating of the impairment model used for the annual financial statements. An analysis of the half-year reports of the other entities in the Edison chain of control also confirms the inexistence of impairment triggers on Iren's investment in Delmi.
As a result of the above, Iren's Directors have decided to confirm the carrying amount of Delmi at 31 December 2010 as there is currently no impairment in the value of Delmi.

Note 7_Non-current financial assets

The item, equal to euro 72,666 thousand (31 December 2010: euro 88,388 thousand), refers to securities other than equity investments, financial receivables and fair value of derivatives.

Securities other than investments

This item contains securities that are measured pursuant to the provisions of IAS 39 - *Financial Instruments: Recognition and Measurement,* as held for sale or as investments held to maturity.

thousands of euro

	30/06/2011	31/12/2010
"Maestrale" closed-end mutual fund	-	137
Securities as collateral with bodies	38	38
Total	**38**	**175**

Securities as collateral with bodies are classified as held-to-maturity investments, and are measured at amortised cost.

Financial receivables and fair value of derivatives

thousands of euro

	30/06/2011	31/12/2010
Non-current financial receivables due from joint ventures	-	45
Non-current financial receivables due from associates	927	1,027
Non-current financial receivables due from shareholders - related parties	65,669	81,289
Non-current financial receivables - leases	319	501
Non-current financial receivables due from others	3,474	3,362
Fair value of derivatives – non-current share	2,239	1,989
Total	**72,628**	**88,213**

Financial receivables due from joint ventures at 31 December 2010 refer to receivables due from Società Acque Potabili.

Financial receivables due from associates, amounting to euro 927 thousand, refer to receivables due from AIGA (euro 433 thousand), Acquaenna (euro 276 thousand) and Ceppo (euro 218 thousand).

The receivables due from shareholders - related parties regard receivables due from the Municipality of Turin on which interest accrues for the Group, and concern the classification of the medium/long-term share of receivables on the current account that governs the trading and financial transactions between the subsidiary Iride Servizi S.p.A. and the Municipality of Turin.
These receivables total euro 242,460 thousand, and are divided amongst various statement of financial position items according to their classification by type and maturity: trade receivables (Note 11) and Current financial assets – financial receivables due from shareholders – related parties (Note 14), as shown in the following table.

thousands of euro

	30/06/2011	31/12/2010
Trade receivables for services on invoices issued	17,226	29,686
Trade receivables for services on invoices to be issued	13,889	1,709
Trade receivables for electrical energy and other supplies	16,821	9,450
Allowance for impairment	(6,750)	(6,750)
Total trade receivables	**41,186**	**34,095**
Non-current portion of financial receivables in current account	65,669	81,289
Total non-current financial receivables	**65,669**	**81,289**
Current portion of financial receivables in current account	119,000	118,000
Financial receivables for interest invoiced	15,090	11,753
Financial receivables for interest to be invoiced	1,515	3,337
Total current financial receivables	**135,605**	**133,090**
Total	**242,460**	**248,474**

Over the first half of 2011, the impairment losses on receivables due from the Municipal Authority were constantly monitored by the company and Authority representatives with a view to adopting appropriate measures to ensure gradual repayment.
Also in relation to the above, this item shows an overall positive trend. The balance of trade receivables due from the Municipality of Turin has increased by around euro 7,091 thousand (net of the allowance for impairment) and the balance of current and non-current financial receivables has decreased by euro 13,105 thousand. The Iren Group's total exposure from the Municipality of Turin has therefore decreased by euro 6,014 thousand since 31 December 2010. From a Directors' assessment based on average payments over the last twelve months, it is estimated that euro 65,669 thousand of these receivables is due after one year.
The reduction of the above financial assets is associated to the continuation of actions performed in accordance with the agreements between Iride Servizi S.p.A. and the Municipality of Turin, which set out the following:
- credit stability by achieving a substantial equality of invoicing and related payment flows;
- progressive reduction of the stock of payables of the Municipality through ordinary and extraordinary interventions performed by the Town Council.

Financial receivables due from lease companies relate to a finance lease agreed in 2004 for the sale of the Lingotto refrigeration plant located in Turin. This contract has a term of 9 years. The non-current portion amounts to euro 319 thousand (31 December 2010: euro 501 thousand), while the current portion, included in current financial assets amounts to euro 357 thousand (31 December 2010: euro 344 thousand).

The non-interest bearing loan for the future share capital increase, paid to Nord Ovest Servizi, and the portion of the deposit paid as guarantee to OLT Offshore for the sureties issued to Harbour Master's Office of Livorno, are included in Receivables due from others.

The fair value of derivatives amounts to euro 2,239 thousand (31 December 2010: euro 1,989 thousand) and the related description is included in the section "Risk Management", chapter III.

Note 8_Other non-current assets

These are detailed in the following table:

thousands of euro

	30/06/2011	31/12/2010
Guarantee deposits	2,996	7,663
Tax assets after 12 months	1,955	1,990
Other non-current assets	6,864	5,652
Non-current prepayments and accrued income	12,591	14,158
Total	**24,406**	**29,463**

The reduction in guarantee deposits is due to the closing of the deposit paid to GSE relating to CIP6.

Tax assets after 12 months include IRPEF advances on post-employment benefits and were made in accordance with Law no. 140/1997. In accordance with the relevant legislation, this amount has been recovered since 1 January 2000 and is revalued annually on the basis of the same criteria used to revalue the post-employment benefits.

Prepayments mainly include the long-term prepaid portion, relating to energy service contracts signed by the subsidiary CAE AMGA Energia S.p.A..

Note 9_Deferred tax assets

This item amounts to euro 133,579 thousand (31 December 2010: euro 134,046 thousand) and refers to deferred tax assets arising from elements deductible in future years. They also include the tax effect on adjustments made on IFRS first-time adoption.

Current assets

Note 10_Inventories

Inventories primarily comprise consumables intended for maintenance and construction of the Group plants. The measurement criterion used is the weighted average cost.
The summary of the changes occurred over the period/year is as follows:

thousands of euro

	30/06/2011	31/12/2010
Raw materials	46,240	44,214
Provision for the write-down of inventories	(2,786)	(2,531)
Carrying amount	**43,454**	**41,683**
Contract work in progress	4,416	3,544
Total	**47,870**	**45,227**

The provision for the write-down of inventories was set up in order to consider obsolete and slow-moving inventories.

At 30 June 2011, there are no inventories earmarked to guarantee liabilities.

Note 11_Trade receivables

These are detailed in the following table:

thousands of euro

	30/06/2011	31/12/2010
Receivables from customers	1,007,136	982,795
Allowance for impairment	(77,248)	(73,884)
Receivables from customers	**929,888**	**908,911**
Trade receivables from joint ventures	13,462	10,934
Trade receivables from associates	53,021	66,604
Trade receivables from other Group companies	16,308	37,957
Trade receivables from shareholders – related parties	109,917	101,107
Allowance for impairment from shareholders – related parties	(10,278)	(10,278)
Total	**1,112,318**	**1,115,235**

Receivables from customers

These mainly relate to receivables due for electrical energy, gas, water and heat supplies, waste disposal services and sundry services. The balance takes into account the allowance for impairment of euro 77,248 thousand (euro 73,884 thousand at 31 December 2010).

Receivables from joint ventures

This item includes receivables from the Group joint ventures, proportionally consolidated. They relate to normal trade transactions performed at market conditions. For further details, reference is made to the table of transactions with related parties shown in the annex.

Receivables from associates
They relate to normal trade transactions performed at market conditions. For further details, reference is made to the table of transactions with related parties shown in the annex.

Receivables from other Group companies
They relate to receivables from certain non-consolidated Group companies, relating to ordinary trading transactions performed at market conditions.

Receivables from shareholders – related parties
Receivables from shareholders - related parties refer to trading transactions performed at arm's length with territorial authorities (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and, marginally, with FSU. The balance takes into account the allowance for impairment of euro 10,278 thousand (unchanged compared to 31 December 2010). For further details, reference is made to the table of transactions with related parties shown in the annex.

The allowance for impairment at 30 June 2011 amounts to euro 87,526 thousand and shows the trends indicated hereunder:

thousands of euro

	31/12/2010	Uses	Provisions of the period	30/06/2011
Allowance for impairment	73,884	(8,552)	11,916	77,248
Allowance for impairment from shareholders – related parties	10,278	-	-	10,278
Total	**84,162**	**(8,552)**	**11,916**	**87,526**

The allowance was used to cover impairment losses due, for significant amounts, to one-off situations. The provisions of the period prudentially take into consideration the usual and thorough analyses as well as the current economic situation.

Note 12_Current tax assets

They amount to euro 13,320 thousand (31 December 2010: euro 5,755 thousand) and include receivables for IRES and IRAP advances made by the Group companies to the Tax Authorities.

Note 13_Other receivables and other current assets

These are detailed in the following table:

thousands of euro

	30/06/2011	31/12/2010
Receivables for revenue tax/UTIF	2,170	6,856
VAT credit	8,283	8,829
Other tax assets	6,081	3,743
Tax assets due within 12 months	**16,534**	**19,428**
Receivables from CCSE	65,332	57,463
Green certificates	86,712	73,717
Advances to suppliers	6,779	1,347
Receivables for Group tax consolidation and VAT	1,741	2,081
Other current assets	21,452	38,413
Other current assets	**182,016**	**173,021**
Prepayments and accrued income	30,688	17,055
Total	**229,238**	**209,504**

In relation to receivables from the Cassa Conguaglio Settore Elettrico (CCSE), a portion of the amounts shown may not be collectable within the next 12 months.

Note 14_Current financial assets

All financial receivables recognised in this item are due within 12 months. The carrying amount of these receivables approximates their fair value as the impact of discounting is negligible.
The details of current financial assets including derivatives are provided below:

thousands of euro

	30/06/2011	31/12/2010
Available-for-sale financial assets	397	590
Financial receivables due from joint ventures	248,156	226,655
Financial receivables due from associates	11,191	7,983
Financial receivables due from shareholders - related parties	135,605	133,090
Other financial receivables	9,763	8,529
Other financial assets	7,389	434
Total	**412,501**	**377,281**

Available-for-sale financial assets

Investments and securities included in this category are measured at fair value, and their variations are taken to equity.
At 30 June 2011 this item totals euro 397 thousand and refers to the investment in Sarmato Energia, which at 31 December 2010 was shown in other investments under non-current assets. At 31 December 2010 this item amounted to euro 590 thousand and referred to the carrying amount of the investment in CESI, which was sold during the first half of 2011.

