Interim Report
at 30 June 2014

iren

Contents

INTRODUCTION

As better explained in the paragraph of the Notes under “Content and structure of the condensed consolidated interim report” in relation to the accounting standards adopted, from 1 January 2014, amongst others, the new IFRS 11 – Joint Arrangements governing the accounting treatment of joint ventures is applicable. The standard no longer allows the retention of proportionate consolidation of joint ventures as applied by the Iren Group until 31 December 2013. The consequences are seen in the deconsolidation of AES Torino, Iren Rinnovabili (and its subsidiaries), OLT Offshore LNG and Società Acque Potabili (and its subsidiaries), for which the equity method is now used.

As a result of the above, the Directors considered it appropriate to prepare not only the financial statements according to international accounting standards in force, but also specific restated accounts in order to illustrate the district heating business in the city of Turin with a line-by-line income statement and statement of financial position. Such business, in fact, is managed through the jointly-controlled investee AES Torino S.p.A., which in application of the new IFRS 11 should now be recognised merely as a financial investment.

In addition to providing information essentially coherent with that provided prior to the entry into force of the new IFRS 11 (when AES S.p.A. was proportionately consolidated), the restated accounts better reflect the strategic importance of the district heating business, in which the Iren Group is among the Italian leaders, and the new role played by the Group in managing and developing district heating in the city of Turin, as also confirmed by the agreement signed with Italgas at the beginning of April 2014 described in the paragraph on significant events in the first half of 2014. This agreement envisages the spin-off of AES Torino S.p.A. and transfer to the Iren Group of assets relating to district heating of the city of Turin from 1 July 2014.

For the above reasons, the comments in this Directors’ Report on the equity, economic and financial performance of the Iren Group in the first half of 2014 refer to the restated accounts.

Consistent with the above, based on the elements which management uses in making operational and strategic decisions, pursuant to IFRS 8 the segment reporting section also refers to the restated figures.

Key Figures of the Iren Group

	First half of 2014 Restated	First half of 2013 Restated	% Change
Income statement figures *(millions of euro)*			
Revenue	1,521	1,788	(14.9)
Gross operating profit (EBITDA)	371	380	(2.4)
Operating profit (EBIT)	229	252	(9.2)
Profit before tax	168	215	(22.0)
Profit/(loss) for the period - Group and non-controlling interests	87	118	(26.6)
Statement of financial position figures *(millions of euro)*	**At 30/06/2014 Restated**	**At 31/12/2013 Restated**	
Net invested capital	4,228	4,191	0.9
Equity	1,986	1,999	(0.7)
Net financial position	(2,242)	(2,192)	2.3
Financial/economic indicators			
	First half 2014 Restated	*First half 2013 Restated*	
GOP/Revenue	24.4%	21.2%	
	At 30/06/2014 Restated	*At 31/12/2013 Restated*	
Debt/Equity	1.13	1.10	
Technical and trading figures	*First half 2014*	*First half 2013*	
Electrical energy sold (GWh)	5,755	6,555	(12.2)
Heat energy produced (GWh_t)	1,494	1,842	(18.9)
District heating volume (mln m^3)	79	77	3.3
Gas sold (mln m^3)	1,242	1,726	(28.0)
Water distributed (mln m^3)	72	75	(4.3)
Waste handled (tons)	521,338	498,843	4.5

(*) Change of more than 100%

Iren is a multiutility company listed on the Italian Stock Exchange and was established on 1 July 2010 as a result of the merger of IRIDE and ENÌA. It operates in the sectors of electrical energy (production, distribution and sale), heat (production, carriage and sale), gas (distribution and sale), integrated water services, waste management services (collection and disposal of waste) and services for public administration.

Iren is structured as an industrial holding, with headquarters in Reggio Emilia and operating offices in Genoa, Parma, Piacenza and Turin, as well as companies head of the single business lines. The holding company handles strategic, development, coordination and control activities, while the five operating companies ensure the coordination and development of business lines as follows:

- Iren Acqua Gas operates in the integrated water cycle;
- Iren Energia operates in the electrical and heat energy production and technological services sector;
- Iren Mercato manages the sale of electrical energy, gas and district heating;
- Iren Emilia operates in the gas sector, handles waste collection, environmental health and the management of local services;
- Iren Ambiente handles the design and management of waste treatment and disposal plants and operates in the renewable energy sector.

Electrical energy production: through a considerable number of electrical energy and heat energy plants for district heating production, the overall production capacity is over 8,800 GWh/year, including the portion ensured by the plants acquired from Edipower (Turbigo and Tusciano).

Gas distribution: through its network of over 9,000 km, Iren serves over one million customers.

Electrical energy distribution: with 7,474 km of high, medium and low voltage networks, the Group distributes electrical energy to over 691,000 customers in Turin and Parma.

Integrated water service: with around 14,150 km of aqueduct networks, over 8,000 km of sewerage networks and 813 treatment plants, Iren provides services to more than 2,400,000 residents.

Waste management cycle: with 123 equipped ecological stations, 2 waste-to-energy plants, 1 landfill, 12 treatment plants and 2 composting plants, the Group serves 116 municipalities for a total of around 1,139,000 residents.

District heating: through 878 km of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 79 million m^3, equivalent to a population served of over 550,000 individuals.

Sales of gas, electrical energy and heat energy: in the first half of 2014 the Group sold 558 million m^3 of gas, over 5,750 GWh of electrical energy and more than 1,550 GWh_t of heat for the district heating networks.

COMPANY OFFICERS

Board of Directors

Chairman	Francesco Profumo
Deputy Chairman	Andrea Viero
CEO	Nicola De Sanctis
Directors	Franco Amato [(1)]
	Lorenzo Bagnacani
	Roberto Bazzano
	Tommaso Dealessandri
	Anna Ferrero
	Roberto Walter Firpo [(2)] until 18 June 2014
	Augusto Buscaglia [(2 bis)] from 18 June 2014
	Alessandro Ghibellini [(3)]
	Fabiola Mascardi [(4)]
	Ettore Rocchi [(5)]
	Barbara Zanardi [(6)]

Board of Statutory Auditors

Chairman	Paolo Peveraro **[(7)]**
Standing Auditors	Aldo Milanese **[(7)]**
	Annamaria Fellegara **[(7)]**
Substitute Auditors	Alessandro Cotto **[(7)]**
	Emilio Gatto **[(7)]**

Manager in charge of financial reporting

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A. **[(8)]**

[(1)] Chairman of the Control and Risk Committee and member of the Committee for Transactions with Related Parties.
[(2)] Member of the Remuneration Committee until 18 June 2014.
[(2bis)] Member of the Remuneration Committee from 4 July 2014.
[(3)] Member of the Control and Risk Committee.
[(4)] Chairman of the Remuneration Committee and member of the Committee for Transactions with Related Parties.
[(5)] Member of the Remuneration Committee.
[(6)] Chairman of the Committee for Transactions with Related Parties and member of the Control and Risk Committee.
[(7)] Appointed by the shareholders' meeting on 14 May 2012 for the 2012-2014 three-year period.
[(8)] Assignment conferred by the Shareholders' Meeting on 14 May 2012 for the 2012-2020 nine-year period.

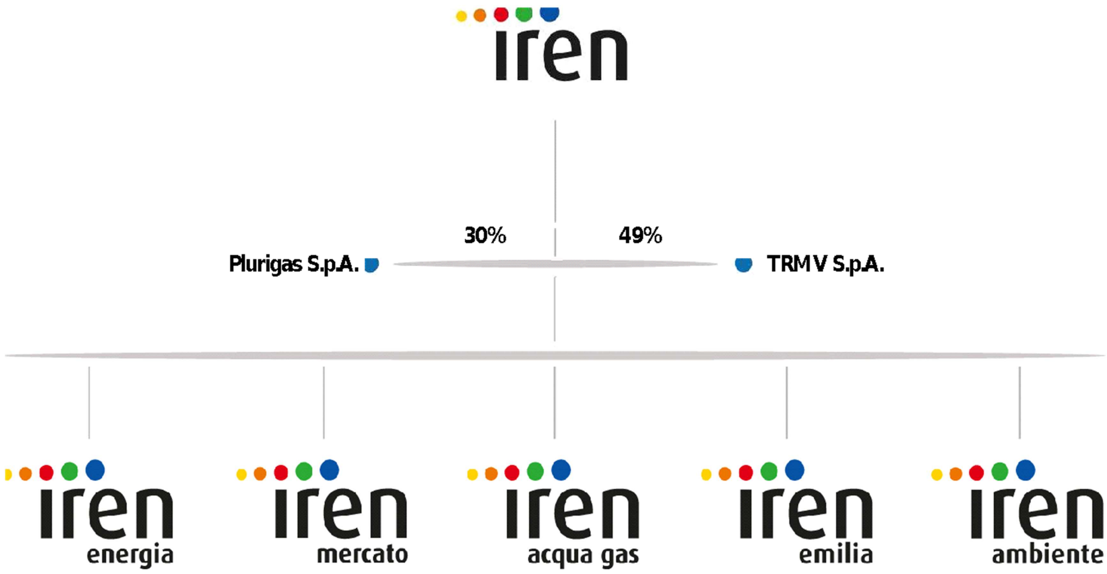
MISSION AND VALUES OF THE IREN GROUP

The Iren Group's mission is to offer its customers and residents service efficiency, effectiveness, economic convenience and high quality, operating with expertise and professionalism with full respect for the environment and safety in the energy, integrated water services, waste management sectors and on behalf of public administrations, contributing to the well-being of its staff and of the community and guaranteeing its shareholders an adequate profitability.

Iren S.p.A.
Via Nubi di Magellano, 30 - 42123 Reggio Emilia
Share capital fully paid-in 1,276,225,677,00
Reggio Emilia Companies Register no. 07129470014
Tax Code and VAT no. 07129470014

Directors' report
at 30 June 2014

IREN GROUP: ORGANISATIONAL STRUCTURE



The shareholders' meeting of 27 March 2013 resolved to place Plurigas S.p.A. in voluntary liquidation.

The flowchart illustrates the main Investee Companies of Iren Holding.

IREN ENERGIA

Cogenerative production of electrical energy and heat energy
Iren Energia's installed capacity totals approximately 3,000 MW, of which around 2,800 MW is directly generated and around 200 MW through the investee Energia Italiana. Specifically, Iren Energia owns 25 electrical energy production plants: 19 hydroelectric plants, 5 thermoelectric cogeneration plants and 1 thermoelectric plant, for a total capacity of approximately 2,200 MW of electrical energy and 2,300 MW of heat energy, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are completely eco-compatible. The hydroelectric production plant plays a particularly important role in environmental protection as it uses a renewable and clean resource without the emission of 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 safeguard the local environment. Iren Energia's total heat production capacity is equal to 2,300 MWt, of which 40% is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. Heat production in the first half of 2014 was approximately of 1,494 GWh_t, with district heating volumes of approximately 79 million m^3.

Electrical energy distribution
Through its subsidiary AEM Torino Distribuzione, Iren Energia distributes electrical energy to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents). In the first half of 2014 the electrical energy distributed was equal to 1,915 GWh, of which 1,467 GWh in Turin and 448 GWh in Parma.

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, and merged into Iren Energia from 1 July 2014 following the AES Torino spin-off), which owns one of the largest district heating networks in the whole of Italy (approximately 520 km of dual-piping at 31 December 2013). In 2013, the gas network extended over 1,335 km, serving approximately 500,000 end customers.

Iren Energia also owns the district heating networks in the cities of Reggio Emilia, covering around 216 km, Parma with roughly 84 km and Piacenza which covers approximately 19 km.

Lastly, Nichelino Energia - in which Iren Energia and AES Torino hold respective stakes of 67% and 33%, aims at developing district heating in the town of Nichelino.

Services to Local Authorities and Global Service

Iren Servizi e Innovazione operates in the sector of public and monument lighting, traffic light systems, global technological service management of buildings, renewable and alternative energies and energy advisory services.

Iren Servizi e Innovazione constructs plants for the production of electrical energy from renewable sources, e.g. photovoltaic, solar and biomass systems (woodchip or pellets), or similar, such as trigeneration plants (electrical energy, hot and cold).

IREN MERCATO

Through Iren Mercato the Group sells electrical energy, gas and heat, supplies fuel to the Group, trades energy efficiency certificate (or white certificates), green certificate and emission trading, provides customer management services to Group companies and supplies heat services and sales heat through the district heating network.

Iren Mercato operates at national level with a higher concentration of customers served in the Centre and North of Italy.

Iren Mercato oversees the planning, dispatching and final reporting on electrical energy. It also handles the marketing of energy originating from various group sources on the market represented by end customers, the Italian Power Exchange and other wholesalers.

The main Group power sources available to Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia S.p.A.

Iren Mercato also acts as “higher protection” service operator for retail customers in the electrical energy market in Turin province and the Parma area.

Lastly, Iren Mercato handles heat sales to district heating customers in Turin and the provincial capitals of Reggio Emilia, Piacenza and Parma, together with sales development in new district heating areas and in the urban district of Turin for its surrounding municipalities (Nichelino).

Traditionally, Iren Mercato operates in the sector of direct sales of methane gas in the Genoa area and other surrounding provinces in Liguria and Lower Piedmont. Following the mergers in which it was involved, the company also serves the municipalities of Turin and Sassuolo (Modena) and the provinces of Reggio Emilia, Parma and Piacenza.

The Group also sells heat management services and global services both to private entities and public authorities. Development has focused on the management of air conditioning systems in buildings for residential and service use by means of energy service agreements, also through subsidiaries and investee companies. This contractual model guarantees long-term customer loyalty, with consequent maintenance of the natural gas supplies which constitute one of the core businesses of Iren Mercato.

Sale of natural gas

Total volumes of natural gas procured in the first half of 2014 were approximately 1,242 million m^3 of which approximately 558 million m^3 were sold to customers outside the Group, 600 million m^3 were used within the IREN Group both for electrical energy and heat energy production and for the provision of heating services, whilst 84 million m^3 of gas remained in storage.

At 30 June 2014 gas customers directly managed by Iren Mercato totalled approximately 730,000, spread throughout the traditional Genoa catchment area and surrounding development areas, the Turin catchment area and the traditional Emilia Romagna catchment areas.

Sale of electrical energy
Volumes sold in the first half of 2014 amounted to 5,755 GWh.
Electrical energy retail customers managed totalled approximately 708,000 at the end of June 2014, mainly distributed in the traditionally-served catchment areas of Turin and Parma, and in areas covered by company marketing.

A cluster analysis of end customers is provided below.

Free market and power exchange
Total volumes sold to end customers and wholesalers amount to 2,605 GWh, while the volumes used on the power exchange gross of energy bought/sold amounted to 2,772 GWh. In the first half of 2014, the availability of electrical energy from internal Iren Group production amounted to 3,318 GWh (Iren Energia) plus 144 GWh from the IEH and TRM plants. Added to internal availability is the power exchange (gross of energy bought and sold) totalling 1,092 GWh and purchases from wholesalers for 1,010 GWh. The remaining part of sold volumes mainly refers to infra-group transactions and distribution losses.

Former non-eligible market
Total customers managed by Iren Mercato in the higher protection segment were around 309,000 in the first half of 2014. The total volumes sold amounted to 378 GWh.

Sale of heat energy through the district heating network
Iren Mercato manages heat sales to customers receiving district heating in the Municipalities of Genoa (through the CAE), Turin, Nichelino and in the provinces of Reggio Emilia, Piacenza and Parma.
This entails the supply of heat to customers already on the district heating network, customer relations management and the control and management of substations powering the heating systems of buildings served by the network. The heat sold to customers is supplied by Iren Energia S.p.A. under trading conditions that guarantee adequate remuneration.
In the first six months of 2014 the total district heating volume reached 79 million m^3, up on the previous year (+2.5 million m^3).

Heat service management
The Group sells heat management services and global services both to private entities and public authorities.

LNG regasification plant
As reported in the 2013 financial statements, note that on 12 July 2013 Olt officially waived its TPA (Third Party Access) waiver, formally notifying the Ministry for Economic Development.
Waiver of the right to exemption from the TPA regime was specifically envisaged in the guarantee ruling established by AEEG Resolution no. 92/08.
During the first half of 2014 contact with the Ministry continued, as a result of which the Department for procurement safety and energy infrastructures announced at the beginning of March that "*following the positive opinion of the AEEG pursuant to Resolution 4/2014/I/GASA of 16 January 2014, the decree format has been prepared and submitted to the Ministry's Cabinet Office in relation to acceptance of the waiver in question with effect from 20 December 2013, the date of operational start-up of the regasification terminal*".
The change of Government in the meantime caused a further legal deadline to be missed, inevitable in order to acquire the necessary knowledge of the terminal and the procedural process under way.
The directors believe there are sufficient elements to forecast a positive outcome to the proceedings and therefore that the guarantee will be released to the Company.

IREN ACQUA GAS

Integrated Water Services

Iren Acqua Gas manages the water services in the provinces of Genoa, Parma, Reggio Emilia and Piacenza, both directly and through the operating subsidiaries Mediterranea delle Acque and Idrotigullio and through the investee Am.Ter. In particular, from July 2004 it assumed the role of market operator for the Genoa ATO [Ambito Territoriale Ottimale], and from 1 July 2010 management of the water division for the Reggio Emilia and Parma areas was granted to Iren Acqua Gas as part of the Iride-Enìa merger.
From 1 October 2011, as a result of transfer of the water division from Iren Emilia, Iren Acqua Gas extended its management to the Piacenza ATO.
Through its own organisation, Iren Acqua Gas reaches a total of 177 municipalities serving over 2 million residents through its managed ATOs (Genoa, Reggio Emilia, Parma and Piacenza).
In the first half of 2014, Iren Acqua Gas, directly and through its subsidiaries, sold approximately 72 million m^3 of water in the areas managed, through a distribution network of over 14,100 km. With regard to waste water, the company manages a sewerage network spanning approximately 8,000 km.

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 7 interconnected methane 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 to residents to a minimum.
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributed 209 million m^3 of gas during the first half of 2014.

Special technological services/research

Through its Saster and SasterPipe Divisions, Genova Reti Gas is able to offer network engineering services to the market (IT, modelling, simulation) and upgrading of technological networks with no-dig technologies, of which the company has exclusive know-how. In order to specifically promote and organise scientific and cultural initiatives to safeguard the environment and water resources and to provide optimum network management services, in 2003 the Fondazione AMGA Onlus was also created. The foundation promotes and implements research, training and information projects, and provides support for initiatives implemented by other entities in relation to environmental protection and the organisation of public utility services.

IREN EMILIA

Iren Emilia operates in the gas distribution, waste collection and waste management sectors and coordinates the operations management activities of Emilia Romagna area companies for the integrated water cycle, electricity and district heating networks and other minor businesses (public lighting, public parks management, etc.).
Iren Emilia manages the natural gas distribution for 72 of the 140 municipalities in the provinces of Reggio Emilia, Parma and Piacenza. The company manages almost 5,950 km of high, medium and low pressure distribution networks with a designed maximum withdrawal capacity of 726,879 Smc/h.
Iren Emilia is active in the waste management service sector in the Piacenza, Parma and Reggio Emilia provinces, serving a total 116 municipalities and 1,135,000 inhabitants in these areas. In line with its sensitive approach to environmental protection and sustainable development, Iren Emilia has implemented widespread separate waste collection systems which, also through the management of 123 equipped ecological stations, has allowed the area served to achieve an almost 63.5% improvement in results.
In particular, the company performs urban waste collection, street and pavement cleaning, snow clearing, cleaning and maintenance of parks and urban green areas, and dispatches recyclable waste to the correct chains for transformation into raw materials or renewable energy. Through Iren Ambiente, an Iren Group

company, it ensures that waste collection takes place in such a way as to preserve and safeguard the environment and studies aspects of the waste collection problem, increasing its knowledge of technologies that are more innovative and “environmentally safe” than those used at present.
On 18 March 2014 the Board of Directors approved the launch of procedures for the spin-off of the “Waste collection” business unit of Iren Emilia to Iren Ambiente, and at the later meeting of 24 March approved the related partial spin-off plan, calling an extraordinary shareholders' meeting for 10 April 2014 to approve the spin-off plan. On completion of this procedure, the spin-off of the business unit became effective from 1 July 2014.
Iren Emilia 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 12,250 km of aqueduct networks, 6,950 km of sewerage networks, 489 waste water pumping systems and 800 purification plants, both biological treatment plants and Imhoff tanks, distributed across 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 326 km that serves a total volume of 19.3 million m^3.
On 20 September 2012, an agreement was signed for the transfer of the “district heating plant management activities” business unit from Iren Ambiente to Iren Emilia, the latter subsequently taking over existing legal and contractual relations. This activity is based on specific agreements with Iren Energia S.p.A. in the district heating segment, through the management, extraordinary maintenance and operation of heat energy plants and cogeneration plants owned by Iren Energia in the three provinces of Parma, Reggio Emilia and Piacenza. Maintenance of Iren Ambiente cogeneration plants located at proprietary landfills also continued.
Operations management of the electrical energy distribution network is carried out in the city of Parma and concerns 2,400 km of network and over 125,000 delivery points to end customers.

IREN AMBIENTE

Waste Management segment
Whether directly or through investees, Iren Ambiente performs the treatment, disposal, storage, recovery and recycling of urban and special waste, energy recovery (heat and electrical energy) through waste-to-energy (WtE) transformation and the operation of plants for the production of bio gas in the provinces of Parma, Reggio Emilia and Piacenza.
Iren Ambiente manages a significant customer portfolio to which it provides services for the disposal of special waste and it performs the treatment, selection, recovery and final disposal of urban waste collected by Iren Emilia S.p.A..
The non-separated portion of waste collected is disposed of in various ways as part of research into the best use of waste through an industrial process involving mechanical selection to reduce the percentage destined to WtE conversion and disposal in landfills.
Iren Ambiente handles over 1,000,000 tons of waste per year in 12 treatment, selection and storage plants, 2 waste-to-energy plants (Piacenza and Parma), 1 landfill (Poiatica - Reggio Emilia) and 2 composting plants (Reggio Emilia). The new Integrated Environmental Hub (IEH), a waste selection and waste-to-energy plant in the province of Parma, became fully operational in April 2014.

INFORMATION ON THE IREN SHARE IN THE FIRST HALF OF 2014

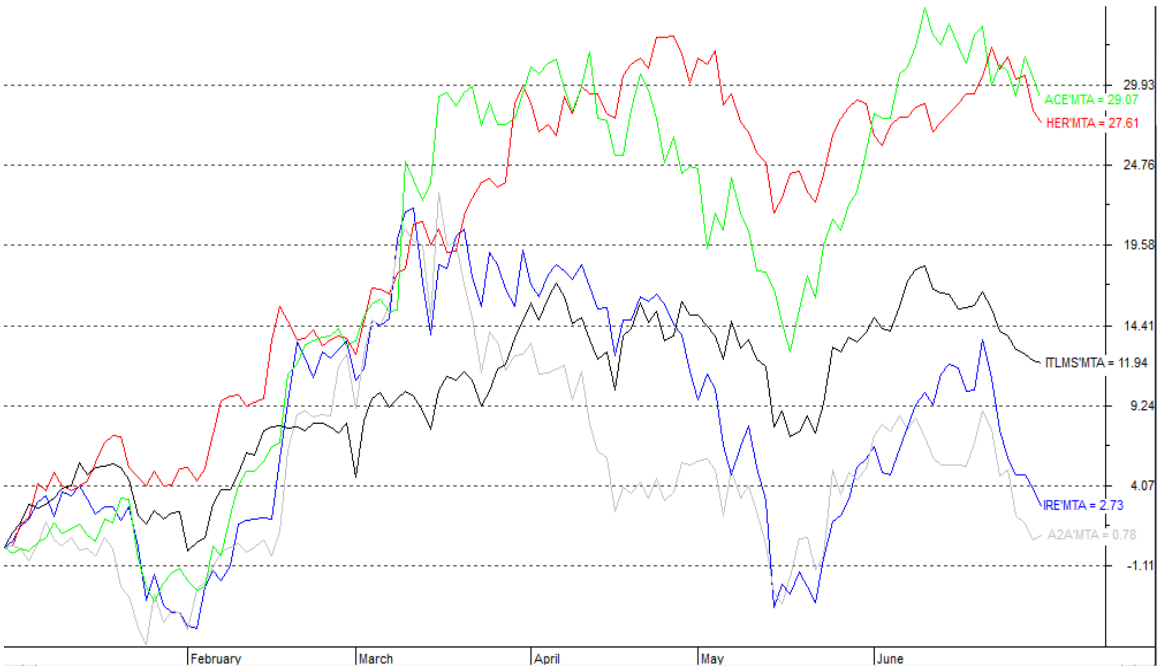
IREN share performance on the Stock Exchange

During the first half of 2014 the Italian Stock Exchange followed a positive trend, mostly associated with an easing of financial tension due to largely to ECB expansion policies rather than a true recovery in the real economy. In fact, the economic situation is characterised by a persisting weakness of the energy markets, which has had an impact mostly on companies with greater exposure to gas and energy generation and sale activities.

In this context the Iren share recorded growth of around 2.7%, a few percentage points better than A2A (+0.78%) which has an asset portfolio similar to Iren's.

In the same period the MTA index recorded a growth of around 12%, whilst Hera and Acea, which have asset portfolios based mainly on regulated activities, recorded performances of over 27%.

THE SHARE PERFORMANCES OF IREN AND COMPETITORS

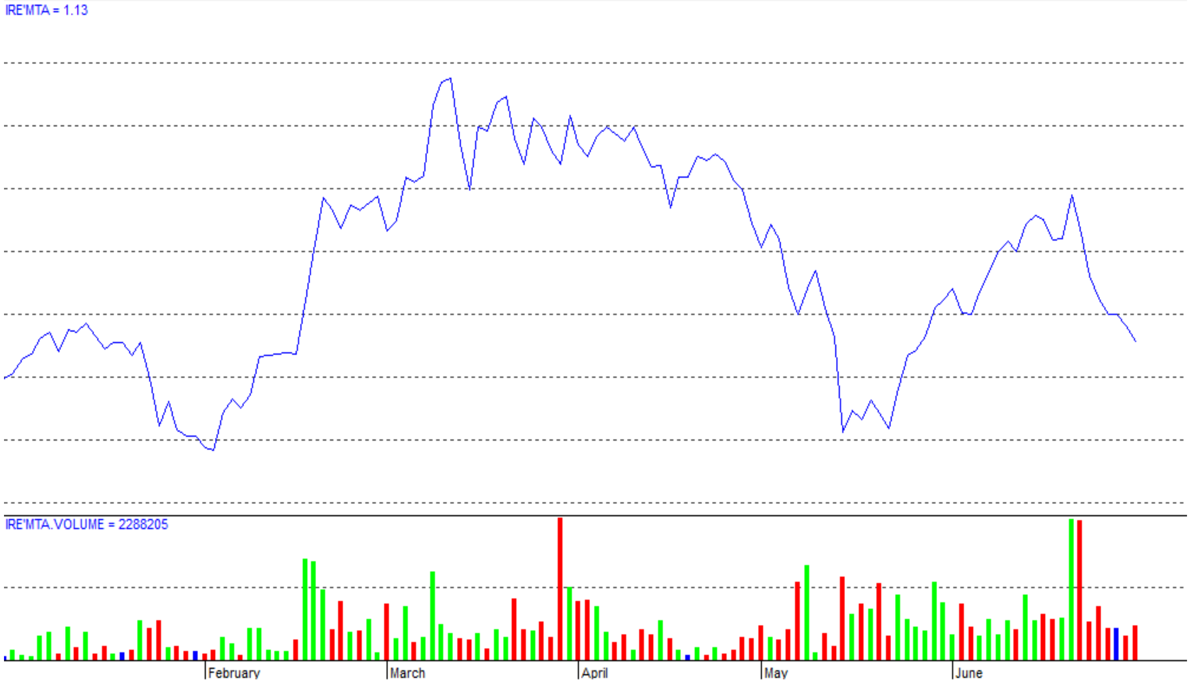


At the end of June 2014 the Iren share recorded Euro 1.13 per share, with average trading volumes since the start of the year of around 2.3 million units per day.

In the same period the average share price was Euro 1.19, peaking at Euro 1.34 on 11 March and bottoming out at Euro 1.04 on 4 February.

STOCK EXCHANGE DATA	**Euro/share in the first 6 months of 2014**
Average price	1.19
Highest price	1.34
Lowest price	1.04
Number of shares ('000)	1,276,226

IREN SHARE PRICE AND TRADING VOLUME PERFORMANCE

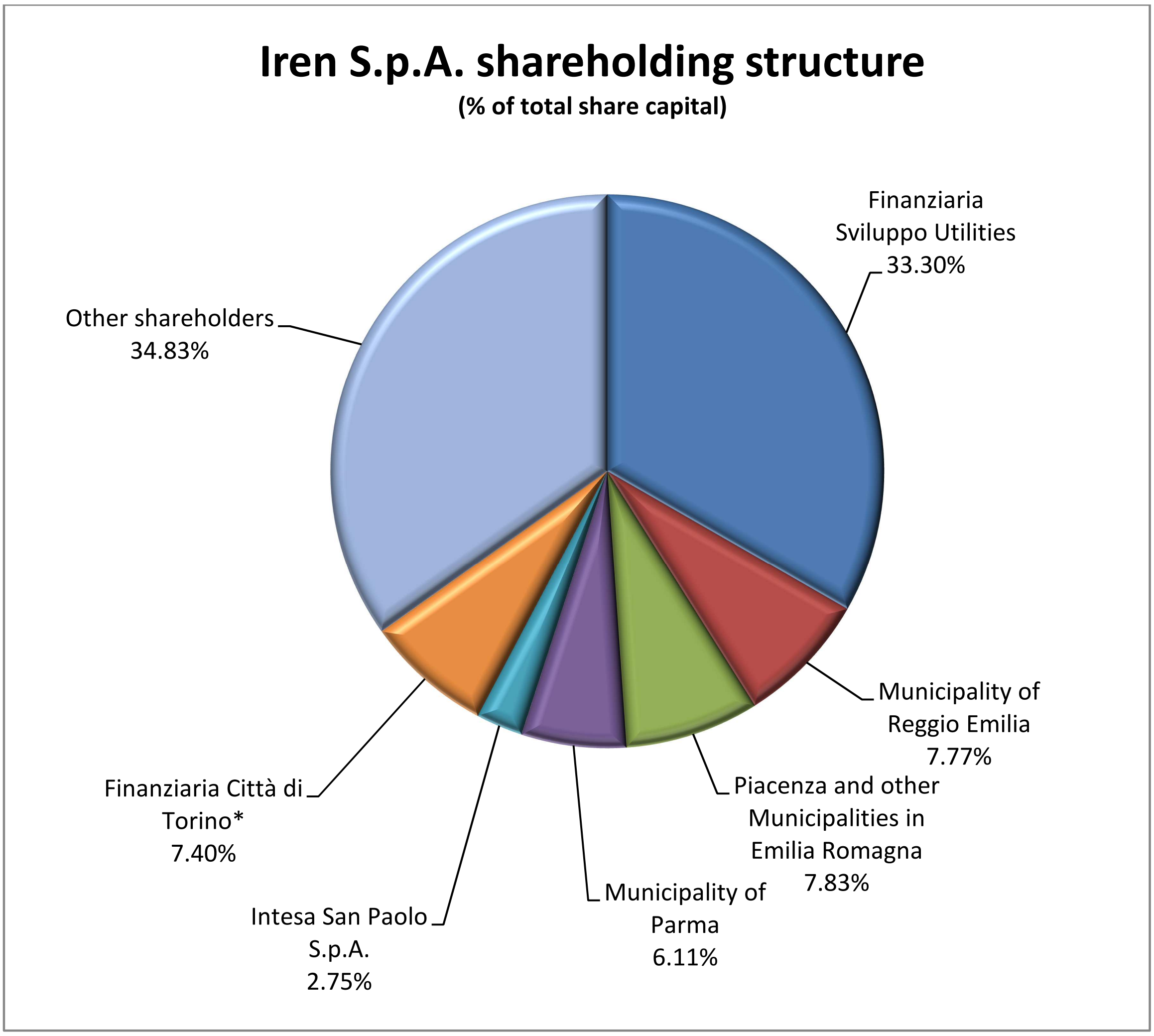


Share coverage

The IREN Group is currently followed by five brokers: Banca IMI, Banca Akros, Equita, Intermonte, KeplerCheuvreux.

Shareholding structure

At 30 June 2014, based on available information, the shareholding structure of Iren was as follows:



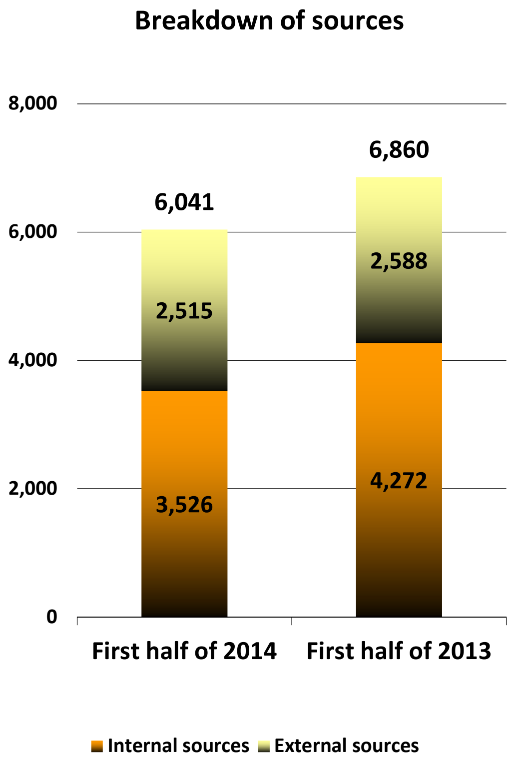
(*) savings shares without voting rights

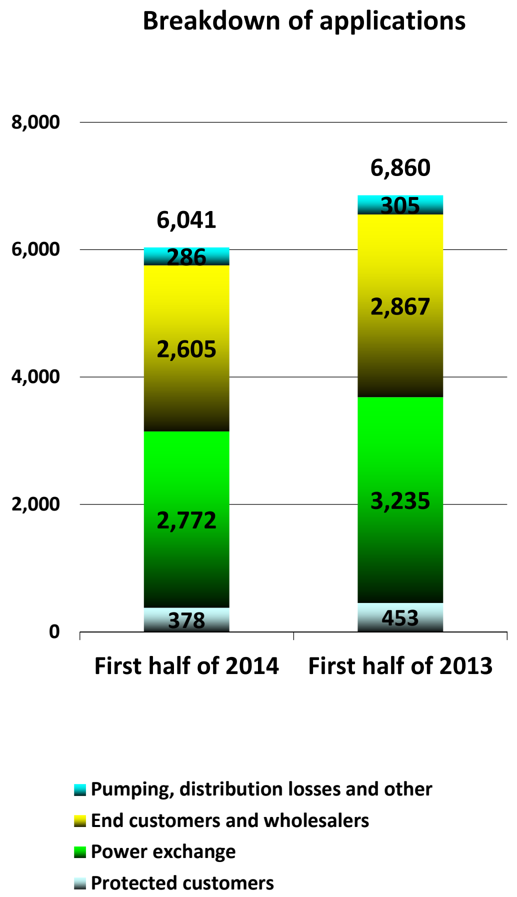
OPERATING DATA

Electrical energy production

GWh	First half of 2014	First half of 2013	% Change
SOURCES			
Gross production	3,526	4,272	(17.5)
a) from cogeneration sources	*2,293*	*3,183*	*(28.0)*
b) from hydroelectric sources	*685*	*562*	*21.9*
c) from thermoelectric sources	*345*	*-*	*(*)*
d) WTE production and landfills, IEH and TRM	*203*	*49*	*(*)*
e) Edipower plant production	*-*	*477*	*(100.0)*
Purchases from Acquirente Unico	397	476	(16.6)
Energy purchased on the Power Exchange	1,092	1,035	5.5
Energy purchased from wholesalers and imports	1,026	1,077	(4.7)
Total Sources	**6,041**	**6,860**	**(11.9)**
APPLICATION			
Sales to protected customers	378	453	(16.6)
Sales on the Power Exchange	2,772	3,235	(14.3)
Sales to eligible end customers and wholesalers	2,605	2,867	(9.1)
Pumping, distribution losses and other	286	305	(6.2)
Total Application	**6,041**	**6,860**	**(11.9)**

(*) Change of more than 100%

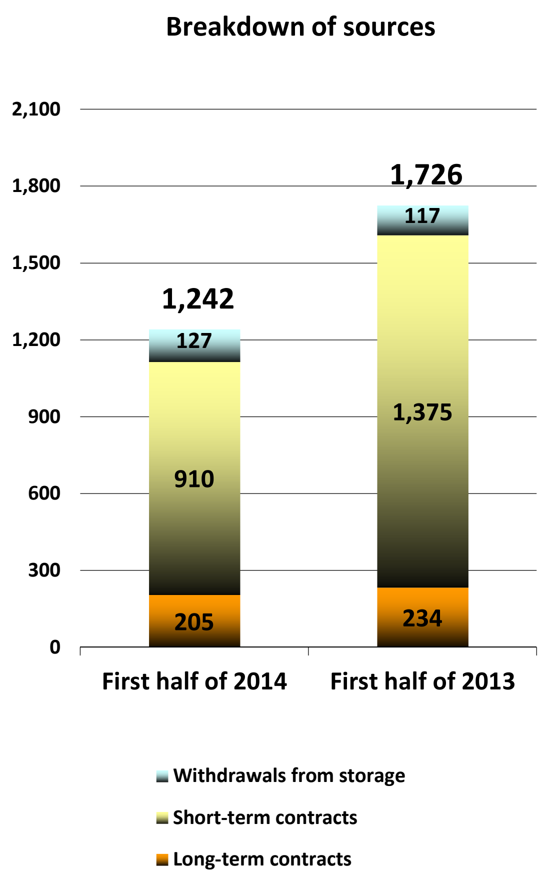


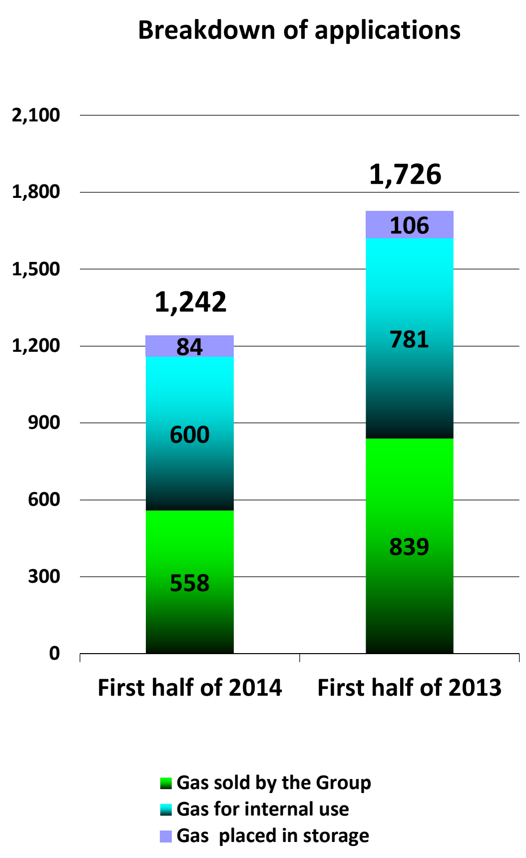


Gas Production

Millions of m³	First half of 2014	First half of 2013	% Change
SOURCES			
Long-term contracts	205	234	(12.4)
Short-term contracts (annual and spot)	910	1,375	(33.8)
Withdrawal from storage	127	117	8.5
Total Sources	**1,242**	**1,726**	**(28.0)**
APPLICATION			
Gas sold by the Group	558	839	(33.5)
Gas for internal use (1)	600	781	(23.1)
Gas placed in storage	84	106	(20.7)
Total Application	**1,242**	**1,726**	**(28.0)**

(1) Internal use involved thermoelectric plants, tolling, use in the generation of heat services and internal consumption.