Financial receivables due from joint ventures

These total euro 248,156 thousand (31 December 2010: euro 226,655 thousand), of which euro 100,577 thousand (31 December 2010: euro 89,277 thousand) from the proportionately consolidated AES Torino and regarding a loan, centralised treasury and interest management, and euro 147,579 thousand (31 December 2010: euro 137,378 thousand) from the proportionately consolidated OLT Offshore on the loan granted by Iren Mercato.

Financial receivables due from associates

These amount to euro 11,191 thousand (31 December 2010: euro 7,983 thousand), of which euro 6,614 thousand (unchanged compared to 31 December 2010) regarding receivables due from ASA on the loan granted by Iren Mercato, euro 4,265 thousand (not included at 31 December 2010) regarding receivables due from Edipower for dividends to be collected by Iren Energia, and euro 312 thousand (unchanged compared to 31 December 2010) regarding receivables due from Il Tempio. Moreover, at 31 December 2010 there were receivables due from ACIAM (euro 960 thousand) and receivables due from associates for immaterial individual amounts (euro 97 thousand). For further details reference is made to the schedule of transactions with related parties shown in the annex.

Financial receivables due from shareholders - related parties

They regard receivables on which interest accrues for the Group, and amount to euro 135,605 thousand (euro 133,090 thousand at 31 December 2010). They refer to the short-term balance of the current account which governs the trade and financial transactions between Iride Servizi S.p.A. and the Municipality of Turin, as already described in Note 7, to which reference is made for further details.
The Directors calculated the amount on the basis of an estimate that identifies the part of the receivables due within the following 12 months, based on the average collections made in the preceding 12 months. The remaining part of the financial receivables due from the Municipality was therefore classified under "non-current financial receivables – receivables due from shareholders - related parties" (euro 65,669 thousand).

Other financial receivables

These amount to euro 9,763 thousand (31 December 2010: euro 8,529 thousand). They include the portion of the amount paid by OLT Offshore as guarantee of the contract entered into with SAIPEM, the short-term portion of finance lease receivables, prepayments and accrued income of a financial nature and other financial receivables.

Other financial assets

This item amounts to euro 7,389 thousand (31 December 2010: euro 434 thousand) and refers to the positive fair value of a commodities derivatives contract signed by Iren Mercato.

Note 15_Cash and cash equivalents

Cash and cash equivalents may be analysed as follows:

thousands of euro

	30/06/2011	31/12/2010
Bank and postal accounts	66,666	144,113
Cash-in-hand and cash equivalents	554	430
Other cash and cash equivalents	5	5
Total	**67,225**	**144,548**

Cash equivalents represent short-term and highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

Note 16_Assets held for sale

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. They amount to euro 25,573 thousand (euro 77,857 thousand at 31 December 2010).

This transaction refers to assets amounting to euro 19,930 thousand (euro 19,974 thousand at 31 December 2010) of the subsidiary Consorzio GPO, mainly composed (euro 19,415 thousand) of the 21.32% investment in the share capital of ASTEA.

The total includes euro 998 thousand (euro 3,294 thousand at 31 December 2010) in real estate assets of the subsidiaries Mediterranea delle Acque S.p.A. and Immobiliare delle Fabbriche S.p.A., for which negotiations are in progress with potential buyers for disposal of the properties, now at sale price definition and finalisation stage.
These real estate assets are recognised taking into account the Group's commitment to sell. Therefore, the classification is based on the assumption that the carrying amount will be recovered through a transfer and not through the use in business operations. The amount recognised was determined at the lower of the carrying amount and fair value less costs to sell. The change compared to 31 December 2010 is due to the finalisation of the sale of part of the aforementioned real estate assets.

The amount, equal to euro 2,007 thousand (euro 1,874 thousand at 31 December 2010), refers to the amount concerning the Società Acque Potabili business unit of water concessions held in the municipalities of the Lazio region in the province of Rome (Rocca di Papa, Olevano Romano, Capranica Prenestina, Gerano, Rocca Canterano, Canterano), the water licence in the Municipality of Castrolibero, in the province of Cosenza, and the water licence in the Municipality of Casalborgone, in the province of Turin, for which the sale is highly probable as a pre-agreement with the potential buyer was signed.

The amount of euro 1,496 thousand (euro 1,499 thousand at 31 December 2010) refers to assets of the subsidiary Tema S.c.a.r.l. which, starting from 15 October 2010, is no longer operating as it was put into liquidation.

The amount of euro 1,142 thousand (unchanged compared to 31 December 2010) refers to the associates Fata Morgana (euro 686 thousand) and Piana Ambiente (euro 456 thousand).

The investment in Sinergie Italiane, though it has a carrying amount of zero, was classified under assets held for sale in the first half of 2011, as actions were started which involve the sale of company shares, expected after 30 September 2011.

Moreover, at 31 December 2010, the amount of euro 50,074 thousand referred to the subsidiary Aquamet, whose sale was finalised during the second quarter of the current year. For further details, refer to note 43_Profit from discontinued operations.

LIABILITIES

Note 17_Equity

Equity may be analysed as follows:

thousands of euro

	30/06/2011	31/12/2010
Share capital	1,276,226	1,276,226
Reserves	474,103	432,700
Profit (loss) for the period/year	96,298	143,104
Equity attributable to owners of the parent	**1,846,627**	**1,852,030**
Share capital and reserves attributable to non-controlling interests	205,368	222,304
Non-controlling interests	3,305	7,286
Total consolidated equity	**2,055,300**	**2,081,620**

Share capital

The share capital amounts to euro 1,276,225,677 (unchanged compared to 31 December 2010), fully paid up and consisting of 1,181,725,677 ordinary shares with a nominal amount of euro 1 each and 94,500,000 savings shares without voting rights with a nominal amount of euro 1 each.

Savings shares

The 94,500,000 savings shares of IREN, held by Finanziaria Città di Torino, are not listed, have no voting rights and, except for a different order of priority in the allocation of net residual assets in case of company dissolution, they are subject to the same regulation as ordinary shares.
Lastly, in the case of sale, the savings shares will be converted automatically, at par, into ordinary shares.

Reserves

The breakdown of this item is provided in the following table:

thousands of euro

	30/06/2011	31/12/2010
Share premium reserve	105,102	105,102
Legal reserve	28,996	23,862
Extraordinary reserve	13,324	24,248
Goodwill arising on share exchange	56,793	56,793
Contribution reserve	7,555	7,555
IFRS first-time adoption	(36,507)	(36,507)
Fair value reserve - Financial instruments	(8,447)	(8,119)
Hedging reserve	(9,763)	(17,029)
Consolidation reserve	222,098	181,843
Other reserves	94,952	94,952
Total reserves	**474,103**	**432,700**

Legal reserve

As provided by article 2430 of the Italian Civil Code, following the allocation of 5% of the prior year's profit, the legal reserve rose by euro 5,134 thousand and amounted to euro 28,996 thousand at 30 June 2011 (euro 23,862 thousand at 31 December 2010).

Hedging reserve

With the adoption of IAS 39, changes in the fair value of effective hedging derivatives are recognised with a balancing entry directly in equity under the hedging reserve. These contracts have been agreed to hedge exposure to the interest rate risk of variable rate loans and to the price risk with respect to electrical energy and gas purchase contracts.

IFRS first-time adoption
This reserve includes adjustments resulting from the first-time adoption of IFRS.

Fair value reserve - financial instruments
This reserve mainly includes the effects of the fair value measurement of the equity investment in Delmi.

Goodwill arising on share exchange
It amounts to euro 56,793 thousand (unchanged compared to 31 December 2010). The amount of euro 94,319 thousand derives from the merger of AMGA into AEM Torino, as the difference between equity of AMGA (merged company) and the amount of the increase in share capital of AEM Torino (merging company). Consequently, the merger was accounted for with effect from 1 January 2006, the date that represented the reporting date closest to that in which the joint venture agreements between the Municipalities were signed, namely 30 January 2006. During 2010, goodwill of euro 57,426 thousand resulted from the merger of Enìa into Iride, after the reinstatement of former Enìa fair value reserves of financial instruments (euro 5,115 thousand) and the hedging reserve (negative by euro 2,856 thousand). This amount, supplemented by that related to the previous merger, was used to comply with law obligations as for the reinstatement of reserves taxable on distribution of the merged company and amounting to euro 94,952 thousand.

Share capital and reserves attributable to non-controlling interests
The remarkable change in Share capital and reserves attributable to non-controlling interests is mainly due to the deconsolidation of Aquamet, consolidated with a share of 40% of equity attributable to non-controlling interests.

Non-current liabilities

Note 18_Non-current financial liabilities
These total euro 1,849,516 thousand (31 December 2010: euro 1,829,263 thousand), and consist of:

Bonds
They amount to euro 157,269 thousand (euro 155,789 thousand at 31 December 2010) and they refer to two puttable bonds issued in 2008 by Enìa S.p.A. (now Iren S.p.A.), with expiration in 2021. The bond, with a total term of 13 years, requires that, after the third year and subsequently, every two years, if the banks fail to exercise the option for redemption at par value, a competitive auction mechanism is activated, which is currently in place for the main banks in the relationship, to determine the credit spread for the following 2 years, to be applied to a pre-set fixed rate.
The amount refers to the amortised cost, pursuant to IFRS.

Non-current bank loans and borrowings
Medium/long-term loans relate exclusively to the non-current portion of loans granted by banks and amount to euro 1,673,545 thousand (euro 1,644,003 thousand at 31 December 2010).
Medium-long term loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and expiry date, as shown in the following table:

thousands of euro

								30/06/2011	31/12/2010
	Min/max rate	Term	2012	2013	2014	2015	following	Total payables	Total payables
- fixed rate	3.095% - 5.68%	2012- 2025	48,724	51,683	57,448	61,601	242,760	**462,216**	**484,069**
- floating rate	1.325% - 3.225%	2012-2024	372,422	343,214	182,666	94,605	218,422	**1,211,329**	**1,159,934**
TOTAL			**421,146**	**394,897**	**240,114**	**156,206**	**461,182**	**1,673,545**	**1,644,003**

The amounts maturing in the years indicated refer to 12 months starting from 30 June (i.e. 2012: from 1 July 2012 to 30 June 2013, etc.)

Loans are all denominated in Euro, apart from a marginal portion in Yen with an exchange rate hedge to be paid by the Government (Law no. 956 of 9 December 1977).

The changes in medium/long-term loans during the period are summarised below:

thousands of euro

	31/12/2010				30/06/2011
	Total payables	Increases	Repayments	Exchange rate differences and amortised cost adjustments	Total payables
- fixed rate	484,069		(21,856)	3	462,216
- floating rate	1,159,934	100,000	(48,701)	96	1,211,329
TOTAL	**1,644,003**	**100,000**	**(70,557)**	**99**	**1,673,545**

Total medium-long term loans at 30 June 2011 increased compared to 31 December 2010 due to the following variations:

- increase of euro 100,000 thousand, for the disbursement of a new medium-long term loan agreed by the Parent with Cassa Depositi e Prestiti;
- reduction, totalling euro 70,557 thousand, related to the reclassification as short-term payable of loans with maturity in the next 12 months;
- secondary variations in amortised cost and exchange rate differences.

Finance lease liabilities

Finance lease liabilities relate to assets held by the Group under finance leases. These amount to euro 1,479 thousand (31 December 2010: euro 1,481 thousand).

Other financial liabilities

They amount to euro 17,223 thousand (euro 27,981 thousand at 31 December 2010) and refer, for the amount of euro 15,169 thousand (euro 26,065 thousand at 31 December 2010) to the fair value of derivatives agreed upon to cover the exposure to the interest rate risk of floating rate loans (described in the section "Risk management") and, for the amount of euro 2,054 thousand (euro 1,917 thousand at 31 December 2010) to sundry financial payables.

Note 19_Employee benefits

Changes in this item during the first half of 2011 were as follows:

thousands of euro

At 31/12/2010	**94,327**
Current service costs	508
Financial expense	2,129
Disbursements of the period	(3,046)
Advances	(192)
Other changes	52
At 30/06/2011	**93,778**

Liabilities for employee benefits consist of:

Post-employment benefits

Post-employment benefits underwent the following movements during the first half of 2011:

thousands of euro

At 31/12/2010	**70,341**
Current service costs	333
Financial expense	1,529
Disbursements of the period	(2,234)
Advances	(192)
Other changes	4
At 30/06/2011	**69,781**

Other benefits

The composition and changes over the first half of the year of defined benefit plans, other than the post-employment benefits described above, are shown hereunder.

Additional months' salaries (long-service bonus)

	thousands of euro
At 31/12/2010	**3,125**
Current service costs	66
Financial expense	81
Disbursements of the period	(191)
Other changes	61
At 30/06/2011	**3,142**

Loyalty bonus

	thousands of euro
At 31/12/2010	**1,929**
Current service costs	38
Financial expense	48
Disbursements of the period	(120)
At 30/06/2011	**1,895**

Electricity discount

	thousands of euro
At 31/12/2010	**17,808**
Current service costs	71
Financial expense	449
Disbursements of the period	(389)
Other changes	(13)
At 30/06/2011	**17,926**

Premungas fund

	thousands of euro
At 31/12/2010	1,124
Financial expense	22
Disbursements of the period	(112)
At 30/06/2011	**1,034**

Note 20_Provisions for risks and charges

These are detailed in the following table, and refer to both the current and non-current quotas:

thousands of euro

	Opening balance	Increases	Decreases	(Profits)/ Charges to be discounted	Reclassifications	Closing balance	Current portion
Provision for renewal of third party assets	72,372	6,313	(272)	(269)	-	78,144	9,247
Provisions for landfill post-closure	29,730	527	(1,050)	-	-	29,207	3,437
Provision for dismantling and restoring sites	8,365	-	(28)	15	-	8,352	5,216
Provision for CIG/CIGS	39,357	3,079	(8)	2,232	-	44,660	-
Provision for former employees	1,258	-	-	-	-	1,258	-
Provision for risks on investments	3,396	-	-	-	(3,353)	43	-
Other provisions for risks and charges	76,462	15,006	(3,557)	520	-	88,431	24,320
Total	**230,940**	**24,925**	**(4,915)**	**2,498**	**(3,353)**	**250,095**	**42,220**

Provision for renewal of third party assets

The provision for the renewal of transferable assets reflects the measurement of the expense necessary to return the assets freely and in perfect working order at the end of the licence period.

Provisions for landfill post-closure

These are mainly provisions for future recovery expense, also including costs for the post-operating management until complete conversion of the involved areas to green areas. These costs are supported by special expertise. Accruals and decreases for the period were made to adjust the existing provisions to the estimated future costs to be borne and accrued at 30 June 2011. Decreases also refer to the uses of the provision to cover costs borne over the period regarding the disposal of leachate (related to closed lots of still operating landfills, both owned and under concession), as well as to the aggregate expense borne in the post-operating phase until the mineralization of waste and the conversion of landfills into green areas are completed.

Provision for dismantling and restoring sites

The "Provision for dismantling and restoring sites" partly refers to the prudential estimate of charges with respect to the future restoring of the former AMNU site land, in which an incinerator was located. This provision also includes a prudential estimate of charges referring to the future dismantling of the plant in Reggio Emilia, the increase of which is exclusively due to the discounting of the liability under evaluation.

Provision for CIG/CIGS

The provision mainly refers to the potential risk of greater charges relative to higher contributions to be paid to INPS for the ordinary and extraordinary redundancy and mobility.

Provision for former employees

The provision for former employees under Laws no. 610/52 and no. 336/73 is to cover the expense arising from the application of these two laws (sliding scale pensions and benefits for ex-servicemen and similar).

Provision for risks on investments

The reclassification relates to the investment in the associate Sinergie Italiane S.r.l. The amount was reclassified under the item "liabilities related to assets held for sale", as the actions were started which involve the sale of company shares, expected after 30 September 2011.

Other provisions for risks and charges

The provision mainly refers to the probable risk of greater charges for the construction of plants which are finished or still to be finished, the provisions for estimated ICI tax to be paid calculated on the value of plant systems as envisaged in art. 1-quinquies of Italian Law Decree no. 44 of 31 March 2005 and probable charges for various disputes.

The current portion referring to the provisions described above was reclassified under "provisions, current portion" (Note 26).

Note 21_Deferred tax liabilities

Deferred tax liabilities of euro 107,917 thousand (31 December 2010: euro 106,806 thousand) arise from the temporary differences between the carrying amount and the amount recognised for taxation purposes of recognised assets and liabilities.
Deferred taxation is calculated with reference to the expected tax rates applicable in the year in which the differences will reverse.

Note 22_Other payables and other non-current liabilities

This item consists of the following items:

thousands of euro

	30/06/2011	31/12/2010
Payables due after more than one year	11,618	11,234
Deferred income for grants related to plant – non current	132,176	132,867
Non-current accrued expenses and deferred income	4,079	4,283
Total	**147,873**	**148,384**

Deferred income relates to the portion of revenue falling due after 12 months, mainly relating to telecommunications, invoiced in the period and in the previous years, but accruing in the future.
Other sums payable relate to advances paid by users to guarantee water supply.

Current liabilities

Note 23_Current financial liabilities

All financial payables recognised in this item are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.
Current financial liabilities can be analysed as follows:

thousands of euro

	30/06/2011	31/12/2010
Bank loans	1,125,742	868,597
Payables to shareholders – related parties	17,599	3,628
Payables to associates	18	-
Other financial payables	113,246	165,593
Liabilities for current derivatives	9,123	3,285
Total	**1,265,728**	**1,041,103**

Bank loans

Current bank loans may be analysed as follows:

thousands of euro

	30/06/2011	31/12/2010
Loans - current portion	173,729	159,145
Other current payables to banks	951,073	707,980
Accrued financial expenses and deferred financial income	940	1,472
Total	**1,125,742**	**868,597**

Payables to shareholders – related parties

Financial payables to shareholders – related parties amount to euro 17,599 thousand (31 December 2010: euro 3,628 thousand) and relate to the financial payables due to the parent FSU S.r.l. for the agreement regarding the assignment by FSU S.r.l. of management of temporary cash surpluses to Iren S.p.A., and amounts due for interest expense on financial transactions in the period.

Financial payables to associates

These amount to euro 18 thousand (nil at 31 December 2010) and refer to payables to Valle Dora Energia for centralised treasury management.

Other financial payables

These total euro 113,246 thousand (euro 165,593 thousand at 31 December 2010) and mostly refer to the pro quota portion of OLT Offshore payables due to its shareholder E.On. (approximately euro 105,705 thousand), payables for the forward purchase of energy efficiency certificates (approximately euro 4,504 thousand) and the short-term portion of lease payments (euro 526 thousand). At 31 December 2010, the item also included the payable to UBI Factor (approximately euro 65,195 thousand) for the confirming operation signed by the subsidiary Iren Mercato, which had been settled at 30 June 2011.

Payables for current derivatives

These amount to euro 9,123 thousand (euro 3,285 thousand at 31 December 2010) and refer to the negative fair value of commodities derivative contracts signed by Iren Mercato.

Note 24_Trade payables

All trade payables are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

thousands of euro

	30/06/2011	31/12/2010
Accounts payable to creditors	655,152	752,164
Trade payables to joint ventures	8,407	7,832
Trade payables to associates	44,612	143,230
Trade payables to shareholders – related parties	23,978	24,499
Trade payables to minor Group companies	7,549	8,617
Advances due within one year	3,277	2,860
Guarantee deposits due within one year	14,724	15,093
Charges to be reimbursed within one year	1,382	1,382
Total	**759,081**	**955,677**

The reduction in trade payables compared to 31 December 2010 is mainly due to the seasonality of the gas segment.

Note 25_Other payables and other current liabilities

All payables recognised in this item are due within twelve months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

thousands of euro

	30/06/2011	31/12/2010
VAT payable	38,724	40,756
Revenue tax/UTIF payable	3,747	23,310
IRPEF payable	9,207	9,111
Other tax liabilities	18,840	11,951
Tax liabilities due within one year	**70,518**	**85,128**
Payables to employees	27,865	33,676
Payables to C.C.S.E.	70,780	63,064
Other current liabilities	28,086	55,390
Accounts payable to social security institutions within one year	11,503	13,367
Other payables due within one year	**138,234**	**165,496**
Accrued expenses and deferred income	16,775	19,820
Total	**225,527**	**270,444**

Note 26_Current tax liabilities

Current tax liabilities, amounting to euro 80,204 thousand (euro 12,560 thousand at 31 December 2010), include IRES and IRAP taxes. Moreover, the item includes the estimate of taxes for the first half of the current year. For further information on the calculation of the estimate, reference should be made to note 42.

Note 27_Provisions for risks and charges - current portion

This item totals euro 42,220 thousand (31 December 2010: euro 35,807 thousand) and mainly refers to the portion of the provision for risk of euro 24,320 thousand (31 December 2010: euro 18,659 thousand) and the provision for the renewal of third party assets of euro 9,247 thousand (31 December 2010: euro 8,749 thousand) expected to be used within the next 12 months.

Note 28_Liabilities related to assets held for sale

These amount to euro 4,733 thousand (31 December 2010: euro 22,329 thousand).

These comprise euro 3,353 thousand in provisions for risks on investments for the investment in the associate Sinergie Italiane S.r.l.. At 31 December 2010 the amount was shown in the item "Provisions for risks and charges", while at 30 June 2011 it was reclassified under the item "Liabilities related to assets held for sale", as the actions were started which involve the sale of company shares, expected after 30 September 2011.