Network services

	First half of 2014	First half of 2013	% Change
ELECTRICAL ENERGY DISTRIBUTION			
Electrical energy distributed (GWh)	1,915	2,036	(5.9)
No. of electronic meters	701,503	692,478	1.3
GAS DISTRIBUTION			
Gas distributed by Iren Emilia (mln m³)	*452*	*587*	*(23.1)*
Gas distributed by Iren Acqua Gas (mln m³)	*209*	*256*	*(18.5)*
Total Gas distributed	661	844	(21.7)
DISTRICT HEATING			
District heating volume (mln m³)	79	77	3.3
District heating network (km)	878	828	6.0
INTEGRATED WATER SERVICE			
Water volume (mln m³)	72	75	(4.3)

MARKET CONTEXT

The domestic energy context

In the period January-June 2014 the net electricity production in Italy was 132,057 GWh, down (-4.0%) compared to the same period in 2013. Of the demand for electrical energy amounting to 152,949 GWh (-3.0%), 87.2% was met from domestic production (-0.9%) and the remaining 12.8% from foreign production. At domestic level, thermoelectric production was 78,989 GWh, down 10.1% on 2013 and covering 59.8% of production supply. Production from hydroelectric sources was 30,351 GWh (+11.1% compared to 2013) covering 23%, whilst geothermal, wind and photovoltaic energy production amounted to 22,717 GWh (+1.0%) and covered 17.2% of supply.

Demand and supply of accumulated electrical energy

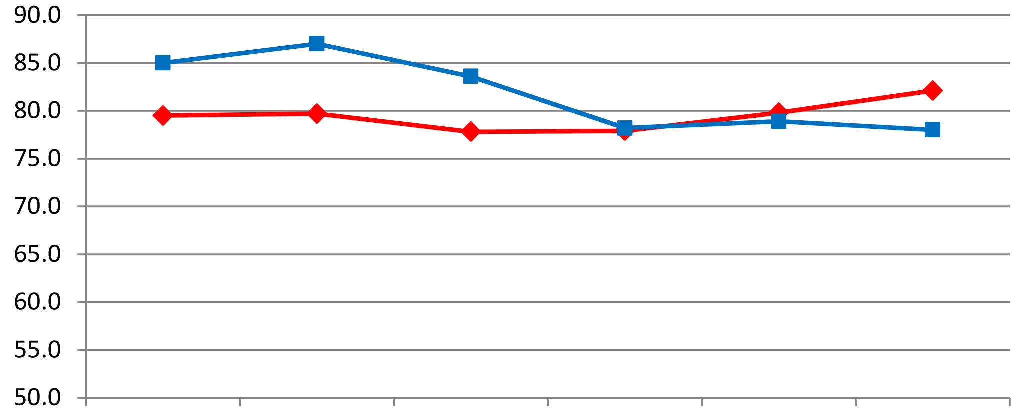
	up to 30 June 2014	up to 30 June 2013	% change
Demand	**152,949**	**157,623**	**-3.0%**
- Northern Italy	71,798	74,072	-3.1%
- Central Italy	44,255	45,787	-3.3%
- Southern Italy	22,759	23,249	-2.1%
- Islands	14,137	14,515	-2.6%
Net production	**132,057**	**137,568**	**-4.0%**
- Hydroelectric	30,351	27,317	11.1%
- Thermoelectric	78,989	87,862	-10.1%
- Geo-thermoelectric	2,722	2,599	4.7%
- Wind and photovoltaic	19,995	19,790	1.0%
Foreign balance	**22,251**	**21,384**	**4.1%**

Source: RIE on TERNA data

The first half of 2014 saw an overall reduction in the demand for electrical energy compared to the same period last year (-3.0%) of around -4.7 TWh. Percentage decreases were seen in all areas of the country. The highest decreases were recorded in the north-west of Italy (-4.2%) and Lombardy (-4.0%).

During the first six months of 2014 the average price of crude oil was Dollars/bbl 108.9, up slightly on the same period of 2013 (+1.3%). The average USD/EUR exchange rate was 1.370, up 4.3% on the average recorded in the same period of 2013. As a result of these changes, the average crude oil price in Euro was € 79.5 per barrel in 2014, -2.9% lower than the average price for 2013.
In the second quarter of 2014 the Brent Dated prices in USD saw an upward trend compared to the average for March, and a limited decrease with respect to the beginning of the year. In particular, in May the Brent reached USD 109.6 per barrel, up by around two dollars on the figure for April. The prices, which almost never dropped below USD 110 in the second part of the month, were bolstered by the persisting crisis in the Ukraine and in the ongoing tension in various countries in the MENA area, especially Libya. Brent prices flared in June, with daily peaks exceeding USD 115 per barrel, a price not seen since last September, and an average value of USD 111.7 per barrel, the highest since the start of the year. The situation in Iraq - the military advance of the ISIL jihadists (Islamic State of Iraq and the Levant) with occupation of a number of cities in the north and central areas of the country - is worrying markets because it narrows room for manoeuvre in the event of new oil shortages and because it raises reasonable doubts about the future security of OPEC supply.
The minimum of USD 100 per barrel was confirmed, attributable to geopolitical tension and/or higher supply-side costs that the barrel finds difficult to abandon except for short periods of time, also in the presence of generally weak real fundamentals.

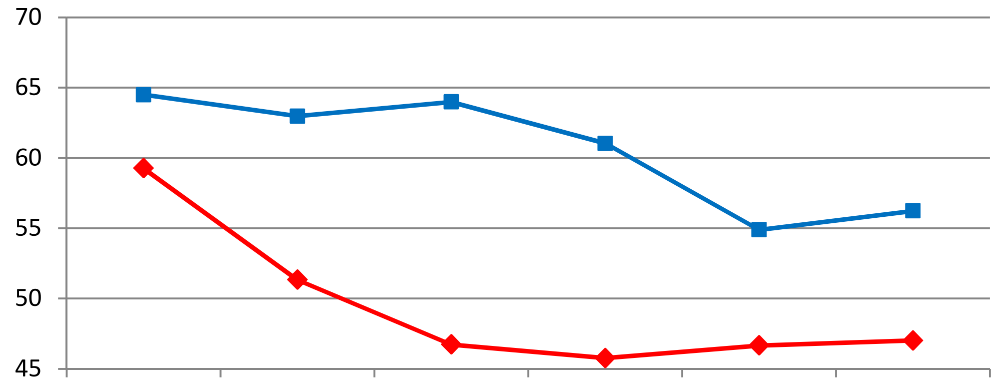
Brent performance (€/bbl)



	Jan	Feb	Mar	Apr	May	Jun
Year 2014	79.5	79.7	77.8	77.9	79.8	82.1
Year 2013	85.0	87.0	83.6	78.2	78.9	78.0

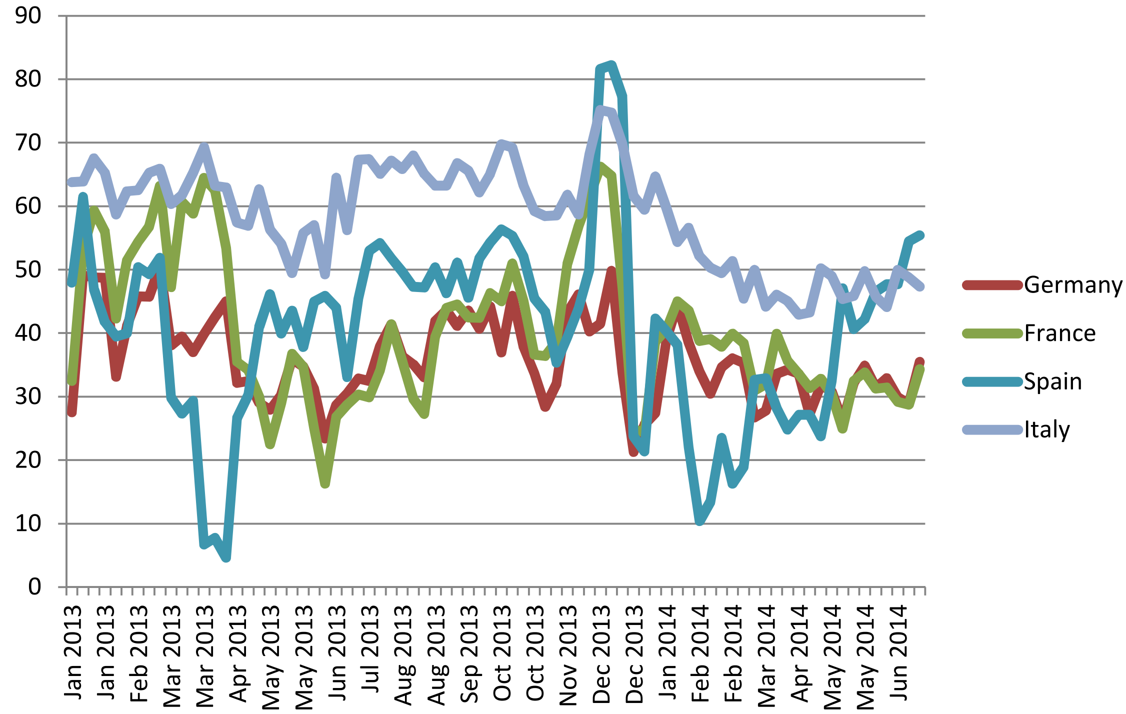
The Power Exchange closed the second quarter of 2014 with an average price of 46.5 €/MWh, the lowest quarterly value since the start-up of the IT platform. The decline is also confirmed, albeit more limited, in terms of the economic trend, following the trend seen in the first part of the year with a decrease compared to the first quarter of 11.4%. This decrease matches, though with a structural component, a similar net drop in demand (-4.2%). Demand in the quarter fell by 2.2% (0.6 TWh) compared to the 2013 figure. Demand has dropped below the level reached in the second quarter of 2009 (i.e. by a further -2.6%), the annual minimum for the national grid.
The decline in the single national price in half-yearly terms was -18.4%. In absolute terms this was -11.1 €/MWh, whereas the current floor reached is 49.5 €/MWh.

Average purchase price on the power exchange
National Single Price (€/MWh)



	Jan	Feb	Mar	Apr	May	Jun
Year 2014	59.27	51.34	46.73	45.76	46.66	47.02
Year 2013	64.49	62.97	63.98	61.03	54.89	56.24

As regards regional prices, during the first half of the year the price decrease in Sardinia fell from -2% of the single national price in 2013 to its current -1.2%. The figures also confirm the Southern Italy value as the lowest price, and Sicily as the highest. Note that Sicily recorded an increase last year over 2012 (47.7% of the single national price vs. +51% in 2013 and +22% in 2012). A narrowing of the spread was seen between the island's price and the average single national price trend. The price in Sicily, in fact, decreased by 15.6% (-13.6 €/MWh) compared to a 13.8% decrease (-7.8 €/MWh) at national level.
In the first half the European power exchanges recorded an average price of 33.3 €/MWh compared to an average Ipex single national price of 49.5 €/MWh, with a spread of 16.2 €/MWh narrower than the 21.2 €/MWh of 2013.



Power exchange liquidity from January to May 2014 was 70.7 TWh, around 66.7% of volumes purchased.
The following table shows values and comparisons between average monthly future prices of products available for the second quarter of 2014. In the three months from April to June decreases were recorded in the quarterly prices for September and December 2014, up slightly on the prices for March and June 2015. Annual future prices (December 2015), which stood at 58.1 €/MWh in January, dropped to 52.6 €/MWh in June (-5.5 €/MWh).

Apr. 2014 futures		May 2014 futures		June 2014 futures	
Monthly	**€/MWh**	**Monthly**	**€/MWh**	**Monthly**	**€/MWh**
May 2014	44.0	Jun 2014	47.0	Jul 2014	51.6
Jun 2014	47.3	Jul 2014	52.5	Aug 2014	51.8
Jul 2014	53.5	Aug 2014	52.6	Sep 2014	51.8
Quarterly	**€/MWh**	**Quarterly**	**€/MWh**	**Quarterly**	**€/MWh**
Sep 2014	53.7	Sep 2014	52.6	Sep 2014	51.8
Dec 2014	56.9	Dec 2014	56.9	Dec 2014	56.5
Mar 2015	56.0	Mar 2015	56.5	Mar 2015	56.4
Jun 2015	47.2	Jun 2015	47.1	Jun 2015	47.6
Yearly	**€/MWh**	**Yearly**	**€/MWh**	**Yearly**	**€/MWh**
Dec 2015	52.8	Dec 2015	52.7	Dec 2015	52.6

Source: RIE on IDEX data

Natural gas market

After the strong decline of 4.8 billion m³ (-6.5%) seen in 2013, the first half of 2014 recorded a further heavy drop in the demand for natural gas. The figures published by Snam Rete Gas indicate an overall decline in consumption of no less than 5.5 billion m³ (-14.4%) compared to the same period last year. 66% of the decrease is attributable to lower withdrawals from the distribution networks, -17.6% compared to 2013 (-3.6 billion m^3) due to an extremely mild winter season, and around 29% is due to thermoelectric use which saw a -16.2% decline (-1.6 billion m^3) as a result of the trend in electrical energy demand (-3.0% for -4.7 TWh) and the higher contribution from renewable sources (+6.8% for around +3.4 TWh), supported in particular by hydroelectric production (+11.1%). Note that compared to the first half of 2008, the plants' gas consumption has fallen by 51%. Also down slightly compared to 2013 was industrial consumption (-1%). June was the first month this year to record a positive change in overall demand (+2.5%) and in demand for thermoelectric use (+1.4%).
With regard to system input, imports since the start of the year have fallen by 4.7% compared to 2013. Approximately 54.7% of the gas came from Tarvisio (mainly Russia) with a 6.1% increase over the previous year and 38.4% over 2012. 15.0% was from Mazara del Vallo (Algeria) with a 41.5% drop compared to 2013, largely due to the renegotiated volumes in long-term contracts, 9.7% from Gela (Libya), 12.8% from Passo Gries (Northern Europe) and 7.8% from the Rovigo regasification terminal. National production fell by 7.5%.

Application/sources of natural gas in the first half of 2014 and comparison with previous years

January – June	2014	2013	2012	2011	2008	% change '14/'13	% change '14/'12	% change '14/'11	% change '14/'08
GAS WITHDRAWN (Bln m³)									
Distribution plants	17.0	20.6	20.3	19.6	19.4	-17.6%	-16.5%	-13.7%	-12.6%
Industrial use	6.7	6.8	7.0	7.0	8.0	-1.0%	-3.8%	-4.0%	-16.1%
Thermoelectric use	8.2	9.8	12.3	14.0	16.7	-16.2%	-33.5%	-41.4%	-50.7%
Third party network and system consumption (*)	0.8	1.0	1.4	1.3	1.6	-20.2%	-42.1%	-40.8%	-51.7%
Total withdrawn	**32.6**	**38.1**	**41.0**	**42.0**	**45.7**	**-14.4%**	**-20.3%**	**-22.2%**	**-28.5%**
GAS INPUT (Bln m³)									
Domestic production	3.4	3.7	4.1	3.8	4.7	-7.5%	-15.4%	-10.3%	-25.9%
Imports	29.3	30.8	36.8	38.1	40.7	-4.7%	-20.3%	-23.0%	-28.0%
Storage	-0.1	3.6	0.1	0.1	0.3	n.s.	n.s.	n.s.	n.s.
Total input	**32.6**	**38.1**	**41.0**	**42.0**	**45.7**	**-14.4%**	**-20.3%**	**-22.2%**	**-28.5%**

(*) Includes: transport, exports, transport company redeliveries, reservoir/widening changes, losses, consumption and gas not accounted for.
Source: Processing of Snam Rete Gas figures, provisional for May-June 2014

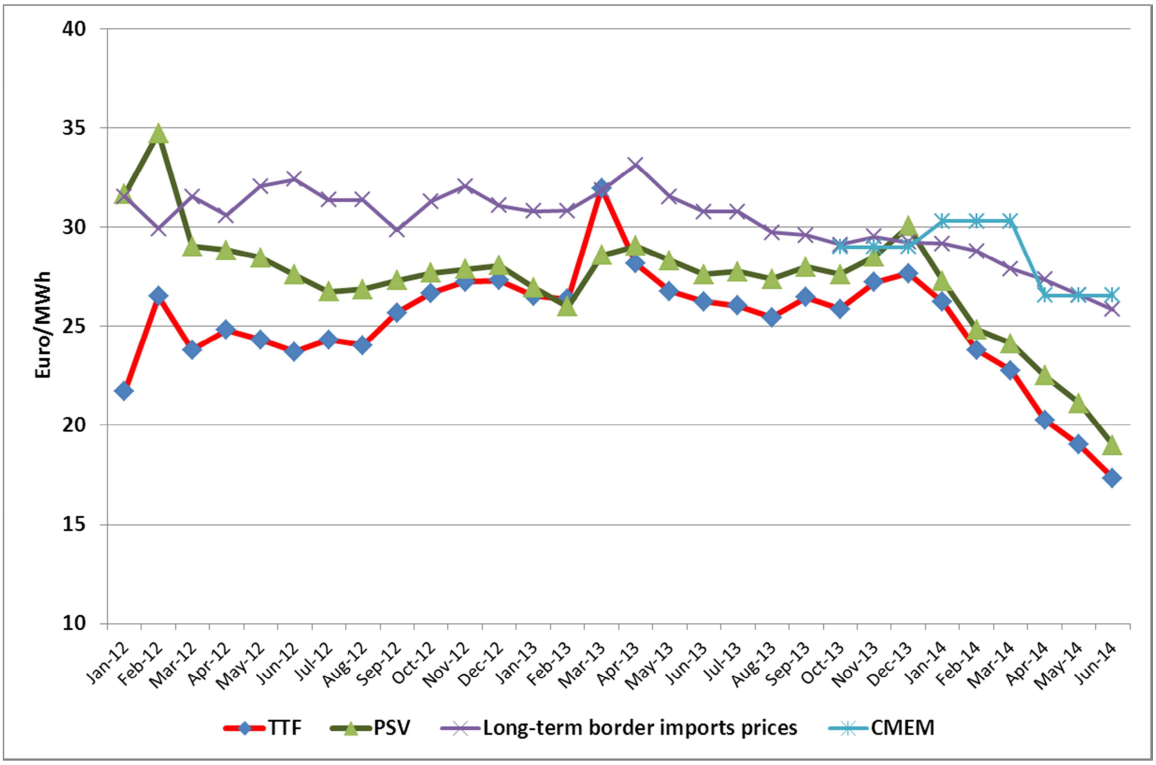
In the first half of 2014, in a context of weak demand for thermoelectric and industrial use, a milder winter on average throughout Europe, consequently with less recourse to storage, and plentiful supply have contributed to a wholesale spot and forward prices decrease at all the major gas hubs, both compared to the end of 2013 and to the first half of last year. The spot prices of the Dutch TTF, the reference hub for continental Europe, dropped from 27.7 €/MWh in December 2013 to 17.4 €/MWh in June 2014, a value 34% lower than the same month in 2013. On average during the first half of the year the decrease was 22% compared to the same period last year. Not even the geopolitical problems between Russia and Ukraine, and their failure to reach an agreement on gas supplies, have so far had an effect on prices.
Border prices for long-term contracts decreased, particularly due to the effects of certain international renegotiations concluded, which aimed to bring the two price levels closer together also with retroactive effects. However, the decrease was more limited than the strong drop in prices at the hubs. Provisional figures for the first six months show that spot prices are 20% lower on average than border contract prices.

The Italian Virtual Exchange Price (VEP) hub also recorded a drop, with an average spot price for the first half of the year of 23.1 €/MWh compared to 27.8 €/MWh for the same half of 2013 (-17%). Since the end of 2012 the difference between the Italian VEP and the Dutch TTF has narrowed in value terms, mainly due to the physiological costs of transporting physical volumes between the two hubs. In the first half of 2014 the VEP recorded prices 1.6 €/MWh higher on average than TTF prices (+7.3%).

The balancing market (PB-Gas), another expression of short-term gas prices on the Italian wholesale market, recorded values very close to those of the VEP with 23.4 €/MWh on average during the period.

The "C_{MEM} component", reflecting the gas procurement cost in the protected market price and defined by the AEEGSI from 1 October 2014 on the basis of TTF forward prices ("carried forward" to the VEP with the addition of special transport components), was 30.4 Eurocents/m^3 on average, corresponding to 28.4 €/MWh.

Gas price trends on the European wholesale markets



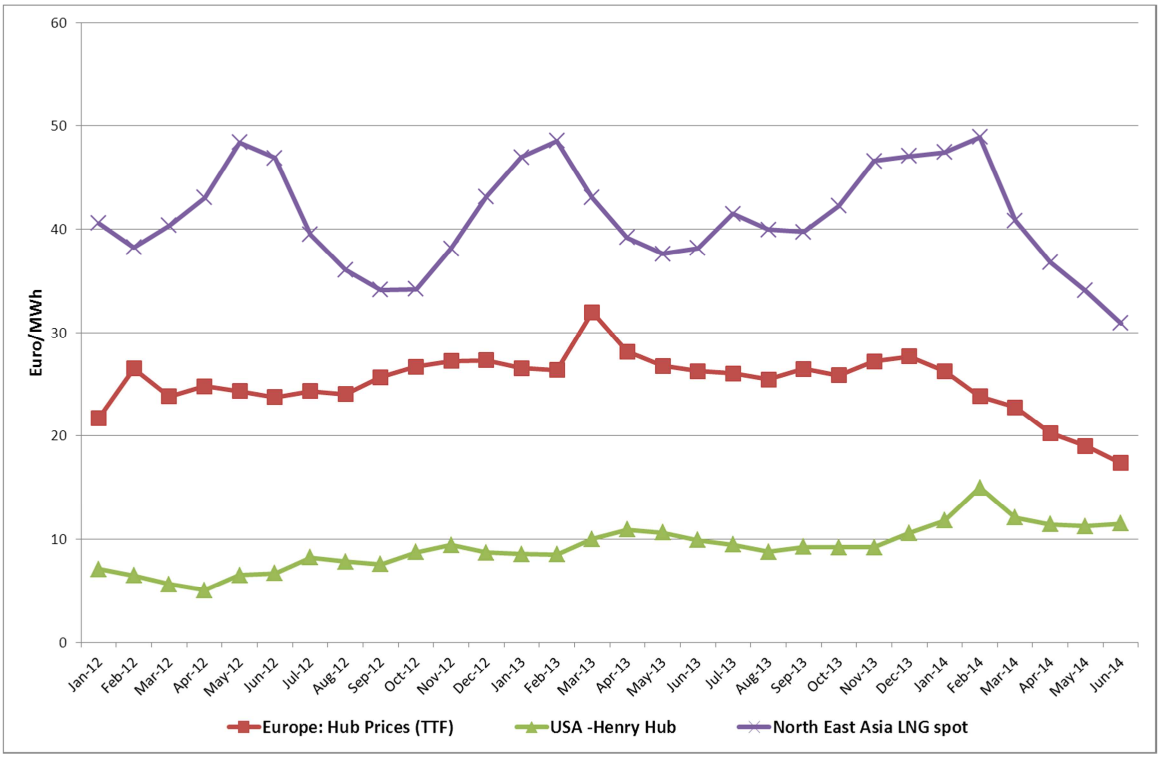
**Indicative values based on World Gas Intelligence estimates and readings*

Note: the C_{MEM} prices were translated into Euro/MWh on the basis of heating power of 38.52 Mj/Sm³

Source: RIE processing of Platts, AEEG and WGI data

As regards ratios between international gas prices, it was seen that despite the stronger internationalisation of trading and the growth in mutual impact between macro areas due to LNG developments, the gas markets are still highly "regionalised" as a result of differences between the local market conditions and in the balance between supply and demand, different pricing systems and transport costs. The result of these factors is a strong difference between gas prices in the main macro-areas of the market (Europe, Asia and USA). In the first half of 2014 and in particular in the last few months a limited narrowing of this difference was seen, though remaining significant on average (see chart below). The partially reduced difference was caused by the previously mentioned decline in European prices, whilst in the USA the Henry Hub prices were instead up on 2013 (reaching 6 $/MBTU in February) due to the long and exceptionally severe winter with heavy recourse to storage, factors which are still affecting prices at the end of June (4.6 $/MBTU vs. 3.8 $/MBTU in June 2013). Furthermore, the LNG spot prices in Asia, after a winter peak that touched on 20 $/MBTU (around 49 €/MWh) and exceeding the oil-indexed Asian contract prices, recorded a decline in recent months: 12 $/MBTU at June 2014 (around 31 Euro/MWh). On average in the first half of the year, European spot prices of 8.7 $/MBTU (21.6 €/MWh) were recorded alongside the Asian LNG spot price of 16 $/MBTU (40 €/MWh) and the much lower US prices of 4.9 $/MBTU (12.2 €/MWh).

Comparison between international gas prices



Source: RIE processing of Platts data

Significant events of the period

Issue of a Private Placement for Euro 100 million with 5-year maturity

On 11 February 2014 Iren S.p.A. successfully completed the issue of a Private Placement for a total of Euro 100 million with a 5-year maturity and coupon payments at 3% p.a.

The bonds, listed on the Irish Stock Exchange, are fully subscribed by Morgan Stanley and are reserved for trading with institutional investors.

This transaction follows the initial bond placement completed in 2013.

Tap Issue for the Private Placement transaction completed on 14 October 2013, with a Euro 50 million increase in the total

On 19 March 2014, Iren S.p.A. concluded the tap issue for the 4.37% fixed rate bond placement completed on 14 October 2013 and maturing 14 October 2020.

The bonds, listed on the Irish Stock Exchange, are reserved for institutional investors only.

This transaction offered Euro 50 million in additional funding over and above the Euro 210 million of the original issue (including the tap issue performed on 29 October 2013), with the same maturity and coupon payments but with a lower return (below 4%).

Agreement for the gradual integration of Unieco's Waste Management Division into the Iren Group

On 28 February 2014 the Iren Group, through its subsidiary Iren Ambiente S.p.A., and Unieco Società Cooperativa, through its subsidiary UCM S.r.l., signed an agreement for the gradual integration of Unieco's Waste Management Division into Iren Ambiente.

In line with provisions of the Business Plan, this transaction will allow the Iren Group to strengthen its position in the waste management sector, becoming one of the national leaders active in all phases of the waste management chain, to develop its presence in the reference regions (Emilia Romagna, Liguria and Piedmont) and to expand its geographic catchment area to regions with high development potential.

Takeover bid on Acque Potabili S.p.A.

On 11 March 2014, Iren S.p.A., Iren Acqua Gas S.p.A. (IAG) and Società Metropolitana Acque Torino S.p.A. (SMAT) agreed to launch a voluntary global takeover bid, through Sviluppo Idrico S.r.l., a company whose share capital is held in equal parts by IAG and by SMAT, in accordance with art. 102 et seq. of the Consolidated Law on Finance with regard to 13,785,355 ordinary shares of Acque Potabili S.p.A. - Società per la condotta di Acque Potabili (SAP). IAG and SAP hold 11,108,795 and 11,109,295 SAP shares, respectively, for a total of 61.71% of the company's share capital.

The primary aim of the takeover bid is the delisting from the MTA market operated by Borsa Italiana of ordinary SAP shares.

The subscription price initially established by the bidder for each share subscribed was Euro 1.05 and incorporated a 15.5% premium compared to the weighted average of official share prices recorded in the six months prior to the reference date (10 March 2014).

The subscription period for the voluntary takeover bid was established as 14 April 2014 to 30 May 2014, inclusive.

On 29 May 2014 the bidder Sviluppo Idrico S.r.l. extended the duration of the subscription period for the takeover bid from 30 May 2014 to 6 June 2014 and increased the subscription price from Euro 1.05 to Euro 1.20 per share.

Based on the final results, including the extended deadlines, a total of 9,431,746 shares were subscribed, representing 26.197% of Acque Potabili share capital and equal to 68.419% of shares covered by the bid for a total countervalue of Euro 11,318,095.20.

As a result of the bid, including the extended deadlines, Sviluppo Idrico, IAG and Smat hold a total of 31,649,336 shares, equal to 87.908% of Acque Potabili share capital. Sviluppo Idrico, IAG and Smat have not purchased shares outside the Takeover Bid, either during the subscription period or during reopening of the deadlines.

It should be emphasised that no findings emerged from these results to require the delisting of Acque Potabili.

Further developments are reported in the section "Events after the reporting period".

Spin-off of AES Torino

On 9 April 2014 IREN Energia and Italgas, a 100% subsidiary of Snam, signed a binding agreement - approved by the Iren Energia shareholders' meeting of 17 April 2014 - for the separation of natural gas and district heating distribution activities currently performed by AES Torino (a company 51% owned by IREN Energia and 49% by Italgas).

According to the agreement, the separation of natural gas and district heating distribution activities is by means of a non-proportionate partial spin-off of AES Torino with effect from 1 July 2014. From that date, the IREN Group is the beneficiary of the business unit relating to district heating distribution activities and exits from the ownership structure of AES Torino, whilst Italgas holds the entire share capital of AES Torino.

On finalisation of the agreement, IREN Energia once again become the direct owner of the district heating network in the municipalities of Turin, Moncalieri and Nichelino, which with 56 million m^3 of district heating provided (to around 60% of residents) is the largest network in Italy and will consolidate the company's Italian leadership in the district heating segment with over 79 million m^3 served. The AES Torino spin-off transaction qualifies as one of the exclusion cases envisaged for related party transactions in the Consob Regulation and in the Procedure adopted on such matters by the IREN Group.

Exercise of the call option on TRM V. S.p.A.

On 29 April 2014 the Board of Directors of IREN S.p.A. decided to exercise the call option from F2i Ambiente S.p.A. on a 24% interest in TRM V S.p.A., in which it already holds 25% and which is the parent of TRM S.p.A., the company entrusted with the task of designing, building and managing the waste-to-energy plants using urban and similar waste and serving the southern area of the province of Turin.

The transaction was finalised on 9 May 2014 for a price of approximately Euro 35.7 million.

IREN district heating receives the Piedmont ICT Innovation award organised by Smau

In May 2014 the Iren Group received the Piedmont ICT Innovation Award, awarded by Smau to the best among companies and public entities that have successfully innovated their business through digital technology with the aim of generating a virtuous mechanism of sharing experiences of excellence.

From 2011 the Iren Group, Italian leader in the district heating segment (79 million m^3 served) had decided to invest in identifying methodologies and systems capable of optimising and innovating the remote management system for heat exchange substations in apartment blocks (essentially comprising one heat exchanger between the main local district heating network and the building's secondary heating network, one regulator and one meter) located in Turin, Parma, Piacenza and Reggio Emilia.

So the Iren Group developed an open system based on open source software and industry-standard components for remote meter reading and remote management of the heat exchange substations, installing innovative systems in 3,600 substations with the aim of completing the coverage plan for the substations managed.

The remote management system offers various benefits, such as remote meter reading, the option of monitoring and changing the operating parameters of the regulators, activating maintenance work, remote start-up and the management of emergency situations caused by network faults.

Approval of the 2013 Financial Statements and dividend distribution

On 18 June 2014 the Iren shareholders' meeting approved the 2013 Financial Statements and the distribution of a dividend of Euro 0.0523 per share, which was paid on 26 June 2014.

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

Presented below are the income statement, statement of financial position and statement of cash flows for the Iren Group on which the comments regarding business performance are based.

Income Statement

IREN GROUP CONSOLIDATED INCOME STATEMENT

thousands of euro

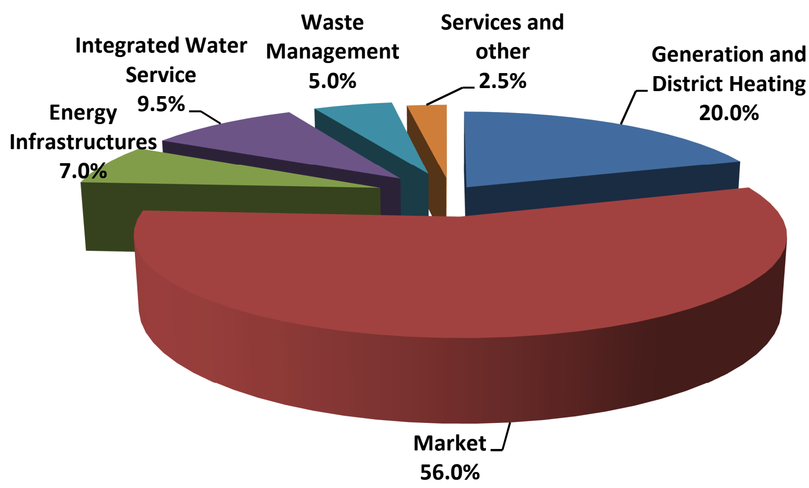
	First half of 2014 Restated	First half of 2013 Restated	% change
Revenue			
Revenue from goods and services	1,368,569	1,691,840	(19.1)
Change in work in progress	136	1,132	(88.0)
Other revenue and income	152,784	95,111	60.6
- of which non-recurring	*21,044*	-	
Total revenue	**1,521,489**	**1,788,083**	**(14.9)**
Operating expense			
Raw materials, consumables, supplies and goods	(573,500)	(788,594)	(27.3)
Services and use of third-party assets	(409,935)	(467,921)	(12.4)
Other operating expense	(37,446)	(33,912)	10.4
Capitalised expenses for internal work	9,879	12,074	(18.2)
Personnel expense	(139,951)	(130,146)	7.5
Total operating expense	**(1,150,953)**	**(1,408,499)**	**(18.3)**
GROSS OPERATING PROFIT (EBITDA)	**370,536**	**379,584**	**(2.4)**
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(118,406)	(101,211)	17.0
Provisions and impairment losses	(23,241)	(26,384)	(11.9)
Total amortisation, depreciation, provisions and impairment losses	**(141,647)**	**(127,595)**	**11.0**
OPERATING PROFIT (EBIT)	**228,889**	**251,989**	**(9.2)**
Financial income and expense			
Financial income	14,580	14,897	(2.1)
Financial expense	(64,499)	(61,934)	4.1
Total financial income and expense	**(49,919)**	**(47,037)**	**6.1**
Share of profit of associates accounted for using the equity method	(11,189)	10,000	(*)
Impairment losses on investments	(20)	-	-
Profit before tax	**167,761**	**214,952**	**(22.0)**
Income tax expense	(81,058)	(96,886)	(16.3)
Net profit/(loss) from continuing operations	**86,703**	**118,066**	**(26.6)**
Net profit/(loss) from discontinued operations	-	-	-
Net profit (loss) for the year	**86,703**	**118,066**	**(26.6)**
attributable to:			
- Profit (loss) - Group	76,958	112,323	(31.5)
- Profit (loss) - non-controlling interests	9,745	5,743	69.7

(*) Change of more than 100%

Revenue

At 30 June 2014 the Iren Group achieved revenue of Euro 1,521 million, down by 14.9% compared to the Euro 1,788 million of the first half of 2013. The drop in revenue is mainly attributable to lower quantities sold in the energy segments, as a result of the particularly mild winter and continued optimisation of the business customer portfolio. In addition, the persisting situation of electrical energy production overcapacity associated with stronger production from renewable sources, along with a drop in demand (-3% on a national basis) has led to continued downward pressure on electrical energy prices and margins.

BREAKDOWN OF REVENUES (*)

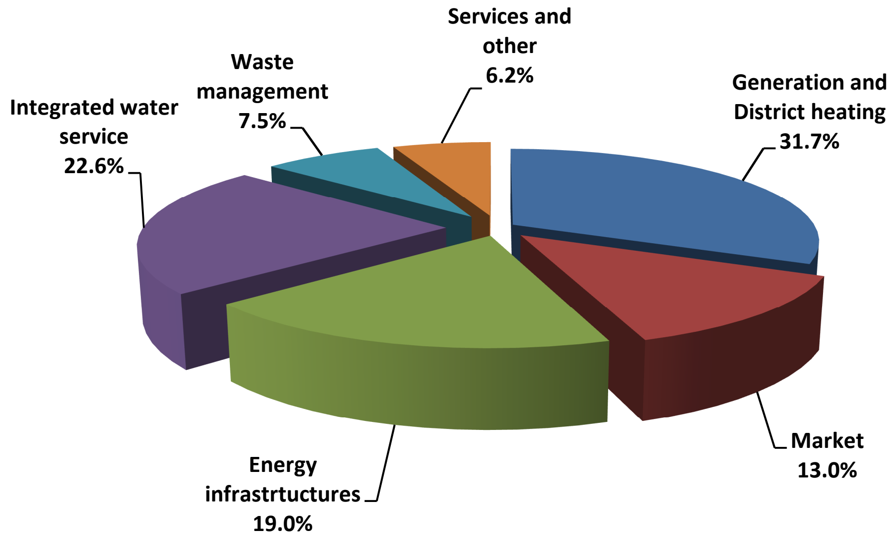


(*) before intersegment netting

Gross Operating Profit (EBITDA)

Gross operating profit (EBITDA) amounted to Euro 371 million, down by -2.4% compared to Euro 380 million in the first half of 2013. This decrease in margins is largely attributable to the energy sector as a result of the joint effects of regulatory, weather and market-related aspects. The full effects have materialised, in fact, of the AEEGSI review of the gas sales tariff (Resolution 196/13 and subsequent downward review of the district heating tariff) and the removal of incentives on heat cogeneration production (green certificates for district heating) as well as the previously mentioned exceptionally mild winter and the pressure on electrical energy margins.

BREAKDOWN OF EBITDA



Operating profit (EBIT)
Operating profit (EBIT) amounted to Euro 229 million, down -9.2% on the Euro 252 million of 2013. The decrease in operating profit and the negative performance of gross operating profit (EBITDA) have contributed to the higher amortisation and depreciation recorded for the period (Euro 17 million), partly offset by the decrease (Euro 3.1 million) in provisions and impairment losses for the period.

Financial income and expense
Net financial expense totalled a negative Euro 50 million. In particular, financial expense amounted to Euro 65 million. The change compared to the first half of 2013 is due mainly to the decrease in capitalised interest and the increase in financial charges from time-discounting. Financial income amounted to Euro 15 million (-2%).

Share of profit of associates accounted for using the equity method
The results of associates accounted for using the equity method was negative by around Euro 11 million, down compared to the same period in 2013, mainly due to the negative result of OLT, partly offset by the profit achieved by Amiat, ASA and TRM V.

Profit before tax
As a result of the above trends the consolidated profit before tax reached Euro 168 million, down on the Euro 215 million recorded in the first half of 2013.

Income tax expense
Income taxes for the first half of 2014 amounted to Euro 81 million, down by 16.3% compared to first half of 2013. The nominal tax rate is 48%.

Net profit (loss) for the year
Profit for the period amounted to Euro 87 million, down 26.6% on the same period of 2013.

Segment reporting

The Iren Group operates in the following business segments:

- Generation and District Heating (Hydroelectric Energy, cogeneration of electrical energy and heat and District heating networks)
- Market (Sale of electrical energy, gas, heat)
- Energy Infrastructures (Electrical energy distribution networks, Gas distribution networks)
- Integrated Water Service (Sale and distribution of water, water treatment and sewerage)
- Waste Management (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 management uses in making operational and strategic decisions.
For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on 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 a breakdown by geographical area.
The tables below illustrate the net invested capital compared with figures at 31 December 2013, and income statements (up to operating profit/loss) by segment and compared to figures for the first half of 2013, which were restated to take into consideration the deconsolidation of assets relating to OLT, SAP, Iren Rinnovabili and the new post-spinoff organisation, the management of AES Torino assets (full consolidation of district heating distribution and deconsolidation of gas distribution activities).

Segment results at 30 June 2014

millions of euro

	Generation and District Heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Services and other	Non-allocable	Total
Non-current assets	1,991	56	860	952	345	27	295	4,527
Net working capital	59	81	(85)	113	(4)	19	14	197
Other non-current assets and liabilities	(91)	33	(60)	(283)	(60)	(14)	(20)	(496)
Net invested capital (NIC)	**1,959**	**170**	**715**	**782**	**281**	**32**	**289**	**4,228**
Equity								1,986
Net financial position								2,242
Own funds and net financial indebtedness								**4,228**

Segment results at 31 December 2013

millions of euro

	Generation and District Heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Services and other	Non-allocable	Total
Non-current assets	2,020	55	850	951	335	29	286	4,526
Net working capital	137	20	(56)	86	(31)	(11)	7	151
Other non-current assets and liabilities	(107)	36	(61)	(272)	(50)	(14)	(18)	(486)
Net invested capital (NIC)	**2,049**	**111**	**734**	**765**	**254**	**3**	**275**	**4,191**
Equity								1,999
Net financial position								2,192
Own funds and net financial indebtedness								**4,191**

Segment results at 30 June 2014

millions of euro

	Generation and District Heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Netting and adjustments	Total
Total revenue and income	463	1,299	161	222	115	59	(797)	1,521
Total operating expense	(345)	(1,251)	(91)	(138)	(88)	(36)	797	(1,151)
Gross Operating Profit (EBITDA)	**118**	**48**	**71**	**84**	**28**	**23**	**-**	**371**
Net am./depr., provisions and impairment losses	(45)	(20)	(21)	(35)	(17)	(3)		(142)
Operating profit (EBIT)	**72**	**28**	**49**	**49**	**11**	**20**	**-**	**229**

Segment results at 30 June 2013

millions of euro

	Generation and District Heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Netting and adjustments	Total
Total revenue and income	540	1,681	160	204	106	44	(947)	1,788
Total operating expense	(384)	(1,613)	(84)	(144)	(89)	(42)	947	(1,409)
Gross Operating Profit (EBITDA)	**156**	**68**	**76**	**60**	**17**	**2**	**-**	**380**
Net am./depr., provisions and impairment losses	(34)	(24)	(23)	(32)	(11)	(3)		(128)
Operating profit (EBIT)	**122**	**44**	**53**	**28**	**6**	**(1)**	**-**	**252**

Below are the main income statement items with relative comments broken down by operating segment.

Generation and District heating

Operating profit (EBIT) amounted to Euro 463 million in the first half of the year, a -14.4% decrease compared to Euro 540 million in the first half of 2013.

		First half of 2014	First half of 2013	Δ %
Revenue	€/mln.	463	540	-14.4%
Gross Operating Profit (EBITDA)	€/mln.	118	156	-24.6%
EBITDA Margin		*25.4%*	*28.9%*	
Operating profit (EBIT)	€/mln.	72	122	-40.8%
Investments	€/mln.	30	14	(*)
Electrical energy produced	GWh	3,324	3,745	-11.3%
from hydroelectric sources	*GWh*	685	562	22.0%
from cogeneration sources	*GWh*	2,293	3,183	-28.0%
from thermoelectric sources	*GWh*	345	-	(*)
Heat produced	GWh_t	1,494	1,842	-18.9%
from cogeneration sources	GWh_t	1,317	1,528	-13.8%
from non-cogeneration sources	GWh_t	177	314	-43.5%
District heating volumes	Mln m^3	79	77	3.3%

(*) Change of more than 100%

In the first half of the year, electrical energy production totalled 3,324 GWh, down -11.3% on the 3,745 GWh of the first half of 2013, largely due to the effect of lower cogeneration production (-890 GWh) partly offset by thermoelectric production at the Turbigo plant and higher hydroelectric production (+22%).
In particular, thermoelectric production totalled 2,638 GWh, of which 2,293 GWh from cogeneration sources, down -28% on the 3,183 GWh recorded in 2013, and 345 GWh from non-cogeneration sources and relating to the former Edipower plant in Turbigo which was included in the Group only from the last two-month period of 2013.
Hydroelectric production was 685 GWh, up +22% compared to the 562 GWh of 2013 due to production at the former Edipower production plant in Tusciano (+221 GWh), which was included in the Group only in the last two months of 2013.

Heat production in the period was 1,494 GWh_t, down -18.9% on the 1,842 GWh_t of 2013, mainly as a result of the particularly mild winter season (-18% degree days in the Turin area, -23% in the Genoa area and -26% in the Emilia Romagna area).
The district heating volume totalled around 79 million m^3, recording a significant increase of +2.4 million m^3 (+3.3%) compared to 30 June 2013. The percentage of heat from cogeneration production also rose, to 88% (83% in the first half of 2013), as a result of implementation of a new system of accumulators.

Gross operating profit (EBITDA) amounted to Euro 118 million, down compared to Euro 156 million in the corresponding period of 2013.
The decrease in gross operating profit (EBITDA) was negatively affected by a variety of external factors that had already had an impact on results for the first quarter. In particular, the exceptionally mild winter months in the first part of the year strongly penalised heat production. The production of electrical energy, for the most part associated with heat energy cogeneration, also reflects a decline in generation margins due to the drop in sale prices. The margins relating to hydroelectric production recorded a positive performance due to the contribution of the former Edipower plant in Tusciano, which became part of the Group only in the last two months of 2013.

Operating profit (EBIT) totalled Euro 72 million, this also down against Euro 122 million in the first half of 2013. In addition to the performance of gross operating profit (EBITDA), operating profit was affected by the higher amortisation and depreciation associated with the former Edipower plants - the Tusciano hydroelectric plant and the Turbigo plant - and with the Torino Nord plant.

Technical investments in the generation and district heating sector amounted to Euro 30 million, of which around Euro 27 million relating to cogeneration and district heating and approximately Euro 3 million to the hydroelectric segment.

Market

Market segment turnover amounted to Euro 1,299 million for the first half of the year, down -22.7% compared to Euro 1,681 million in the first half of 2013.
Gross operating profit (EBITDA) amounted to Euro 48 million, down on the Euro 68 million of the corresponding period of 2013.

		First half of 2014	First half of 2013	Δ %
Revenue	€/mln.	1,299	1,681	-22.7%
Gross Operating Profit (EBITDA)	€/mln.	48	68	-29.4%
EBITDA Margin		*3.7%*	*4.0%*	
from electrical energy	*€/mln.*	12	-5	(*)
from gas	*€/mln.*	35	67	-48.4%
from heat	*€/mln.*	2	6	-70.0%
Operating profit (EBIT)	€/mln.	28	44	-37.3%
Investments		5	4	27.7%
Electrical energy sold	GWh	5,755	6,555	-12.2%
Electrical energy sold (net of Power Exchange purchases/sales)	GWh	5,095	6,142	-17.0%
Gas purchased	Mln m^3	1,242	1,726	-28.0%
Gas sold by the Group	Mln m^3	558	839	-33.5%
Gas for internal use	Mln m^3	600	781	-23.1%
Gas in storage	Mln m^3	84	106	-20.7%

(*) Change of more than 100%

Sale of electrical energy
Volumes sold net of energy bought/sold on the power exchange amounted to 5,095 GWh (gross electrical energy totalled 5,755 GWh), marking a decrease of -17.0% compared to 6,142 GWh in the first half of 2013.
Total volumes sold to end customers and wholesalers amount to 2,605 GWh, down -9.1% compared to 2,867 GWh in the first half of 2013, while the volumes used on the power exchange (net of energy bought/sold) amounted to 2,112 GWh, down -25.1% on the 2,821 GWh of the same period in 2013.
With regard to higher protection segment customers, the total volumes sold during the period amounted to 378 GWh, a decrease of -16.6% compared to 453 GWh in the first half of 2013 due to the gradual deregulation of the market. Also through production at the former Edipower plants of Tusciano and Turbigo which essentially offset the termination of the Edipower tolling agreements, in the first half of 2014 the Group maintained a level of electrical energy production from internal Group sources of around 65%.

Gross operating profit (EBITDA) from the sale of electrical energy amounted to Euro 12 million, up significantly on the negative result (Euro -5 million) of the first half of 2013.
This result is associated mainly with the fact that the losses connected with management of the tolling agreement, which in 2013 reflected the operating loss of Edipower, no longer apply.

Sale of natural gas
Total volumes of natural gas procured in the first half of 2014 were approximately 1,242 million m^3, compared to 1,726 million m^3 in 2013 (-28.0%). The volumes marketed to customers outside the Group totalled 558 million m^3 (839 million m^3 in the first half of 2013), whilst 600 million m^3 were used within the Group for both the generation of electrical energy and the supply of heat services (781 million m^3 in the first half of 2013) and 84 million m^3 were placed in storage (106 million m^3 in the first half of 2013).

The gross operating profit (EBITDA) stood at Euro 35 million, lower than the Euro 67 million in the corresponding period of 2013, mainly due to the drop in unit margin following AEEGSI measures to review the tariff definition mechanisms and to the significant decrease in volumes sold because of the previously mentioned extraordinary weather conditions that characterised the first part of the year.

Market development

Ongoing action continued in the first half of 2014 with regard to maintaining customer loyalty and to expanding the reference portfolio, extending the scope of activities to new geographic areas.
Competitor activities continued to rise in the areas traditionally managed and therefore the company further strengthened its commercial activity by increasing sales channels and enhancing outbound activities to customers.

Sale of heat energy through the district heating networks:

The gross operating profit (EBITDA) in the first half of 2014 amounts to Euro 2 million, lower than in the first half of 2013.

Energy infrastructures

In the first half of 2014 the Energy Infrastructures segment, which includes gas, electricity and heat distribution business, recorded revenue of Euro 161 million, in line with that of the first half of 2013.
Gross operating profit (EBITDA) amounted to Euro 71 million. The -7.7% decrease on the Euro 76 million recorded in the first half of 2013 is due to the decline in the margin from electrical energy network management and to extraordinary, non-recurring factors in the first half of 2013.
Operating profit (EBIT) amounted to Euro 49 million, down compared to Euro 53 million in the first half of 2013 (-7.4%).
The main changes in the segments concerned are illustrated below.

		First half of 2014	**First half of 2013**	**Δ %**
Revenue	€/mln.	161	160	0.8%
Gross Operating Profit (EBITDA)	€/mln.	71	76	-7.7%
EBITDA Margin		*43.8%*	*47.8%*	
from electrical energy networks	*€/mln.*	*33*	*40*	*-17.6%*
from gas networks	*€/mln.*	*37*	*36*	*3.3%*
Operating profit (EBIT)	€/mln.	49	53	-7.4%
Investments	€/mln.	29	21	41.0%
in electrical energy networks	*€/mln.*	*12*	*10*	*11.8%*
in gas networks	*€/mln.*	*17*	*10*	*70.8%*
Electrical energy distributed	GWh	1,915	2,036	-5.9%
Gas distributed	Mln m^3	661	844	-21.7%

Electrical Energy Distribution Networks
Gross operating profit (EBITDA) amounted to Euro 33 million, down 17.6% on the Euro 40 million of corresponding period of 2013.
The decline for about Euro 7 million is mainly attributable to the exclusion of contingent assets (prior year adjustments) that had characterised the first half of 2013, the lower contributions from connections to the network and other accessory revenue from the contribution margin.

In the first half of 2014, investments for around Euro 12 million were made, related to new connections, new MV/LV substations and MV/LV lines.

Gas Distribution Networks
Gross operating profit (EBITDA) for the gas distribution networks amounted to Euro 37 million, up +3.3% on the Euro 36 million of the first half of 2013. The increase in the margin is attributable to higher tariff revenue restrictions.

Investments during the period amounted to Euro 17 million and refer particularly to the redevelopment plan through the replacement of grey cast iron pipes, installation of electronic meters and development initiatives for the distribution network and connections.

Integrated Water Service

In the first half of 2014, the Integrated Water Service recorded revenue of Euro 222 million, up by +8.6% compared to Euro 204 million in the first half of 2013. This growth is attributable to the tariff increases approved in application of the new final method but mainly to the accounting of prior year tariff adjustments (transitional method 2012-2013) and to higher revenue relating to the application of IFRIC 12 to investments for the period in third-party assets.

		First half of 2014	First half of 2013	Δ %
Revenue	€/mln.	222	204	8.6%
Gross Operating Profit (EBITDA)	€/mln.	84	60	39.1%
EBITDA Margin		*37.7%*	*29.4%*	
Operating profit (EBIT)	€/mln.	49	28	76.0%
Investments	€/mln.	25	25	3.4%
Water sold	Mln m^3	72	75	-4.3%

Gross operating profit (EBITDA) amounted to Euro 84 million, up by a significant +39.1% on the Euro 60 million of 2013. The increase is attributable to tariff changes, contingent assets for prior years' tariffs and to operating synergies.

The operating profit (EBIT) was Euro 49 million, up +76.0% compared to the Euro 28 million recorded in 2013. The improvement reflects the trends in gross operating profit (EBITDA).

The investments totalled Euro 25 million and concern the construction of infrastructures envisaged in the Area Plans for the maintenance and development of distribution networks and systems, the sewerage network and water treatment plants.

Waste management

In the first half of 2014, sector revenue amounted to Euro 115 million, up by +9.1% compared to Euro 106 million in the first half of 2013. The increase of over Euro 9 million derives mainly from the higher energy revenue (electrical energy and heat), amounts from waste management services and the sale of recycling materials from separated waste collection.

			First half of 2014	First half of 2013	Δ %
Revenue		€/mln.	115	106	9.1%
Gross Operating Profit (EBITDA)		€/mln.	28	17	62.2%
EBITDA Margin			*24.1%*	*16.3%*	
Operating profit (EBIT)		€/mln.	11	6	81.4%
Investments		€/mln.	12	30	-60.6%
Waste handled		tons	521,338	498,843	4.5%
	Urban waste	tons	357,569	361,726	-1.1%
	Special waste	tons	163,769	137,117	19.4%

Gross operating profit (EBITDA) amounts to Euro 28 million, up by a significant +62.2% on the Euro 17 million of the first half of 2013. The increase is attributable to start-up of the Parma IEH waste-to-energy plant (energy revenue and termination of costs on other plants), to the recovery of margins at the Tecnoborgo WTE plant, the increase in margins on waste management activities, also due to operating synergies and synergies between trading and treatment of special waste.

The operating profit (EBIT) amounts to Euro 11 million, up +81.4% compared to the Euro 6 million recorded in the first half of 2013. The following had a negative impact on the margin: higher investments relating to the operational start-up of the IEH waste-to-energy plant, allocations to the allowance for impairment of accounts receivable and the release of certain provisions for post-closure management of landfills recognised in the first half of 2013.

Investments made during the period amounted to Euro 12 million and mainly refer to works to complete the Parma Integrated Environmental Hub (IEH), collection service equipment to support the development of door-to-door separate waste collection and works commencement to construct the treatment plant for detritus collected during street cleaning.

Services and other

		First half of 2014	**First half of 2013**	**Δ %**
Revenue	€/mln.	59	44	32.8%
Gross Operating Profit (EBITDA)	€/mln.	23	2	(*)
EBITDA Margin		*38.9%*	*4.1%*	
Operating profit (EBIT)	€/mln.	20	-1	(*)
Investments	€/mln.	8	5	65.0%

(*) Change of more than 100%

In the first half of 2014 revenue amounted to Euro 59 million, up compared to the Euro 44 million recorded in the corresponding period of 2013.
The increase is attributable to the capital gain generated during the first half of the year from the disposal of further units of the real estate fund set up previously in reference to Group properties.
This capital gain also affected gross operating profit (EBITDA), which amounted to Euro 23 million compared to Euro 2 million in the same period of 2013.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE IREN GROUP

thousands of euro

	30.06.2014 Restated	31.12.2013 Restated	% change
Non-current assets	4,527,224	4,525,762	0.0
Other non-current assets (liabilities)	(148,852)	(135,501)	9.9
Net working capital	196,553	151,369	29.9
Deferred tax assets (liabilities)	127,154	121,995	4.2
Provisions for risks and employee benefits	(474,695)	(473,695)	0.2
Assets (Liabilities) held for sale	491	995	(50.7)
Net invested capital	**4,227,875**	**4,190,925**	**0.9**
Equity	1,985,719	1,998,762	(0.7)
Non-current financial assets	*(55,808)*	*(79,424)*	*(29.7)*
Non-current financial indebtedness	*1,872,446*	*1,853,608*	*1.0*
Non-current net financial indebtedness	1,816,638	1,774,184	2.4
Current financial assets	*(542,901)*	*(454,902)*	*19.3*
Current net financial indebtedness	*968,419*	*872,881*	*10.9*
Current net financial indebtedness	425,518	417,979	1.8
Net financial indebtedness	2,242,156	2,192,163	2.3
Own funds and net financial indebtedness	**4,227,875**	**4,190,925**	**0.9**

The main changes in the statement of financial position at 30 June 2014 are commented below.
Fixed assets remained essentially unchanged compared to 31 December 2013. For further details on investments in the period, reference should be made to the section "Segment Reporting".
The increase in net working capital (+29.9%) was affected by the changes in trade receivables and payables and in tax items.
Deferred taxes increased by 4.2% compared to the previous period.
The increase in Equity derives mainly from profit for the period.
The statement of cash flows presented below provides an analytical breakdown of the changes in the first half of 2014.

Statement of Cash Flows

STATEMENT OF CASH FLOWS FOR THE IREN GROUP

thousands of euro

	First half of 2014 Restated	First half of 2013 Restated	% change
A. Opening cash and cash equivalents	**50,221**	**26,681**	**88.2**
Cash flows from operating activities			
Profit (loss) for the year	86,703	118,066	(26.6)
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	118,406	101,211	17.0
Capital gains (losses) and other changes in equity	(25,136)	336	(*)
Net change in post-employment benefits and other employee benefits	382	1,216	(68.6)
Net change in provision for risks and other charges	(2,274)	(18,281)	(87.6)
Change in deferred tax assets and liabilities	(4,383)	(2,351)	86.4
Change in other non-current assets and liabilities	13,351	(9,611)	(*)
Dividends accounted for net of adjustments	(1,030)	(790)	30.4
Share of profit (loss) of associates	11,189	(10,000)	(*)
Net impairment losses (reversals of impairment losses) on assets	706	626	12.8
B. Cash flows from operating activities before changes in NWC	**197,914**	**180,422**	**9.7**
Change in inventories	25,051	14,461	73.2
Change in trade receivables	129,874	125,186	3.7
Change in tax assets and other current assets	(23,421)	9,349	(*)
Change in trade payables	(240,377)	(238,805)	0.7
Change in tax liabilities and other current liabilities	63,689	127,588	(50.1)
C. Cash flows from changes in NWC	**(45,184)**	**37,779**	**(*)**
D. Cash flows from/(used in) operating activities (B+C)	**152,730**	**218,201**	**(30.0)**
Cash flows from/(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(109,420)	(97,523)	12.2
Investments in financial assets	(47,290)	(23)	(*)
Proceeds from the sale of investments and changes in assets held for sale	23,840	4,394	(*)
Dividends received	6,886	8,332	(17.4)
Other changes in financial assets	-	(116)	(100.0)
E. Total cash flows used in investing activities	**(125,984)**	**(84,936)**	**48.3**
F. Free cash flow (D+E)	**26,746**	**133,265**	**(79.9)**
Cash flows from/(used in) financing activities			
Dividends paid	(73,641)	(76,070)	(3.2)
New non-current loans	150,000	158,000	(5.1)
Repayment of non-current loans	(263,262)	(36,942)	(*)
Change in financial liabilities	224,540	(120,446)	(*)
Change in financial assets	(87,894)	13,591	(*)
G. Total cash flows from/(used in) financing activities	**(50,257)**	**(61,867)**	**(18.8)**
H. Cash flows for the period (F+G)	**(23,511)**	**71,398**	**(*)**
I. Closing cash and cash equivalents (A+H)	**26,710**	**98,079**	**(72.8)**

(*) Change of more than 100%

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

thousands of euro

	First half of 2014 Restated	First half of 2013 Restated	% change
Free cash flow	26,746	133,265	(79.9)
Dividends paid	(73,641)	(76,070)	(3.2)
Change in fair value of hedging derivatives	(3,098)	16,620	(*)
Change in net financial position	**(49,993)**	**73,815**	**(*)**

(*) Change of more than 100%

Net financial indebtedness at 30 June 2014 amounted to Euro 2,242 million, up 2.3% compared to 31 December 2013.

In particular, the free cash flow, a positive Euro 27 million, derives from the combined effect of the following cash flows:

- cash flows from operating activities were positive by Euro 153 million and consist of Euro 198 million cash flows from operating activities before changes in net working capital and Euro -45 million cash flows deriving from changes in net working capital;
- cash flows used in investing activities, negative for Euro 126 million, were generated from investments in property, plant, equipment, investment property and intangible assets of Euro 157 million (including investments for the construction of infrastructures under concession pursuant to IFRIC 12), proceeds from the disposal of non-current assets for Euro 24 million and from the collection of Euro 7 million in dividends.

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

EVENTS AFTER THE REPORTING PERIOD

Spin-off to IREN Energia of the AES Torino district heating network
With effect from 1 July 2014 IREN Energia acquired direct ownership of the business unit relating to district heating distribution activities in the municipalities of Turin, Moncalieri and Nichelino, which are added to the district heating networks already owned in the cities of Genoa, Parma, Piacenza and Reggio Emilia.

Bond issue on the European market for Euro 300 million
3 July 2014 saw completion of the placement on the Eurobond market of an inaugural bond issue in Public Placement format for a total of Euro 300 million.
The 7-year bond loan is listed on the Irish Stock Exchange and offers annual coupon payments at a fixed rate of 3.0%.
The transaction was of strong appeal to Italian and international institutional investors, with subscriptions corresponding to 2.5 times the total offered.
The bonds, with a minimum unit value of Euro 100,000, were placed at 99.225% of the issue price. The gross effective rate of return on maturity is 3.125%.
The issue of the bond loan helps to further improve the Iren Group's financial profile by extending the average maturity and decreasing the average cost of indebtedness.

Euro 75 million loan from Unicredit
On 28 July 2014, IREN S.p.A. took out a 4-year loan of Euro 75 million from Unicredit, partly to refinance a credit facility from the same bank.

Plan to merge Società Acque Potabili into Sviluppo Idrico
On 7 August 2014 the Board of Directors of Acque Potabili approved the plan to merge Acque Potabili into Sviluppo Idrico (the "Merger"), which the shareholders' meeting called for 24 September 2014, on single call, will be asked to approve.
The merger plan was also approved by the Board of Directors of Sviluppo Idrico, which met on 7 August 2014.
The aim of the transaction is the delisting of Acque Potabili shares from the MTA market, to complete the reorganisation of Acque Potabili activities and achieve cost savings associated with the fact that listing-related charges will no longer apply. The merger into Sviluppo Idrico in particular aims to overcome restrictions associated with the fragmented management of concessions currently managed by Acque Potabili by achieving integrated management of the concessions held with those currently managed independently by IAG and SMAT.
The merger will be decided on the basis of the financial positions of the companies involved as at 30 June 2014, prepared and approved by the Boards of Directors according to article 2501-quater of the Italian Civil Code.
As a result of the merger, all Acque Potabili ordinary shares will be cancelled and exchanged for ordinary Sviluppo Idrico shares.
Specifically, for the share swap Sviluppo Idrico will increase its own share capital by a maximum Euro 5,633,096 through the issue of a maximum 5,633,096 new ordinary shares, and will cancel without a share swap all the ordinary Acque Potabili shares owned by Sviluppo Idrico.
The Boards of Directors of the companies involved in the merger agreed upon a swap rate as follows: 0.212 ordinary Sviluppo Idrico shares with a nominal value of Euro 1.00 each for every ordinary Acque Potabili share with a value of Euro 0.10 each. No cash adjustments are envisaged.
The swap ratio is subject to verification by the Expert pursuant to art. 2501-sexies of the Italian Civil Code.
The independent expert, Reconta Ernst & Young S.p.A., was appointed by the presiding judge of the Court of Turin by order filed with the chancellery on 18 July 2014 at the joint request of Acque Potabili and Sviluppo Idrico.

The merger will offer Acque Potabili shareholders not participating in approval of the merger the right to sell back all or part of their shares.
In this respect, note that the liquidation value of the ordinary Acque Potabili shares on which the right of sell-back should be exercised has been established as Euro 1.105 per share. This value was calculated pursuant to the provisions of article 2437-ter, paragraph 3 of the Italian Civil Code with sole reference to the arithmetic mean (calculated by Borsa Italiana S.p.A.) of closing prices in the six months prior to the date of publication of the notice of call for the extraordinary shareholders' meeting of Acque Potabili to be held on single call on 24 September 2014.
The effectiveness of the withdrawal will in any event be subject to the effectiveness of the Merger.

BUSINESS OUTLOOK

The Eurozone macroeconomic scenario for the first half of 2014 shows a practically flat GDP, clashing with growths of around 1 percentage point in the United States and 0.8% in the United Kingdom. In particular, the second quarter of the year proved negative also for Germany and France, whereas for Italy Moody’s downgraded the growth forecasts from 0.5% to -0.1%. The OECD index figures were the opposite: between June 2013 and June 2014 the Italian index remains the highest of all European countries. For the second half of 2014, the austerity measures still applied in many EU Member States, the stagnant conditions of the labour market and the subsequent decline in the disposable income trend will result in household consumption remaining weak.
The scenarios in Italy previously described forecast a trend that fluctuates between an albeit minor recession and extremely limited growth, based on banks’ lending capacity so as not to interrupt the normal investment cycle and the implementation or otherwise of ongoing reforms resulting from the current political-institutional phase. Reference is made in particular to public administration’s repayment plan to businesses, to labour market-related measures and actions taken to increase the spending capacity of taxpayers.
Furthermore, forecasts indicate that private investments will gradually accelerate following the recovery in economic activities and the need to rebuild production capacity after a prolonged period of cuts.
The competitive scenario remains a challenge, with energy commodity prices which in the short term show no signs of recovery.
In this macroeconomic scenario the Group’s short-term strategy focuses on maintaining profitability, also by pursuing significant operating synergies, on consolidating the Group’s presence in regulated sectors, in addition to strict monitoring of its own financial stability and optimisation of its investments portfolio, with particular attention on selectively identified development opportunities.

REGULATORY FRAMEWORK

Information is provided below on the main new regulations issued during the first half of 2014 which influence the Group's operating segments. For a more complete analysis, reference should be made to information provided in the Group's 2013 Financial Statements.

Regulations relating to local public services of economic importance

The regulations for local public services which derive from the complex regulatory framework are contained in the conversion law of Decree Law no. 179 of 18/10/2012, containing additional urgent measures for country growth, art. 34 as per conversion law - Law no. 221 of 17/12/2012, as amended by Decree Law no. 150 of 30/12/2013 which extends the deadlines envisaged in legal provisions, Art. 13 *Deadlines relating to local public services*, in force from 1 March 2014 and according to which:

1. As an exception to the provisions of *art. 34, paragraph 21, Decree Law no. 179 of 18 October 2012*, converted with amendments into *Law no. 221 of 17 December 2012*, with a view to guaranteeing service continuity, where the authority responsible for the assignment or, where envisaged, the governing body of a standardised ATO has already launched assignment procedures by publishing the report pursuant to paragraph 20 of the same article, the service is performed by the existing operator(s) until the new operator takes over, and in any event no later than 31 December 2014.

2. The failure to establish or designate a governing body for the ATO pursuant to *article 3-bis, paragraph 1, Law Decree no. 138 of 13 August 2011*, converted with amendments to *Law no. 148 of 14 September 2011*, or the failure to decide upon the assignment by the deadline of 30 June 2014, lead to the exercise of substitution powers by the Magistrate's Court responsible for the area, the expenses for which are borne by the defaulting authority, which arranges all the formalities necessary to complete the assignment process by 31 December 2014.

3. Failure to comply with the deadlines indicated in paragraphs 1 and 2 leads to termination of assignments that do not comply with requirements envisaged in European regulations as at 31 December 2014.

4. This article does not apply to services pursuant to *article 34, paragraph 25, Law Decree no. 179 of 18 October 2012*, converted with amendments to *Law no. 221 of 17 December 2012* (natural gas distribution service per *Legislative Decree no. 164 of 23 May 2000*, electrical energy distribution service per *Legislative Decree no. 79 of 16 March 1999*, and *Law no. 239 of 23 August 2004*, together with municipal pharmacy management per *Law no. 475 of 2 April 1968*).

Direct assignments authorised as at 1 October 2003 to public companies listed on the stock exchange at that date, or to its subsidiaries, cease on the expiry date set out in the service contract. Assignments which do not envisage an expiry date shall cease, without extension option, on 31 December 2020.
The functions organising the local public network services of economic relevance, including those belonging to the urban waste sector, deciding on the form of management, determining the relevant utility tariffs, managing assignment and the associated control, are performed exclusively by the government bodies within optimal geographic areas or districts.

Directive 2014/23/EU of 26 February 2014 on the award of concession agreements, issued by the European Parliament and Council, was published in the L.94 edition of the Official Gazette of the European Union on 28 March 2014.
The directive should be adopted by the member states by 18 April 2016 (even though there are interpretations of its immediate applicability among the Member States).
The concession assignment methods are:

a) private companies, selection by public tender;

b) directly to public-private companies if the private partners is selected via tender concerning (i) assignment of the position of partner and, at the same time, (ii) assignment to the private partner of operating duties related to service management;

c) directly to companies 100% owned by public entities, if the sole purpose of such companies is to provide services to the public partners and if the awarding body can exercise the same control that the body exercises over its own offices ("in house" companies).

Code on public works contracts

The text of Legislative Decree 163/2006 (Code on public works contracts) has been subject to additions and amendments. The more important new elements are:

- for bidding companies, a declaration of "going concern" arrangements with creditors is not cause for exclusion, but in order to participate specific approval is required from a legally appointed commissioner, if any, or from the court (specification introduced by Law 9/2014);
- commissioning bodies must divide the contracts into operating lots where possible and where economically convenient;
- setup of the National Database of Public Works Contracts, which will allow commissioning bodies to check general, technical and economic-financial capacity requirements. After a series of postponements, from 1 July 2014 it becomes mandatory to verify requirements through the database for standard sector tenders (municipal solid waste collection);
- in tenders awarded at the lowest price, that price has to be determined net of personnel costs;
- the anti-corruption law introduces new advertising obligations for Public Administrations and for companies controlled by Public entities, except listed companies and their subsidiaries, as specified in the Ministerial Circular no. 1/2014 for PAs and simplification;
- on conversion to Law 9/2014 of Decree Law 145/2013, art. 13 introduced regulations that allow commissioning bodies to pay subcontractors directly if the contractor is in serious financial difficulty proven by repeated delays in paying subcontractors or pieceworkers and confirmed by the commissioning body after consulting the Contractor concerned. In addition, also for works contracts in progress, where arrangements with creditors are pending the commissioning body retains the right to arrange payments due for services provided by the contractor, by subcontractors and by pieceworks.