This transaction refers to liabilities amounting to euro 32 thousand (euro 52 thousand at 31 December 2010) of the subsidiary Consorzio GPO.

The amount of euro 1,348 thousand (euro 1,182 thousand at 31 December 2010) refers to the liabilities of the subsidiary Tema S.c.a.r.l. which, starting from 15 October 2010, is no longer operating as it was put into liquidation.

At 31 December 2010, euro 21,095 thousand referred to the reclassification of the liabilities of the subsidiary Aquamet, whose sale was finalised during the second quarter of the current year.

Net financial indebtedness

The net financial indebtedness, calculated as the difference between current and non-current financial indebtedness and current and non-current assets, may be analysed as follows:

thousands of euro

	30/06/2011	31/12/2010
Non-current financial assets	(72,666)	(88,388)
Non-current financial liabilities	1,849,516	1,829,263
Net non-current financial liabilities	**1,776,850**	**1,740,875**
Current financial assets	(479,726)	(521,828)
Current financial liabilities	1,265,728	1,041,103
Net current financial indebtedness	**786,002**	**519,275**
Net financial indebtedness	**2,562,852**	**2,260,150**

Gross current financial indebtedness, following the 41.71% proportional consolidation of OLT, includes a financial payable of the latter to its Eon shareholder, totalling euro 105,705 thousand (euro 98,018 thousand at 31 December 2010); therefore, if this amount is not considered, gross current indebtedness would decrease to euro 1,160,023 thousand (euro 943,085 thousand at 31 December 2010).

Net Financial Position regarding related parties

Non-current financial assets include euro 65,669 thousand (31 December 2010: euro 81,289 thousand) in receivables relating to the non-current portion of the balance of the current account through which the trading and financial transactions between the subsidiary Iride Servizi and the Municipality of Turin are settled, and euro 927 thousand (31 December 2010: euro 1,027 thousand) to amounts due from associates. At 31 December 2010, these included euro 45 thousand in amounts due to the joint venture Società Acque Potabili.

Current financial assets refer as for euro 135,605 thousand (31 December 2010: euro 133,090 thousand) to the short position on the current account between the subsidiary Iride Servizi and the Municipality of Turin, as for euro 100,577 thousand (31 December 2010: euro 89,277 thousand) to receivables due from the proportionately consolidated joint venture AES Torino for a loan and centralised treasury management services as well as interest, as for euro 147,579 thousand (31 December 2010: euro 137,378 thousand) related to receivables from the proportionately consoli-

dated joint venture OLT Offshore on a loan granted by Iren Mercato, as for euro 6,614 thousand (unchanged compared to 31 December 2010) to receivables from the associate ASA related to a loan granted by Iren Mercato, as for euro 4,265 thousand (nil at 31 December 2010) to receivables from Edipower relating to dividends to be collected by Iren Energia, and as for euro 312 thousand (unchanged compared to 31 December 2010) related to receivables from Il Tempio. Moreover, at 31 December 2010 there were receivables due from ACIAM (euro 960 thousand) and receivables due from associates for immaterial individual amounts (euro 97 thousand).
Current financial liabilities amount to euro 17,599 thousand (euro 3,628 thousand at 31 December 2010) and relate to financial payables due to the parent FSU S.r.l. for the agreement regarding assignment by FSU S.r.l. of management of temporary cash surpluses to Iren S.p.A., and amounts due for interest expense on financial transactions in the period.

Below is the net financial position as per the structure proposed by the CESR recommendation of 28 July 2006, which does not include non-current financial assets.

thousands of euro

	30/06/2011	31/12/2010
A. Cash	(67,225)	(144,548)
B. Other cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash (A) + (B) + (C)	**(67,225)**	**(144,548)**
E. Current financial receivables	**(412,501)**	**(377,281)**
F. Current bank payables	952,013	709,452
G. Current part of non-current indebtedness	173,729	159,145
H. Other current financial payables	139,986	172,506
I. Current financial indebtedness (F)+(G)+(H)	**1,265,728**	**1,041,103**
J. Current net financial indebtedness (I) - (E) - (D)	**786,002**	**519,274**
K. Non-current bank payables	1,673,545	1,644,003
L. Bonds issued	157,269	155,798
M. Other non-current payables	18,702	29,462
N. Non-current financial indebtedness (K) + (L) + (M)	**1,849,516**	**1,829,263**
O. Net financial indebtedness (J) + (N)	**2,635,518**	**2,348,537**

VIII. NOTES TO THE INCOME STATEMENT

Unless otherwise stated, the following tables are in thousands of Euro.
The comparison of financial amounts included in the financial statements for the first half of 2010 and the first half of 2011 is not significant as the first refer only to the Iride Group and do not include the contribution of the Enia Group which, starting from 1 July 2010, following the merger with Iride, entered the Iren Group.

For any remarks on the financial performance for the first half of 2011, reference is made to section "Financial position, results of operations and cash flows of Iren Group" of the Directors' Report which describes the economic analysis by operating segment compared to the Group pro forma consolidated financial statements for the first half 2010.

REVENUE

Note 29_Revenue from goods and services

This item is equal to euro 1,584,039 thousand (euro 1,091,849 thousand in the first half of 2010). Reference should be made to paragraph X Segment reporting for a breakdown of revenue by operating segment.

Note 30_Variation in contract work in progress

This item increased by euro 252 thousand (first half of 2010: euro 449 thousand) and mainly relates to work in progress for the restoration of road surface, following damage caused by work in progress for the construction of street lighting systems, traffic light systems and electrical systems.

Note 31_Other revenue

Other revenue includes:

Grants

thousands of euro

	First Half of 2011	First Half of 2010
Grants related to plant	2,709	906
Other grants	424	440
Total	**3,133**	**1,346**

The grants related to plant represent the portion pertaining to the grants, calculated in proportion to the depreciation rates of the assets to which they refer.

Revenue from energy efficiency certificates

thousands of euro

	First Half of 2011	First Half of 2010
Revenue from Emission Trading	12,707	-
Revenue from Green Certificates	37,952	53,045
Revenue from White Certificates	6,660	2,204
Total	**57,319**	**55,249**

Revenue from Emission Trading derives from trading of emission rights by Iren Mercato. The decrease in revenue from Green Certificates is mainly due to the lower amount of certificates related to cogeneration.

Other income

The item may be analysed as follows:

thousands of euro

	First Half of 2011	First Half of 2010
Revenue from service contracts	9,173	7,000
Revenues from rental income and leases	597	40
Revenue from optical fibre rental	2,239	2,117
Capital gains from the sale of goods	650	2,461
Revenue from previous years/Prior year income	13,417	15,350
Insurance recoveries	192	-
Sundry repayments	3,585	2,749
Income from fair value of commodity derivatives	3,468	1,927
Other revenue and income	8,032	5,698
Total	**41,353**	**37,342**

Prior year income arises above all from the settlement of previous years' items with reference to the estimates made in prior years. Specifically, this regards prior year income from Cassa Conguaglio Settore Elettrico for euro 4,627 thousand, mainly relating to equalisation on the distribution of electrical energy for previous years. This item also regards prior year income from the closure of disputes and settlement agreements with suppliers for approximately euro 1,555 thousand.

EXPENSE

Note 32_Raw materials, consumables, supplies and goods

The item is broken down as follows:

thousands of euro

	First Half of 2011	First Half of 2010
Purchase of electrical energy	222,043	217,392
Purchase of gas	489,418	360,775
Purchase of heat	147	-
Purchase of other fuels	7,575	18,138
Purchase of water	2,131	1,591
Other raw materials (liquid gas, gas odoriser, chloridric acid...)	11,658	8,954
Sundry inventory mat. (including fuels and lubricants)	19,595	3,290
Emission Trading	4,646	3
Green certificates	3,212	3,148
White certificates	4,766	931
Variations in inventories	(2,605)	2,076
Total	**762,586**	**616,298**

In the first half of 2010, variations in inventories were disclosed in a separate caption of the income statement "Variations in inventories". In the first half of 2011, this item was combined with "Purchase of raw materials, consumables, supplies and goods" and the 2010 corresponding figures were reclassified accordingly.

For information on regulatory updates relating to energy efficiency certificates, reference is made to the Directors' Report, section "Legislation - Green Certificates, Energy efficiency certificates and ETS".

Note 33_Services and use of third-party assets

Costs for services are detailed in the following table:

thousands of euro

	First Half of 2011	First Half of 2010
Transport of electrical energy	119,242	70,704
Electrical system costs	42,746	30,932
Tolling fees	25,552	30,258
Gas carriage	11,389	4,846
Heat carriage	18,228	14,941
Third party works for networks, plants...	79,226	52,313
Collection and disposal, snow removal, public parks	46,596	1,465
Maintenance expense	5,556	1,973
Expenses related to personnel (canteen, training, travels)	2,967	2,058
Professional services (studies, design, analysis)	4,528	3,140
Professional services (technical and administrative)	7,367	4,746
Trade and advertising expenses	2,837	2,434
Legal and notary fees	2,470	2,731
Insurance	4,647	2,470
Banking costs	2,650	1,736
Telephone costs	2,906	1,702
Costs related to service contracts	13,812	5,344
Reading and invoicing services	5,054	2,360
Fees of the Board of Statutory Auditors	886	588
Other costs for services	21,542	15,029
Total	**420,201**	**251,770**

In the first half of 2011, banking fees are included under "Banking costs", different to the first half of 2010, where they were included in other operating expense. To this regard, the corresponding figures have been reclassified for euro 592 thousand. Moreover, in the first half of 2010, costs for services included directors' fees of euro 749 thousand, which have been reclassified under personnel expense.

The tolling fees refer to amounts paid to Edipower under tolling contracts. Such contracts regulate Edipower's generation of electrical energy on behalf of the trading parents, which, besides paying the tolling fees, undertake to supply the fuel necessary for production.

Fees for heat carriage relate to the transport of heat by the proportionately consolidated company AES Torino S.p.A..

Tenders and works mainly relate to operating and maintenance costs for systems and networks.

Costs for the use of third-party assets amount to euro 21,056 thousand (first half of 2010: euro 6,753 thousand). These include instalments paid by the market operator of the Genoa district to the municipalities pursuant to resolutions no. 8 dated 13 June 2003 and no. 16 dated 22 December 2003 of the Optimal District Authority (Agenzie di Ambito territoriale ottimale - AATOs), instalments paid to the companies which own the assets in the integrated water service in the municipalities of Parma, Piacenza and Reggio Emilia, easement for crossing land, and instalments for operational leasing, hiring and sundry rentals.