At the end of 2013 the European Commission issued Regulation no. 1336/2013 which for the two-year period 2014/2015 changed the application limits on procedures for the award of public works contracts: Euro 207,000 for ordinary sectors (instead of Euro 200,000) and special sectors; Euro 414,000 (rather than Euro 400,000) for all public supply and services contracts and Euro 5,186,000 (instead of Euro 5,000,000) for public works contracts.
Once they have been adopted (by 18 April 2016), the following EU directives published in the L.94 edition of the Official Gazette of the European Union on 28 March 2014, will have a major impact on regulations:
- Directive 2014/24/EU of 26 February 2014 on public works tenders, issued by the European Parliament and Council, which repeals Directive 2004/18/EC;
- Directive 2014/25/EU of 26 February 2014 on public tender procedures for providers in the water, energy, transport and postal services sectors, issued by the European Parliament and Council, which repeals Directive 2004/17/EC;
- Directive 2014/23/EU on the award of concession arrangements (not previously regulated).
Lastly, note the suppression of the AVCP, which is due to be replaced by the ANAC, pursuant to art. 19, Law Decree 90/2014 published in the Official Gazette on 24 June 2014.
The latter Law Decree introduces regulations on acceleration of the administrative process (art. 40) and on combating abuse of the process (art. 41) for cases of "vexatious litigation".

Anti-mafia Code

Legislative Decree no. 159 of 6 September 2011 approved the code on anti-mafia laws and prevention measures, which consolidates all provisions of the fight against organised crime into one law.

Of particular note are: elimination of the so-called "atypical information", annual validity of anti-mafia information, rather than half-yearly, and obtainment of anti-mafia communications solely from the Prefecture, and no longer from the Chamber of Commerce.

Article 29 of Law Decree 90/2014, which amends article 1, paragraph 52 of Law 190/2012, states that consultation of the "White List" set up by the Courts will become compulsory and that inclusion in the lists takes into consideration of anti-mafia disclosures and reports required under Legislative Decree 159/2011, also for activities other than those for which the lists were established. The activities defined as most at risk of infiltration are listed in article 1, paragraph 53, Law 190/2012 (e.g. operated equipment rental, transport and waste disposal on behalf of third parties, haulier services for third parties, mining, supply and transport of earth and inert materials, etc.).

Robin Hood Tax

Art. 7, of Decree Law no. 138 of 13 August 2011, converted to Law no. 148 of 14 September 2011, raised the "Robin Hood Tax", i.e. the additional IRES tax rate for companies operating in the energy sector, by four percentage points (from 6.5% to 10.5%) for the tax years 2011 to 2013 and extended it to operators that transmit/dispatch/distribute electrical energy and transport/distribute gas, and to companies that produce electrical energy through the predominant use of biomass, solar/photovoltaic and wind power. At present the additional charge has not been confirmed for years beyond 2013.

Gas distribution

The Letta Decree of 2000 introduced competition to the Italian natural gas market by deregulating gas imports, exports, transport, dispatch and sales.

Storage activities aim to compensate fluctuations in consumer demand within the national gas system so as to guarantee a strategic reserve of natural gas. Storage activities are performed by the company on the basis of concessions awarded by public tender procedures. Distribution activities are considered a public service and can only be performed by companies that do not already provide other services in the gas industry. The distribution service is currently assigned on the basis of public tenders for a maximum 12 years.

By Decree of 19 January 2011 the Ministry of Economic Development announced the district authorities for the natural gas distribution sector. The regulation on public tender criteria and the assessment of bids for the assignment of gas distribution services was also approved. This regulation established that the chief Municipality in the Province acts as awarding party for management of the tender. The deadline for identification of the awarding party is set as six months from entry into force of the regulation (11 February 2012) for the Parma, Reggio Emilia, Turin 1 and Turin 2 ATOs, 24 months for the Genoa 2 ATO, 30 months for the Genoa 1 ATO and 36 months for the Piacenza 2 East ATO.

The related tenders must be launched within 15 months of the above deadlines by the chief Municipality in the province, or within 18 months by an entity identified by the Municipalities covered by the district authority (if this does not include the chief Municipality).

In 2013 the "Decreto Fare" (action decree, Decree Law no. 68 of 21 June 2013) introduced a number of amendments to the "criteria regulation", which defines the basic regulations for conducting sector-related tender procedures. The peremptory nature of deadlines is envisaged for the nomination of the commissioning body, with a penalty for failing to meet the deadlines and the strengthening of substitution powers through the appointment of an "ad acta commissioner". The time limits indicated for launching tenders were later extended on a differentiated basis.

The launch of tenders for ATEMs is scheduled as follows:

- Reggio Emilia - tender extended by two years due to the earthquake (2nd half 2015)
- Parma - 1st half 2014 (deadline already reached, possible extension to 2nd half)
- Piacenza - 2nd half 2016
- Turin - 1st half 2014 (deadline already reached, possible extension to 2nd half)
- Genoa - 2nd half 2015

Article 1, paragraph 16 of Law Decree 145/2013, converted to Law no. 9 of 21 February 2014, states that "Deadlines envisaged in article 4, paragraph 3, Law Decree no. 98 of 9 August 2013" have been extended by a further 4 months. The deadlines referred to in Annex 1 to the regulation pursuant to Ministry for Economic Development Decree no. 226 of 12 November 2011, on areas covered by the third grouping in Annex 1, and the respective deadlines pursuant to Annex 3 of the regulation, are extended by four months".
By means of resolution 382/2012/R/gas, the standard service contract layout was published for natural gas distribution.
Amongst the major changes in the regulatory framework of the gas distribution sector, the most important are the measures adopted by the AEEG regarding the following issues:

- distribution and metering tariffs;
- distribution and metering service.

Default service

By means of resolution ARG/gas 99/11, the authority had introduced provisions for the natural gas retail sale market, with particular reference to the purchase methods and loss of responsibility for withdrawals, to regulation of non-fulfilment of payment obligations by end customers (default) and to completion of the envisaged structure regarding last resort services, regulating the default service aimed at ensuring the balancing of the distribution network in relation to withdrawals of gas made directly by the end customer (without a supplier), that owns the supply point for which the conditions are not met for the commissioning of a supplier of last resort, or it is, in any case, impossible to commission a supplier of last resort.
Through resolution 352/2012/R/gas, provisions were adopted to complete the regulation of the default service, establishing the remuneration of the distribution company that provides the default service and the entry into force of the regulations governing the remuneration of the default service, fixed at 1 January 2013, taking into account Ministerial Decree of 3 August 2012, which aimed at including, under end customers entitled to use a supplier of last resort, also customers that have remained without a supplier based on personal choice and that are owners of supply points that cannot be disconnected.
By means of judgment no. 3296 of 29/12/2012 of section III of the Regional Administrative Court of Lombardy, resolution 99/11 was deemed unlawful given that, in breach of the EU and national principle of unbundling, also functional, of distribution activities and gas supply activities, it introduced the default service, making gas distribution companies responsible for it.
The AEEG submitted an appeal with an application for monocratic precautionary measures against the judgment of the Regional Administrative Court. On 28 January 2013, the Council of State upheld AEEG's appeal on a preventive basis, and suspended the effects of the judgment of the Regional Administrative Court of Lombardy, setting the hearing on the merits of the case for 19 February 2013. Following the suspension decision handed down, AEEG saw fit to publish resolution 25/2013/R/gas on 30 January 2013, "Urgent provisions, in implementation of the monocratic decrees of the Council of State on 28 January 2013, concerning the default service on natural gas distribution networks".
Given the setup of a technical roundtable with the AEEG, adjournment of discussion of the appeal was requested in order to be able to continue the work of the roundtable commenced with operators in the meantime.
The Council of State then adjourned discussion of the precautionary suspension application to the Council hearing of 9 July 2013.
At the hearing of 9 July 2013 the Council of State set the date of the hearing for discussion of the merits of the appeals filed by the AEEG against the Milan Regional Administrative Court judgments of December 2012 as 4 March 2014.
On 21 November 2013 the AEEG adopted another resolution, 533/2013/R/GAS, on regulations for default. On 21 January 2014 an appeal was filed based on additional grounds for its cancellation.
Subsequently the following were issued: on 6 June 2013 Resolution 241/2013/R/gas "Reform of regulations for the default distribution service, following the declared impossibility of performing all the activities pursuant to the TIVG in relation to the balancing of direct withdrawals"; on 27 February 2014 Resolution 84/2014/R/gas "Regulations on payment delays and last resort services, amendments and additions to the TIMG and TIVG; on 29 May 2014 Resolution 246/2014/R/gas "Valuation of natural gas withdrawn at the supply points providing the default distribution services following failure to perform physical disconnection".

By judgment filed on 12 June 2014, the State Council accepted the AEEG appeal against the judgments of the Milan Regional Administrative Court which in December 2012 pronounced Resolution 99/11 to be unlawful and ordered its cancellation.
In short, in accepting the AEEG defence, the State Council considered that the default service is attributable to the balancing service and cannot qualify as sales activity, but rather as ex post settlement of objective debt positions arising as a result of withdrawals made by the customer that has remained connected to the distribution network.
This also in consideration of the fact that the typical risk associated with sales activity does not exist, as the arrears of the end customer served are almost fully absorbed and borne by the community.

Electrical energy distribution
Legislative Decree no. 79 of 16 March 1999 (the "Bersani Decree") established a general regulatory framework for the Italian electricity market which gradually introduced competition in the production of electrical energy and sale to eligible customers, against the retention of a regulated monopoly arrangement for transmission and distribution.
Specifically, the Bersani Decree:
- deregulated production, imports, exports, purchases and sales of electrical energy from 1 January 2003, provided that no company is authorised to produce or to directly or indirectly import more than 50% of the total electrical energy generated or imported into Italy, with a view to increasing market competition in the production of electrical energy;
- envisaged the establishment of the Acquirente Unico (Single Buyer), which must sign and manage supply contracts, with a view to guaranteeing the necessary generation capacity and continuous supply of electrical energy, the safety and efficiency of the entire system and equal treatment in terms of tariffs;
- envisage the setup of the Power Exchange, a virtual marketplace in which producers, importers, wholesalers, distributors, the national grid operator, the Acquirente Unico and other free market operators can buy and sell electricity at set prices through a tender procedure;
- envisaged the creation of an entity to manage the Power Exchange (i.e. the GME or electricity market operator) and assigned transmission and dispatch activities under concession to the national transmission network operator (Terna), whilst electrical energy distribution activities are performed under concession granted by the Ministry for Economic Development.

Law no. 290 of 27 October 2003 established the re-unification of ownership and management of the transmission network.
Measures were adopted in 2007 to guarantee unbundling.

Tariff structure for transmission, distribution and metering
The AEEG established a tariff regime that entered into force on 1 January 2000. This regime replaced the "cost plus" system with a new "price cap" mechanism that sets a limit on annual tariff increases corresponding to the difference between the inflation rate and the increase in productivity achievable by the service provider, together with additional factors such as quality improvement. According to the price cap method, tariffs should reduce by a fixed percentage each year in order to encourage regulated operators to improve efficiency and gradually pass on their savings to the end customer.

2012 was the first year of the fourth regulatory period (2012-2015), in which the provisions that regulate the main electrical energy distribution activities are applicable, which apply to a market that is now fully deregulated.
These activities are:
1) transmission, distribution and metering service tariffs (resolution ARG/elt 199/11)
2) social tariff (resolution ARG/elt 117/08)
3) service quality (resolution ARG/elt 198/11)
4) default (resolution ARG/elt 4/08)
5) switching (resolution ARG/elt 42/08)
6) regulation of physical and economic items of the settlement dispatching service (resolution ARG/elt 107/09)
7) unbundling (resolution ARG/elt 11/07)
8) compensation system (resolution ARG/elt 191/09).

With regard to point 1), the mechanism of the average national tariff supplemented by equalisation (general and company-specific) is replaced by a single tariff per individual distributor.
With regard to point 2), in order to protect domestic customers with financial and physical problems, the simplification and removal of certain critical points in the electricity bonus regulations are envisaged.
As regards point 3), resolution 198/2011 (TIQE - integrated code on electrical energy quality) regulates the commercial and technical quality for 2012-2015.
The “rapid quote” mechanism entered into force in 2013 and new indicators for the replacement of faulty meters and for the restoration of the correct value.
With regard to point 4), the system defined by resolution 4/08 continues to apply to:
a) protect the receivables of vendors and safeguard providers;
b) the definition of specific regulations for the management of the suspension of supply in the event of the default of end customers, connected to the low voltage network, and not equipped with electronic meters, making provision for disclosure obligations for distributors.
As regards point 5), resolution 42/08 regulated the dispatching, transport and metering of electrical energy in the event of a change of vendor at the same active supply point, or assignment of a new or previously deactivated supply point to a vendor (switching).
As regards point 6), annex A to resolution ARG/elt 107/09 summarises in a single document (the Integrated Code on Settlements - TIS) all provisions regarding settlement, i.e. the settlement of the physical and economic items of dispatching (monthly settlement, annual adjustments, metering corrections, etc.) in order to obtain:
a) the correct accounting and economic valuation of energy withdrawn by each dispatching user;
b) the reduction of the economic and administrative impact for dispatching users due to metering corrections;
c) the accounting and administrative simplification for Terna and distributors.

As regards point 7), the “Integrated code of provisions of the Italian Authority for electrical energy and gas concerning administrative and accounting unbundling obligations for companies operating in the electrical energy and gas sectors and the associated publication and communication obligations (Integrated Code or TIU - Integrated Code on Unbundling) established the obligation of functional unbundling for vertically integrated companies - i.e. the company or group of companies that, in the electrical energy or gas sector, performs at least one activity under a concession agreement (e.g. the electrical energy distribution and/or gas) and at least one deregulated activity (e.g. the sale of electrical energy and/or gas) - essentially acknowledging the content of EU directives 2003/54/EC (for the electrical energy sector) and 2003/55/EC (for the gas sector).
The objective is to promote competition, efficiency and adequate levels of quality in the provision of services:

a) ensuring the neutrality of management of essential infrastructures for the development of a competitive market;
b) preventing discrimination between market operators regarding access to sensitive information and the use of infrastructures;
c) separating activities carried out in a competitive scenario from regulated activities (management of infrastructures), avoiding the cross transfer of resources and costs.

As regards functional unbundling, first and foremost, within the domain of a vertically integrated company, each regulated activity must be assigned to an Independent Operator, that must manage it with decision-making and organisational autonomy and by pursuing the objectives of efficiency, cost-effectiveness, neutrality and non-discrimination.
The Independent Operator nominates a guarantor for the correct management of commercially sensitive information (so-called Data Protection Authority), which monitors the proper management of information (intended as commercially sensitive information, i.e. relevant for market competition).
In order to achieve these objectives the Independent Operator is equipped with a plan of obligations, a document containing a series of organisational and managerial measures whose minimum requirements are set by the Authority.
Furthermore, on an annual basis, the Independent Operator drafts an Annual Report on the Measures Adopted and sends it to the Authority.

As regards point 8), resolution ARG/elt 191/09 defined the “Compensation System”, which guarantees compensation to the outgoing vendor in the event of the non-collection of amounts due for the invoices issued in the last few months of supply, before the effective date of switching for the service provided.

Subsequent resolution ARG/elt 219/10 issues the provisions for the functioning of the Compensation System.
This system allows all vendors to claim compensation on the end customer, regardless of the change of vendor requested by said end customer.

Major hydroelectric shunt concessions

Constitutional Court sentence no. 205 of 4 July 2011 pronounced the illegal nature of the provisions of Decree Law no. 78 of 31 May 2010, converted to Law no. 122 of 30 July 2010, which extended major water shunting concessions for the production of electrical energy by five years, with the option of extension by a further seven years if a combined private/public company was established by certain provinces.
As a result of the declaration of constitutional illegitimacy, the concessions expiring on 31 December 2010 are subject to continued management by the operator until takeover by the new operator, which must be chosen through a public tender.
The duration of future concessions, to be issued following a tender process, will vary between twenty and thirty years, in accordance with criteria to be established in an interministerial decree in the process of being issued in agreement with the State-Regions Conference, in relation to the investments deemed necessary. The choice of the best bid for assignment of the concession will be based predominantly on the economic bid for the acquisition of water resources and on the increase in energy produced or installed power. For concessions already expired or those due to expire by 2017, the tender will be called within two years from the date of entry into force of the interministerial decree that will establish the criteria and the new concession will take effect from the fifth year after the original expiry and, in any case, no later than 31 December 2017. Ownership of the business unit relating to the exercise of the concession is transferred from the outgoing to the incoming concession holder, including all pertinent legal relations.

Integrated water service

The reform process of the integrated water service, which began with Law no. 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.
The regulations on management of the integrated water service are based on the following principles:

- establishment of an integrated system for management of the entire water cycle;
- identification by Regional Governments of ATOs (“Ambiti Territoriali Ottimali”), within which the integrated water services are to be managed. Each ATO is responsible for: (a) organising the integrated water service through a plan which, amongst other things, has to define the investment and management policies (the Area Plan), (b) identify an operator for the integrated water service, (c) determine the tariffs applied to users, (d) monitor and supervise the service and the activities conducted by the operator to guarantee correct application of the tariffs and the achievement of objectives and quality levels established in the Area Plan;
- organisation of the integrated water service is based on a clear segregation of duties between the various governing bodies. The state and regional authorities carry out the general planning. The local authorities supervise, organise and control the integrated water services system.

Law no. 42/2010 provided for elimination of the Optimal District Authorities (ATOs) one year after its entry into force. The deadline was extended to 31 December 2012.
The integrated water service is also governed by Regional Laws 25/1999 and 10/2008 for the Emilia Romagna region.
With regard to ATO regulations, by Regional Law no. 23 of 23 December 2011 the Emilia Romagna Region set out the “Area organisation regulations for functions relating to local public environmental services”, which provides regulations on the governance of public environmental services, and in particular the area organisation of the integrated water service and integrated management of municipal waste in Emilia Romagna. It also states that on the basis of subsidiarity, differentiation and suitability principles the entire regional area constitutes an ATO in compliance with articles 147 and 200, Legislative Decree 152/2006.

By Law no. 1 of 24 February 2014 the Liguria Region assigned functions for the organisation and management of the integrated water service and for integrated waste management.
With regard to the IWS, the Law has identified 5 ATOs:

- Western ATO - Province of Imperia;

- Central-Western ATO 1 - Province of Savona;
- Central-Western ATO 2 - Province of Savona;
- Central-Eastern ATO - Province of Genoa;
- Eastern ATO - Province of La Spezia.

The Law (art. 10) extended the option for autonomous IWS management to municipalities with populations of up to 3,000 inhabitants. This provision was challenged by the Government (raising the question of constitutional unlawfulness) in that it conflicts with the legal provisions (article 148, paragraph 5, Legislative Decree 152/2006 - the Consolidated Environmental Act) that limit this option to municipalities with up to 1,000 inhabitants.

The Integrated Water Services segment was also affected by the famous Referendum of 12/13 June 2011, the result of which partially repealed Article 154 paragraph 1 (integrated water service tariff) of Legislative Decree no. 152 of 13 April 2006 "Determination of the tariff for the integrated water service" only insofar as the portion envisaging that this should be "based on adequate remuneration of invested capital".
This repeal did not produce direct and immediate effects on the tariffs, but was limited to changing the criteria to be adopted by the competent Authority in preparing the "Tariff Method" as now defined in the Ministerial Decree of 1 August 1996.
The Constitutional Court clarified that given the outcome of the Referendum the Regional Governments must identify the entity to replace the ATOs. This entity shall be responsible for assigning management of the water services in compliance with European principles on public tender procedures.
The functions concerning the regulation and control of water services were transferred to the Italian Authority for Electrical energy and Gas.
The Authority required a tariff structure by operator/area similar to the pre-existing one to be maintained during the temporary phase.

On 25 June 2013 (resolution 273/2013), the Italian Authority for Electrical energy and Gas approved a specific provision for the definition of the criteria for the calculation of the amounts to be repaid to end users, corresponding to the return on invested capital and paid in the water bills in the post-referendum period from 21 July until 31 December 2011.
The decision made by the Authority is censurable from various points of view, in particular the fact that it conflicts with EU rulings that envisage coverage of this cost item. Instead, the Authority appears to have eliminated the return on invested capital from the tariff without envisaging any alternative means of covering the financial expense. By judgment issued on 20 February 2014, the Lombardy Regional Administrative Court accepted the plaintiffs' claim (including IREN Acqua Gas) and pronounced annulment of AEEGSI Resolution no. 273/2013 for the reasons put forward. By Resolution no. 643 of 27 December 2013 the AEEG approved the "Water Tariff Method and completion rules" (MTI), containing the methods and parameters for calculating the costs (OPEX and CAPEX) that must provide adequate remuneration through the tariff applied to water service users.
The provisions of this Resolution are applicable from 2014 onwards.
By 31 March 2014 the authority responsible for the ATOs:

- defines objectives and (based on the Operator's recommendation) prepares the Plan of Action;
- prepares the tariff for 2014 and 2015;
- prepares the Economic and Financial Plan (covering the duration of the assignment), which must ensure that operational balance is achieved by the Operator;
- submits these calculations to the AEEG for final approval.

Waste management service

Integrated Waste Management represents all activities relating to the transportation, treatment and disposal of waste, including street cleaning and the management of these operations.
The general regulation applicable to the Integrated Waste Management services sector is established at national level in the Environmental Code (Legislative Decree 152/2006, as most recently amended by Ministerial Decree of 15/01/2014) to Legislative Decree 36/2003 (landfills), Legislative Decree 133/2005 (incineration and co-incineration), Presidential Decree no. 59 of 13 March 2013 (Single Environmental Authorisation), and at regional level by Emilia Romagna Regional Laws 25/99, 10/2008 and 23/2011.
As the termination date for the ATOs was 31 December 2012, in accordance with the above law the Emilia Romagna Region has set up the Emilia Romagna District Authority for water and waste management

services in which all the municipalities and provinces in the region responsible for governing the entire regional area are members. This agency became operational in 2012.

Also note that the SISTRI system entered into force on 1 October 2013 for hazardous special waste operators and from 3 March 2014 for initial producers of hazardous special waste. SISTRI penalties will apply from 1 January 2015.

Tariff system for waste management services

The 2014 Stability Law established the IUC tax (single municipal tax) from 1 January 2014, comprising municipal tax of a capital nature (IMU), a component referring to “indivisible” services (TASI) and the waste tax (TARI) destined to finance the cost of the urban waste collection and disposal service.

The prerequisite for the TARI tax is the ownership or possession of properties susceptible to producing waste and commensurate with the floor surface area of the property. The rates can be reviewed by the Municipalities on the basis of service quality standards.

As an exception to art. 52 of Legislative Decree no. 446 of 15 December 1997, the option for Municipalities to assign assessment and collection services to entities which at 31/12/2013 “perform waste management services or TARES assessment and collection services” is reconfirmed.

Green Certificates, Energy Efficiency Certificates and the ETS

Green certificates

In accordance with art. 11 of Legislative Decree no. 79/99, producers and importers of electrical energy generated from non-renewable sources must introduce electrical energy produced from renewable sources into the network, equal to a portion of the electrical energy produced from non-renewable and non-cogeneration sources. The mandatory portion, initially set at 2%, in the period 2004-2006 was increased each year by 0.35 percentage points, whereas the annual increase for the period 2007-2012 was established as 0.75% by the 2008 Finance Act.

This obligation can also be fulfilled by purchasing on the market and subsequently returning to GSE for the cancellation of a corresponding quantity of green certificates. These certificates are assigned to electrical energy producers according to their production of electrical energy from plants powered by renewable sources, which began operations or were repowered after 1 April 1999 and qualified as IAFR (plants powered by renewable sources) by the GSE.

The eligible period to obtain recognition of green certificates, initially 8 years, was later extended to 12 years.

The 2008 Finance Act amended the regulation on green certificates, and the term of the recognition period for plants started up after 31 December 2007 was extended to 15 years. Differentiated rates were introduced according to the sources.

The AEEG identified 6 June 2013 as the end date for reaching the provisional cumulative annual cost of Euro 6.7 billion for photovoltaic incentives. Therefore from 6 July 2013 the provisions on photovoltaic incentive schemes ceased to apply.

The Gestore dei Servizi Energetici – GSE S.p.A. is responsible for implementing and managing the mechanism, and including the disbursement of the incentives to beneficiaries.

Ministerial Decree of 6 July 2012 establishes the new methods for incentivising the electrical energy production from plants powered by non-photovoltaic renewable sources, with power of no less than 1 kW. The incentives envisaged by the decree apply to new plants, fully reconstructed or reactivated plants, those subject to enhancements or upgrading, which enter into operations from 1 January 2013.

The new decree also governs the methods with which plants already in operation will transfer from the green certificates mechanism to new incentive mechanisms starting in 2016.

Tax concessions

Tax concessions for energy savings, consisting in amounts deductible from IRPEF (personal income tax) or IRES (business income tax), are permitted when works are completed to increase the energy efficiency level of existing buildings.

A deduction of 65% applies to expense incurred from 6 June 2013 to 31 December 2014 for energy performance upgrading works on existing buildings. This percentage will change to 50% for payments made between 1 January 2015 and 31 December 2015.
It should be remembered that the expense incurred prior to 6 June 2013 benefited from a 55% deduction. From 1 January 2016 a 36% tax benefit is envisaged for property restructuring costs.

Energy efficiency certificates (EECs) / White Certificate
Legislative Decrees 79/99 and 164/00 introduced the obligation for electrical energy and gas distributors (with at least 100,000 customers at year end 2001) to increase the energy efficiency of end customers of energy.
Arrangements have been made for the transfer to Gestore dei Servizi Energetici S.p.A. of energy saving evaluation and certification management activities relating to projects presented relating to the EEC mechanism.

Emission trading system
In accordance with the Kyoto Protocol, from 2008 to 2012 industrialised countries and transition economies are committed to reducing the global emission of greenhouse gases by an overall 5%, compared to the levels for 1990.
The reduction targets, different for each member country, are 8% for the European Union and 6.5% for Italy.
To meet the reduction obligations established by the Kyoto Protocol, Directive 2003/87/EC has defined a trading system for the emission allowances of greenhouse gases within the European Union, i.e. the "Emission Trading System" (ETS). The Italian law implementing Directive 2003/87/EC is Legislative Decree no. 216 of 4 April 2006.
The Emission Trading System provides that a maximum limit is established for emissions from industrial plants producing greenhouse gas, by allocating each plant (through the National Assignment Plans) a given number of emission quotas, which give the right to emit a corresponding quantity of tonnes of carbon dioxide into the atmosphere during the year to which the quotas refer.

Legislative Decree no. 30 of 13 March 2013 introduced Directive 2009/29/EC into Italian law. This directive introduces new rules for the European ETS for trading greenhouse gas emissions and new activities subject to application of the regulations in the period 2013-2020.
The new decree amends the field of application by defining it more precisely as regards combustion plants and extending the system to gases other than CO_2. It also envisages the option of excluding small plants, introduced the option of establishing simplified rules on monitoring, reporting and inspections, and amended the certificate assignment methods by establishing that these are assigned via auctions. More precisely, for thermoelectric plants and carbon capture and storage plants, assignment will be by full auctioning, except for cogeneration plants which can receive certificates free of charge for heat energy used in district heating.

CONCESSIONS AND ASSIGNMENTS
The IREN Group executes services under concessions/assignments in the following sectors:
- Natural gas
- Electrical energy
- Integrated water service
- Environmental service management

Distribution of natural gas

Genoa area
The natural gas distribution service in the municipality of Genoa and the neighbouring municipalities is carried out by Genova Reti Gas S.r.l. which is 100% owned by IREN Acqua Gas. These concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadlines for which are 24 months for the Genoa 2 ATO - Province - and 30 months for the Genoa 1 ATO - Genoa City and System.

Turin area

The services regarding methane gas distribution in the municipality of Turin and district heating distribution in the municipalities of Turin and Moncalieri will, as of 1 July 2014, be managed by Italgas and Iren Energia as a result of the spin-off of AES TORINO.

These concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadline for which is six months from entry into force of the regulation (11 February 2012) for the Turin 1 ATO - City of Turin - and the Turin 2 ATO - Turin System.

By agreement dated 29 December 2008, the municipality of Nichelino (Turin) assigned the concession for use of the public soil and subsoil for the laying of networks, plants and infrastructures for the district heating service, for a period of 30 years, to the temporary association of companies established between IREN Energia S.p.A., IREN Mercato S.p.A. and AES Torino S.p.A., which together established Nichelino Energia S.r.l..

Emilia Romagna area

The methane gas distribution service in Emilia Romagna provinces is managed by Iren Emilia S.p.A.. These assignments are currently operating under the extended regime pending the launch of public invitations to tender.

Other geographical areas

The IREN Group also operates in numerous other entities throughout Italy through assignments or concessions given to mixed capital companies in which IREN Group companies have a direct or indirect investment.

The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (21.32% owned by the Consorzio G.P.O. of which IREN Emilia holds 62.35%): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC); assignment expiring 31/12/2010;
- Municipality of Vercelli - ATENA S.p.A. (40% owned by IREN Emilia): assigned in 1999 and expiring 31/12/2010;
- Province of Livorno - ASA S.p.A. (40% owned by AGA S.p.A. which is 99.64% owned by IREN Emilia): Municipalities of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittima and San Vincenzo – expiring 31 December 2010.

These concessions are currently operating under the extended regime pending the launch of public invitations to tender.

Natural gas sales

Pursuant to the Letta Decree on unbundling, the IREN Group sells natural gas mainly through IREN Mercato, which absorbed Enìa Energia, acquiring the customers already served in the Reggio Emilia area.

This activity is also carried out through direct or indirect investment in seller companies including:

- Gea Commerciale S.p.A. and Salerno Energia Vendite S.r.l. for the Grosseto area and for Central Southern Italy;
- Astea Energia S.r.l. for the Marche area;
- Atena Trading S.r.l. for the Vercelli area.

Electrical energy segment

AEM Torino Distribuzione manages the public electrical energy distribution service in the City of Turin under the terms of a ministerial concession. This concession expires on 31 December 2030.

AEM Torino Distribuzione S.p.A. distributes electrical energy in the Municipality of Parma. This concession expires on 31 December 2030.

Through its local business combinations, the IREN Group distributes Electrical Energy in the following main areas:

- Marche area, with ASTEA S.p.A.;
- Vercelli area, with ATENA S.p.A.

Integrated water service

Genoa area

IREN Acqua Gas holds the management assignment for the integrated water service in the 67 municipalities of the Province of Genoa, serving a total of 880,000 residents. The assignment was granted by Decision no. 8 of the Genoa ATO Authority on 13 June 2003 and will expire in 2032.

The management of the integrated water service in the municipalities of the province of Genoa is carried out by IAG through protected operators. The authorised and/or protected operators in the IREN Group that perform the function of operator are Mediterranea delle Acque S.p.A. (60% owned by IREN Acqua Gas), Idro Tigullio S.p.A. (66.55% owned by Mediterranea delle Acque S.p.A.) and AMTER S.p.A. (49% owned by Mediterranea delle Acque S.p.A.).

Emilia Romagna area

The IREN Group provides the Integrated Water Service on the basis of specific assignments granted by the respective Local Authorities, governed by agreements signed with the competent ATOs.

Based on the laws of the Emilia Romagna Region, water service agreements provide for 10-year assignments, except for the agreement relating to the Parma ATO, which sets the expiry of the assignment at 30 June 2025, by virtue of the disposal to private entities of 35% of the AMPS capital by the municipality of Parma in 2000 through a public offering.

The management of the Integrated Water Services in the Parma and Reggio Emilia ATOs was transferred to IREN Acqua Gas. The latter uses IREN Emilia premises for its operations. Integrated Water Service management in Piacenza was transferred from Iren Emilia to Iren Acqua Gas in September 2011.

Ownership of the assets and networks of the water segment was transferred to companies wholly owned by public entities. These companies made their networks and assets available to the Iren Group on the basis of a rental contract and against the payment of a fee.

The table below contains details of existing agreements in the Group's area of operations.

ATO	Regime	Agreement date	Expiry date
Genoa area	ATO/Operator Agreement	16.04.2004/5.10.2009	31 December 2032
Reggio Emilia	ATO/Operator Agreement	30 June 2003	31 December 2011 (*)
Parma	ATO/Operator Agreement	27 December 2004	31 December 2025
Piacenza	ATO/Operator Agreement	20 December 2004	31 December 2011 (*)

(*) Service extended until new agreements are defined

Other geographical areas

The IREN Group also operates in numerous other activities throughout Italy in the Integrated Water Service sector through assignments or concessions given to mixed capital companies in which it has a direct or indirect investment. The main assignments and concessions are:

- Toscana Costa ATO - ASA S.p.A. (40% owned by AGA S.p.A. which is 99.64% owned by IREN Emilia) integrated water service in the Municipality of Livorno and other municipalities in the Province;
- Marche Centro - Macerata ATO (ATO3). ASTEA S.p.A. (21.32% owned by Consorzio GPO which is in turn 62.35% owned by IREN Emilia) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati;
- Biella-Casale-Vercelli ATO: ATENA S.p.A. (40% owned by IREN Emilia) for the Vercelli area;
- Municipality of Ventimiglia: AIGA S.p.A. (49% owned by IREN Acqua Gas);
- Municipality of Imperia: AMAT S.p.A. (48% owned by IREN Acqua Gas);
- Alessandria ATO: ACOS S.p.A. (25% owned by IREN Emilia) for the Municipality of Novi Ligure;
- Cuneo ATO: Mondo Acqua S.p.A. (38.5% held by IREN Acqua Gas) manages the Municipality of Mondovì and 7 other municipalities in the Cuneo area.

Waste Management segment
The IREN Group provides waste management services on the basis of specific service assignments from the Local Authorities, governed by agreements signed with the provincial ATOs.
The table below contains details of existing agreements in the Group's area of operations.

ATO	REGIME	AGREEMENT DATE	EXPIRY DATE
Reggio Emilia	ATO/Operator Agreement	10 June 2004	31 December 2011 (*)
Parma	ATO/Operator Agreement	27 December 2004	31 December 2014
Piacenza	ATO/Operator Agreement	18 May 2004	31 December 2011 (*)

(*) Service extended until new agreements are defined

In a temporary grouping of companies with F2i and Acea Pinerolese, the Iren Group was awarded the tender offer launched by the city of Turin in 2012 for the sale of 80% of the share capital of TRM S.p.A. and 49% of AMIAT S.p.A. Two SPVs were set up for the purchase of investments (TRM V and AMIAT V).
TRM is the company that built the Turin waste-to-energy plant and is responsible for waste disposal for the city and for municipalities in Turin province.
AMIAT is the company responsible for waste collection and transport in Turin.

Services provided to the Municipality of Turin
On 31 October 2006, Iren Servizi e Innovazione (formerly Iride Servizi S.p.A.) took over the following from AEM Torino S.p.A.:
- the agreement signed with the Municipality of Turin for the assignment of street lighting and traffic light services in the Municipality of Turin, expiring on 31 December 2036;
- the management services assignment for the municipal heating plants, expiring on 31 December 2014;
- the management services assignment for the electrical and special systems in municipal buildings, expiring on 31 December 2014.

By resolution of 3 November 2010, the Municipal Council of Turin decided to assign service agreements to IREN Servizi e Innovazione for the thermal plants and electrical and special systems for municipal buildings until 31 December 2017.
By resolution of 27 November 2012, the Municipal Council of Turin extended the assignment of these service agreements to 31 December 2020.

FINANCIAL INCOME AND EXPENSE

General framework

In the first half of 2014 the downtrend in interest rates, which seemed to have come to a halt in 2013, has returned. The European Central Bank intervened with a further cut in the rate in June 2014, bringing the reference level to 0.15%.

Analysis of the 6-month Euribor trend shows that the phase of stability lasting throughout 2013 was followed by a temporary and modest upturn in the first few months of 2014, with the benchmark returning to its minimum level of 0.3%. After a phase of volatility and growth in 2013, at the beginning of this year the fixed rate quotations, reflected in 5-year and 10-year IRS, took a downturn to reach new all-time lows.

Activities performed

During the first half of 2014, 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 centralisation of treasury management, medium/long-term loans management 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.

Moving on to discuss in detail the financing transactions completed in the first half of 2014, note that new medium/long-term loans were finalised for a total of Euro 150 million. Specifically, a new 5-year Private Placement bond loan was completed in February for Euro 100 million, with a subsequent tap issue in March for Euro 50 million was placed in relation to the inaugural 7-year Private Placement bond loan issue concluded at the end of 2013.

Then in July 2014 the placement of a 7-year inaugural bond issue in Public Placement format was successfully completed for Euro 300 million. Again in July a new medium-term bank loan for Euro 75 million was also finalised and used.

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 2014 the Group's net non-current indebtedness accounted for 81% of total net financial indebtedness. This percentage takes into account the classification of receivables due from the Municipality of Turin under non-current financial assets.

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.

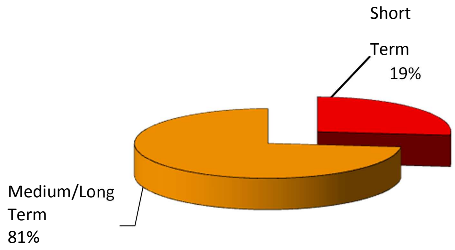
In the first half of 2014 no new financial risk hedge agreements were entered into, and in fact the new loans signed during the first half were agreed at fixed rates.

At 30 June 2014, the portion of floating rate debt not hedged by derivatives was 21% of the loan positions and 17% of the consolidated net financial indebtedness, in line with the target of the Iren Group which is to maintain a balance between fixed and floating interest rate positions or in any event protected from significant increases in interest rates.

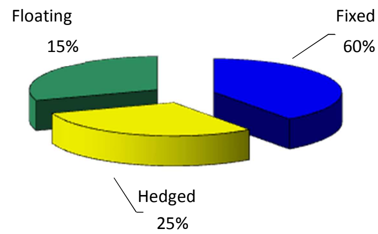
Net financial indebtedness by expiry date

Net financial indebtedness by interest rate type

Position at 31/12/2013

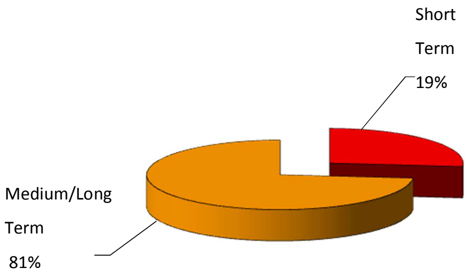


Euro 2,192 million

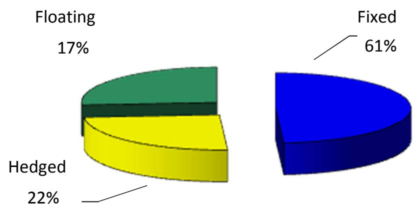


Euro 2,192 million

Position at 30/06/2014



Euro 2,242 million



Euro 2,242 million

TRANSACTIONS WITH RELATED PARTIES

The Company and its Subsidiaries disclose related party transactions in accordance with transparency and fairness principles. A good part of these relations concern services provided to the customers in general (gas, water, electrical energy, heat, etc.) and are governed by contract rules normally applicable to these situations.
Where the services provided are not current, the relations are governed by specific agreements whose terms are established in accordance with normal market conditions. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.
Information on transactions with related parties is included in the Notes to the condensed consolidated interim report.

RISKS AND UNCERTAINTIES

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 operative within the Group includes the methodological approach to integrated identification, assessment and management of the Group risks.

For each of the following risk types:
- financial risks (interest rate, currency, spread);
- credit risk;
- energy risk, associated with energy and/or financial markets, such as market variables or pricing options;
- operational risks, associated with asset ownership, involvement in business activities, processes, procedures and information flows

specific “policies” have been defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of related risks. The Group’s Enterprise Risk Management model also regulates the roles of the various parties involved in the risk management process, which is governed by the Board of Directors, and calls for specific Committees to manage each type of risk.

The Iren Group also focuses particularly on maintaining trust and a positive image in the eyes of stakeholders. Consequently, reputational risks are also covered in the Group’s Enterprise Risk Management model.

The “Risk Management” department, reporting to the Deputy Chairman, 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;
- assessment of the Group’s insurance needs, programme planning, signing and managing insurance policies, with the cooperation of the Legal department.

A periodic assessment process is also in place with regard to claims in the various sectors and across all the Group’s areas of operation in order to overcome the causes and implement the most suitable methods to prevent and/or contain the impact of claims.

A summary of the Group’s adopted risk management models, with breakdown by the type of risk, is shown hereunder.

1. FINANCIAL RISKS

Iren Group activity is exposed to various types of financial risks, including liquidity risk, currency risk and interest rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit currency risk and interest rate risk.

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 infra-group accounts along with infra-group 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, and no critical points have emerged regarding the hedging of current financial commitments. At 30 June 2014 the short-term bank credit facilities used by the Parent totalled Euro 415 million.
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 2013, 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. In the first half of 2014, the Iren Group took out new medium/long-term loans totalling Euro 150 million, all of which in favour of the Parent. Details of the activities carried out in this area and of the individual transactions are shown in the paragraph Financial Income and Expense.

At 30.06.2014, 58% of the residual amount payable for loans was contractualised at a fixed interest rate and 42% 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), the clauses in IREN loan agreements are fulfilled. In particular, for certain medium/long-term loan agreements Iren is committed to meeting financial covenants (such as Debt/EBITDA, EBITDA/Financial expense ratios) with annual verification. Moreover, other covenants such as the Change of Control clause have been provided for, which sets forth that the IREN Group should be kept under direct and indirect control by 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).

b) Currency risk

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

c) Interest rate risk

The IREN Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expense related to indebtedness. IREN Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.
In a non-speculative view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges. At 30 June 2014, except for certain marginal positions, 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 fair value of the above-mentioned interest rate hedges was a negative Euro 40,238 thousand at 30 June 2014.
The hedging contracts agreed, together with fixed-rate loans, hedge approximately 83% 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 of hedging against significant increases in interest rates.

For a more complete understanding of the interest rate risks to which the Group is subject, at 31 December each year stress testing is performed on the sensitivity of net financial expense and evaluation components in derivatives contracts to changes in interest rates.

2. CREDIT RISK

Iren Group credit risk is mainly related to trade receivables connected to the sale of electrical energy, district heating, gas and the provision of water and waste management services, which are spread across a large number of counterparties such as retail, business and public entity customers.
In conducting its business activities the Group is exposed to the risk that, as a result of financial conditions, receivables might not be paid when they become due, and therefore the risks are attributable to the potential insolvency or decrease in the credit rating of counterparties as well as to the increase in age of the receivables and those subject to arrangements with creditors.

In order to mitigate credit risk, whose operating management is entrusted to individual Companies and regional functions, methodologies have been defined for monitoring and control of receivables and the definition of strategies to reduce related exposure (Customer solvency analysis, outsourcing of credit collection, etc.).

For a more detailed analysis of this risk, reference should be made to the paragraph “Management of the Group Financial Risks” in the condensed consolidated interim report.

3. ENERGY RISK

The IREN Group is exposed to price risk, including related currency risk, on the energy commodities traded, being electrical energy, natural gas, coal, etc., as both purchases and sales are impacted by fluctuations in the price of such energy commodities directly 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 planning of its plants production and purchases of electrical energy, with the aim of balancing energy self-production and market supply with the demand of Group customers.

In October and November 2013, two commodity derivative contracts (Commodity swaps on Gas Release 07 index) were entered into as an energy portfolio hedge for 2014, for a total notional amount of 1 TWh.
In December 2013 and February 2014, three average rate forward contracts were entered into for a total of USD 129,946 thousand.
The fair value of agreements still in force on 30 June 2014 is a positive total of Euro 627 thousand.
Iren Mercato trading operations involve the trading of physical and financial contracts on the electrical energy market and financial contracts directly on the underlying commodities. These contracts may refer to various indexes (PUN, ITEC, Itmix, BINE) and trading on the IDEX. At 30 June 2014 no contracts were in place that originate from such assets or classified in the specific Trading Portfolio.

4. OPERATIONAL RISKS

This category includes all the risks which, in addition to those already mentioned in previous paragraphs, could influence the achievement of operational targets, i.e. relating to the effectiveness and efficiency of business transactions, performance levels, profitability and protection of the resources against losses.
The Group’s Enterprise Risk Management model is focused on the integrated and synergic management of risks.

For each business chain and operating environment, the Group's risk management envisages the analysis of activities performed and the identification of the main risk factors associated with achieving the objectives. Following their identification, the risks are assessed in terms of quality and quantity (magnitude and occurrence probability) to identify the most significant risks. The analysis also involves assessment of the current and prospective levels of control over the risk, monitored by means of specific key risk indicators.

The above phases allow the structuring of specific processing plans for each risk factor.
Throughout all the management phases, each risk is continuously subject to a control and monitoring process, during which the correct and effective implementation of approved and planned treatment and the appearance of any new operational risks are verified. The operational risk management process is associated with a systematic reporting structure for presenting the results of risk measurement and management activities.
Each process stage is performed in accordance with standards and references defined at Group level.

The Group's risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, credit and energy risks.
Reports on risk are submitted to top management and to the risk owners involved in mitigation and management activities.
Risk analysis also supports the preparation of planning tools.
The operational risk management process also aims at optimising the Group's insurance profiles.

a. Legal 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 has internal structures in charge of the continuous monitoring of reference legislation, in order to assess its implications and ensure its correct application.

b. Strategic risks

The current macroeconomic scenario also has a significant impact on the local utilities sector.
The Group's operational drivers are designed to consolidate core business in the areas of operation, maximise operating efficiency, rationalise assets and, if appropriate, exploit any external growth opportunities.
The Group's strategic development plan, in line with the above drivers, envisages consolidation initiatives in the Group's areas of business with the completion of projects in the generation and district heating sectors, valuation of energy infrastructures, consolidation and operating efficiency improvements for the integrated water cycle, completion of projects associated with waste-to-energy and the assessment of external growth opportunities, particularly in the waste management sector.
All of the above result in risk exposure largely of a regulatory, technical, commercial, economic and financial nature, which the Group manages through dedicated processes and structures to oversee all the implementation stages of strategic objectives. In particular, the Risk Management department performs specific quality-quantity assessments, indicating the main risk factors and management plans required.

c. Plant-related risks

As regards the consistency of Group production plants, 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.).
For the most important plants the Risk Management department periodically conducts surveys, from which it can accurately detail the events to which such plants could be exposed and subsequent preventive action.
The risk is also hedged through insurance coverage planned in consideration of the individual plants.

d. IT risks

The main IT risks are related to the availability of core systems, amongst which for example is IREN Mercato’s interface with the Power Exchange.

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 subject to simulations, to ensure their effectiveness.

ORGANISATION AND IT SYSTEMS

Organisation

During the first half of the year two significant events were associated with the organisational rationalisation and efficiency improvement of the Iren Group. Under the Parent's supervision, in fact, an in-depth organisational analysis was conducted after which an initial centralisation of the Group's staff departments was approved. From 1 July all activities associated with the Group's administration and finance processes and those relating to Procurement and Contracts were centralised in Iren S.p.A.

The aim of the centralisation, in addition to seizing upon organisational efficiency improvement opportunities, is to guarantee more speed in the linked processes, greater reporting integration on business variables and better use of the synergies that can be achieved in the procurement processes and their standardisation at Group level.

In parallel, an extraordinary "performance improvement" programme was implemented to conduct an overall assessment of the synergies that can be achieved from making same-level processes more efficient both in staff and line areas, also through benchmarking against the major competitors in the sector. The first firm action has also been taken as follow-up to the initiatives already given site permission in 2012 and 2013.

IT Systems

In addition to the usual maintenance and development projects for the systems managed, during the first half of the year a number of important initiatives were launched related, on the one hand, to the administration-accounting and control areas, and on the other hand, the development of Group customer relations also through apps.

In March, in fact, an ambitious convergence programme was launched on a new single transactional environment for the Group's main companies, in addition to the development of a new Enterprise Performance Management platform to handle the Planning, Budgeting, Forecasts, Month-end consolidation, Quarterly pre-closing, Final closing and Reporting.

The project involves an approximate 20-month planning period with gradual interim releases and the involvement of around 70 companies.

With regard to support in the management of Group Customers, two innovative applications have been created.

The first - EcoIren - designed to provide data on collection (particularly regarding separated waste collection) in the provinces of Parma, Reggio Emilia and Piacenza. The application provides information on the disposal methods for individual waste components, on the location of collection centres and information centres, allows the booking of bulky item collection and indicates the collection days - area by area according to the specific needs of each collection point - for individual districts and the option of adding memos to the agendas to remind when and which type of waste should be made ready for collection.

The second - Iren App - is an application that allows Iren Group customers to obtain information about their personal supply contracts with Group Companies, to display invoices and the payment status, to self-read their energy supply and to easily contact the customer branches and toll-free numbers of the various companies according to specific needs.

This initiative, too, forms part of a broader programme to enhance services to Group Customers in relation to the business and areas managed.

RESEARCH AND DEVELOPMENT

Research and development performed within the Group in the first half of 2014 was mainly geared towards optimising and improving operating applications and the assessment of new opportunities connected with the use of innovative technologies. The initiatives are set out below.

Turin area

The research and development activities carried out by the Group in the first half of 2014 were mainly aimed at:

- involvement at European level in research projects in areas of strategic interest (Smart Grids, Smart City, etc.);
- optimising and improving operating applications;
- assessment of new innovative technology opportunities.

The main research and development activities carried out by the first-level company IREN Energia (and its subsidiaries) in the first half of 2014 are shown below.

EUROPEAN PROJECTS

Iren actively participates in the implementation of research projects as part of the FP7, IEE and Horizon 2020 programmes, in addition to participation in national and regional projects. A summary list is provided below of the activities in which the Company is involved:

DIMMER (FP7 program): Development of effective web interfaces that provide real-time feedback on the energy impact of user behaviour at district level. In particular, the Italian monitor will be located in Turin (Polytechnic district) and will focus on software systems able to optimise the provision of heat for district heating and assess the efficiency of the heat exchangers in real time.
Partners: Turin Polytechnic, CSI, Turin University, Manchester University, sponsored by the Municipality of Turin, Italian and European SMEs.
This project was awarded.

EMPOWERING (IEE Program): This project aims to provide efficient, easy-to-read instruments to end customers for energy savings. In particular, they will be additional information will be offered to 2000 electrical energy users and 1100 district heating users (in Turin and Reggio Emilia) through “smart billing” and an online tool on the web sites of partner Utilities.
Partners: Turin Polytechnic, Municipality of Reggio Emilia, Danish, French and Spanish utility providers, Italian and European SMEs.
This project was awarded.
The following activities were carried out by IREN as part of the Empowering Project in the first half of 2014:

- Upload of records and historic metering data for a sample of electricity customers to the central CIMNE system
- Upload of 2014 time curves for a sample of electricity customers to the central CIMNE system
- Preparation for the upload of district heating data
- Preparation of the Billing Tool to generate utility bills

The following activities will be carried out in the second half of 2014:

- Completion of the Online Tool with integration of new services made available by CIMNE
- Completion of the Billing Tool with integration of new services made available by CIMNE
- Upload of district heating data records and metering for Turin
- Upload of district heating data records and metering for Reggio Emilia

FABRIC (FeAsiBility analysis and development of on-Road chargIng solutions for future electric vehiCles, FP7 Program): the project relates to the development of a charging system for on-road electric vehicles by means of induction coils sunk into the concrete road surface. The project envisages 3 pilot sits, one of which in the Province of Turin in the SITAF area of the Turin-Bardonecchia motorway.
Partners: Turin Polytechnic, FIAT, Pininfarina, Energrid and Scania Nissan research centres, international industrial partners, Italian and European SMEs.
This project was awarded.

ProLITE Project
This is a European project for lighting innovation. Iren Servizi e Innovazione (formerly Iride Servizi), participating in the project as technological partner to the City of Turin, is involved in the organisation of testing of the internal lighting systems of three local school buildings. The expected reduction in energy bills is 20%.

Tribute Project
This is a European project for the optimisation of systems to monitor energy consumption metering systems, integrating these with advanced energy management functions and building planning and control tools, with a particular focus on the impact of user habits on final consumption. The figures will form a database for energy efficiency works and will offer assessment of the general health of a building and identification of weak points in its “energy system” that have a negative impact on consumption.
Iren Servizi e Innovazione (formerly Iride Servizi) is the City authority’s technology partner and will be assigned the task of implementing works planned by the authority itself.

The “Smart Grid” Project Team was also established within Iren Energia (AEMD) to analyse various Smart Electricity Grid solutions for future implementation on the AEMD network.

ProBis Project
The PROBIS Project is designed to develop the phases of an innovation contract with the aim of creating an innovative Energy Management System (EnMS) to manage the energy in municipal buildings.
The phases of the project will involve the identification of requirements and needs of the pilot buildings, dialogue with the market, the functional specifications and performances of the product, bonus award criteria, legal and regulatory aspects and the preparation of related documentation and contracts. A tender procedure will also be launched as part of the project and a number of pilot projects will be implemented and their results assessed.
For the City of Turin the system will be tested in a pilot public building, at present identified as the municipal offices at Via Bologna 74.
IREN Servizi e Innovazione participates as technological partner to the City of Turin.

ENERGY SAVINGS AND RENEWABLE SOURCES

Public lighting in Turin
A plan to replace mercury lamps systems with HP sodium and metal halide bulbs has been completed. 7,000 lights were replaced, with a power reduction of around 100 W each.
The reduction in power totals around 700 kW, with subsequent decrease in electricity consumed of approximately 2.94 GWh, and an emissions reduction of roughly 550 TOE.
The Turin LED project was launched, involving the replacement of around 55,000 lighting units fitted with discharge lamps with new LED lamps.
IREN Servizi e Innovazione has prepared the proposal in its capacity as ESCo and will finance the works in full. The remuneration will derive from the drop in consumption.
Once the project is completed, annual savings in energy terms will be around 20.3 GWh.

Energy efficiency improvements in public buildings

The City of Turin is currently preparing a proposal for modernisation and efficiency improvement works for plants managed by Iren Servizi e Innovazione (formerly Iride Servizi) (heating and electrical energy systems serving municipal authority buildings, public lighting systems and traffic lights). The multi-year plan will, on completion of the works, offer a saving of around 3,500 TOE per year and a reduction in CO_2 emissions of around 8,200 tons per year.

Energy efficiency

The first half of 2014 saw the consolidation of Energy Management activities by the Energy Manager, and in particular the following were performed:

- Consumption data analysis relating to IEN, ISE and AEMD: identification of points of consumption and the gathering of data for 2013 (final figures) and the first half of 2014, comparing the trends for the period 2010-2012;
- Comparison and alignment of the Group's Energy Managers: organisation of meetings every two months of the Energy Managers of Iren Acqua Gas and Iren Emilia;
- Launch of activities targeting UNI CEI EN ISO 50001 (Energy Management System) certification: the necessary procedures have been written and activities have begun for preparation of the initial energy analyses, completing one to use as sample (the Torino Nord plant). An audit has been performed by Certifying Body (CSQ) to perform gap analysis between preparations completed and already available with what is still required in order to obtain certification. It is expected that the Certification will be obtained by the end of the first half of 2015;
- Launch of activities for UNI EN 11352 (ESCO) certification for Iren Servizi e Innovazione (formerly Iride Servizi). In the first half of the year two audits to obtain IREN Servizi e Innovazione certification as an ESCo, in accordance with the 11352:2014 standard. The audits were completed successfully and the Company received certification on 23 May 2014. The regulations were issued in April and therefore the result achieved is even more significant given that the Auditor considered the quality of IREN Servizi e Innovazione processes and activities in the field of energy efficiency to be already suitable and compliant with the regulations in question.

MANAGEMENT OF NETWORKS, TELECOMMUNICATIONS AND SERVICE INFRASTRUCTURES

Analysis and experimentation of zero electromagnetic impact electrical substations

The goal of the activity is to assess the feasibility to realise the maximum reduction in the buffer zone of a Distributor's electrical substation, with the objective of containing said buffer zone (under nominal load conditions of the substation) to a maximum distance of 10-20 cm from the walls of the substation. The substation analysed has the following components:

The activity involved three steps:

1. environmental impact analysis: from data provided on the future electrical infrastructures to be installed, using 3D calculation software, it was possible to identify the electromagnetic induction levels in sensitive areas. The aim of the results is to identify the electromagnetic induction levels for the purpose of a project and the sizing of mitigation works;
2. test analysis: characterisation using test measurements of the screens not actually considered in the environmental impact analyses (e.g. natural screening of the MV circuit board due to its metal housing). This analysis required testing of the material used in such screens;
3. analysis of potential screening solutions: based on the results of the environmental impact and test analyses, the best options for reducing electromagnetic induction levels and reducing the buffer zone were assessed.

Based on the outcome of the analyses conducted on the equipment and on the screening options, pilot testing was conducted on a number of network substations specifically renovated.

The results achieved were presented to the relevant offices of the municipal authority and ARPA to agree on the option of using the technology to cancel the buffer zones required around above-ground substations.

The results achieved were presented to the relevant offices of the Municipal authority and ARPA which essentially acknowledged the effectiveness of the technology used to cancel the buffer zones around above-ground substations.

Remote control of district heating plants
The project for the remote control of the district heating systems aims at providing the tools for effective management of consumption control, the configuration of the operating parameters, the technical maintenance and management of the SST (heat exchange substation) alarms in order to improve the services to the district heating customers. To this end a technological platform has been designed, which is able to acquire the operating parameters from the substations, process the data and offer the necessary reporting and control tools.

- At the end of the first half of 2014, 3,650 systems out of 4,900 are operative and the material is being produced to complete the installations;
- Through the Integrated Meter Reading Portal the entire report capture process, both for remotely read and manually read meters, is managed;
- The commands for changes in weather conditions and hours of operation requested by customers are generated through the Portal: Approximately 32,500 applications were processed in 2013;
- Using batch commands, central settings were made available for the start-up and shutdown of systems at the beginning and end of the heating season;
- Careful monitoring is guaranteeing the expected economic returns both for AES and for the Group.

A number of system expansions are being tested, including: leak monitoring, pressure monitoring, energy savings and load balancing.

In 2014 also, a further 250 remote control panels were sold to Sei Energia to monitor the district heating network of Collegno-Rivoli-Grugliasco.
The design of new functions is in progress also thanks to the European projects Dimmer, Empowering and Enrg4cast.

Based on the TLR project, participation was arranged in the authority’s tender for the remote control of the new GAS/WATER smart meters. The remote control project won an award at the recent SMAU 2014 event.

Portal and integration of Distributor’s systems
Aem Torino Distribuzione (AEMD) has completed its project for the integration of information systems between the Parma and Turin areas relating to commercial activities (receipt and final reporting of vendors’ requests, preparation of quotes, metering management, billing, etc.).
This “transversal” project has involved personnel from the departments of AEMD, Iren Mercato, Iren Emilia, Enia Parma and IT staff from Iren Emilia and Iren Energia, affecting more than 10 different IT systems (SAP, CNRG, Reti, AMM, EDW, the AEMD Portal, the Metering Repository, Load Profiling, etc.).
The first half of 2014 saw completion of the first part of the project to review the estimates application, offering fine-tuning of integration aspects between the AEMD portal, automation and standardisation of all types of products and services marketed, and the integration of technical information with other data. The second part of the project (to be completed in the second half of the year) will involve the creation of other integrations to automate certain tasks in the process currently performed manually.

Development of IREN IT Systems

Project to integrate the remote metering management system for district heating and Mob-I TLR
The analysis has been completed and in the second half of 2014 will see implementation of the integration with Mob-i TLR, the system that manages works on the district heating plants, in such a way that activities that can be performed automatically will be sent immediately to the remote management system and human and/or onsite intervention will be arranged only in the event of problems.

AEMD SmartPOD Project
During the second half of 2013 the distributor’s portal for end users was implemented.

The main aim of the portal is to make reading curves and their own meter readings available to end users, but in future could also be extended to providing end users with a variety of functions related to their own supply point (POD), for example:

- Fault report
- Receipt of current fault notification
- Receipt of scheduled outage in progress notification
- Receipt of work in progress notification
- Receipt of anomalous consumption notice
- Imminent capacity reduction notice due to default
- Imminent cut-off notice due to default
- Etc.

During the first half of 2014 implementation of the distributor's portal for end users continued, involving the following tasks:

- Implementation of meter reading display
- Optimisation of the application's user interface

In the second half of 2014 additional fault-related functions will be implemented:

- Fault report
- Receipt of current fault notification
- Receipt of scheduled outage in progress notification

Additional functions could be added in the future, such as:

- Receipt of work in progress notification
- Receipt of anomalous consumption notice
- Imminent capacity reduction notice due to default
- Imminent cut-off notice due to default

AEMD Portal project for vendors
In the first half of 2014 completion of the switch process automation and the new termination process for switches not requested by end customers will be developed.
In the second half of the year functional testing will be performed, followed by production start-up.

Genoa area
During the first half of 2014 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 sector from a technical/regulatory standpoint and the quality of the water for human consumption. To this end, the Group planned and coordinated specific research projects to be carried out in collaboration with its Foundation (Fondazione AMGA), Mediterranea delle Acque, universities and national and international research centres. More specifically, the research projects launched and completed in 2014 concerned:

Project finance prospects after the changes to the tariff method
Among the conditions for optimum use of the project finance potential are: i) the duration of the concession must be suitable to guaranteeing complete recovery and adequate remuneration of the capital invested; ii) there must be the option to clearly identify the risks associated with the project in order to allow fair distribution among the parties involved; iii) the contracts must establish in detail the tariff adjustment methods, service quality and quantity, and penalties borne by the contracting parties. This research project aims to measure the extent to which the conditions in question can be applied in the changed regulatory framework for the water sector.

*Materials in contact with drinking water. Prospective legislation and regulations at European level: repercussions on the Italian industry*Through the organisation and coordination of many meetings with the stakeholders, the project intends to create an opportunity to share at national level as part of the Mandate (M136 Rev 2) approved by the Committee in order to establish harmonised regulations (hEN) on materials and products in contact with drinking water, also by filling the gap in the Directive on water for human consumption. The IAG Group, through its Foundation, acted as a catalyst in the specific context for the various interested parties, in order to identify and protect the national industry, accredited laboratories, aqueduct operators and end customers. The widespread efforts during the first half of 2014 have generated the conditions for the setup of two national work groups that have worked in two specific contexts: Update of the technical annex to Ministerial Decree 174 and Creation of a network of accredited laboratories. At the meeting held with Confindustria last April in Rome, the laboratories network was considered an indispensable condition for Italy's participation in the regulatory standards envisaged by the 4 Member States.

Purification systems and endocrine disruptors
The project launched in 2013 and continued in the first half of 2014 envisages national-level monitoring of the levels of endocrine disruptors in waste water, using special analytical methods optimised by the Istituto Superiore di Sanità (Italian National Health Institute). The survey expects to measure endocrine disruptors such as Bisphenol A, natural and synthetic hormones, pharmaceuticals and flame retardants, and will involve numerous Italian aqueducts such as Mediterranea delle Acque in Genoa, Publiacqua in Florence, Hera in Bologna, SMAT in Turin, ACSM Reti Gas Acqua in Como, Acquedotto Pugliese in Bari and VERITAS in Venice.

Algae microcystins in water destined for human consumption
The project is conducted in partnership with the Istituto Superiore di Sanità and with numerous Italian aqueducts (Mediterranea delle Acque in Genoa, Publiacqua in Florence, Hera in Bologna, SMAT in Turin, ACSM Reti Gas Acqua in Como, Acquedotto Pugliese in Bari, ABBANOA in Cagliari and VERITAS in Venice), and will allow the assessment of this toxin in surface water used as drinking water. The data to be gathered will be useful in assessing the effects of the potential inclusion by the European Commission of a cap value on this benchmark.

In the first half of 2014, Iren Acqua Gas continued to participate in the Water supply and sanitation Technology Platform (WssTP) established by the European Commission to monitor research in the water sector, has maintained contact with the US Water Research Foundation and has also continued its active participation in the TICASS Consortium (Innovative technologies for Environmental Control and Sustainable Development), the technology innovation centre of the Liguria Region. In this context numerous project proposals have been submitted which also aim to finance research assignments on issues relating to water quality.

Among the proposed projects presented and accepted by the Commission were the WIRE and COWAMA Action Groups, respectively relating to innovation in the agricultural sector and to coastal protection.

Industrial ecology
This project, which began in the first half of 2014, concerns Industrial Ecology seen as a scientific discipline that emerged in the 1990s and studies the human system (intended not only as a production system but also in social and cultural terms) seen in the context of its environment. Ecology because it uses the methods adopted in this field for the study of material and energy flows in industrial systems. Industrial because it studies the industrial system (in the widest sense, to include industry, cities, agriculture, commerce, etc.) rather than limited to a study of the natural environment only. The global economy can be seen as a network of industrial processes that extract resources from the Earth and transform them into goods which are then bought and sold to satisfy human needs. Industrial ecology aims to quantify and study this network of constantly moving materials and analyse the industrial processes that make modern society function. The regulations are based on an interdisciplinary approach, which refers to environmental sciences, engineering, social sciences and the effects of legislation.

The research topics integrated into the assignments given by TICASS to the researchers involved continued in the first half of the year and cover the following issues:

Air conditioning energy optimisation in municipal areas through trigeneration The study, performed as a research assignment, is based on the assessment of current and foreseeable energy needs in the light of plans for expansion in an urban area defined through land development planning. Firstly a study of the

current status in the urban areas is in progress with respect to trigeneration-powered air conditioning systems, assessing current best practices and their applicability to the case under review.
The research will then go on to define the feasibility of the works and the technical approach to be adopted in the Gavette district, identifying the conditions for installation of the new trigeneration plant in the area and the methods for its integration with the plant to recover energy from the expansion of network gas, exploiting the rise in pressure currently available at the Snam methane delivery point. The project tasks are integrated with those envisaged for the EU's Celsius Project in which Genova Reti Gas is a partner.

UNDERGROUND: Intelligent Monitoring and Management of underground utility networks and their interaction with the environment The research aims to study the interaction between networks and the subsoil and surrounding environment, with a particular focus on natural risks.
The subsoil is a complex system formed from technological networks of various types that interact with each other, managed by different service providers (gas networks, electrical energy networks, gas pipelines, oil pipelines, district heating, aqueducts, sewerage, telephony, optical fibres, etc.). Correct management has to consider the subsoil as part of a much wider context, acquiring interdisciplinary know-how that offers an integrated, flexible approach. The key to integrated, efficient management lies in ensuring that the necessary know-how and procedures are adopted systematically. For this reason, and also to comply with certain legal obligations or Authority provisions, the surface/environment subsoil system is studied as a whole, for example to overcome certain situations and problems commonly found when the networks are managed in a context of data interoperability as envisaged in European INSPIRE regulations.

Molecular thermal decomposition of gas effluent This research project aims to study, from an experimental and theoretical point of view, the effects of applying high temperatures (1500 °C - 1700 °C) to industrial gas flows developed from gasification processes and pyrolysis. The activity requires the optimisation of equipment to conduct the research, the definition of analytical methods for monitoring the main components and the study of the main variables (e.g. temperature, retention period), the model mixes containing certain major components (e.g. hydrogen, carbon dioxide, carbon monoxide, water) and the mixes containing minor unwanted compounds typical of real industrial flows. The project results will allow the assessment of industrial applications associated with waste-to-energy conversion.

Study of the phytodepuration process for a municipal aggregate in the Imperia area
The project aims to optimise biomass growth in conditions of water-adaptation of plants to be treated through a pilot phytodepuration plant based on a microalgae photobioreactor to be constructed at an oil mill in the Imperia area.

IREN Acqua Gas' participation in the following European projects also continued in the first half of 2014:

Project PREPARED: to define global, shared strategies to handle the impact of climate change on the integrated water cycle. The partnership's wealth of know-how, experience and technology in the various European countries will be used as a basis for the development of innovative solutions applied by operator companies to sample sites. The research results were presented at the progress meeting organised in Dublin from 14 to 17 May.

Aquaknight: EU programme concerning the transfer management of knowledge and innovation for water savings in Mediterranean basins. In Reggio Emilia in May, Iren Acqua Gas organised the progress meeting and exchange visit. The project results were presented at the International WaterLossEurope Conference 2012 organised in Ferrara as part of the Accadueo event.

TRUST: Transition to the Urban Water Services of Tomorrow 7th Framework Programme to define strategies and best practices for managing low environmental impact urban water services.

At the end of the first half of 2014 Iren Acqua Gas and Mediterranea delle Acque received the MIUR decree defining the final approval and site opening permission for the proposals for the MIUR of the *Project Smart Water TECH*. The project is dedicated to the Development and Application of Monitoring Technologies and Innovative Control Systems for the Integrated Water Service. This project combines the two project ideas WATERTECH and SMART WATER presented in the MIUR Smart Cities tender and aims at providing a sounder analysis of the integrated water system, focusing both on managing water distribution network problems and on the application of innovative models and technologies for the treatment of waste water.

Midway through the first half of 2014 the *European Geosmartcity Project* was also launched, in which Iren Acqua Gas participates as a third party, on the rational management of subsoil. The GeoSmartCity project "Open geo-data for innovative services and user applications towards Smart Cities" is co-financed by the European Commission as part of the Competitiveness and Innovation Framework Programme (CIP), Information Communication Technologies - Policy Support Programme (ICT-PSP). Included among the objectives of GeoSmartCity is the development of a platform to manage data from various sources, able to integrate different operating protocols and current standards, such as the Open Geospatial Consortium (OGC) services, rules for implementing the INSPIRE Directive (2007/2/EC) and linked data technologies. The project involves 15 partners from 9 different European countries, including the Municipality of Genoa, and will last for 3 years.

IREN, together with SMAT and HERA, are the entities participating in the research and innovation framework agreement signed in the first half of 2014 by representatives of the three companies. As part of the agreement, the areas of research in which to identify research projects of mutual interest were identified, on which the activities of the three companies' researchers will be based. After signing of the agreement operating meetings were organised which in the second half of 2014 will allow identification of the research projects to be conducted as complementary.

Emilia Romagna area

In 2014 Iren Rinnovabili (70% owned by Iren Ambiente Holding) has continued its R&D activities also on behalf of other Group companies, on the issues of rationalising energy consumption, the use of renewable energy resources, the treatment of waste and processing residue and environmental well-being control.

In particular, the three projects that became operational in 2013 have continued:

- NRG4CAST-Fp7–2012-CT-EeB: budget Euro 188,580 of which Euro 100,260 financed.
- HOLIDES - Artemis JU: budget Euro 564,876 of which Euro 279,669.29 financed
- EMPOWER - FP7-2013-ICT-GC: budget Euro 120,976 of which Euro 90,732 financed.

The NRG4CAST- ENERGY Forecasting Project will set up a demonstration pilot in cooperation with European universities and CSI-Piemonte to improve public building energy efficiency in an urban context. This will be through the building and function testing of an IT system (software and hardware platform) a system will be made available to forecast energy needs via a Web SoA application. The system will be a generic analytical engine based on the aggregation and manipulation of data from the energy distribution network (electrical and heat energy), sensory data sources (light, temperature, humidity, absorption, flow) and public data archives (e.g. weather, energy price trends, spark spreads, cap and trade, emission trading, etc.) or forecasts (weather). Data on energy consumption in its various forms in the buildings concerned will be gathered and measured to build the time series necessary for providing the required input for the analytical and forecasting models. These models will in turn be used to develop optimisation algorithms for use in increasing energy efficiency in the buildings and in the distribution networks (smart grids).

The aim of the EMPOWERING - ENERGY COUNTS Project is to increase energy efficiency in network services, with the priority objective of public service innovation in the water, energy and gas sectors and improving the quality and accessibility of such services, guaranteeing high standards of interoperability between different cloud systems and at the same time reducing the costs of adopting ICT technologies and increasing returns on investments. In particular, innovative "informative billing" systems will be proposed, consisting in new methods for communicating with users to encourage responsible consumption together with constructive management of consumption and more direct and transparent relations between user and provider.

The HOLIDES project instead takes into consideration the human factors in critical cases to develop applications that can be adapted to the activities to be carried out, environmental factors, operators and available resources, in order to optimise processes and reduce the running costs of the service. In our case an adaptational, cooperational system (AdCos) is due to be developed at the Control Room in Parma for the optimised handling of emergency calls on the special toll-free number. This commitment will involve the method for managing emergency priorities and assistance with the calls received, the associated allocation of resources and the activities to be carried out and possible changes with respect to the current system (Genesys, CCE) to allow reaction times to be reduced (with the related certification mechanism) and better (more effective and efficient) management of activities, operators and resources.

The Biomether Project (BIOMETHER LIFE12 BENV/IT/000308) launched in the last few months of 2013 is entering the operational phase. The budget attributed to Iren Rinnovabili is Euro 496,536, of which Euro 240,500 financed. The Biomether project relates to the Life+ project framework and has the combined aim of developing a prototype for membrane-application refining of biogas and a study of the chain, i.e. identification upstream and downstream of the methane production process of stakeholders that could potentially be interest in contributing raw materials or in supplies of energy and methane. From the anaerobic digestion of biomass residue (sewage, livestock-related waste, organic fragments of municipal solid waste, garden and park management waste, dedicated farm production, etc.) a gas rich in methane (biogas) is produced that can be suitably treated for input to a network or used for transport, replacing the methane originating from fossil fuel sources.

Activities continued in collaboration with the Municipality of Reggio Emilia, the Universities of Modena and Reggio Emilia, the CRPA and REI, as part of the Area Nord project and, more specifically, for the Tecnopolo initiative of Reggio Emilia for the development of projects attributable to the Green Economy, as well as the set-up of an initial operations hub at the Altervis research centre within the Tecnopolo of Reggio Emilia.