Note 34_Other operating expense

Other operating expense is shown in the following table:

thousands of euro

	First Half of 2011	First Half of 2010
General expense	4,261	3,572
Instalments and initial down payments paid to obtain permits for shunts	4,193	2,808
Logistics expense	537	753
Taxes and duties	8,816	5,269
Prior year expense	14,902	13,283
Losses from the sale of goods	293	571
Expense from fair value of commodity derivatives	3,491	1,343
Other sundry operating expense	2,042	428
Total	**38,535**	**28,027**

In the first half of 2010, other sundry operating expense included banking fees for euro 592 thousand, charter fees for ships for euro 378 thousand and staff leaving incentives for euro 1,889 thousand, which have been reclassified, respectively, under costs for services, costs for use of third-party assets and personnel expense.

Prior year expense mainly relates to differences on estimates made in previous years. Specifically, this regards prior year expense to Cassa Conguaglio Settore Elettrico for euro 4,906 thousand, relating to greater payables for metering equalisation 2009 and compensation for 2008.

Note 35_Capitalised expenses for internal work

These relate to increases in assets recognised in the statement of financial position, and are broken down as follows:

thousands of euro

	First Half of 2011	First Half of 2010
Capitalised labour costs	10,994	4,929
Capitalised inventory materials	3,091	2,406
Total	**14,085**	**7,335**

Note 36_Personnel expense

Personnel expense is made up as follows:

thousands of euro

	First Half of 2011	First Half of 2010
Gross remuneration	91,736	50,684
Social security charges payable	29,763	16,267
Post-employment benefits	333	114
Other long-term employee benefits	175	155
Other costs	8,081	6,014
Directors' fees	1,152	749
Total	**131,240**	**73,983**

In the first half of 2011 staff leaving incentives and directors' fees are included under personnel expense, different to the first half of 2010, where they were included, respectively in other operating expense and costs for services. To this regard, the corresponding figures have been reclassified for euro 1,889 thousand as regards staff leaving incentives, and for euro 749 thousand as regards directors' fees.

"Other costs" include the social security and recreational contribution to ADAEM, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion of post-employment benefits and contributions to be paid by the employer to supplementary pension funds. Moreover, as mentioned above, these include staff leaving incentives for euro 915 thousand.

The personnel composition is shown in the following table.

thousands of euro

	30/06/2011	31/12/2010	Average for the period
Managers	74	74	74
Junior managers	202	201	202
White collars	2,699	2,697	2,699
Blue collars	1,732	1,780	1,739
Total	**4,707**	**4,752**	**4,714**

Note 37_Amortisation/depreciation

thousands of euro

	First Half of 2011	First Half of 2010
Property, plant and equipment and investment property	64,225	40,481
Intangible assets	33,862	18,628
Total	**98,087**	**59,109**

For further details on amortisation/depreciation, reference should be made to the tables of variations in property, plant and equipment and intangible assets.

Note 38_Provisions and impairment losses

thousands of euro

	First Half of 2011	First Half of 2010
Allowance for impairment	11,916	8,153
Provision for risks and renewal of third party assets	24,925	15,113
Releases	(2,831)	(588)
Impairment losses	308	773
Total	**34,318**	**23,451**

The analysis of the provisions and variations therein are given in the comment to the Statement of financial position item "Provisions for risks and charges".
Releases refer to charges which were lower than the forecast of the provision for risks relating to the measures set forth in resolutions issued by the Electricity and Gas Authority.
Impairment losses refer to the impairment of intangible assets.

Note 39_Financial income and expense

Financial income
The breakdown of financial income is provided in the following table:

thousands of euro

	First Half of 2011	First Half of 2010
Dividends	3	4
Bank interest income	102	40
Interest income from receivables/loans	5,188	3,056
Interest income from customers	3,528	1,373
Fair value gains on derivatives	621	-
Income on derivatives	585	465
Exchange rate gains	63	80
Other financial income	1,793	287
Total	**11,883**	**5,305**

Interest income from receivables/loans includes interest accrued on the current account between Iride Servizi and the Municipality of Turin for euro 1,515 thousand (euro 1,622 thousand in the first half of 2010). The remainder mainly refers to interest income from the proportionately consolidated companies OLT Offshore (euro 1,828 thousand), AES Torino (euro 761 thousand) and Società Acque Potabili (euro 121 thousand) and from the associates Consorzio Servizi Integrati (euro 312 thousand) and BT ENIA Telecomunicazioni (euro 25 thousand).

Financial expense
The breakdown of financial expense is provided in the following table:

thousands of euro

	First Half of 2011	First Half of 2010
Interest expense on loans	23,353	15,307
Interest expense on bond loans	605	-
Interest expense on bank current account	8,093	2,474
Other interest expense	2,779	1,272
Capitalised financial charges	(7,282)	(3,329)
Derivatives fair value charges	142	168
Charges on derivatives	9,319	10,108
Interest cost – Benefits to employees	2,129	1,558
Exchange rate losses	17	257
Other financial expense	4,312	1,545
Total	**43,467**	**29,360**

Reference should be made to the note to the statement of financial position caption "Employee benefits" for details of financial expense on employee benefits.

Other financial expense mainly includes financial expense due to discounting of provisions (euro 2,766 thousand) and expenses relating to measurement of loans and bond loans at amortised cost (euro 1,471 thousand).

For further information on the financial management, reference is made to the Directors' Report.

Note 40_Share of profit of associates accounted for using the equity method

The result is a profit of euro 8,803 thousand (positive euro 5,499 thousand in the first half of 2010) and is composed of reversals of impairment losses amounting to euro 9,024 thousand and impairment losses totalling euro 221 thousand.
Further details regarding these investments are set forth in Note 5 "Investments accounted for using the equity method".

Note 41_ Impairment losses on investments

They total euro 381 thousand (euro 33 thousand in the first half of 2010). These refer to the impairment of the investment in Sarmato Energia. The investment was impaired to adjust its fair value to the sales value already set at 30 June 2011.

Note 42_Income tax expense

Income taxes in the first half of 2011 were estimated at be euro 72,259 thousand (euro 43,275 thousand in the first half of 2010) and are the result of an improved estimate of the average rate expected to be applied on the entire year.
The Group tax rate for the first half of 2011 was 42.26%, up on the first half of 2010 (37.75%).

In the first half of 2010, non-recurring and extraordinary elements affecting the tax rate were:

i) The provision of art. 56, Italian Law no. 99 of 23 July 2009 envisaging a 1% increase in the additional IRES (the "Robin Hood Tax") for entities which, amongst other things, produce and market gas and electrical energy will not be applied on 2009 but on 2010. A gain was therefore generated.

ii) The use by some Group companies of the so-called "Tremonti ter" tax relief, as per Art. 5 of the Law Decree no. 78 of 1 July 2009, converted into law on 3 August 2009, envisaging a 50% deduction of the cost borne for investments made over the period between 1 July 2009 and 30 June 2010 for new machinery and equipment, included in division 28 of the 2007 Ateco Table.

In the first half of 2011 the extraordinary element which impacted the tax rate was the increase of 0.30% in the IRAP tax rate envisaged by Italian Law Decree 98/2011.
The adjusted tax rate net of this latter event would therefore be 41.73%.

Recovery of State Aid

With its Decision C 27/99 of 5 June 2002, the European Commission concluded the procedure related to the tax treatment provided for by subsections 69 and 70 of article 3 of Law no. 549 of 28 December 1995 (the so-called "tax exemption"). Such treatment granted a three-year tax exemption to joint-stock companies in which the government has a majority interest set up in accordance with Law no. 142 of 8 June 1990.

With regard to the issue of recovery of State Aid, illustrated in detail in the notes to the financial statements at 31 December 2010, the updates for the first half of 2011 are reported below.
On 12 January 2011, the Tax Commission of Genoa resolved to appoint a Technical Consultant "(...) in order to quantify interest due in the event the "State aids cancellation and recognition of interest rates due" be accepted. On 16 March 2011, the technical consultant was sworn in.
On 14 March 2011, the Regional Tax Commission of Turin rejected the appeal filed in on tax assessments for the years 1998 and 1999 for former AEM. In particular, they were assessment notices with which the Tax Authorities recovered the unpaid taxes during the years of "tax exemption", except for one-off taxes (electrical margin, dividends to Municipalities, capital gains).

On 21 June 2011, before the Provincial Commission of Turin, the appeals relating to the former AEM Torino for the years 1998 and 1999 were discussed, regarding the assessment notices with which the Tax Authorities recovered the unpaid taxes on the income deriving from the energy market.

On 11 July 2011, the public hearing for the appeal proceedings was held before the Regional Tax Commission of Turin, against judgment no. 6/03/2010, with which the Provincial Commission of Turin partially accepted the appeal of Iren S.p.A. (former AEM Torino) against the assessment notice no. TSB03000001 (aimed at recovering IRPEG and ILOR taxes for the 1997 tax period, unpaid as a result of the "tax exemption"). The Regional Tax Commission accepted the appeal of the Tax Authorities (compensating the legal fees).

Note 43_Profit from discontinued operations

Pursuant to IFRS 5, this shows a profit of euro 866 thousand (euro 829 thousand in the first half of 2010), and regards:

- euro 719 thousand for gains deriving from the transfer of the investment in the associate Alegas;
- euro 160 thousand for gains deriving from the transfer of part of the real estate assets of the subsidiary Immobiliare delle Fabbriche;
- euro 13 thousand for gains deriving from the transfer of the investment in the consolidated company Aquamet;
- euro -26 thousand for the loss of the Consorzio GPO, classified as assets held for sale.

In the first half of 2010, this item referred to the profit (loss) of Aquamet, classified as assets held for sale.

Note 44_Profit attributable to non-controlling interests

Profit attributable to non-controlling interests, which amounts to euro 3,305 thousand (euro 2,610 thousand in the first half of 2010), relates to the share of profit of non-controlling interests of companies that are consolidated but not wholly owned by the Group.

Note 45_Earnings per share

In order to calculate the basic and diluted earnings per share the number of ordinary shares for the first half of 2011 is the weighted average, with an irrelevant effect, outstanding in the reference period based on the provisions set out by IAS 33.20.

	First Half of 2011	First Half of 2010
Profit for the period (thousands of euro)	96,298	70,534
Weighted average number of shares outstanding during the period (thousand)	1,276,226	832,042
Basic earnings per share (euro)	**0.08**	**0.08**

Diluted earnings per share are calculated by dividing profit by the adjusted number of shares. The adjusted number of shares is calculated by assuming the conversion of all the financial instruments that could potentially dilute the ordinary shares.