Work is in progress with REI - Reggio Emilia Innovazione, the High Technology Network of the Emilia Romagna Regional Authority, the University of Modena and Reggio Emilia, Parma University and Ferrara University on different project lines:

- Smart metering & smart grids, with the aim of developing technological solutions able to promote and strengthen the recycling, production and integrated management of the various renewable energy sources and related distribution and metering systems for the energy produced;
- Energy efficiency in network services, with the priority objective of public service innovation in the water, energy and gas sectors and improving the quality and accessibility of such services, guaranteeing high standards of interoperability between different cloud systems and at the same time reducing the costs of adopting ICT technologies and increasing returns on investments.
- Sludge disposal/treatment, with the aim of guaranteeing optimum management and recovery of local environmental resources by developing technologies and operating models also designed to recycle these resources (e.g. drinking water from leachate) and protect biodiversity. The project will focus particularly on the option of anaerobic treatment of liquid and solid waste (organic fraction) in co-digestion with excess sludge from the urban waste water treatment plants also with the aim of energy recovery (methane-content biogas production through anaerobic digestion);
- Smart logistics, culture and tourism with the aim of sustaining innovation through the development of technologies and solutions to improve interoperability of the regional and national logistics IT systems so as to achieve better use of the goods produced and network services.

PERSONNEL

At 30 June 2014, the employees working for the Iren Group totalled 4,521, compared to the figure at 31 December 2013 which was 4,536 employees. The table below provides a breakdown of personnel at 30 June 2014, divided into Holding and First-level companies (with related subsidiaries).

Company	Personnel at 30.06.2014	Personnel at 31.12.2013
Iren S.p.A.	257	261
Iren Acqua Gas and subsidiaries	901	898
Iren Ambiente and subsidiaries	199	200
Iren Emilia and subsidiaries	1,656	1,667
Iren Energia and subsidiaries	1,066	1,069
Iren Mercato and subsidiaries	442	441
Total	**4,521**	**4,536**

Note that the figure at 31 December 2013 was restated to take into account the deconsolidation of Iren Rinnovabili, Società Acque Potabili and OLT and the combined effect of the deconsolidation of AES and acquisition of the related district heating network mentioned in the introduction to this report. (For further information, reference should also be made to the section “Events after the reporting period”).

Training

Since it was first established, Iren has made training one of its fundamental tools in the professional development of human resources, developing the necessary technical, professional and managerial skills, and to make a firm contribution to the development of the entire Group.

For this purpose a survey of training needs is performed annually, through questionnaires and structured interviews, on the basis of which a general analysis and planning is arranged, moving on to draft the Training Plan for the Group and individual companies. All the initiatives are then subject to operational planning and efficiency monitoring.

Increased values compared to the same period of the previous year emerge from the final figures for the first half of 2014. The man-hours linked to the various education and training initiatives organised by the Iren Group totalled around 40,000 hours (+10% over the first half of last year), with an average per capita of around 9 hours and involving 80% of Group employees (64.5% in the first half of last year).

QUALITY, ENVIRONMENT AND SAFETY

Quality

All the IREN Group's first-level companies and investees have systems that are certified in accordance with international standard ISO 9001 (Quality) and ISO 14001 (Environment) except Iren Mercato, which does not pursue ISO 14001 certification. The companies in Turin and Genoa also hold OHSAS 18001 (Safety) certification.
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, both social and environmental.

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, IREN Servizi e Innovazione and AEM Torino Distribuzione, the following certifications were 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 that the organisation pays to issues involving social and environmental responsibility with a view to sustainable development.
At the same time the periodic monitoring was successfully conducted, audit for the extension of Environment and Safety certification to the TLC Department of IREN Energia (former AEMNET) was also carried out.

EMAS Registration (EU Regulation 1221/2009 or the EMAS Eco-Management and Audit Scheme) was confirmed for 2014 for the Moncalieri thermoelectric production plants and the updated 2013 "Environmental Report" was approved, published on the Iren Energia S.p.A. website. With regard to EMAS registration for Iren Energia's Torino Nord cogeneration thermoelectric plant, the audit is planned for December 2014.

Tasks for the implementation of CEI 11352:2014 certification requirements by Iren Servizi e Innovazione were successfully completed and related certification obtained.

The project for integrating the Safety, Environmental and EMAS management systems of the Turbigo and Tusciano plants (formerly Edipower) into Iren Energia's QAS Management System is in progress.

Iren Ambiente passed the audit for renewal of certification for its quality/environment management systems in accordance with ISO 9001 and ISO 14001, as well as the supervisory audit for EMAS accreditation for the Poiatica Landfill and endorsement of the updated Environmental Report.

Iren Emilia saw the successful outcome of the audit to renew certification of its quality/environment/safety management systems in accordance with ISO 9001, ISO 14001 and BS OHSAS 18001.
Iren Emilia has obtained an extension of its ISO 14001 certification for:

- → cleaning, collection and management of the Collection Centres in the provinces of Parma and Reggio Emilia, and expansion of the scope of application for the province of Piacenza (where activities were already certified but covered the management of only 2 collection centres),
- → waste water treatment using biological activated sludge, sludge treatment for disposal, management of plants for the chemical-physical treatment of non-hazardous waste, storage centre for biological sludge deriving from municipal waste water treatment, operation of biogas energy production plants at the Mancasale site,

and extension of the BS OHSAS 18001 certification to the cleaning, collection and management of the Collection Centres in the provinces of Parma, Piacenza and Reggio Emilia.

For Iren Ambiente the quality/environmental/safety certification project is still in progress for the Integrated Environmental Hub in Parma, with the aim of implementing the three systems and of submitting the application for certification by the end of 2014.

Iren Emilia and Iren Ambiente have begun systematic gathering of the new quality, environmental and safety data through a special web interface.
Several projects are under way for the overall redefinition of certain processes and procedures now linked as a result of organisational changes completed and/or in progress, and to achieve greater efficiency and effectiveness of the processes.

Iren Acqua Gas, Mediterranea delle Acque, Genova Reti Gas and Laboratori Iren Acqua Gas hold certification for the Integrated Quality, Environment and Safety management system compliant with ISO 9001, ISO 14001 and OHSAS 18001 international standards and in line with the Group's policies and organisational model. Iren Acqua Gas also holds certification for the staff services performed for subsidiaries of the first-level companies Iren Acqua Gas and Iren Mercato.
With regard to Laboratori Iren Acqua Gas, note that the Reggio Emilia and Imperia laboratories, in addition to management system certification, are ISO 17025 accredited. The project to extend this accreditation to all the company's laboratories (multisite accreditation) is in progress.

In 2013 Iren Mercato obtained and has retained its certification for the sale of green energy in compliance with Certiquality Technical Document no. 66.
In 2013, CAE obtained and retains Regulation 303/2008/EC - FGAS certification for companies operating in the heat management sector as regards the service provided for devices containing fluorinated greenhouse gases.

Internal audits were performed as scheduled for all the above certification procedures and for all companies certified in the Genoa area. No non-compliance situations were found during the 2014 internal audit cycle.

Iren Emilia has completed the implementation project for the street cleaning, waste collection and RDF management services for the safety management system (BS OHSAS 18001) in Parma, Piacenza and Reggio Emilia, and for the environmental management system (UNI EN ISO 14001) in Parma and Reggio Emilia. In Piacenza the service is already certified. As these activities will soon be transferred to Iren Ambiente, the related procedures and documentation will need to be reviewed. Implementation will also continue to complete the document system with procedures and instructions that are as standardised as possible over the 3 areas.

Iren Rinnovabili has completed its project to obtain ESCO certification pursuant to the UNI CEI 11352 standard of April 2010. Iren Rinnovabili has obtained ESCO certification pursuant to UNI CEI 11352:2010.

The activity to combine the procedures for the management systems associated with the gas distribution service has been completed and similar activity is in progress for the technical instructions.

Safety and Environment

SAFETY

In this context, the policies of the Parent IREN S.p.A and the first-level companies have always aimed at complying with the relevant safety laws while also attaining constant improvement.

In the first half of 2014, safety-related activities continued in compliance with BS OHSAS 18001:2007 regulations, and related certification was retained.

The Parent IREN has begun the OHSAS 18001:2007 certification procedure and has set itself the objective of obtaining this certification by the end of the year.

General training has started up for all Group companies on workplace health and safety, as envisaged in the State-Regional Governments Agreement, involving all personnel.
Constant updates continue in terms of risk assessment and resulting prevention and protection measures, controls and monitoring of significant indicators for occupational health and safety purposes.

In particular, a major and intensive update to the biological risk assessment has been completed for the companies owned by the first level companies Iren Acqua Gas and Iren Mercato. For these companies, occupational health and safety management is organised and implemented in an integrated manner with the quality management systems, in compliance with OHSAS 18001 standard.

For Iren Energia, Iren Servizi e Innovazione and AEMTD, the periodic management committees which handle and monitor safety aspects in general continued their work.
A single safety committee was set up to cover the companies Iren Energia, Iren Servizi e Innovazione and AEMTD.
The safety procedures were redefined and general criteria were introduced relating to control over companies in public tenders.
Benchmarking activities on occupational health and safety began with most of the companies in the electrical energy sector.

An IT programme (Alfagest) is currently being implemented for management of the risk assessment document and related protective measures (health supervision, PPE, training and information).

Iren Emilia has an internal Prevention and Protection Department with the requirements necessary for the tasks of the Prevention and Safety Service Manager (RSPP) and the Members of the Prevention and Protection Service (ASPP). Iren Emilia's prevention and protection department carries out the tasks for the Group's other companies located in Emilia Romagna. The employer has appointed three qualified doctors to carry out health supervision tasks in the provinces of Parma, Piacenza and Reggio Emilia. The Prevention and Protection Department provides a safety training schedule for all the Group's Emilia Romagna companies and ascertains the effectiveness of the training.

The safety management system has been integrated and implemented in accordance with BS OHSAS 18001, applying to all companies in the Emilia Romagna area.

Iren Emilia has extended its BS OHSAS 18001 certification for the gas distribution service to the street cleaning service, waste management and collection centre management.

IREN Emilia and its subsidiaries and IREN Ambiente are involved and are also committed to:

- checking the safety inspections carried out by the Quality and Safety Department on activities conducted by in-house operators and suppliers at the plants and/or work sites;
- performing inspections on plants outside of scheduled audits and sample checks by the Quality and Safety Department to verify the proper management of aspects related to workers' health and safety and to the environment at all company plants managed by the companies in Reggio Emilia;
- performing systematic inspections on plants outside of the aforementioned scheduled audits on all plants under the direct supervision of the Technical Departments and using fully trained and qualified department personnel;
- verification directly in the field by the departments involved in specific aspects associated with occupational health and safety;
- the definition of additional indicators for monitoring the management of aspects related to workers' health and safety for the various company processes/activities.

ENVIRONMENT

The IREN Group carries out activities relating to its own operations and business segments with a specific focus on environmental protection. The working methodologies adopted follow environmental quality and protection principles, involving the rational use of natural resources and full compliance with regulations in force.
The following resources have been deployed in order to ensure sustainable corporate growth based on constant improvement:

- in the development and consolidation of electrical energy production from renewable resources (hydroelectric) or similar to renewable resources (cogeneration), as well as promotion and expansion of district heating as the energy saving technology and to improve the environment in urban areas, and adoption of the best plant technologies available on the market to ensure the lowest environmental impact from business activities;

- improved use of water resources in terms of collection and utilisation as well as release and discharge;
- correct management of obligations regarding the special waste problem, as regards the phases linked to production, storage, transport and disposal/final recovery;
- dissemination of information on the impact 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 of their activities, Iren Energia, Iren Acqua Gas, Mediterranea delle Acque, Laboratori Iren Acqua Gas, Genova Reti Gas, IREN Emilia, IREN Ambiente and their subsidiaries have focused particularly on:

- the maintenance of certification systems on a voluntary basis regarding certified environmental management systems in accordance with UNI EN ISO 14001:2004 and with EMAS (EC) Regulation 1221/2009;
- monitoring of environmental performance through the use of special indicators for each significant environmental aspect;
- performance of special internal audits aimed at checking the correct management of environmental issues in the company departments and plants involved in the certified environmental management systems;
- implementation of operational aspects in relation to "environmental" issues in the company organisational model adopted pursuant to Legislative Decree no. 231/01 on corporate administrative liability.

From an operational point of view, commitment continues with respect to:

- analytical control of the impact of plants on the environment, especially as regards emissions, air quality, waste water, noise and electromagnetic fields;
- 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 specific reporting and training courses, scheduled on an annual basis and focusing on environmental issues and best practices for the management of plants, to ensure the lowest environmental impact;

Iren Emilia has extended its BS OHSAS 14001 certification for the gas distribution service to the street cleaning service, waste management and collection centre management, and to activities performed at the Mancasale site.

IREN Emilia and its subsidiaries and IREN Ambiente are involved and are also committed to:

- performing inspections on plants outside of scheduled audits and sample checks by the Quality and Safety Department to verify the proper management of aspects related to workers' health and safety and to the environment at all company plants managed by the companies in Reggio Emilia;
- performing systematic inspections on plants outside of the aforementioned scheduled audits on all plants under the direct supervision of the Technical Departments and using fully trained and qualified department personnel;
- verification directly in the field by the departments involved in specific aspects associated with environmental protection;
- defining additional environmental indicators for the monitoring of environmental aspects for the company's various processes/activities.

IREN AND SUSTAINABILITY

The policies pursued by the Iren Group comply with the principles of environmental, social and financial sustainability. Guiding values form part of the corporate identity, such as respect for and protection of local areas, energy efficiency, constant dialogue with the community and the areas of operation, customer satisfaction and attention to employees development.

The strategic medium/long-term plans indicate constant attention to sustainability issues: in particular water, energy and the environment have an impact on the planning of multi-year investments to be made.

The Iren Group pursues environmental protection and energy consumption containment objectives, also promoting economic and social development in its areas of operation. In fact, its renewable and environment-friendly electrical energy production accounts for almost 70% of its total production capacity (national average is 38%).

The Sustainability Report is Iren's preferred media for dialogue and discussion with its stakeholders, which the Group uses to highlight the effects of the activities carried out on the environment and on the social fabric, as well as the main economic aspects.
The 2013 Sustainability Report, for which stakeholder engagement activities were conducted, was approved by the Board of Directors of Iren S.p.A. on 14 May 2014.
Drafted annually, the Sustainability Report complies with the "Sustainability Reporting Guidelines & Electric Utilities Sector Supplement" defined by the Global Reporting Initiative (GRI); 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 preparation of the report for the determination and distribution of added value. The 2013 version of the report was subject to limited review in accordance with International Auditing and Assurance Standards Board criteria, and achieved an A+ GRI rating.
Also of note among the Group's Sustainability initiatives implemented in the first half of 2014 are:

- participation for the second year running in the Carbon Disclosure Project survey, "CDP Italy 100 Climate Change Report 2014", on which scoring is currently in progress;
- participation as finalist in the 2014 edition of the Sodalitas Social Award in the "Environmental Protection and Sensitisation" and "Sustainable Consumption and the Responsible Supply Chain" categories with the "Martinetto heat accumulators" and "EcoIren App" projects, respectively. Also note that Iren was the only company to be selected as a finalist in two categories;
- winner of the Piedmont ICT Innovation Award, awarded by SMAU to the best among companies and public entities that have successfully innovated their business through digital technology with the aim of generating a virtuous mechanism of sharing experiences of excellence;
- participation in sensitisation initiatives of various authorities on CSR-related issues (Altis);
- organisation of the round table "Iren, sustainability and the community", promoted by the Iren Group and held on 18 June 2014 at the Reggio Emilia offices, which saw the participation of the Chairman and Vice Chairman of Iren, the Mayor of Reggio Emilia, an industrial engineering professor from the University of Modena and Reggio Emilia, the Chairman of the Reggio Emilia cooperatives alliance and the head of the Telereggio news channel as moderator. A similar round table was held in Parma on 1 July 2014, and a series of further meetings will be held in other reference areas in the near future.

Iren S.p.A.
Via Nubi di Magellano, 30 - 42123 Reggio Emilia
Share capital fully paid-in 1,276,225,677,00
Reggio Emilia Companies Register no. 07129470014
Tax Code and VAT no. 07129470014

Condensed Consolidated Interim report and Notes

at 30 June 2014

STATEMENT OF FINANCIAL POSITION

thousands of euro

	Notes	30.06.2014	of which related parties	31.12.2013 (*)	of which related parties	1.1.2013 (*)	of which related parties
ASSETS							
Property, plant and equipment	(1)	2,558,287		2,567,337		2,257,518	
Investment property	(2)	14,495		14,457		926	
Intangible assets with a finite useful life	(3)	1,181,377		1,178,214		1,142,962	
Goodwill	(4)	124,407		124,407		125,407	
Investments accounted for using the equity method	(5)	421,260		426,242		725,062	
Other investments	(6)	15,565		15,491		29,808	
Non-current financial assets	(7)	55,808	53,509	79,424	77,245	142,043	139,793
Other non-current assets	(8)	45,259	13,799	52,982	19,843	32,510	2,759
Deferred tax assets	(9)	308,277		305,915		211,136	
Total non-current assets		**4,724,735**		**4,764,469**		**4,667,372**	
Inventories	(10)	81,485		106,618		87,905	
Trade receivables	(11)	869,504	148,852	998,269	119,144	1,219,498	158,849
Current tax assets	(12)	1,575		5,042		8,283	
Other receivables and other current assets	(13)	224,126	7,848	197,205	5,691	246,721	8,886
Current financial assets	(14)	720,731	706,088	418,407	414,675	404,703	385,480
Cash and cash equivalents	(15)	26,710	1,784	50,222	2,326	26,681	2,668
Total current assets		**1,924,131**		**1,775,763**		**1,993,791**	
Assets held for sale	(16)	491		1,001		4,787	
TOTAL ASSETS		**6,649,357**		**6,541,233**		**6,665,950**	

(*) The comparison figures at 31.12.2013 and 01.01.2013 have been restated following the application of IFRS 11 “Joint arrangements”.

thousands of euro

	Notes	30.06.2014	of which related parties	31.12.2013 (*)	of which related parties	1.1.2013 (*)	of which related parties
EQUITY							
Equity attributable to owners of the Parent							
Share capital		1,276,226		1,276,226		1,276,226	
Reserves and retained earnings (losses)		418,805		415,721		463,629	
Net profit (loss) for the year		72,157		80,554		-	
Total equity attributable to owners of the Parent		**1,767,188**		**1,772,501**		**1,739,855**	
Non-controlling interests		208,797		216,526		214,402	
TOTAL EQUITY	**(17)**	**1,975,985**		**1,989,027**		**1,954,257**	
LIABILITIES							
Non-current financial liabilities	(18)	1,872,446	116,424	1,841,116	170,004	2,137,465	177,162
Employee benefits	(19)	113,593		113,198		98,964	
Provisions for risks and charges	(20)	246,960		283,685		271,498	
Deferred tax liabilities	(21)	170,382		173,198		102,720	
Other payables and other non-current liabilities	(22)	194,154	363	188,484	363	152,693	363
Total non-current liabilities		**2,597,535**		**2,599,681**		**2,763,340**	
Current financial liabilities	(23)	968,434	134,299	714,320	103,942	533,518	199,327
Trade payables	(24)	714,802	55,638	947,190	62,026	1,106,130	86,199
Other payables and other current liabilities	(25)	202,902	469	205,348	275	223,862	4,971
Current tax liabilities	(26)	77,164		10,952		3,274	
Provisions for risks and charges - current portion	(27)	112,535		74,709		81,548	
Total current liabilities		**2,075,837**		**1,952,519**		**1,948,332**	
Liabilities related to assets held for sale	(28)	-		6		21	
TOTAL LIABILITIES		**4,673,372**		**4,552,206**		**4,711,693**	
TOTAL EQUITY AND LIABILITIES		**6,649,357**		**6,541,233**		**6,665,950**	

(*) The comparison figures at 31.12.2013 and 01.01.2013 have been restated following the application of IFRS 11 “Joint arrangements”.

INCOME STATEMENT

thousands of euro

	Notes	First half of 2014	of which related parties	First half of 2013 (*)	of which related parties
Revenue					
Revenue from goods and services	(29)	1,368,350	97,866	1,691,297	112,924
Change in work in progress	(30)	136	148	1,132	248
Other revenue and income	(31)	152,156	1,762	95,111	896
- of which non-recurring		*21,044*		-	
Total revenue		**1,520,642**		**1,787,540**	
Operating expense					
Raw materials, consumables, supplies and goods	(32)	(573,476)	(51,215)	(787,655)	(74,851)
Services and use of third-party assets	(33)	(456,960)	(63,162)	(514,040)	(75,848)
Other operating expense	(34)	(37,446)	(3,017)	(33,729)	(3,572)
Capitalised expenses for internal work	(35)	8,803		10,789	
Personnel expense	(36)	(137,211)	(2)	(128,512)	(7)
Total operating expense		**(1,196,290)**		**(1,453,147)**	
GROSS OPERATING PROFIT (EBITDA)		**324,352**		**334,393**	
Amortisation, depreciation, provisions and impairment losses					
Amortisation/depreciation	(37)	(108,912)		(92,523)	
Provisions and impairment losses	(38)	(23,241)		(26,384)	
Total amortisation, depreciation, provisions and impairment losses		**(132,153)**		**(118,907)**	
OPERATING PROFIT (EBIT)		**192,199**		**215,486**	
Financial income and expense	**(39)**				
Financial income		14,693	11,336	14,661	9,165
Financial expense		(62,499)	(3,870)	(54,718)	(6,073)
Total financial income and expense		**(47,806)**		**(40,057)**	
Share of investments accounted for using the equity method	(40)	7,480		28,284	
Impairment losses on investments	(41)	(20)		-	
Profit before tax		**151,853**		**203,713**	
Income tax expense	(42)	(69,866)		(87,092)	
Net profit/(loss) from continuing operations		**81,987**		**116,621**	
Net profit/(loss) from discontinued operations	(43)	-		-	
Net profit (loss) for the year		**81,987**		**116,621**	
attributable to:					
- Profit (loss) - Group		72,157		110,737	
- Profit (loss) - non-controlling interests	(44)	9,830		5,884	
Earnings per ordinary and savings share	**(45)**				
- basic (euro)		0.06		0.09	
- diluted (euro)		0.06		0.09	

(*) The comparison figures for the first half of 2013 have been restated following the application of IFRS 11 "Joint arrangements".

STATEMENT OF COMPREHENSIVE INCOME

thousands of euro

	First half of 2014	First half of 2013
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)	**81,987**	**116,621**
Other comprehensive income to be subsequently reclassified to the Income Statement		
- effective portion of changes in fair value of cash flow hedges	(3,098)	16,620
- change in fair value of available-for-sale financial assets	-	-
- share of other profits (losses) of companies accounted for using the equity method	(7,691)	589
Tax effect of other comprehensive income	776	(5,502)
Total other comprehensive income to be subsequently reclassified to the Income Statement net of tax effect (B1)	**(10,013)**	**11,707**
Other comprehensive income that will not be subsequently reclassified to the Income Statement		
- actuarial profits/(losses) from defined benefit plans (IAS 19)	-	-
Tax effect of other comprehensive income	-	-
Total other comprehensive income that will not be subsequently reclassified to the Income Statement, net of tax effect (B2)	**-**	**-**
Total comprehensive income/(expense) (A)+(B1)+(B2)	**71,974**	**128,328**
attributable to:		
- Profit (loss) - Group	62,081	122,357
- Profit (loss) - non-controlling interests	9,893	5,971

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2012	**1,276,226**	**105,102**	**28,996**
Legal reserve			3,516
Dividends to shareholders			
Retained earnings			
Other changes			
Comprehensive income for the year			
of which:			
- Profit for the year			
- Other comprehensive income			
30/06/2013	**1,276,226**	**105,102**	**32,512**
31/12/2013	**1,276,226**	**105,102**	**32,512**
Legal reserve			4,343
Dividends to shareholders			
Retained earnings			
Change in business combinations			
Other changes			
Comprehensive income for the year			
of which:			
- Profit for the year			
- Other comprehensive income			
30/06/2014	**1,276,226**	**105,102**	**36,855**

thousands of euro

Hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the year	Equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
(42,645)	**219,617**	**311,070**	**152,559**	**1,739,855**	**214,402**	**1,954,257**
		3,516	(3,516)			-
		-	(66,747)	(66,747)	(9,323)	(76,070)
	82,296	82,296	(82,296)	-		-
	167	167		167	(7)	160
11,620		11,620	110,737	122,357	5,971	128,328
			110,737	110,737	5,884	116,621
11,620	-	11,620		11,620	87	11,707
(31,025)	**302,080**	**408,669**	**110,737**	**1,795,632**	**211,043**	**2,006,675**
(24,028)	**302,135**	**415,721**	**80,554**	**1,772,501**	**216,526**	**1,989,027**
		4,343	(4,343)	-		-
		-	(66,747)	(66,747)	(6,894)	(73,641)
	9,464	9,464	(9,464)	-		-
	(220)	(220)		(220)	(10,779)	(10,999)
	(427)	(427)		(427)	51	(376)
(10,076)		(10,076)	72,157	62,081	9,893	71,974
			72,157	72,157	9,830	81,987
(10,076)	-	(10,076)		(10,076)	63	(10,013)
(34,104)	**310,952**	**418,805**	**72,157**	**1,767,188**	**208,797**	**1,975,985**

STATEMENT OF CASH FLOWS

thousands of euro

	First half of 2014	First half of 2013 (*)
A. Opening cash and cash equivalents	**50,222**	**26,681**
Cash flows from operating activities		
Profit (loss) for the year	81,987	116,621
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	108,912	92,523
Capital gains (losses) and other changes in equity	(20,419)	1,684
Net change in post-employment benefits and other employee benefits	395	1,363
Net change in provision for risks and other charges	(1,791)	(17,945)
Change in deferred tax assets and liabilities	(4,402)	(2,727)
Change in other non-current assets and liabilities	13,393	(9,568)
Dividends accounted for net of adjustments	(1,030)	(790)
Share of profit (loss) of associates	(7,480)	(28,284)
Net impairment losses (reversals of impairment losses) on assets	706	626
B. Cash flows from operating activities before changes in NWC	**170,271**	**153,503**
Change in inventories	25,133	14,474
Change in trade receivables	128,765	125,395
Change in tax assets and other current assets	(23,454)	8,798
Change in trade payables	(232,388)	(220,470)
Change in tax liabilities and other current liabilities	63,766	136,855
C. Cash flows from changes in NWC	**(38,178)**	**65,052**
D. Cash flows from/(used in) operating activities (B+C)	**132,093**	**218,555**
Cash flows from/(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(104,767)	(94,440)
Investments in financial assets	(47,290)	(23)
Proceeds from the sale of investments and changes in assets held for sale	23,840	4,201
Dividends received	42,615	43,438
Other changes in financial assets	-	(112)
E. Total cash flows used in investing activities	**(85,602)**	**(46,936)**
F. Free cash flow (D+E)	**46,491**	**171,619**
Cash flows from/(used in) financing activities		
Dividends paid	(73,641)	(76,070)
Other changes in equity	-	(112)
New non-current loans	150,000	158,000
Repayment of non-current loans	(263,262)	(36,942)
Change in financial liabilities	395,608	(158,552)
Change in financial assets	(278,708)	13,455
G. Total cash flows from/(used in) financing activities	**(70,003)**	**(100,221)**
H. Cash flows for the period (F+G)	**(23,512)**	**71,398**
I. Closing cash and cash equivalents (A+H)	**26,710**	**98,079**

(*) The comparison figures for the first half of 2013 have been restated following the application of IFRS 11 “Joint arrangements”.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Iren S.p.A. is an Italian multiutility company, listed on the Italian Stock Exchange (Borsa Italiana), created on 1 July 2010 through the merger of IRIDE AND ENÌA.

The segments in which the Group operates are:

- Generation and District Heating (Hydroelectric energy, cogeneration of electrical energy and heat, district heating network and production from Renewable sources);
- Market (Sale of electrical energy, gas, heat);
- Energy Infrastructures (Electrical energy distribution networks and gas distribution networks);
- Integrated Water Service (Sale and distribution of water, water treatment and sewerage);
- Waste Management (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. is structured after the model of an industrial holding, with headquarters in Reggio Emilia and operating offices in Genoa, Parma, Piacenza and Turin, as well as companies head of the single business lines.

The schedules disclosed have been reclassified at 30 June 2013 to adjust to the classification adopted for related items at 30 June 2014. The main reclassifications are described in these notes.

The company's condensed consolidated interim report at 30 June 2014 includes the financial statements of the Company and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities") and the Group's investment in associates.

I. CONTENT AND STRUCTURE OF THE CONDENSED CONSOLIDATED INTERIM REPORT

The Iren Group's interim report at 30 June 2014 was prepared in accordance with art. 154-ter, paragraph 2 of Italian Legislative Decree no. 58 of 24 February 1998, as amended by Italian Legislative Decree no. 195 of 6 November 2007.

The condensed consolidated interim report at 30 June 2014 was prepared in accordance with IAS 34 - Interim Financial Reporting. This condensed interim report therefore does not include all information required for the annual financial statements and must therefore be read together with the financial statements at 31 December 2013 available from the registered office, Borsa Italiana S.p.A. and on the web site 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 2013.

In addition, the financial statements of consolidated entities are drawn up at the reporting date of the reference period. This condensed consolidated interim report is stated in Euro, the company's functional currency. All amounts stated in Euro have been rounded to thousands.

In drawing up this condensed consolidated interim report, the same accounting policies were used as those adopted for the consolidated financial statements at 31 December 2013, to which reference should be made for a more extensive description, except for the accounting standards, amendments and interpretations effective from 1 January 2014.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2014

On 12 May 2011 the IASB published its 'Consolidation Package', including the following standards and amendments, endorsed by the European Commission on 29 December 2012:
IFRS 10 - Consolidated financial statements
IFRS 11 - Joint arrangements
IFRS 12 - Disclosure of interests in other entities
Revised IAS 27 – Separate financial statements
Revised IAS 28 - Investments in associates and joint ventures

- IFRS 10 "Consolidated Financial Statements" replaces SIC-12 "Consolidation – Special purposes entities" and some parts of IAS 27 – Consolidated and separate financial statements. The new standard is based on the existing standards and aims at defining the concept of control as the key factor for including a company in the parent's consolidated financial statements. The control is obtained only if the investor has simultaneously: a) the power to manage the relevant activities of the investee through voting rights and/or agreements; b) the power to manage the exposure to future income of the investee (dividends, fiscal benefits, etc.); c) the power to influence the performance of the investee.

- IFRS 11 "Joint Arrangements" replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Ventures". The new standard sets out that, in a joint venture, two or more parties hold joint control if the decisions on material activities require the unanimous agreement of the parties. IFRS 11 sets out two distinct types of arrangements:
  - a joint venture (JV) is an arrangement in which the parties have rights to net assets covered by the arrangement. The joint ventures are recognised according to the equity method, as set out by IAS 28 "Equity investments in associated companies and joint ventures";
  - a joint operation (JO) is an arrangement according to which the partners are not limited solely to an interest in the net income of the company, but also exercise asset-related rights and are required to meet liability-related commitments. In this case the assets/revenue on which the

partner exercises such rights and the liabilities/costs to which it has a commitment are consolidated on a line-by-line basis.

- IFRS 12 “Disclosure of Interests in Other Entities” is a new and complete standard on additional information that shall be supplied on any type of equity interest, including disclosures on subsidiaries, joint arrangements, associates, special purpose entities and other entities of this type that are not consolidated.

- At the same time as introduction of IFRS 10 “Consolidated financial statements”, a revised version of IAS 27 “Separate financial statements” was published which retains its role as the general principle of reference for separate financial statements. This standard applies in the measurement of investments in subsidiaries, associates and joint ventures in the separate financial statements of the parent company. Joint ventures, just as with the investments in subsidiaries and associates, can be recognised in the separate financial statements both at cost and on the basis of IFRS 9 “Financial instruments” (and IAS 39, Financial Instruments: Recognition and Measurement”). When a subsidiary, in accordance with the provisions of IFRS 10 “Consolidated financial statements”, chooses not to prepare the consolidated financial statements, the separate financial statements must provide information regarding the investments in subsidiaries, associated companies and joint ventures, the main headquarters (and the registered office if different), their assets, the percentage owned in the single companies invested in and information regarding the method used to recognise them in the financial statements.

- After the issue of IFRS 11, IAS 28 “Investments in Associates” was amended to include equity investments in companies under joint-control in its scope of application, as from the effective date of the standard itself. IAS 28 Revised “Investments in associates and joint ventures”, in fact, establishes that if an entity that exercises joint control or that has significant influence on another party, in the consolidated financial statements it must recognise its investment using the equity method.

- On 16 December 2011, the IASB issued another amendment to IAS 32 “Financial Instruments: Presentation”, to clarify the application of some criteria for the offsetting of financial assets and liabilities included in IAS 32.

- The amendment to IAS 36 “Impairment of assets”, issued on 29 May 2013, regards the information requirements when assets are impaired and where the recoverable value is determined on the basis of the fair value, net of disposal costs. This amendment removes the disclosure requirements with respect to the recoverable value of the asset if the cash-generating unit includes goodwill or intangible assets with indefinite useful life but do not show impairment of the asset. Disclosure is also required regarding the recoverable value of an asset or a CGU and regarding the way to calculate the fair value net of disposal costs when the asset is impaired;

- On 27 June 2013 the IASB issued an amendment to IAS 39 “Financial instruments: recognition and measurement”, regarding the accounting of derivative hedging instruments in the event of novation of the counterparty. Prior to introduction of this amendment, if there was a novation of the designated hedging derivative instruments, IAS 39 required interruption of the application of cash flow hedge accounting, assuming that the novation involved the conclusion or termination of the pre-existing hedging instrument.

- On 20 May 2013 IFRIC 21 “Levies” was issued. This interpretation of IAS 37 “Provisions, contingent liabilities and contingent assets”, endorsed on 13 June 2014, regards the accounting for government-imposed levies that do not fall within the range of application of IAS 12 “Income taxes”. IAS 37 “Provisions, contingent liabilities and contingent assets” establish the criteria regarding recognition of a liability, one of which is represented by the presence of a present obligation for the entity as the result of a past event. This interpretation clarifies that the obligation that results in the liability for the levy to pay is the activity described in the legislation of the activity from which payment of the tax originates.

The main effects for the Iren Group derive from the application of IFRS 11. In fact, this standard no longer allows the retention of proportionate consolidation of joint ventures as applied by the Iren Group until 31 December 2013. The consequences are seen in the deconsolidation of AES Torino, Iren Rinnovabili (and its subsidiaries), OLT Offshore LNG and Società Acque Potabili (and its subsidiaries), for which the equity method is now used.

The application of IFRS 11 has no effect on the net profit for the period or on equity presented in the consolidated financial statements. They result in the loss not only of the contribution to EBITDA of deconsolidated companies for a total of around Euro 42 million in the first half of 2013, but also of net indebtedness of around Euro 518 million at 31 December 2013.

For a better understanding, the effects on the statement of financial position of application of IFRS 11 at 1 January 2013 and 31 December 2013, and on the income statement for the first half of 2013, are provided below.