	First Half of 2011	First Half of 2010
Profit for the period (thousands of Euro)	96,298	70,534
Weighted average number of shares outstanding during the period (thousand)	1,276,226	832,042
Weighted average number of shares to calculate the diluted earnings per share (thousand)	1,276,226	832,042
Diluted earnings per share (Euro)	**0.08**	**0.08**

Note 46_Other Comprehensive Income

The effective portion of changes in the fair value of cash flow hedges, positive by euro 10,556 thousand, refers to interest rate hedges and commodity price hedges (electrical energy and gas).
The portion of other profits/(losses) of companies measured using the equity method, positive by euro 188 thousand, refers to changes in the fair value of the cash flow and commodity hedging of associates.
The change in the fair value of available-for-sale financial assets, negative by euro 497 thousand, refers to the transfer of the change in the fair value of CESI, which was sold during the half year, to the income statement.
The tax effect of other comprehensive income is a loss of euro 3,329 thousand.

IX. GUARANTEES AND CONTINGENT LIABILITIES

These relate to:

a) Sureties for Group commitments of euro 409,559 thousand (31 December 2010: euro 469,109 thousand); the most significant items being sureties issued to:
   - Reggio Emilia Province, amounting to euro 85,364 thousand, for waste collection and operating and after closure management of plants subject to A.I.A. (Integrated Environmental Authorisation).
   - SNAM Rete Gas, amounting to euro 66,120 thousand, of which, in particular, euro 61,500 in the interest of OLT Offshore LNG Toscana with reference to the construction of a delivery point, euro 1,710 to guarantee upgrading of the supply point for the Moncalieri plant;
   - Tax Authorities, amounting to euro 56,469 thousand, for Group VAT offsetting procedures;
   - Enel Distribuzione, amounting to euro 34,948 thousand, as a guarantee for the electrical energy transport service contract;
   - the Customs Authority, amounting to euro 27,073 thousand, to guarantee the regular payment of revenue taxes and additional provincial duties on electrical energy consumption;
   - the Electricity Market Operator (GME), amounting to euro 30,600 thousand, to guarantee the market participation contract;
   - Terna, amounting to euro 26,950 thousand, to guarantee injection and withdrawal dispatching contracts and to guarantee the electrical energy transport service contract;
   - Enel Trade, amounting to euro 21,670 thousand, to guarantee the obligations taken on as part of the Single Agreement and Master Agreements signed;
   - CONSIP, amounting to euro 3,607 thousand, to guarantee the award of lots;
   - Banca Intesa, amounting to euro 7,669 thousand, to guarantee the Mestni loan;
   - Moncalieri municipal authorities, amounting to euro 2,949 thousand, to guarantee the construction of urbanisation works;
   - Nichelino municipal authorities, amounting to euro 1,679 thousand, to guarantee soil occupation for installing district heating networks;
   - Ministry of Public Works – Albanese Republic, amounting to euro 860 thousand, to guarantee works on Bovilla aqueducts;
   - European Commission Delegation for Albania, amounting to euro 866 thousand, to guarantee construction of the sewer system;
   - the Municipality of Genoa, amounting to euro 2,733 thousand, to guarantee works on gas network;
   - ITALGAS, amounting to euro 496 thousand, to guarantee the payment of natural gas supply;
   - ACEA, amounting to euro 420 thousand, to guarantee the electrical energy transport contract;
   - AEM Distribuzione Milano, amounting to euro 328 thousand, to guarantee the energy transport contract.

b) Guarantees given on behalf of associates, amounting to euro 256,029 thousand, primarily to guarantee credit facilities.

c) Shares given in lien, totalling euro 144,130 thousand. These are Edipower shares (each with a nominal amount of euro 1) given in lien to banks.

The most important amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane, for which actions were started including the sale of shares, expected after 30 September 2011, the settlement of guarantees and the management of gas storage transfer. Specifically, these regard guarantees for credit facilities for and letters of patronage for euro 206,510 thousand.

Commitments

With regard to the subsidiary S. Giacomo, a commitment within the framework Agreement with the F2i rete idrica S.p.A. shareholder is in place. Article 15 of this agreement envisages that Iren Acqua Gas is bound to pay damages in the event of liabilities, losses or damage suffered by F2i or S. Giacomo or its investees, resulting from incorrect or unfair statements included in the agreement, with specific reference to outstanding tax disputes among which the dispute with the Tax Authorities for the acknowledgement of amortisation deducted by Mediterranea delle Acque (S. Giacomo) regarding the water business segment transferred from Amga S.p.A. to the newly incorporated Genova

Acque S.p.A. in December 1999 (then named Mediterranea delle Acque following the merger with Genoa private aqueducts).

Moreover, on 16 February 2010, Iren S.p.A. resolved to fully support the OLT project according to budget financial plans defined and approved to make the required resources available upon the company's request and until implementation of the project financing. The commitment to Saipem, which originally amounted to euro 387,603 thousand, showed a residual amount of euro 31,008 thousand at 30 June 2011.

Contingent liabilities

Mediterranea delle Acque: Dispute with the Tax Authorities

With regard to the dispute with the Tax Authorities – Office 1 of Genoa, regarding the assessment notices for the years 2003, 2004 and 2005, pursuant to art. 37bis, par. 4 of Italian Presidential Decree 600/73, transfer of business units, we hereby continue the comments previously set forth in the 2010 consolidated financial statements.

With regard to the pronouncement of the Provincial Tax Commission of Genoa, which ruled in favour of the Tax Authorities for 2003, limited to the taxes, the Company paid a total of euro 1,281,193.30 on 18 March 2011, within the term provided. Therefore, an appeal was lodged with subsequent appearance before the Regional Tax Commission of Genoa on 2 March 2011.

With regard to the pronouncements on the remaining years 2004 and 2005, which also ruled in favour of the Tax Authorities, limited to the taxes, the company lodged an appeal with subsequent appearance before the Regional Tax Commission on 8 July 2011.

The Tax Authorities also lodged an appeal within the terms provided, limited to the fines, in relation to which the pronouncement of the Regional Tax Commission had ruled in favour of the company.

In light of the events of the first half of 2011, the directors decided not to change the assessments carried out in the previous periods.

X. SEGMENT REPORTING

Segment reporting, based on the Group's management and internal reporting structure, is given below in accordance with IFRS 8.
Given the nature of the activity carried out by Group companies, a geographical segment analysis is not relevant.

Operating segments

Following the above-described merger, the Iren Group operates in the following segments:

- Production of Electricity and Heat (Hydroelectric energy, co-generation of electricity and heat, production from renewable sources);
- Market (Sale of electric energy, gas, heat);
- Energy Infrastructures (Distribution networks of electricity, distribution networks of gas, district heating networks, LNG regasification plants);
- Integrated Water Service (sale and distribution of water, water treatment and sewerage);
- Waste Collection (Waste collection and disposal);
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

These operating segments are disclosed pursuant to IFRS 8. Under this Standard, the disclosure about operating segments should be based on the elements which the executive committee and the management use in taking operational and strategic decisions.
To correctly read the income statements relating to the individual activities that are presented and commented on below, it is hereby noted that revenue and expense referring to joint activities have been entirely allocated to the businesses, based on the actual usage of the services provided or according to technical and economic drivers.
Given the fact that the Group mainly operates in the North-West area, the following segment disclosure does not include information broken down by geographical areas.
Net invested capital and income statements (up to the operating performance) are presented below by segment and with corresponding figures at 31 December 2010 for net invested capital, and for the six months ended 30 June 2010 for income statements. For the purposes of better presentation, the following amounts relating to investments recognised under non-current assets were changed, compared to the data recognised in the financial statements at 31 December 2010:

- The investments of Edipower and Energia Italiana (euro 234.5 million) were allocated to the production segment, as they directly refer to this segment;
- The investments of AGA and Zeus (euro 39.9 million) were removed from the waste collection segment where they had been allocated, and recognised in the "non allocatble" column, as they cannot be directly attributed to a single operating segment.

As a result, the corresponding figures data at 31 December 2010 were reclassified in the statements below.

For any remarks on the performance of operating segments, reference is made to section "Financial position, results of operations and cash flows of Iren Group - Analysis by business segments" of the Directors' report.

Financial position by segment at 30 June 2011

millions of euro

	Generation	Market	Energy infrastructures	Water cycle	Waste	Other services	Non allocable	Total
Non-current assets	1,500.2	60.3	1,547.7	998.6	253.4	70.8	270.1	4,701.1
Net working capital	87.2	263.3	(91.3)	91.3	(5.2)	(18.6)	11.2	337.9
Other non-current assets and liabilities	(58.7)	17.1	(83.7)	(243.5)	(42.9)	6.7	(15.8)	(420.8)
Net invested capital (NCI)	**1,528.7**	**340.7**	**1,372.7**	**846.4**	**205.3**	**58.9**	**265.5**	**4,618.2**
Equity								2,055.3
Net financial position								2,562.9
Own funds and net financial indebtedness								**4,618.2**

Financial position by segment at 31 December 2010

millions of euro

	Generation	Market	Energy infrastructures	Water cycle	Waste	Other services	Non allocable	Total
Non-current assets	1,458.0	60.5	1,494.1	981.8	221.1	72.2	278.4	4,566.1
Net working capital	60.7	35.4	(22.5)	57.3	5.8	(22.9)	23.2	137.0
Other non-current assets and liabilities	(39.3)	22.9	(85.1)	(205.3)	(36.7)	(14.1)	(3.8)	(361.4)
Net invested capital (NCI)	**1,479.4**	**118.8**	**1,386.5**	**833.9**	**190.2**	**33.3**	**297.8**	**4,341.8**
Equity								2,081.6
Net financial position								2,260.2
Own funds and net financial indebtedness								**4,341.8**

Results of operations by business segment at 30 June 2011

millions of euro

	Generation	Market	Energy infrastructures	Water cycle	Waste	Other services	Netting and adjustments	Total
Total revenue and income	370.7	1,484.0	216.9	211.7	107.2	57.1	(761.5)	1,686.1
Total operating expense	(286.0)	(1,438.6)	(108.7)	(154.0)	(83.6)	(50.1)	761.5	(1,359.5)
Gross Operating Profit	**84.7**	**45.4**	**108.2**	**57.7**	**23.6**	**7.0**	**-**	**326.6**
Net am./depr., provisions and impairment losses	(42.2)	(9.7)	(31.1)	(32.4)	(13.5)	(3.5)	-	(132.4)
Operating profit	**42.5**	**35.7**	**77.1**	**25.3**	**10.1**	**3.5**	**-**	**194.2**

Results of operations by business segment at 30 June 2010

millions of euro

	Generation	Market	Energy infrastructures	Water cycle	Environment	Other services	Netting and adjustments	Total pro forma	of which ENIA Group	of which Netting and adjustments	of which IRIDE Group
Total revenue and income	387.4	1,541.0	205.4	208.0	112.2	50.2	(754.9)	1,749.3	570.5	(7.4)	1,186.2
Total operating expense	(271.6)	(1,521.6)	(100.3)	(153.6)	(88.1)	(45.9)	754.9	(1,426.1)	(463.4)	6.7	(969.5)
Gross Operating Profit	**115.8**	**19.5**	**105.1**	**54.4**	**24.1**	**4.3**	**-**	**323.1**	**107.1**	**(0.7)**	**216.7**
Net am./depr., provisions and impairment losses	(39.0)	(7.5)	(42.1)	(32.8)	(12.8)	(3.6)	-	(137.7)	(55.2)	-	(82.6)
Operating profit	**76.8**	**12.0**	**63.0**	**21.6**	**11.3**	**0.7**	**-**	**185.4**	**51.9**	**(0.7)**	**134.2**

XI. ANNEXES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED COMPANIES

COMPANIES CONSOLIDATED PROPORTIONATELY

COMPANIES MEASURED USING THE EQUITY METHOD

INVESTMENTS IN OTHER COMPANIES

TRANSACTIONS WITH RELATED PARTIES

RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication no. 6064293 dated 26 July 2006)

CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share/Quota capital	% of investment	Participating company
Iren Acqua Gas S.p.A.	Genoa	EUR	359,659,568	100.00	Iren
Iren Ambiente S.p.A.	Piacenza	EUR	72,622,002	100.00	Iren
Iren Emilia S.p.A.	Reggio Emilia	EUR	196,832,103	82.50	Iren
				17.50	Iren Acqua Gas
Iren Energia S.p.A.	Turin	EUR	777,679,968	100.00	Iren
Iren Mercato S.p.A.	Genoa	EUR	61,356,220	90.97	Iren
				9.03	Iren Acqua Gas
AEMNET S.p.A.	Turin	EUR	6,973,850	100.00	Iride Servizi
AEM Torino Distribuzione S.p.A.	Turin	EUR	126,127,156	69.85	Iren Energia
				30.15	Iren
AGA S.p.A.	Genoa	EUR	11,000,000	99.64	Iren Emilia
Bonifica Autocisterne	Piacenza	EUR	595,000	51.00	Iren Ambiente
C.EL.PI. Scrl	Turin	EUR	293,635	99.92	Iren Energia
CAE AMGA Energia S.p.A.	Genoa	EUR	10,000,000	100.00	Iren Mercato
Climatel S.r.l.	Savona	EUR	10,000	100.00	O.C.Clim
Consorzio GPO	Genoa	EUR	20,197,260	62.35	Iren Emilia
Enia Parma S.r.l.	Parma	EUR	300,000	100.00	Iren Emilia
Enia Piacenza S.r.l.	Piacenza	EUR	3,300,000	100.00	Iren Emilia
Enia Reggio Emilia S.r.l.	Reggio Emilia	EUR	300,000	100.00	Iren Emilia
Enia Solaris S.r.l.	Parma	EUR	100,000	85.00	Iren Rinnovabili
Eniatel S.p.A.	Piacenza	EUR	3,350,000	100.00	Iren Emilia
GEA Commerciale S.p.A.	Grosseto	EUR	340,910	100.00	Iren Mercato
GEA S.p.A.	Grosseto	EUR	1,381,500	59.34	Iren Acqua Gas
Genova Reti Gas S.r.l.	Genoa	EUR	1,500,000	100.00	Iren Acqua Gas
Idrotigullio S.p.A.	Chiavari (GE)	EUR	979,000	66.55	Mediterranea delle Acque
Immobiliare delle Fabbriche	Genoa	EUR	2,500,000	100.00	Mediterranea delle Acque
Iren Rinnovabili S.p.A.	Reggio Emilia	EUR	119,000	100.00	Iren Ambiente
Iride Servizi S.p.A.	Turin	EUR	52,242,791	93.78	Iren Energia
				6.22	Iren Emilia
Laboratori Iren Acqua Gas	Genoa	EUR	550,392	90.89	Iren Acqua Gas
Mediterranea delle Acque S.p.A.	Genoa	EUR	19,203,411	60.00	Iren Acqua Gas
Monte Querce	Reggio Emilia	EUR	100,000	60.00	Iren Ambiente
Nichelino Energia S.r.l.	Turin	EUR	1,500,000	62.00	Iren Energia
				33.00	AES Torino
				5.00	Iren Mercato
O.C.Clim S.r.l.	Savona	EUR	100,000	100.00	CAE Amga Energia
SasterNet S.p.A.	Genoa	EUR	7,900,000	85.00	Iride Servizi
Tecnoborgo S.p.A.	Piacenza	EUR	10,379,640	50.50	Iren Ambiente
				0.50	Iren
Tema S.c.a.r.l.	Chieti	EUR	100,000	51.00	Iren Emilia
Undis Servizi S.r.l.	Sulmona	EUR	20,000	100.00	Iren Emilia
Zeus S.p.A.	Genoa	EUR	20,320,000	100.00	Iren Emilia

COMPANIES CONSOLIDATED PROPORTIONATELY

Company	Registered office	Currency	Share/ Quota capital	% of investment	Participating company
Acque Potabili Crotone	Turin	EUR	100,000,00	100.00	Acque Potabili
Acque Potabili S.p.A.	Turin	EUR	3,600,295	30.86	Iren Acqua Gas
Acque Potabili Siciliane	Palermo	EUR	5,000,000	56.77	Acque Potabili
				9.83	Mediterranea delle Acque
Acquedotto Monferrato	Turin	EUR	600,000	100.00	Acque Potabili
Acquedotto Savona	Savona	EUR	500,000	100.00	Acque Potabili
AES Torino S.p.A.	Turin	EUR	110,500,000	51.00	Iren Energia
Namtra Investments Ltd	Limassol (Cyprus)	EUR	1,353,000	100.00	Olt Offshore Toscana LNG
Olt Offshore Toscana LNG S.p.A.	Rome	EUR	145,750,700	41.71	Iren Mercato

COMPANIES MEASURED USING THE EQUITY METHOD

Company	Registered office	Currency	Share/Quota capital/ Consortium fund	% of investment	Participating company
A2A Alfa	Milan	EUR	100,000	30.00	Iren Mercato
ABM Next	Bergamo	EUR	26,000	45.00	Acque Potabili
Aciam S.p.A.	Avezzano (AQ)	EUR	235,539	29.09	Iren Ambiente
Acos Energia S.p.A.	Novi Ligure (AL)	EUR	150,000	25.00	Iren Mercato
Acos S.p.A.	Novi Ligure (AL)	EUR	17,075,864	25.00	Iren Emilia
Acquaenna S.c.p.a.	Enna	EUR	3,000,000	46.00	Iren Acqua Gas
Acqueinforma	Grosseto	EUR	15,000	34.00	Iren Acqua Gas
Aguas de San Pedro S.A. de C.V.	S.Pedro Sula (Honduras)	EUR	159,900	30.00	Iren Acqua Gas
Aiga S.p.A.	Ventimiglia (IM)	EUR	104,000	49.00	Iren Acqua Gas
AMAT Energia	Imperia	EUR	20,000	20.00	Iren Mercato
Amat S.p.A.	Imperia	EUR	5,435,372	48.00	Iren Acqua Gas
Amter S.p.A.	Cogoleto (GE)	EUR	404,263	49.00	Mediterranea delle Acque
ASA S.p.A.	Livorno	EUR	28,613,414	40.00	AGA
ASMT Serv. Ind.S.p.A.	Tortona (AL)	EUR	3,856,240	44.75	Iren Emilia
Atena S.p.A.	Vercelli	EUR	8,203,255	40.00	Zeus
BT ENIA Telecomunicazioni	Parma	EUR	4,226,000	40.46	Iren Emilia
Castel S.p.A.	Cremona	EUR	935,000	23.10	Iren Acqua Gas
Consorzio Servizi Integrati	Genoa	EUR	100,853	50.00	Iren Mercato
Domus Acqua S.r.l.	Domusnovas (CA)	EUR	96,000	29.00	Iren Acqua Gas
Edipower S.p.A.	Milan	EUR	1,441,300,000	10.00	Iren Energia
Fingas	Milan	EUR	10,000	50.00	Iren Mercato
Gas Energia S.p.A.	Turin	EUR	3,570,000	20.00	Iride Servizi
GESAM GAS S.p.A.	Lucca	EUR	1,132,000	40.00	Iren Mercato
GICA s.a.	Lugano (Switzerland)	CHF	7,400,000	24.99	Iren Mercato
Global Service Parma	Parma	EUR	20,000	30.00	Iren Emilia
Il Ceppo S.r.l.	Massa Marina (GR)	EUR	1,000,000	24.90	GEA
Il Tempio S.r.l.	Reggio Emilia	EUR	110,000	45.50	Iren Emilia
Iniziative Ambientali S.r.l.	Novellara (RE)	EUR	100,000	40.00	Iren Ambiente
Livorno Holding S.r.l.	Livorno	EUR	10,000	44.57	Iren Mercato
Mestni Plinovodi	Capodistria (Slovenia)	EUR	15,952,479	49.88	Iren Acqua Gas
Mondo Acqua	Mondovi (CN)	EUR	800,000	38.50	Iren Acqua Gas
Plurigas S.p.A.	Milan	EUR	800,000	30.00	Iren
Rio Riazzone S.p.A.	Rome	EUR	103,292	44.00	Iren Ambiente
S.M.A.G. S.r.l.	La Spezia	EUR	100,000	30.00	Iren Acqua Gas
Salerno Energia Vendite	Salerno	EUR	2,447,526	39.40	GEA Commerciale
Sea Power & Fuel S.r.l.	Genoa	EUR	10,000	50.00	Iren Mercato
Sinergie Italiane S.r.l.	Milan	EUR	3,000,000	27.60	Iren Mercato
So. Sel. S.p.A.	Modena	EUR	240,240	24.00	Iren Emilia
Tirana Acque	Genoa	EUR	95,000	50.00	Iren Acqua Gas
Valle Dora Energia S.r.l.	Turin	EUR	537,582	49.00	Iren Energia
VEA Energia e Ambiente	Marina di Pietrasanta (LU)	EUR	96,000	37.00	Iren Mercato