STATEMENT OF FINANCIAL POSITION

thousands of euro

	01.01.2013 Published	IFRS 11	01.01.2013 Restated	31.12.2013 Published	IFRS 11	31.12.2013 Restated
ASSETS						
Property, plant and equipment	2,813,297	(555,779)	2,257,518	3,201,332	(633,995)	2,567,337
Investment property	1,831	(905)	926	15,341	(884)	14,457
Intangible assets with a finite useful life	1,295,022	(152,060)	1,142,962	1,351,065	(172,851)	1,178,214
Goodwill	132,861	(7,454)	125,407	124,596	(189)	124,407
Investments accounted for using the equity method	462,097	262,965	725,062	163,578	262,664	426,242
Other investments	29,808	-	29,808	15,492	(1)	15,491
Non-current financial assets	116,168	25,875	142,043	60,167	19,257	79,424
Other non-current assets	38,195	(5,685)	32,510	59,153	(6,171)	52,982
Deferred tax assets	215,750	(4,614)	211,136	309,820	(3,905)	305,915
Total non-current assets	**5,105,029**	**(437,657)**	**4,667,372**	**5,300,544**	**(536,075)**	**4,764,469**
Inventories	89,110	(1,205)	87,905	107,872	(1,254)	106,618
Trade receivables	1,253,713	(34,215)	1,219,498	1,050,310	(52,041)	998,269
Current tax assets	8,690	(407)	8,283	5,805	(763)	5,042
Other receivables and other current assets	267,253	(20,532)	246,721	216,599	(19,394)	197,205
Current financial assets	273,550	131,153	404,703	255,774	162,633	418,407
Cash and cash equivalents	28,041	(1,360)	26,681	55,613	(5,391)	50,222
Total current assets	**1,920,357**	**73,434**	**1,993,791**	**1,691,973**	**83,790**	**1,775,763**
Assets held for sale	7,739	(2,952)	4,787	3,588	(2,587)	1,001
TOTAL ASSETS	**7,033,125**	**(367,175)**	**6,665,950**	**6,996,105**	**(454,872)**	**6,541,233**

thousands of euro

	01.01.2013 Published	IFRS 11	01.01.2013 Restated	31.12.2013 Published	IFRS 11	31.12.2013 Restated
EQUITY						
Equity attributable to owners of the Parent						
Share capital	1,276,226	-	1,276,226	1,276,226	-	1,276,226
Reserves and retained earnings (losses)	463,629	-	463,629	415,721	-	415,721
Net profit (loss) for the year	-	-	-	80,554	-	80,554
Total equity attributable to owners of the Parent	**1,739,855**	**-**	**1,739,855**	**1,772,501**	**-**	**1,772,501**
Non-controlling interests	214,402	-	214,402	216,526	-	216,526
TOTAL EQUITY	**1,954,257**	**-**	**1,954,257**	**1,989,027**	**-**	**1,989,027**
LIABILITIES						
Non-current financial liabilities	2,197,827	(60,362)	2,137,465	1,913,299	(72,183)	1,841,116
Employee benefits	102,999	(4,035)	98,964	118,034	(4,836)	113,198
Provisions for risks and charges	272,744	(1,246)	271,498	288,769	(5,084)	283,685
Deferred tax liabilities	110,553	(7,833)	102,720	179,231	(6,033)	173,198
Other payables and other non-current liabilities	154,453	(1,760)	152,693	190,289	(1,805)	188,484
Total non-current liabilities	**2,838,576**	**(75,236)**	**2,763,340**	**2,689,622**	**(89,941)**	**2,599,681**
Current financial liabilities	775,063	(241,545)	533,518	983,206	(268,886)	714,320
Trade payables	1,135,236	(29,106)	1,106,130	1,010,790	(63,600)	947,190
Other payables and other current liabilities	243,514	(19,652)	223,862	236,486	(31,138)	205,348
Current tax liabilities	4,910	(1,636)	3,274	12,259	(1,307)	10,952
Provisions for risks and charges - current portion	81,548	-	81,548	74,709	-	74,709
Total current liabilities	**2,240,271**	**(291,939)**	**1,948,332**	**2,317,450**	**(364,931)**	**1,952,519**
Liabilities related to assets held for sale	21	-	21	6	-	6
TOTAL LIABILITIES	**5,078,868**	**(367,175)**	**4,711,693**	**5,007,078**	**(454,872)**	**4,552,206**
TOTAL EQUITY AND LIABILITIES	**7,033,125**	**(367,175)**	**6,665,950**	**6,996,105**	**(454,872)**	**6,541,233**

INCOME STATEMENT

	First half of 2013 Published	IFRS 11	First half of 2013 Restated
			thousands of euro
Revenue			
Revenue from goods and services	1,723,808	(32,511)	1,691,297
Change in work in progress	1,132	-	1,132
Other revenue and income	97,883	(2,772)	95,111
Total revenue	**1,822,823**	**(35,283)**	**1,787,540**
Operating expense			
Raw materials, consumables, supplies and goods	(790,676)	3,021	(787,655)
Services and use of third-party assets	(496,982)	(17,058)	(514,040)
Other operating expense	(34,911)	1,182	(33,729)
Capitalised expenses for internal work	11,737	(948)	10,789
Personnel expense	(135,953)	7,441	(128,512)
Total operating expense	**(1,446,785)**	**(6,362)**	**(1,453,147)**
GROSS OPERATING PROFIT (EBITDA)	**376,038**	**(41,645)**	**334,393**
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(102,180)	9,657	(92,523)
Provisions and impairment losses	(26,893)	509	(26,384)
Total amortisation, depreciation, provisions and impairment losses	**(129,073)**	**10,166**	**(118,907)**
OPERATING PROFIT (EBIT)	**246,965**	**(31,479)**	**215,486**
Financial income and expense			
Financial income	11,767	2,894	14,661
Financial expense	(56,542)	1,824	(54,718)
Total financial income and expense	**(44,775)**	**4,718**	**(40,057)**
Share of profit of associates accounted for using the equity method	10,896	17,388	28,284
Impairment losses on investments	-	-	-
Profit before tax	**213,086**	**(9,373)**	**203,713**
Income tax expense	(96,465)	9,373	(87,092)
Net profit/(loss) from continuing operations	**116,621**	**-**	**116,621**
Net profit/(loss) from discontinued operations	-	-	-
Net profit (loss) for the year	**116,621**	**-**	**116,621**
attributable to:			
- Profit (loss) - Group	110,737	-	110,737
- Profit (loss) - non-controlling interests	5,884	-	5,884

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP

At the reporting date, the competent bodies of the European Union have not yet concluded the endorsement process necessary for the application of the following accounting standards.

- On 12 November 2009, the IASB issued IFRS 9 "Financial instruments". Reissued in October 2010 and amended in November 2013, the standard is the first step of a process aiming at fully replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, as regards the financial assets, the new standard uses one single approach based on management models of financial instruments and characteristics of contact cash flows of financial assets, with the aim of determining the evaluation criteria, by replacing the various rules set forth by IAS 39. As regards financial liabilities, the main amendment is instead related to accounting of fair value changes of a financial liability measured at fair value in the income statement, in the event these liabilities are due to a change in creditworthiness of the liability itself. According to the new standard, these changes should be recognised under Other profit/(loss) and will no longer be entered in the income statement. The date for initial compulsory application, originally established as 1 January 2015, will be reintroduced on conclusion of the IFRS 9 project with publication of the complete standard.

- On 21 November 2013 the IASB published certain minor amendments to IAS 19 "Employee benefits". These amendments, applicable retrospectively from 1 July 2014, regard the simplified accounting treatment of the contributions for defined benefit plans by employees or third parties in specific cases.

- On 12 December 2013, IASB issued a series of amendments to IFRS (Annual Improvements to IFRSs - 2010-2012 Cycle and Annual Improvements to IFRSs - 2011-2013 Cycle). Amongst others, the more important issues covered by the amendments are: a) definition of the accrual conditions in IFRS 2 - Share-based payments; b) the grouping of operating segments in *IFRS 8 - Operating segments*; c) the definition of executives with strategic responsibilities in *IAS 24 - Related Party Disclosures*; d) exclusion from the scope of application of *IFRS 3 - Business Combinations* of all forms of joint control and e) certain clarifications regarding exceptions to the application of *IFRS 13 - Fair value measurement*.

- In May 2014 the IASB issued an amendment to IFRS 11 "Joint arrangements" to provide guidelines on the accounting treatment to be adopted in the event of the acquisition of interests in joint arrangements, the assets of which satisfy the definition of "business" as defined in IFRS 3 "Business combinations". This change is applicable starting from 1 January 2016.

- The amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" issued by the IASB in May 2014 clarifies that use of the revenue method as the measure for calculating amortisation of intangible assets and depreciation of property, plant and equipment is not appropriate, as the revenue generated by business that calls for the use of property, plant and equipment and intangible assets generally reflects factors generated other than diminishing the economic returns intrinsic to those assets.

- In January 2014 the IASB published IFRS 14 "Regulatory deferral accounts", which allows first-time adopters of IAS/IFRS to continue measuring items associated with regulated activities in compliance with the accounting principles used previously. This standard is applicable starting from 1 January 2016.

- On 28 May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers". The aim of the new standard is to establish the criteria to be adopted when providing financial statement users with information on the nature, amount and uncertainties associated with revenue and cash flows from existing contracts with customers. This standard applies when all of the following conditions are simultaneously satisfied:
  i. the parties have approved the contract and are committed to their respective obligations;
  ii. the rights of each party in relation to the goods and services to be transferred, and the terms of payment, have been identified;

iii. the contract signed is of a commercial nature (the risks, timing or amount of future cash flows of the entity can change as a result of the contract);
iv. the collection and payment of amounts associated with execution of the contract is probable.

The new standard, which will replace IAS 18 “Revenue” and IAS 11 “Construction contracts”, will be applicable from 1 January 2017.

Use of estimates

In order to prepare the condensed consolidated interim report 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 the portion for the period of certain sales revenue, provisions for credit risks, risks 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 when drawing up the annual financial statements, or when all information required is available, except when there are impairment indicators which require immediate measurement of any impairment losses.

In compliance with IAS 36, in the first half of 2014 the Group verified that there were no specific impairment triggers with special reference to goodwill; in addition there were no impairment indicators regarding specific assets or equity investments.

Similarly, the actuarial valuations required for determining the Provision for employee benefits are carried out when drawing up the annual financial statements.

Seasonality

Iren Group results for the period reflect the seasonality of its operating 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 2013

The scope of consolidation includes the companies directly or indirectly controlled by the Parent.

Except with regard to application of IFRS 11, described in the previous paragraph, in the first half of 2014 there were no transactions that changed the scope of consolidation of the Iren Group.

The following transactions took place, which did not result in a change of the scope of consolidation:
- merger of the 100% subsidiary Enia Parma with the parent company Iren Emilia S.p.A.;
- merger of the 100% subsidiary Enia Piacenza with the parent company Iren Emilia S.p.A.;
- merger of the 100% subsidiary Enia Reggio Emilia with the parent company Iren Emilia S.p.A.

III. GROUP FINANCIAL RISK MANAGEMENT

The management of business risks is an essential component of the Internal Control System of corporate governance of a listed company, and the Code of Conduct set forth by Borsa Italiana assigns specific responsibilities as regards this aspect.
A summary of the risk management methods is shown hereunder for the risk management and control with respect to the financial instruments (liquidity risk, exchange rate risk, interest rate risk, credit risk) and the commodity prices risk related to fluctuations in the prices of energy commodities.

1. FINANCIAL RISKS

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 collections 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 infra-group accounts along with infra-group 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, and no critical points have emerged regarding the hedging of current financial commitments. At 30 June 2014 the short-term bank credit facilities used by the Parent totalled Euro 415 million.
The nominal cash flows expected to settle the financial liabilities and contractual conditions on outstanding loans remain essentially unchanged compared to those reported in the section “a) Liquidity risk”, Chapter “V. Group financial risk management” in the consolidated financial statements at 31 December 2013.
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. In the first half of 2014, the Iren Group took out new medium/long-term loans totalling Euro 150 million, all of which in favour of the Parent. Details of the activities carried out in this area and of the individual transactions are shown in the paragraph Financial Income and Expense.

At 30.06.2014, 58% of the residual amount payable for Iren Group loans was contractualised at a fixed interest rate and 42% 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), the clauses in IREN loan agreements are fulfilled. In particular, for certain medium/long-term loan agreements Iren is committed to meeting financial covenants (such as Debt/EBITDA, EBITDA/Financial expense ratios) with annual verification. Moreover, other covenants such as the Change of Control clause have been provided for, which sets forth that the IREN Group should be kept under direct and indirect control by 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 significantly exposed to currency risk.

c) Interest rate risk
The IREN Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expenses related to indebtedness. IREN Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.
In a non-speculative view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges. At 30 June 2014, except for certain marginal positions, 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 fair value of the above-mentioned interest rate hedges was a negative Euro 40,238 thousand at 30 June 2014.
The hedging contracts agreed, together with fixed-rate loans, hedge approximately 83% 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 of hedging against significant increases in interest rates.
For a more complete understanding of the interest rate risks to which the Group is subject, at 31 December each year stress testing is performed on the sensitivity of net financial expense and evaluation components in derivatives contracts to changes in interest rates.

2. CREDIT RISK

Iren Group credit risk is mainly related to trade receivables connected to the sale of electrical energy, district heating, gas and the provision of water and waste management services, which are spread across a large number of counterparties such as retail, business and public entity customers.
In conducting its business activities the Group is exposed to the risk that, as a result of financial conditions, receivables might not be paid when they become due, and therefore the risks are attributable to the potential insolvency or decrease in the credit rating of counterparties as well as to the increase in age of the receivables and those subject to arrangements with creditors.

In order to control credit risk, whose operating management is entrusted to individual regional functions, methodologies have been defined for, amongst other things, Customer solvency analysis in the acquisition phase through an accurate analysis of the credit rating to limit insolvency risk, monitoring and control of receivables and the definition of strategies to reduce related exposure, including the assignment of of inactive and/or active Customers receivables to external credit recovery companies and the management of legal disputes regarding amounts receivables from services rendered with the introduction of new recovery methods.

The trade receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and the various consumption levels.
Over the last few years in order to strengthen the receivable analysis and monitoring capacities, new tools have been introduced for the acquisition of commercial information and customer payment records, for operating management of the overdue receivables collection, outsourcing the telephone inquiry activity for certain Customer segments.
The replacement of mechanical electricity meters with electronic meters in the last few years has allowed costs to cut off supply to be reduced, improving the timing and effectiveness and therefore reducing credit risk.

For certain Customers who are users of large quantities of gas and/or electricity, credit risk is hedged by appropriate forms of "on demand" bank or insurance guarantees issued by credit entities of primary standing.
An interest-bearing guarantee deposit is paid for some types of services (water, natural gas, "protected customer" electrical energy) in compliance with regulations governing these activities. This deposit is reimbursed if the Customer adopts the payment through direct debit on current accounts.
Generally applied payment terms for Customers are compliant with regulations in force and are consistent with market standards. In the event of non-payment, interests on arrears will be debited to the extent indicated in the supply contracts and as set out by regulations in force.
As a result of the persisting economic situation, the Group has also improved credit risk control by strengthening its monitoring and reporting procedures, in order to identify potential counter-measures as quickly as possible.

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

With reference to the subsidiary Iren Servizi e Innovazione (formerly 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 price risk, including related currency risk, on the energy commodities traded, being electrical energy, natural gas, coal, etc., as both purchases and sales are impacted by fluctuations in the price of such energy commodities directly 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 planning of its plants production and purchases of electrical energy, with the aim of balancing energy self-production and market supply with the demand of Group customers.

In October and November 2013, two commodity derivative contracts (Commodity swaps on Gas Release 07 index) were entered into as an energy portfolio hedge for 2014, for a total notional amount of 1 TWh.
In December 2013 and February 2014, three average rate forward contracts were entered into for a total of USD 129,946 thousand.

The fair value of agreements still in force on 30 June 2014 is a positive total of Euro 627 thousand.
Iren Mercato trading operations involve the trading of physical and financial contracts on the electrical energy market and financial contracts directly on the underlying commodities. These contracts may refer to various indexes (PUN, ITEC, Itmix, BINE) and trading on the IDEX. At 30 June 2014 no contracts were in place that originate from such assets or classified in the specific Trading Portfolio.

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

Transactions recognised in compliance with hedge accounting rules

These transactions may include:

- 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 counterpart in a specific equity reserve for the effective component of the hedge and in the income statement for the ineffective component; when the hedged item arises, the amount deferred in equity is reversed to the income statement.

The classification in the income statement of the ineffective component and the deferred amount transferred from equity is based on the nature of the underlying instrument. Therefore, in the case of commodity derivatives they are recognised in the gross operating profit, whereas in the case of interest rate risk hedges, they are recognised in financial income and expense.

Transactions not recognised in compliance with hedge accounting rules

The derivative is recognised at fair value in the statement of financial position.
The change in the 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 realised component is recognised to adjust the income or expense to which it refers to, while the portion determined from the derivative measurement at the end of the year is classified within the other expense or other income;
- in the case of interest rate risk hedges, in financial income or expense.

As regards the measurement of the derivative in the statement of financial position items, the fair value of the derivative is recognised in non-current financial assets and liabilities if the related underlying item is a non-current item. Conversely, the derivative is recognised in current financial assets and liabilities if the underlying item 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 year end. The present value of future flows is determined by applying the curve of forward interest rates at the balance sheet date. In addition to measuring fair value, as required by IFRS 13, counterparty default risk with no significant effect on fair value measurement was also considered.

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

thousands of euro

	30.06.2014		31.12.2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets for hedging derivatives	-	-	-	-
Bonds collectible after one year (*)	(517,676)	(571,956)	(367,640)	(398,200)
Loans - non-current portion	(1,309,060)	(1,322,880)	(1,433,219)	(1,371,234)
Loans - current portion	(529,333)	(575,233)	(667,547)	(712,062)
Liabilities for hedging derivatives	(40,238)	(40,238)	(37,176)	(37,176)
Total	**(2,396,307)**	**(2,510,307)**	**(2,505,582)**	**(2,518,672)**

(*) at 30.06.2014, the fair value of the Put Bonds was equal to Euro 194,064 thousand (Euro 188,929 thousand at 31.12.2013)

As regards financial assets and liabilities classes which are not included in the table above, the carrying amount is equal to fair value.

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 below:

- Level 1: Prices listed (not adjusted) on active markets for similar assets or liabilities
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as per prices), or indirectly (i.e. derived from prices)
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

thousands of euro

30.06.2014	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				-
Financial assets designated at fair value recognised in the income statement				-
Financial assets held for trading				-
Derivative financial assets		627		627
Total assets	**-**	**627**	**-**	**627**
Derivative financial liabilities		(40,238)		(40,238)
Gross total	**-**	**(39,611)**	**-**	**(39,611)**

thousands of euro

31.12.2013	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				-
Financial assets designated at fair value recognised in the income statement				-
Financial assets held for trading				-
Derivative financial assets				-
Total assets	**-**	**-**	**-**	**-**
Derivative financial liabilities		(37,258)		(37,258)
Gross total	**-**	**(37,258)**	**-**	**(37,258)**

All Group hedging financial instruments feature a fair value which can be classified at level 2. This level is measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from 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.

IV. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

As a result of the new Iren governance provisions (Extraordinary Shareholders' Meeting of 19 June 2013, which approved the new Articles of Association, and the Ordinary Shareholders' Meeting of 27 June 2013 which appointed the new Board of Directors), a further review became necessary of the Regulations on transactions with related parties.
Consequently, on 3 December 2013 IREN'S Board of Directors, with opinion in favour from the Control and Risk Committee, adopted a new version of the "Internal Regulation on transactions with related parties" (hereinafter also the "TRP Regulation"), already approved on 30 November 2010 and amended on 6 February 2013, in implementation:

- of the provisions relating to transactions with related parties pursuant to article 2391-bis of the civil code;
- the provisions set forth under art. 114 of Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance");
- 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 Company and its subsidiaries disclose related party transactions in accordance with transparency and fairness principles. A good part of these relations concern services provided to the customers in general (gas, water, electrical energy, heat, technological services in general, etc.) and are governed by contract rules normally applicable to these situations.
Where the services provided are not current, the relations are governed by specific agreements whose terms are established in accordance with normal market conditions. 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.
All 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, loans are taken out by Iren with financial institutions, 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 resources available within the Group for day to day requirements (working capital), and the management of resources needed to support non-current investments. The conditions of intercompany 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.
In 2014, 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..
The new tax consolidation scheme therefore includes, in addition to the consolidating company Iren S.p.A., the following companies: AEM Torino Distribuzione, Iren Servizi e Innovazione (formerly Iride Servizi), Iren Acqua Gas, Iren Mercato, Iren Energia, CAE AMGA Energia, AGA, Mediterranea delle Acque, Immobiliare delle Fabbriche, Nichelino Energia, Eniatel, Tecnoborgo, Iren Ambiente, Iren Ambiente Holding (beneficiary of the spin-off of Iren Ambiente), Iren Emilia, Iren Rinnovabili, Green Source, Enia Solaris, Varsi Fotovoltaico, Millenaria Fotovoltaico, Agriren, Genova Reti Gas and TLR V.
Specifically, Enia Parma, Enia Piacenza and Enia Reggio Emilia (which in 2013 were consolidated) were merged into Iren Emilia, whilst AEMNET was merged during 2013 into Iren Energia.
Following the spin-off of AES with legal effects from 1 July 2014 this company no longer meets the requirements for inclusion in the scope of consolidation of IREN S.p.A..
In particular, this contract covers the way in which the IRES taxable amounts are transferred and the related remuneration, as well as the effects of any suspension of the above-mentioned regime or of its non-application in future years.
Italian Law no. 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 infra-group transfers pursuant to art. 123 of the Consolidated Income Tax Act and introduced the possibility, under certain conditions, to deduct from the consolidated income the 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.
By reason of regulatory amendments, the Regulations in force were drawn up taking into account the above-mentioned criteria, pursuant to provisions set out by Art. 22 of the same Regulations.
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 transferred IRES receivables.
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.
With reference to Group companies that operate in the production, trading, transportation or distribution sectors of natural gas or electrical energy, also generated from renewable sources, these are subject to 6.5% additional IRES tax (increased to 10.5% for 2011, 2012 and 2013). This additional tax must be paid autonomously by the above-mentioned companies, even if they are party to the tax consolidation.

Group VAT option - In terms of procedures, for 2014, 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., Iren Servizi e Innovazione S.p.A. (formerly Iride Servizi S.p.A.), Iren Acqua Gas S.p.A., Iren Mercato S.p.A., AEM Torino Distribuzione S.p.A., CAE AMGA Energia S.p.A., AES Torino S.p.A. (after the spin-off and until liquidation in June 2014), Genova Reti Gas s.r.l., Iren Ambiente S.p.A., Iren Emilia S.p.A., ENIA Solaris S.p.A., Idrotigullio S.p.A., Mediterranea delle Acque S.p.A., Iren Rinnovabili, Nichelino Energia s.r.l. and TLR V..

Other significant transactions with joint ventures and associates
In the first half of 2014, Iren Mercato operations continued through a gas supply contract entered into with the associate Sinergie Italiane and, to a marginal extent, with Plurigas. This allowed the company to supply not only the Genoa and Emilia catchment areas, but also some trading companies belonging to the Iren Group.
In addition, the joint venture AES Torino provided heat and gas carriage services to the Group.
Lastly, note the voluntary global takeover bid through Sviluppo Idrico with regard to 13,785,355 ordinary shares of Acque Potabili S.p.A. – Società per la condotta di Acque Potabili (SAP). Further developments are reported in the sections “Significant events of the period” and “Events after the reporting period” in the Directors’ Report.

Transactions with Municipalities shareholders-related parties
Iren S.p.A. provides Finanziaria Sviluppo Utilities S.r.l., a special purpose company through which the Municipalities of Genoa and Turin hold their equity investment in Iren S.p.A., with a series of services in the Legal, Administrative, Financial and Tax areas, in accordance with specific agreements that provide for fair compensation for the services.

Furthermore, special attention is paid to the local authorities on whose territory Iren also operates through its subsidiaries.
Through Iren Servizi e Innovazione (formerly Iride Servizi), the Iren Group provides various services to the Municipality of Turin in support of its activities for the benefit of the administered community, such as management of street lighting and traffic light services, management of heating and electrical systems of municipal buildings or buildings used to provide services to the community, global services and others. The services rendered by Iren Servizi e Innovazione (formerly Iride Servizi) are governed by specific long-term agreements.
Note that during 2012 an agreement was signed with the Municipality of Turin, which provides for the reduction of receivables due to the Iren Group from the Municipality of Turin and the amendment of some provisions of the current service conventions between Iren Servizi e Innovazione (formerly Iride Servizi) and the City of Turin. This agreement was integrated with a written addendum on 2 August 2013 regarding the settlement of certain economic items, the Municipality’s commitment to allocating amounts for extraordinary maintenance and the start-up of a joint working party for the benchmark analysis and definition of optimum maintenance plans. Discussions are currently in progress with the Municipal Authorities for a further reduction in the receivables.

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 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 other customers.

Iren Emilia provides:

a) the Municipalities of Reggio Emilia, Parma and Piacenza with urban waste collection and disposal services at terms similar to those applied to 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 clearing;
e) the Municipality of Piacenza with maintenance of public parks, snow clearing and cemetery services.

A settlement agreement was also signed with the Municipality of Parma to settle the credit/debit position of some Iren Group companies.

Transactions with other shareholders - related parties

According to the “Internal regulation on transactions with related parties”, Iren’s Directors defined the Intesa Sanpaolo Group as a related party. The Group has financial relations with the Intesa Sanpaolo Group, mainly relating to various loan types such as mortgage loans, credit lines and current accounts.

In view of supplying the integrated water service in the provinces of Parma, Piacenza and Reggio Emilia, the company Iren Acqua Gas, with the payment of an annual lease, uses the assets of the companies Parma Infrastrutture, Piacenza Infrastrutture and AGAC Infrastrutture, controlled by the Municipalities involved.

Furthermore, at the meetings held in December 2013 the Committee for Transactions with Related Parties examined the receivables positions of Iren Mercato S.p.A., Mediterranea delle Acque S.p.A. and CAE Amga S.p.A. with the related party SportinGenova (in liquidation) (a 100% subsidiary of the Municipality of Genoa), responsible for the management of sports centres in the city of Genoa. The Group and SportinGenova signed an agreement for rescheduling the overall debt, implemented partly through the transfer of properties and for the remainder through a multi-year repayment plan (up to a maximum 3 years) from March 2014, with takeover of responsibility by the Municipality of Genoa.

Information on financial transactions with related parties is shown in paragraph “XI. Annexes to the condensed consolidated interim report”, considered an integral part of these notes.

Transactions with Directors

Lastly, with regard to directors, note that other than regarding their offices held within the Group companies there have been no transactions with the directors.

V. EVENTS AFTER THE REPORTING PERIOD

Spin-off to IREN Energia of the AES Torino district heating network
With effect from 1 July 2014 IREN Energia acquired direct ownership of the business unit relating to district heating distribution activities in the municipalities of Turin, Moncalieri and Nichelino, which are added to the district heating networks already owned in the cities of Genoa, Parma, Piacenza and Reggio Emilia.

Bond issue on the European market for Euro 300 million
On 3 July 2014 Iren S.p.A. completed its placement on the Eurobond market of an inaugural issue in Public Placement format for a total of Euro 300 million.
The 7-year bond loan is listed on the Irish Stock Exchange and offers annual coupon payments at a fixed rate of 3.0%.
The transaction brought in subscriptions corresponding to 2.5 times the total offered.
The bonds, with a minimum unit value of Euro 100,000, were placed at 99.225% of the issue price. The gross effective rate of return on maturity is 3.125%.
The issue of the bond loan helps to further improve the Iren Group's financial profile by extending the average maturity and decreasing the average cost of indebtedness.

Euro 75 million loan from Unicredit
On 28 July 2014, IREN S.p.A. took out a 4-year loan of Euro 75 million from Unicredit, partly to refinance a credit facility from the same bank.

Plan to merge Società Acque Potabili into Sviluppo Idrico
On 7 August 2014 the Board of Directors of Acque Potabili approved the plan to merge Acque Potabili into Sviluppo Idrico (the "Merger"), which the shareholders' meeting called for 24 September 2014, on single call, will be asked to approve.
The merger plan was also approved by the Board of Directors of Sviluppo Idrico, which met on 7 August 2014.
The aim of the transaction is the delisting of Acque Potabili shares from the MTA market, to complete the reorganisation of Acque Potabili activities and achieve cost savings associated with the fact that listing-related charges will no longer apply. The merger into Sviluppo Idrico in particular aims to overcome restrictions associated with the fragmented management of concessions currently managed by Acque Potabili by achieving integrated management of the concessions held with those currently managed independently by IAG and SMAT.
The merger will be decided on the basis of the financial positions of the companies involved as at 30 June 2014, prepared and approved by the Boards of Directors according to article 2501-quater of the Italian Civil Code.
As a result of the merger, all Acque Potabili ordinary shares will be cancelled and exchanged for ordinary Sviluppo Idrico shares.
Specifically, for the share swap Sviluppo Idrico will increase its own share capital by a maximum Euro 5,633,096 through the issue of a maximum 5,633,096 new ordinary shares, and will cancel without a share swap all the ordinary Acque Potabili shares owned by Sviluppo Idrico.
The Boards of Directors of the companies involved in the merger agreed upon a swap rate as follows: 0.212 ordinary Sviluppo Idrico shares with a nominal value of Euro 1.00 each for every ordinary Acque Potabili share with a value of Euro 0.10 each. No cash adjustments are envisaged.
The swap ratio is subject to verification by the Expert pursuant to art. 2501-sexies of the Italian Civil Code.
The independent expert, Reconta Ernst & Young S.p.A., was appointed by the presiding judge of the Court of Turin by order filed with the chancellery on 18 July 2014 at the joint request of Acque Potabili and Sviluppo Idrico.
The merger will offer Acque Potabili shareholders not participating in approval of the Merger the right to sell back all or part of their shares.
In this respect, note that the liquidation value of the ordinary Acque Potabili shares on which the right of sell-back should be exercised has been established as Euro 1.105 per share. This value was calculated pursuant to the provisions of article 2437-ter, paragraph 3 of the Italian Civil Code with sole reference to

the arithmetic mean (calculated by Borsa Italiana S.p.A.) of closing prices in the six months prior to the date of publication of the notice of call for the extraordinary shareholders' meeting of Acque Potabili to be held on single call on 24 September 2014.
The effectiveness of the withdrawal will in any event be subject to the effectiveness of the Merger.

VI. OTHER INFORMATION

CONSOB COMMUNICATION no. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions
As mentioned in the report on the 2012 financial statements, to which reference should be made for full details, in the first half of 2014 the transfer of a portion of the real estate assets was completed, deemed non-core with respect to the development of industrial business, to the real estate investment fund created and managed by Ream SGR S.p.A., called Fondo Core MultiUtilities, aimed at releasing financial resources as well as streamlining the management of real estate properties.
This transfer qualifies as an operating lease transaction as it complies with all requisites, first and foremost the requisite for the transfer of property and risks to another subject (especially the managing company of the Fund, REAM SGR S.p.A.).
The transaction is summarised through the following passages:
- Transfer of the Real Estate assets and related payables (previously acquired) to the Fund;
- Starting from 1 January 2013, the Iren Group entered into 18-year lease contracts, at arm’s length, for the total real estate assets;
- Placement of the Fund quotas with third-party investors;
- Iren Group retention of not more than 5% of the Fund.

In the first half of the year, following the placement of 170 units, a capital gain was recognised of approximately Euro 21 million which had a positive effect on the net financial position and which, similarly to the accounting treatment adopted in 2012, was classified among other income (capital gain on goods disposal) referred to in Note 31.

In 2013 the non-proportional partial spin-off of Edipower entered into force, with assignment to Iren Energia of thermoelectric generation assets (the Turbigo plant) and hydroelectric generation assets (the Tusciano hub), together with the employees of those sites, equity items, and current and pending legal relations directly attributable to these plants. For further details, reference should be made to the 2013 financial statements.

Positions or transactions deriving from atypical and/or unusual transactions
In the first half of 2014 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 year end), give rise to concerns about the correctness/completeness of the financial statements disclosures, conflict of interest, safeguard of the company’s assets or protection of minority shareholders.

Publication of the Financial Statements
The Interim Report was approved for publication by IREN S.p.A.’s Board of Directors at its meeting of 28 August 2014.

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 30/06/2014	Accumulated depreciation at 30/06/2014	Carrying amount at 30/06/2014	Cost at 31/12/2013	Accumulated depreciation at 31/12/2013	Carrying amount at 31/12/2013
Land	81,243	(1,558)	79,685	76,927	(1,558)	75,369
Buildings	347,939	(92,427)	255,512	287,294	(86,859)	200,435
Leaseholds	6,735	(2,334)	4,401	6,735	(2,233)	4,502
Land and buildings	**435,917**	**(96,319)**	**339,598**	**370,956**	**(90,650)**	**280,306**
Plant and machinery	3,502,748	(1,366,279)	2,136,469	3,311,487	(1,306,043)	2,005,444
Leased plant and machinery	637	(622)	15	637	(592)	45
Plant and machinery	**3,503,385**	**(1,366,901)**	**2,136,484**	**3,312,124**	**(1,306,635)**	**2,005,489**
Industrial and commercial equipment	84,606	(58,322)	26,284	83,346	(56,130)	27,216
Leased industrial and commercial equipment	-	-	-	-	-	-
Industrial and commercial equipment	**84,606**	**(58,322)**	**26,284**	**83,346**	**(56,130)**	**27,216**
Other assets	118,941	(101,558)	17,383	120,008	(100,620)	19,388
Other leased assets	884	(793)	91	884	(747)	137
Other assets	**119,825**	**(102,351)**	**17,474**	**120,892**	**(101,367)**	**19,525**
Assets under construction and payments on account	**38,447**	**-**	**38,447**	**234,801**	-	**234,801**
Total	**4,182,180**	**(1,623,893)**	**2,558,287**	**4,122,119**	**(1,554,782)**	**2,567,337**

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	76,927	4,016	-	300	81,243
Buildings	287,294	666	(4)	59,983	347,939
Leaseholds	6,735	-	-	-	6,735
Land and buildings	**370,956**	**4,682**	**(4)**	**60,283**	**435,917**
Plant and machinery	3,311,487	44,229	(1,178)	148,210	3,502,748
Leased plant and machinery	637	-	-	-	637
Plant and machinery	**3,312,124**	**44,229**	**(1,178)**	**148,210**	**3,503,385**
Industrial and commercial equipment	83,346	1,852	(750)	158	84,606
Leased equipment	-	-	-	-	-
Industrial and commercial equipment	**83,346**	**1,852**	**(750)**	**158**	**84,606**
Other assets	120,008	1,744	(2,996)	185	118,941
Other leased assets	884	-	-	-	884
Other assets	**120,892**	**1,744**	**(2,996)**	**185**	**119,825**
Assets under construction and payments on account	234,801	**12,488**	(6)	**(208,836)**	38,447
Total	**4,122,119**	**64,995**	**(4,934)**	**-**	**4,182,180**

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

thousands of euro

	Opening balance	Amortisation for the period	Decreases	Closing balance
Accumulated depreciation, land	(1,558)	-	-	(1,558)
Accumulated depreciation, buildings	(86,859)	(5,568)	-	(92,427)
Accumulated depreciation, Leaseholds	(2,233)	(101)	-	(2,334)
Accumulated depreciation, buildings	**(90,650)**	**(5,669)**	**-**	**(96,319)**
Acc. depreciation, plant and machinery	(1,306,043)	(60,269)	33	(1,366,279)
Acc. depreciation, leased plant and machinery	(592)	(30)	-	(622)
Acc. depreciation, plant and machinery	**(1,306,635)**	**(60,299)**	**33**	**(1,366,901)**
Acc. depreciation, ind. and comm. equipment	(56,130)	(2,882)	690	(58,322)
Acc. depreciation, leased ind. and comm. equip.	-	-	-	-
Acc. depreciation, leased ind. and comm. equip	**(56,130)**	**(2,882)**	**690**	**(58,322)**
Accumulated depreciation of other assets	(100,620)	(3,620)	2,682	(101,558)
Acc. depreciation of other leased assets	(747)	(46)	-	(793)
Accumulated depreciation of other assets	**(101,367)**	**(3,666)**	**2,682**	**(102,351)**
Total	**(1,554,782)**	**(72,516)**	**3,405**	**(1,623,893)**

<u>Land and buildings</u>
This item primarily includes industrial buildings connected with Group plants and related land.

<u>Plant and machinery</u>
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 not operated under concessions as per IFRIC 12. Freely transferable assets are included in the assets of electrical energy production plants.

Increases for the period, equal to Euro 44,229 thousand, mainly refer to:
- investment in cogeneration and hydroelectric plants for Euro 19,067 thousand;
- new connections to the electricity distribution network, totalling Euro 8,629 thousand;
- estimated future charges relating to the dismantling of a number of Group plants for Euro 8,894 thousand.

<u>Industrial and commercial equipment</u>
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.

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

<u>Assets under construction and payments on account</u>
Assets under construction and payments on account include the various charges incurred for investments under construction and not yet in operation. The reclassification refers mainly to the Parma Integrated Environmental Hub project which became operational during the first half of the year. Investments for the period, equal to Euro 12,488 thousand, mainly refer to investments in the cogeneration and hydroelectric plants (Euro 4,309 thousand) and to works on the electrical energy distribution network (Euro 2,122 thousand).

Ordinary depreciation for the first half of 2014, totalling Euro 72,516 thousand, was calculated on the basis of the rates indicated in the 2013 financial statements and considered representative of the residual useful life of the assets.
It is worth noting that, with Law no. 134 of 7 August 2012, Parliament amended the regulations in force regarding the large shunt concessions for hydroelectric purposes (“hydroelectric concessions”).
The regulation also sets out that the outgoing operator shall be granted an amount calculated:
- as regards the “wet assets” (collection, regulation works, penstocks, drain pipes included in the business branch of the outgoing operator, the so-called “transferable assets”), based on the revalued historic cost, net of public capital contributions, revalued, received by the operator for the construction of these assets, less normal wear;
- as regards the “dry assets” (property, plant and equipment included in the business branch of the outgoing operator and not included in the “wet assets” category, the so-called non-transferable assets), based on the reconstruction value, less normal wear.

As a result of these regulations, starting from 2012 transferable assets related to expired hydroelectric concessions with a residual carrying value lower than the expected value to be granted to the outgoing operator (calculated based on the above provisions), their amortisation has been suspended.

The group holds assets acquired through finance leases for a value of Euro 4,507 thousand (Euro 4,684 thousand at 31 December 2013), mainly related to industrial buildings.

Lastly, no assets are pledged against liabilities.

NOTE 2_INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

thousands of euro

	Cost at 30/06/2014	Accumulated depreciation at 30/06/2014	Carrying amount at 30/06/2014	Cost at 31/12/2013	Accumulated depreciation at 31/12/2013	Carrying amount at 31/12/2013
Land	2,840	-	2,840	2,800	-	2,800
Buildings	12,532	(877)	11,655	12,360	(703)	11,657
Total	**15,372**	**(877)**	**14,495**	**15,160**	**(703)**	**14,457**

This item refers mainly to properties acquired from SportinGenova as part-settlement of the receivable due from that company.
The fair value of investment property is not lower than the carrying amount.