INVESTMENTS IN OTHER COMPANIES

Company	Registered office	Currency	Share/Quota capital/ Consortium fund	% of investment	Participating company
Astea Energia S.r.l.	Osimo (AN)	EUR	117,640	7.00	Iren Mercato
Atena Patrimonio	Vercelli	EUR	73,829,295	14.65	Zeus
ATO2 Acque	Biella	EUR	80,000	12.50	Iren Acqua Gas
Autostrade Centro Padane	Cremona	EUR	15,500,000	0.15	Iren Emilia
C.F.R. S.p.A.	Reggio Emilia	EUR	11,000,000	0.11	Undis Servizi
C.R.P.A. S.p.A.	Reggio Emilia	EUR	1,851,350	5.40	Iren Emilia
Consorzio L.E.A.P.	Piacenza	EUR	1,055,000	0.95	Iren Ambiente
Consorzio SI. RE.	Savona	EUR	100,000	15.00	Mediterranea delle Acque
Consorzio Topix	Turin	EUR	1,655,000	0.30	Aemnet
Cosme	Genoa	EUR	320,000	1.00	Iren Acqua Gas
CSP Scrl	Turin	EUR	641,000	6.10	Iren Energia
Delmi S.p.A.	Milan	EUR	1,466,868,500	15.00	Iren
Energia Italiana S.p.A.	Milan	EUR	26,050,000	11.00	Iren Energia
Environment Park S.p.A.	Turin	EUR	11,406,780	3.38	Iren Energia
IAM S.p.A.	Reggio Calabria	EUR	1,033,000	2.25	Undis Servizi
Nord Ovest Servizi	Turin	EUR	7,800,000	10.00	Iren Acqua Gas
RE innovazione	Reggio Emilia	EUR	882,872	0.87	Iren Ambiente
Rupe S.p.A.	Genoa	EUR	3,185,310	0.32	Immobiliare delle Fabbriche
S.D.B. S.p.A.	Turin	EUR	536,000	1.00	Iride Servizi
Sarmato Energia S.p.A.	Milan	EUR	14,420,000	5.30	Iren Energia
Sogea	Genoa	EUR	400,000	0.10	Iren Acqua Gas
Stadio Albaro	Genoa	EUR	1,230,000	2.00	CAE Amga Energia
T.I.C.A.S.S.	Genoa	EUR	74,000	5.72	Iren Acqua Gas

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade receivables	Financial receivables	Other receivables	Trade payables	Financial payables	Other payables	Revenue and income	Operating expense and provisions	Financial income	Financial expense
Municipality of Genoa	28,716	-	-	6,549	-	-	14,410	1,353	-	-
Municipality of Parma	19,296	-	-	1,523	-	-	2,005	1,536	1	-
Municipality of Piacenza	6,728	-	-	8,183	-	-	1,681	1,628	-	-
Municipality of Reggio Emilia	3,729	-	-	1,861	-	-	970	140	1	-
Municipality of Turin	41,185	201,274	-	5,862	-	-	41,449	-	1,515	-
Finanziaria Sviluppo Utilities	48	-	-	-	17,599	-	14	-	-	35
AES Torino	1,866	100,577	1,741	7,557	-	266	1,091	19,842	761	-
OLT Offshore LNG	703	147,579	-	-	-	-	176	-	1,828	-
Società Acque Potabili	10,883	-	-	849	-	-	2,277	279	121	-
Acquedotto Savona	5	-	-	1	-	-	2	11	-	-
Acquedotto Monferrato	5	-	-	-	-	-	2	-	-	-
Acque Potabili Siciliane	-	-	-	-	-	-	229	-	-	-
Aciam S.p.A.	369	-	-	7	-	-	84	-	15	-
Acos Energia S.p.A.	969	-	-	-	-	-	8,159	-	-	-
Acos S.p.A.	68	-	-	-	-	-	47	3	-	-
Acquaenna S.c.p.a.	3,253	276	-	6	-	-	162	-	-	-
Aguas de San Pedro S.A.	479	-	-	-	-	-	-	-	-	-
Aiga S.p.A.	564	433	-	-	-	-	175	-	13	-
Amat S.p.A.	166	-	-	-	-	-	270	-	-	-
Amter S.p.A.	1,692	-	-	-	-	-	271	-	-	-
ASA S.p.A.	9,222	6,614	-	151	-	-	386	2	-	-
ASMT Serv. Ind.S.p.A.	292	-	-	5	-	-	94	11	-	-
ASTEA	3,733	-	-	-	-	-	16,138	-	4	-

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade receivables	Financial receivables	Other receivables	Trade payables	Financial payables	Other payables	Revenue and income	Operating expense and provisions	Financial income	Financial expense
Atena S.p.A.	3,622	-	-	445	-	-	13,692	940	-	-
BT ENIA Telecomunicazioni	1,460	-	-	1,837	-	-	420	627	25	-
Castel S.p.A.	20	-	-	-	-	-	2	-	-	-
Consorzio Servizi Integrati	18,177	-	-	5,807	-	-	10,674	4,072	312	-
Domus Acqua S.r.l.	28	-	-	-	-	-	-	-	-	-
Edipower S.p.A.	3,080	4,265	-	3,810	-	-	2,630	24,232	-	-
Fata Morgana S.p.A.	1	-	-	-	-	-	-	-	-	-
GESAM GAS S.p.A.	-	-	-	8	-	-	-	-	-	-
Global Service Parma	-	-	-	4,465	-	-	-	2,108	-	-
Il Ceppo S.r.l.	47	218	-	-	-	-	3	-	-	-
Il Tempio S.r.l.	1	312	-	-	-	-	-	-	4	-
Iniziative Ambientali S.r.l.	5	-	-	-	-	-	-	-	-	-
Mestni Plinovodi	28	-	-	-	-	-	28	-	-	-
Mondo Acqua	177	-	-	-	-	-	181	-	-	-
Piana Ambiente S.p.A.	424	-	-	478	-	-	-	-	-	-
Plurigas S.p.A.	3,226	-	-	-	-	-	10,196	114,191	-	-
Rio Riazzone S.p.A.	16	-	-	35	-	-	-	-	-	-
S.M.A.G. S.r.l.	71	-	-	77	-	-	19	934	-	-
Salerno Energia Vendite	1,547	-	-	-	-	-	2,492	-	-	-
Sinergie Italiane S.r.l.	5	-	-	25,766	-	-	98	160,285	-	-
So. Sel. S.p.A.	3	-	-	1,715	-	-	3	1,838	-	-
Valle Dora Energia S.r.l.	33	-	-	-	18	-	4	-	-	-
VEA Energia e Ambiente	180	-	-	-	-	-	1,901	-	-	-

RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (CONSOB COMMUNICATION NO. 6064293 DATED 26 JULY 2006)

thousands of euro

IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	2,746,332		
Investment property	2,651		
Intangible assets	1,202,877		
Goodwill	132,117		
Investments accounted for using the equity method	321,613		
Other investments	295,466		
Total (A)	**4,701,056**	**Non-Current Assets (A)**	**4,701,056**
Other non-current assets	24,406		
Other payables and other non-current liabilities	(147,873)		
Total (B)	**(123,467)**	**Other non-current liabilities (B)**	**(123,467)**
Inventories	47,870		
Trade receivables	1,112,318		
Current tax assets	13,320		
Other receivables and other current assets	229,238		
Trade payables	(759,081)		
Other payables and other current liabilities	(225,527)		
Current tax liabilities	(80,204)		
Total (C)	**337,934**	**Net working capital (C)**	**337,934**
Deferred tax assets	133,579		
Deferred tax liabilities	(107,917)		
Total (D)	**25,662**	**Deferred tax assets (D)**	**25,662**
Employee benefits	(93,778)		
Provisions for risks and charges	(207,875)		
Provisions for risks and charges - current portion	(42,220)		
Total (E)	**(343,873)**	**Provisions and employee benefits (E)**	**(343,873)**
Assets held for sale	25,573		
Liabilities related to assets held for sale	(4,733)		
Total (F)	**20,840**	**Assets held for sale (F)**	**20,840**
		Net invested capital (G=A+B+C+D+E+F)	**4,618,152**
Equity (H)	**2,055,300**	**Equity (H)**	**2,055,300**
Non-current financial assets	(72,666)		
Non-current financial liabilities	1,849,516		
Total (I)	**1,776,850**	**Non-current financial indebtedness (I)**	**1,776,850**
Current financial assets	(412,501)		
Cash and cash equivalents	(67,225)		
Current financial liabilities	1,265,728		
Total (L)	**786,002**	**Current financial indebtedness (L)**	**786,002**
		Net financial indebtedness (M=I+L)	**2,562,852**
		Own funds and net financial indebtedness (H+M)	**4,618,152**

STATEMENT REGARDING THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF ITALIAN LEGISLATIVE DECREE 58/1998

1. The undersigned, Andrea Viero, Managing Director, and Massimo Levrino, Administration and Finance Director and Manager in charge of financial reporting of Iren S.p.A. hereby confirm, also in consideration of the provisions of art. 154-bis, subsections 3 and 4, Italian Legislative Decree no. 58 of 24 February 1998:

- the adequacy in respect of the company's characteristics and
- the actual application

of administrative and accounting procedures in preparing the condensed interim consolidated financial statements as at and for the six months ended 30 June 2011.

2. Furthermore, it is hereby declared that:

2.1 the condensed interim consolidated financial statements:

a) are prepared in compliance with applicable IFRS endorsed by the European Community pursuant to EC Regulation 1606/2002 of the European Parliament and Council dated 19 July 2002;

b) correspond with books and accounting records;

c) are suitable to give a true and fair view of the financial position and results of operations of the issuer and the group companies included in the consolidation scope.

2.2 The directors' report on the condensed interim consolidated financial statements contains reference to important events which occurred in the first six months of the year and their impact on the condensed interim consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The directors' report also contains a reliable analysis of information on significant transactions with related parties.

Reggio Emilia, 29 August 2011

The Managing Director
Andrea Viero

The Administration and Finance Director
and Manager in Charge appointed
under Law 262/05
Massimo Levrino

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Auditors' report on review of condensed interim consolidated financial statements

To the shareholders of
Iren S.p.A.

1 We have reviewed the condensed interim consolidated financial statements of the Iren Group as at and for the six months ended 30 June 2011, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to prepare this report based on our review.

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

The condensed interim consolidated financial statements present the corresponding figures of the prior year annual consolidated financial statements and condensed interim consolidated financial statements for comparative purposes. We audited the prior year annual consolidated financial statements and issued our report thereon on 9 April 2009. As disclosed in the notes, the parent's directors restated some of the corresponding figures included in the prior year condensed interim consolidated financial statements. We reviewed the prior year condensed interim consolidated financial statements and issued our report thereon on 27 August 2010. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of preparing our report on the condensed interim consolidated financial statements at 30 June 2011.

condensed interim consolidated financial statements of the Iren Group as at and for the six months ended 30 June 2011 have not been prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Turin, 29 August 2011

KPMG S.p.A.

(signed on the original)

Roberto Bianchi
Director of Audit

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