NOTE 3_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

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

thousands of euro

	Cost at 30/06/2014	Accumulated depreciation at 30/06/2014	Carrying amount at 30/06/2014	Cost at 31/12/2013	Accumulated depreciation at 31/12/2013	Carrying amount at 31/12/2013
Development costs	527	(519)	8	524	(514)	10
Industrial patents and similar rights	56,353	(44,208)	12,145	54,910	(41,374)	13,536
Licences, trademarks and similar rights	1,600,272	(562,401)	1,037,871	1,569,661	(534,731)	1,034,930
Other intangible assets	112,367	(82,677)	29,690	114,993	(77,776)	37,217
Assets under construction and payments on account	101,663	-	101,663	92,521	-	92,521
Total	**1,871,182**	**(689,805)**	**1,181,377**	**1,832,609**	**(654,395)**	**1,178,214**

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	3	-	-	-	527
Industrial patents and similar rights	54,910	1,197	-	246	-	56,353
Licences, trademarks and similar rights	1,569,661	18,053	(337)	12,895	-	1,600,272
Other intangible assets	114,993	10,660	(12,791)	191	(686)	112,367
Assets under construction and payments on account	92,521	22,597	(123)	(13,332)	-	101,663
Total	**1,832,609**	**52,510**	**(13,251)**	**-**	**(686)**	**1,871,182**

Changes in accumulated amortisation are shown in the following table:

thousands of euro

	Opening balance	Amortisation for the period	Decreases	Closing balance
Acc. amortisation, development costs	(514)	(5)	-	(519)
Acc. deprec. of ind. patents and similar rights	(41,374)	(2,834)	-	(44,208)
Acc. amortisation of licences, trademarks and similar rights	(534,731)	(27,860)	190	(562,401)
Acc. amortisation of other intang. assets	(77,776)	(5,523)	622	(82,677)
Total	**(654,395)**	**(36,222)**	**812**	**(689,805)**

Impairment losses for the period mainly relate to capitalised costs for the commercial development of new customers.

Industrial patents and similar rights
This item mainly relates to the total 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 operating segments of natural gas distribution, the Integrated Water Service and, marginally, district heating;
- the right of use of 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 authority, capitalised and amortised over the term of the fifteen-year agreement;
- emission trading quotas held for internal needs;
- costs for the commercial development of customers.

Assets under construction 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

This item totals Euro 124,407 thousand (unchanged compared to 31 December 2013) and mainly refers to goodwill for:

- acquisition of the majority holding in Acqua Italia S.p.A. (now Mediterranea delle Acque S.p.A.), 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 (allocated to the integrated water service CGU);
- acquisition of ENEL business unit related to the distribution and sale of electrical energy 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 (allocated to the energy infrastructures CGU, especially electrical energy networks);
- the business unit purchased from ENEL at the end of 2000 and referred to electric facilities of the city of Parma, for an amount of Euro 10,444 thousand (allocated to energy infrastructures CGU, especially electrical energy networks);
- shares in Enìa Energia (now merged into Iren Mercato), acquired from Sat Finanziaria S.p.A. and Edison, for an amount of Euro 16,761 thousand (allocated to the market CGU).

Goodwill is referred to as an intangible asset with an indefinite useful life. Therefore, it is not amortised, but annually tested for impairment to check whether the carrying amount is still recoverable.
As mentioned in paragraph I of this report, “Content and structure of the condensed consolidated interim report”, in the first half of 2014 in compliance with IAS 36 the Group verified that there were no specific impairment triggers with special reference to goodwill; in addition there were no impairment indicators regarding specific assets or equity investments.

NOTE 5_INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method are equity investments in joint ventures in which the Group exercises a significant influence.
The list of Group companies accounted for using the equity method at 30 June 2014 is shown in an annex.
Changes for the period are shown in the following table:

thousands of euro

	31/12/2013	Increases/Decreases	Reversals (impairment losses) in equity	Distribution of dividends	Measurements with direct effect on equity	Reclassifications	30/06/2014
A2A Alfa	487	-	(24)	-	-	-	463
Acos	7,685	-	492	(82)	-	-	8,095
Acos Energia	755	-	130	-	-	-	885
Acquaenna	-	-	-	-	-	-	-
AES Torino	166,001	-	18,490	(35,729)	179	-	148,941
Aguas de San Pedro	5,856	-	-	-	(321)	-	5,535
Aiga	337	-	(52)	-	-	-	285
Amat	3,064	-	35	-	-	-	3,099
AMIAT	36,369	-	1,872	(1,846)	-	-	36,395
Amter	685	-	30	(58)	-	-	657
Asa	21,474	-	3,072	-	(568)	-	23,978
Astea	19,654	-	783	-	138	-	20,575
Atena	5,758	-	827	-	-	-	6,585
Domus Acqua	28	-	-	-	-	-	28
Fingas	5,638	-	-	-	-	-	5,638
Fondo Core Multiutilities	123	(21,066)	21,043	-	-	(100)	-
Gica	-	-	-	-	-	-	-
Global Service	79	-	(73)	-	-	-	6
Il tempio	103	-	49	-	-	-	152
Iniziative Ambientali	507	-	7	-	-	-	514
Iren Rinnovabili	13,086	-	319	-	-	-	13,405
Mestni Plinovodi	4,860	-	1	-	-	-	4,861
Mondo Acqua	142	-	-	-	-	-	142
OLT Offshore LNG	55,381	-	(20,143)	-	-	-	35,238
Plurigas	12,929	-	(318)	(3,000)	(171)	-	9,440
Rio Riazzone	221	-	1	-	-	-	222
S.M.A.G.	70	-	(1)	-	-	-	69
Salerno Energia Vendite	1,380	-	714	(557)	-	-	1,537
Sea Power & Fuel	4	-	-	-	-	-	4
Sinergie Italiane	-	-	-	-	-	-	-
Società Acque Potabili	28,396	-	(285)	-	17	-	28,128
Sosel	728	-	9	(17)	-	-	720
Sviluppo Idrico	-	1,325	(344)	-	-	-	981
Tirana Acque	47	-	-	-	-	-	47
TRM V	33,293	35,665	1,381	-	(7,020)	-	63,319
Valle Dora Energia	498	-	-	-	-	-	498
VEA Energia e Ambiente	604	-	510	(296)	-	-	818
TOTAL	**426,242**	**15,924**	**28,525**	**(41,585)**	**(7,746)**	**(100)**	**421,260**

The increase in the investment in TRM V. S.p.A. (Euro 35,665 thousand) refers to exercise of the call option by F2i Ambiente S.p.A. on a 24% interest in the company. Therefore at 30 June 2014 the Group holds 49% of TRM V S.p.A.

The investment in Sviluppo Idrico S.r.l. refers to the subscription to 50% of the company capital. Sviluppo Idrico S.r.l., whose capital is held in equal parts by the Iren Group and SMAT, was established to promote a voluntary global takeover bid on ordinary Società Acque Potabili S.p.A. shares. Further developments are reported in the section “Significant events of the period” in the Directors’ Report.

The Group’s investment in Fondo Core Multiutilities was reclassified among “Other investments” in that, following the disposal of units in the first half of 2014, at 30 June 2014 the Group holds only 0.22%. This disposal generated a capital gain of Euro 21,043 thousand which, in line with recognition in the 2012 financial statements, was classified under other revenue and income.

The value of the investment in Acquaenna was zeroed out due to the difficulties of the company, with particular reference to the recoverability of receivables.

As regards the equity investment in Sinergie Italiane, the carrying amount of which is zero, the provision for risks against the risk of future losses of this investee amounted to Euro 10,000 thousand.

As regards the equity investment in Plurigas, on 27 March 2013 the Shareholders’ Meeting resolved on the liquidation of the company. Iren’s Directors deem that at the end of the liquidation procedures, Iren will collect an amount which is substantially equal to its share of the company’s equity.

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 were maintained at cost, adjusted for any impairment losses.
The list of other Group investments at 30 June 2014 is shown in an annex.
Changes for the period are shown in the following table:

thousands of euro

	31/12/2013	Reclassifications	Disposals	Impairment losses	30/06/2014
Acque Potabili Siciliane	20	-	-	(20)	-
Astea Energia	7	-	-	-	7
Atena Patrimonio	10,645	-	-	-	10,645
ATO2 Acque società consortile	6	-	(6)	-	-
Autostrade Centro Padane	1,248	-	-	-	1,248
BT Enia	2,110	-	-	-	2,110
C.R.P.A.	52	-	-	-	52
Consorzio Leap	10	-	-	-	10
Consorzio Topix	5	-	-	-	5
Cosme	2	-	-	-	2
CSP Innovazione nelle ICT	28	-	-	-	28
Energia Italiana	-	-	-	-	-
Environment Park	399	-	-	-	399
Fondo Core Multiutilities	-	100	-	-	100
Nord Ovest Servizi	780	-	-	-	780
RE Innovazione	8	-	-	-	8
Rupe	10	-	-	-	10
SDB Società di biotecnologie	10	-	-	-	10
Stadio di Albaro	27	-	-	-	27
T.I.C.A.S.S.	4	-	-	-	4
TLR V	120	-	-	-	120
TOTAL	**15,491**	**100**	**(6)**	**(20)**	**15,565**

NOTE 7_NON-CURRENT FINANCIAL ASSETS

This item, equal to Euro 55,808 thousand (31 December 2013: Euro 79,424 thousand), refers to securities other than equity investments and other than financial receivables.

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 held-to-maturity investments.
Specifically they amount to Euro 40 thousand (unchanged compared to 31 December 2013) and refer to securities given as collateral to authorities, classified as held-to-maturity investments, and are measured at amortised cost.

Financial receivables

thousands of euro

	30/06/2014	31/12/2013
Non-current financial receivables from joint ventures	27,500	29,500
Non-current financial receivables from associates	705	705
Non-current financial receivables from shareholders - related parties	25,304	46,934
Non-current financial receivables - leases	-	-
Non-current financial receivables from others	2,259	2,245
Fair value of derivatives - non-current share	-	-
Total	**55,768**	**79,384**

Non-current financial receivables from joint ventures relate to loans granted to the joint ventures Iren Rinnovabili (Euro 5,000 thousand) and to its subsidiaries Enia Solaris (Euro 18,000 thousand) and Greensource (Euro 4,500 thousand). The change compared to 31 December 2013 relates to the repayment of Euro 2,000 thousand by Enia Solaris.

Financial receivables from associates relate to amounts due from the companies Acquaenna and Aiga, whose amounts are not individually significant.

Receivables from shareholders-related parties refer to amounts due from the Municipality of Turin for Euro 24,739 thousand, from the Municipality of Genoa for Euro 68 thousand and from the Intesa Sanpaolo Group for Euro 497 thousand.

The amounts due from the Municipality of Turin, which accrue interest in favour of the Group, refer to classification of the non-current portion of receivables on the current account used to settle trade and financial relations between the subsidiary Iren Servizi e Innovazione S.p.A. (formerly Iride Servizi S.p.A.) and the Municipality of Turin.
These receivables form part of an overall position, totalling Euro 121,335 thousand, and are divided among various statement of financial position line items according to their classification by type and maturity: Trade receivables (Note 11) and Current financial assets – financial receivables from Parents (Note 14), as shown in the following table.

thousands of euro

	30/06/2014	31/12/2013
Trade receivables for services on issued invoices	26,284	13,207
Trade receivables for services on invoices to be issued	5,345	10,405
Trade receivables for electrical energy and other supplies	14,741	11,486
Allowance for impairment of accounts receivable	(5,448)	(5,448)
Total trade receivables	**40,922**	**29,650**
Non-current portion of financial receivables in current account	24,739	46,368
Total non-current financial receivables	**24,739**	**46,368**
Current portion of financial receivables in current account	50,000	17,000
Financial receivables for interest invoiced	4,891	913
Financial receivables for interest to be invoiced	783	3,978
Total current financial receivables	**55,674**	**21,891**
Total	**121,335**	**97,909**

In November 2012 an agreement was signed between the City of Turin and the Iren Group, which provides for the reduction of receivables from the City of Turin. In 2013 there was an integration to the 2012 agreement regarding the settlement of certain economic items, the Municipality's commitment to

allocating amounts for extraordinary maintenance and the start-up of a joint working party for the benchmark analysis and definition of optimum maintenance plans.
From a prudential Directors' assessment, based on the agreements signed with the City of Turin, it is estimated that Euro 55.7 million of the financial receivables from the Municipality of Turin are collectible within 12 months.
The balance of trade receivables from the Municipality of Turin has increased by around Euro 11,272 thousand (net of the allowance for impairment of accounts receivable) and the balance of current and non-current financial receivables has increased by Euro 12,154 thousand. The Iren Group's total exposure towards the Municipality of Turin has therefore increased by Euro 23,426 thousand compared to 31 December 2013.

Receivables from others include the interest-free loan for the future share capital increase, paid to Nord Ovest Servizi, and an interest-free loan to Medgas.

NOTE 8_OTHER NON-CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	30/06/2014	31/12/2013
Guarantee deposits	12,680	17,742
Tax assets after 12 months	9,218	9,218
Other non-current assets	10,074	10,612
Non-current prepayments and accrued income	13,287	15,410
Total	**45,259**	**52,982**

The decrease in guarantee deposits is due to reimbursement of part of the amounts paid to Sinergie Italiane. This decrease is due to the heating season performance.

Tax assets after 12 months include amounts due following the appeal for the deduction of IRAP tax from IRES tax (Art. 2, par. 1 quarter of the Law Decree no. 201 of 6 December 2011) and IRPEF advances on post-employment benefits that were paid as set out by with Law no. 140/1997. In accordance with the relevant legislation, this amount has been recovered since 1 January 2000 and is revalued annually based on 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

These total Euro 308,277 thousand (Euro 305,915 thousand at 31 December 2013) and refer to deferred tax assets deriving 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, measured at weighted average cost, primarily comprise methane and consumables intended for maintenance and construction of the Group plants. The decrease during the period refers mainly to the drop in gas storage associated with the heating season.
The summary of changes occurring over the period is as follows:

thousands of euro

	30/06/2014	31/12/2013
Raw materials	118,841	143,642
Inventory write-down provision	(39,831)	(39,246)
Carrying amount	**79,010**	**104,396**
Contract work in progress	2,475	2,222
Total	**81,485**	**106,618**

The inventory write-down provision was set up and is used to take into consideration inventories that are technically obsolete and slow-moving.

At 30 June 2014 no inventories were pledged against liabilities.

NOTE 11_TRADE RECEIVABLES

These are detailed in the following table:

thousands of euro

	30/06/2014	31/12/2013
Receivables from customers	859,221	1,003,566
Allowance for impairment of accounts receivable	(144,327)	(131,610)
Net receivables from customers	**714,894**	**871,956**
Trade receivables from joint ventures	24,647	19,921
Trade receivables from associates	25,054	25,180
Trade receivables from other Group companies	26,701	23,597
Trade receivables from shareholders – related parties	87,184	66,591
Allowance for impairment of accounts receivable - receivables from shareholders – related parties	(8,976)	(8,976)
Total	**869,504**	**998,269**

Note that at 30 June 2014 factoring transactions were completed with derecognition of the green certificate receivables for a total of Euro 58,416 thousand.
Trade receivables include around Euro 44 million in amounts related to prior year tariffs for the integrated water service. In relation to receivables note that a portion of the amounts shown may not be collectable within the next 12 months.

Receivables from customers
These mainly relate to receivables due for electrical energy, gas, water and heat supplies, waste disposal services and other services. The balance takes into account the allowance for impairment of accounts receivable, illustrated below, for Euro 144,327 thousand (Euro 131,610 thousand at 31 December 2013).

Receivables from joint ventures
This item includes receivables from the Group joint ventures consolidated using the equity method. These relate to normal trade transactions performed at arm's length. For further details, reference is made to the table of transactions with related parties shown in the annex.

Receivables from associates
These relate to normal trade transactions performed at arm's length. For further details, reference is made to the table of transactions with related parties shown in the annex.

Receivables from other Group companies
These relate to receivables from certain non-consolidated Group companies, relating to ordinary trading transactions performed at arm's length.

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 accounts receivable of Euro 8,976 thousand (unchanged compared to 31 December 2013). For further details, reference is made to the table of transactions with related parties shown in the annex.

The allowance for impairment features the movements shown in the following table:

thousands of euro

	31/12/2013	Utilisation	Provisions for the period	30/06/2014
Allowance for impairment of accounts receivable	131,610	(11,162)	23,879	144,327
Allowance for impairment of accounts receivable – receivables from shareholders – related parties	8,976	-	-	8,976
Total	**140,586**	**(11,162)**	**23,879**	**153,303**

The provision was used to cover losses on receivables. The provisions for the period take into consideration the usual and thorough analyses as well as the current economic situation.

NOTE 12_CURRENT TAX ASSETS

These amount to Euro 1,575 thousand (Euro 5,042 thousand at 31 December 2013) and include tax credits for IRES and IRAP advanced to the tax authority.

NOTE 13_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	30/06/2014	31/12/2013
Receivables for revenue tax/UTIF	29,076	21,129
VAT credit	2,267	7,988
Other tax assets	4,248	3,799
Tax assets due within one year	**35,591**	**32,916**
Receivables from CCSE	68,281	54,731
Green certificate receivables	37,946	65,425
Advances to suppliers	15,892	3,597
Receivables for Group tax consolidation and VAT	7,848	5,059
Other current assets	24,141	12,024
Other current assets	**154,108**	**140,836**
Accrued income and prepayments	34,427	23,453
Total	**224,126**	**197,205**

Note that at 30 June 2014 factoring transactions were completed with derecognition of the green certificate and energy efficiency certificate receivables for a total of Euro 80,304 thousand.
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.
The increase in receivables for revenue taxes is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.

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

	30/06/2014	31/12/2013
Financial receivables from joint ventures	635,847	382,378
Financial receivables from associates	13,727	7,579
Financial receivables from Municipalities shareholders-related parties	55,674	21,891
Other financial receivables	14,858	6,559
Other financial assets	625	-
Total	**720,731**	**418,407**

Financial receivables from joint ventures
These amount to Euro 416,500 thousand due from OLT Offshore (Euro 363,000 thousand at 31 December 2013), Euro 210,693 thousand due from AES Torino (Euro 13,758 thousand at 31 December 2013) and Euro 7,500 thousand due from Sviluppo Idrico (none at 31 December 2013). The remainder relate to financial receivables due from the other joint ventures, whose amounts are not individually significant. For further details, reference is made to the table of transactions with related parties shown in the annex.

Financial receivables from associates

These relate, in the amount of Euro 6,614 thousand (unchanged with respect to 31 December 2013), to receivables from the associate ASA related to the loan granted by Iren Mercato. Euro 6,153 thousand refer to receivables on dividends approved but not yet collected. The remaining portion refers to receivables from associates for immaterial individual amounts. For further details reference is made to the schedule of transactions with related parties shown in the annex.

Financial receivables from shareholders - related parties

These regard receivables on which interest accrues for the Group and amount to Euro 55,674 thousand (Euro 21,891 thousand at 31 December 2013). They refer to the short-term balance of the current account which governs trading and financial transactions between Iren Servizi e Innovazione S.p.A. (formerly 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 prudently assessed the amount on the basis of agreements entered into with the City of Turin. The remaining part of the financial receivables from the Municipality was therefore classified under "Non-current financial receivables – receivables from shareholders - related parties" (Euro 24,739 thousand).

Other financial receivables

These include prepayments and accrued income of a financial nature and other financial receivables. They also include the contribution to the future share capital increase of Unieco (Euro 7,000 thousand) and the receivable due from disposal of part of the units of Fondo Core Multiutilities (Euro 3,940 thousand).

Other financial assets

These amounted to Euro 625 thousand (none at 31 December 2013) and refer to the positive fair value of commodity derivatives signed by Iren Mercato.

NOTE 15_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

thousands of euro

	30/06/2014	31/12/2013
Bank and postal accounts	26,247	49,659
Cash in hand and cash equivalents	455	554
Other cash and cash equivalents	8	9
Total	**26,710**	**50,222**

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 491 thousand (Euro 1,001 thousand at 31 December 2013).

Euro 310 thousand (unchanged from 31 December 2013) relates to the equity investment in ACIAM.

Euro 158 thousand (unchanged from 31 December 2013) refers to the associate Piana Ambiente.

Euro 23 thousand refer to the investment in Valfontanabuona Sport S.r.l., a company set up in June 2013 and whose shareholder agreements envisage exit of the Iren Group from the ownership structure by the end of 2014.

In addition, assets held for sale include the investment in Fata Morgana which at 31 December 2013 was completely written down.

Moreover, at 31 December 2013, the following was included:
- Euro 9 thousand in assets of the subsidiary CELPI, no longer operative from 2 December 2011 after it was placed in liquidation. The winding-up procedure was concluded at the beginning of January 2014 and on 20 January 2014 the company was cancelled from the Register of Companies.
- Euro 500 thousand relates to the investment in the associate GasEnergia Pluriservizi S.p.A., sold in January 2014.

LIABILITIES

NOTE 17_EQUITY

Equity may be analysed as follows:

thousands of euro

	30/06/2014	31/12/2013
Share capital	1,276,226	1,276,226
Reserves and retained earnings (losses)	418,805	415,721
Net profit (loss) for the year	72,157	80,554
Total equity attributable to owners of the Parent	**1,767,188**	**1,772,501**
Share capital and reserves attributable to non-controlling interests	198,967	205,125
Profit (loss) of non-controlling interests	9,830	11,401
Total consolidated equity	**1,975,985**	**1,989,027**

Share capital
The share capital amounts to Euro 1,276,225,677 (unchanged compared to 31 December 2013), fully paid up, and consists of 1,181,725,677 ordinary shares with a nominal value of Euro 1 each and 94,500,000 savings shares without voting rights with a nominal value 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 priority order in the allocation of net residual assets in the event of winding-up of the company, they are subject to the same regulation as ordinary shares.
Lastly, in the case of sale, the savings shares will be automatically converted, at par, into ordinary shares.

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

thousands of euro

	30/06/2014	31/12/2013
Share premium reserve	105,102	105,102
Legal reserve	36,855	32,512
Hedging reserve	(34,104)	(24,028)
Other reserves and retained earnings (losses)	310,952	302,135
Total reserves	**418,805**	**415,721**

Hedging reserve
With the adoption of IAS 39, changes in the fair value of effective hedging derivatives are recognised with a counterpart directly in equity under the hedging reserve. These contracts were entered in to hedge exposure to the risk of interest rate fluctuations on floating rate loans and to the risk of price changes in electrical energy and gas purchase contracts.

Other reserves and retained earnings (losses)
These mainly comprise the surplus generated from the merger of AMGA into AEM Torino and the later merger of Enìa into Iride, retained profits and losses and the reserve including actuarial gains and losses resulting from the measurement of post-employment benefits to employees.
In 2014 this item increased mainly as a result of the retained earnings from 2013. For further details, reference should be made to the statement of changes in equity.

NON-CURRENT LIABILITIES

NOTE 18_NON-CURRENT FINANCIAL LIABILITIES

These amount to Euro 1,872,446 thousand (Euro 1,841,116 thousand at 31 December 2013) and consist of:

Bonds
These amount to Euro 517,676 thousand (31 December 2013: Euro 367,640 thousand) in positions relating to the Parent as follows:

- Euro 157,005 thousand (Euro 157,354 thousand at 31 December 2013) referring to two puttable non-convertible bonds, issued in 2008 with maturity 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 to determine the credit spread for the following 2 years, to be applied at a pre-set fixed rate. The second auction was conducted in September 2013 with definition of the credit spread for the 2 years thereafter. The amount refers to the amortised cost, pursuant to IAS;
- Euro 360,671 thousand (Euro 210,286 thousand at 31 December 2013) refers to Private Placement issues: for a total of Euro 260 million, 7-year maturity and main issue in October 2013 (with Mediobanca acting as intermediary for Euro 125 million) and two later tap issues in November 2013 (for Euro 85 million with BNP as intermediary) and March 2014 (for Euro 50 million with BNP as intermediary); for Euro 100 million, 5-year maturity and issue in February 2014 (with Morgan Stanley acting as intermediary). The bond loans were subscribed by Italian and international institutional investors and are listed on the Irish Stock Exchange. The carrying amount refers to the amortised cost, pursuant to IAS.

Non-current bank loans
These exclusively relate to the non-current portion of bank loans and amount to Euro 1,309,060 thousand (Euro 1,433,219 thousand at 31 December 2013).
Non-current 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

	fixed rate	floating rate	TOTAL
min/max rate	3.968% - 5.685%	0.393% - 4.303%	
Term	2015-2027	2015-2028	
2015	81,555	138,929	220,485
2016	123,166	105,460	228,626
2017	60,988	72,402	133,390
2018	60,500	62,434	122,934
Following	459,287	144,337	603,624
Total payables at 30/6/2014	**785,497**	**523,562**	**1,309,060**
Total payables at 31/12/2013	**824,332**	**608,887**	**1,433,219**

All loans are in Euro.
The changes in non-current loans during the year are summarised below:

thousands of euro

	31/12/2013 Total payables	Increases	Repayments	Amortised cost adjustments	30/6/2014 Total payables
- fixed rate	**824,332**	0	(38,919)	84	**785,497**
- floating rate	**608,887**	0	(85,935)	610	**523,562**
TOTAL	**1,433,219**	**0**	**(124,854)**	**695**	**1,309,060**

Total non-current loans at 30 June 2014 decreased compared to 31 December 2013 due to the following variations:

- a decrease totalling Euro 124,854 thousand related to the reclassification to current loans of the portion of loans due within the next 12 months;
- marginal changes in amortised cost for the purpose of IAS accounting of loans.

Other financial liabilities

These amount to Euro 45,710 thousand (Euro 40,257 thousand at 31 December 2013) of which Euro 40,238 thousand (Euro 37,176 thousand at 31 December 2013) refers to the fair value of derivative contracts entered into to hedge exposure to the risk of interest rate fluctuations on floating rate loans (described in the section "Group financial risk management") and Euro 5,472 thousand (Euro 3,081 thousand at 31 December 2013) to other financial liabilities.

NOTE 19_EMPLOYEE BENEFITS

During the first half of 2014 have been the following changes:

thousands of euro

At 31/12/2013	**113,198**
Current service costs	609
Financial expense	1,559
Disbursements for the year	(1,349)
Advances	(424)
Actuarial profits (losses)	-
Other changes	-
At 30/06/2014	**113,593**

Liabilities for employee benefits consist of:

Post-employment benefits

Post-employment benefits underwent the following movements during the first half of 2014:

	thousands of euro
At 31/12/2013	**78,355**
Current service costs	385
Financial expense	1,042
Disbursements for the year	(660)
Advances	(424)
Actuarial profits (losses)	-
Other changes	-
At 30/06/2014	**78,698**

Other benefits

The composition and changes over 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 31/12/2013	**4,531**
Current service costs	68
Financial expense	63
Disbursements for the year	(22)
Actuarial profits (losses)	-
Other changes	-
At 30/06/2014	**4,640**

Loyalty bonus

	thousands of euro
At 31/12/2013	**2,256**
Current service costs	46
Financial expense	22
Disbursements for the year	(126)
Actuarial profits (losses)	-
Other changes	-
At 30/06/2014	**2,198**

Tariff discounts

	thousands of euro
At 31/12/2013	**27,184**
Current service costs	110
Financial expense	422
Disbursements for the year	(503)
Actuarial profits (losses)	-
Other changes	-
At 30/06/2014	**27,213**

Premungas fund

	thousands of euro
At 31/12/2013	**872**
Financial expense	10
Disbursements for the year	(38)
Actuarial profits (losses)	-
Other changes	-
At 30/06/2014	**844**

Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries at the time of preparation of the consolidated financial statements at year end.

The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accrual basis in line with the service necessary to obtain benefits.

For the purpose of defining the present value of the obligations, the future service is estimated based on assumptions related to changes in both the total number of employees and employee remuneration. Future service represents the amount that would be liquidated to each employee in the event of continuing working activity with another company, retirement, death, resignation or a request for an advance.

Actuarial projections of the probable discounts on electrical energy consumption due to current retirees or surviving spouses, as well as to current employees (and surviving spouses, if any) once terminated the working relationship, were taken into account in determining the amount of the electrical energy discount.

The following factors were considered in deciding which discount rate to adopt in the measurement approach provided by IAS 19:

- stock market of reference;
- the date the measurement is made;
- expected average term of the liabilities.

The average residual term of liabilities was obtained as the weighted average residual term of liabilities related to all benefits and all Group companies.

The other financial assumptions adopted in the calculations are the following:

Annual discount rate	2.09% - 3.17%
Annual inflation rate	2.00%
Annual rate of electrical energy price increase	2.00%
Annual increase rate of post-employment benefits	3.00%

NOTE 20_PROVISIONS FOR RISKS AND CHARGES

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

thousands of euro

	Opening balance	Increases	Decreases	(Income)/Expense to be discounted	Closing balance	Current portion
Restoration provision of third party assets	108,437	6,095	(285)	897	115,144	4,805
Provisions for Post Mortem	25,518	-	(1,436)	2,542	26,624	2,545
Provision for dismantling and restoring sites	12,624	8,994	(46)	1,347	22,919	3,399
Provision for CIG/CIGS	19,175	627	(1,708)	-	18,094	-
Provision for former employees	1,258	-	-	-	1,258	-
Provision for risks on investments	10,695	-	-	-	10,695	10,651
Other provisions for risks and charges	180,687	19,276	(37,115)	1,913	164,761	91,135
Total	**358,394**	**34,992**	**(40,590)**	**6,699**	**359,495**	**112,535**

Restoration provision of third party assets and transferable assets

This provision refers mainly to liabilities which, if the integrated water service concessions for the Parma, Piacenza and Reggio Emilia ATOs are re-awarded, will be deducted from the indemnity paid to the Group by the incoming operator with respect to investments made in the meantime. These liabilities are estimated according to the amortisation/depreciation of the pool of assets and equipment relating to the aforementioned integrated water cycle which, as a result of the spin-offs completed in 2005 by the three companies AGAC, Tesea and AMPS (later merged into Enìa), were transferred to the financial statements of three full publicly-held companies as envisaged in art. 113, paragraph 13 of the Consolidated Law on Local Entities. This pool of assets is used to perform the water service against the payment of a rental fee and with a contractual commitment to set up the aforementioned provision.

Provisions for Post mortem

These are mainly provisions for future restoration expense, also including costs for post-operating management until complete conversion of the areas involved to green areas. These costs are supported by specific expert reports. Accruals and decreases for the period were performed to adjust existing provisions to the estimated future costs to be borne and accrued at 30 June 2014. Decreases also refer to the utilisation of the provision to cover costs incurred over the period with regards to the disposal of leachate (related to closed lots of 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 mainly to the prudential estimate of charges to be incurred in relation to the future restoration of former AMNU land on which an incinerator was located, and to the dismantling of waste-to-energy plants in Parma and Piacenza.

Provision for CIG/CIGS

The provision for risks mainly refers to the probable risk of greater charges relating to higher contributions to be paid to INPS for ordinary and extraordinary redundancy and mobility.
In September 2013 a number of pronouncements were made against Iren and subsidiaries, considered to be negative and rejecting the company’s claims, ordering the payment of CIG, CIGS, Mobility and Unemployment contributions. For further details, reference should be made to the 2013 financial statements.

Provision for former employees

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

Provision for risks on investments

This item mainly refers to risks relating to the protection against future losses by the investee Sinergie Italiane.

Other provisions for risks and charges

The provision mainly refers to the probable risk of greater charges for the construction of plants which are completed or yet to be finished, the provisions for estimated IMU/ICI tax to be paid based on the value of plant systems as envisaged in art. 1-quinquies of Decree Law no. 44 of 31 March 2005 and probable charges for various disputes.
The increases in the period primarily refer to allocations for:

- higher charges related to the construction of plants that are currently already finished or still to be completed (Euro 5,943 thousand);
- the estimate of charges related to the return of emission quotas (Euro 6,036 thousand);
- the IMU/ICI tax estimate to be paid on the value of the plants, calculated as provided by the article 1-quinquies of the Law Decree no. 44 of 31 March 2005 (Euro 968 thousand).

The decreases in period mainly refer to the utilisation and releases for:

- charges related to the return of emission quotas (Euro 12,139 thousand);
- charges related to the construction of plants that are currently already completed or yet to be completed (Euro 15,880 thousand);
- the IMU/ICI tax estimate to be paid on the value of the plants, calculated as provided by the article 1-quinquies of the Law Decree no. 44 of 31 March 2005 (Euro 1,475 thousand);
- charges related to the higher instalments for water shunting (Euro 6,643 thousand);

The current portion referring to the provisions described above was reclassified under "provisions, current portion" (Note 27).

NOTE 21_DEFERRED TAX LIABILITIES

Deferred tax liabilities of Euro 170,382 thousand (Euro 173,198 thousand at 31 December 2013) are due to the temporary difference between the carrying amount and tax value of assets and liabilities recognised in the financial statements.
Deferred taxation is calculated with reference to the expected tax rates applicable at the time the differences will reverse.

NOTE 22_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

		thousands of euro
	30/06/2014	**31/12/2013**
Payables after one year	39,786	43,560
Deferred income for grants related to plants - non current	154,176	144,261
Non-current accrued expenses and deferred income	192	663
Total	**194,154**	**188,484**

Other payables relate to the amount of the substitute tax calculated on the capital gain resulting from the contribution of a portion of the real estate assets to the Fondo Core MultiUtilities, to be paid after 12 months from the balance-sheet date, advances paid by users to guarantee water supply and amounts relating to previous years as CIG (plus CIGS/mobility) contributions.

CURRENT LIABILITIES

NOTE 23_CURRENT FINANCIAL LIABILITIES

All financial liabilities 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

	30/06/2014	31/12/2013
Bank loans	958,904	694,352
Financial payables to joint ventures	1,332	1,699
Financial payables to associates	164	3
Financial payables to shareholders - related parties	244	566
Financial payables to others	7,790	17,618
Derivative payables - current	-	82
Total	**968,434**	**714,320**

Bank loans
Current bank loans may be broken down as follows:

thousands of euro

	30/06/2014	31/12/2013
Loans - current portion	529,333	667,547
Other current payables to banks	417,820	22,242
Accrued financial expenses and deferred financial income	11,751	4,563
Total	**958,904**	**694,352**

Financial payables to joint ventures
This item relates to amounts due to the joint ventures Iren Rinnovabili and AES Torino.

Financial payables to associates
This item relates to amounts due to the company Valle Dora Energia.

Financial payables to shareholders – related parties
These refer to payables to the Municipalities of Genoa, Parma, Piacenza and Reggio Emilia.

Financial payables to others
These mainly relate to dividends payable (Euro 6,538 thousand), payables to factoring companies for portions collected from customers and to be paid to the factor (Euro 746 thousand) and current finance lease payables (Euro 150 thousand).

Derivative payables - current
None at 30 June 2014. At 31 December 2013 these related to the negative fair value of derivative contracts on commodities entered into 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

	30/06/2014	31/12/2013
Trade payables to suppliers	620,054	850,279
Trade payables to joint ventures	27,372	24,596
Trade payables to associates	15,275	17,220
Trade payables to shareholders – related parties	10,163	13,956
Trade payables to minor Group companies	21,281	19,332
Advances due within one year	5,792	5,630
Guarantee deposits due within one year	13,470	14,786
Charges to be reimbursed within one year	1,395	1,391
Total	**714,802**	**947,190**

The significant decrease in trade payables compared to 31 December 2013 is due to the heating season performance.

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

	30/06/2014	31/12/2013
VAT payable	20,064	15,190
Revenue tax/UTIF payable	183	-
IRPEF payable	10,248	10,710
Other tax liabilities	17,940	15,488
Tax liabilities due within one year	**48,435**	**41,388**
Payables to employees	30,820	30,290
Payables to CCSE	57,029	52,017
Group VAT payables	15	57
Other current liabilities	36,459	50,476
Accounts payable to social security institutions within one year	15,382	17,856
Other payables due within one year	**139,705**	**150,696**
Accrued expenses and deferred income	14,762	13,264
Total	**202,902**	**205,348**

NOTE 26_CURRENT TAX LIABILITIES

Current tax liabilities amounting to Euro 77,164 thousand (Euro 10,952 thousand at 31 December 2013) consist of IRES and IRAP payables. In addition, the item includes the taxes estimated for this half year.

NOTE 27_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounts to Euro 112,535 thousand (Euro 74,709 thousand at 31 December 2013) and refers to the current portion of the provision for risks including charges related to the obligation to return emission quotas (Euro 91,135 thousand), provision for risks on investments primarily related to the associate Sinergie Italiane (Euro 10,651 thousand), restoration provision of third party assets (Euro 4,805 thousand), provision for dismantling and restoring sites and provisions for post mortem(Euro 5,944 thousand).

NOTE 28_LIABILITIES RELATED TO ASSETS HELD FOR SALE

This item had a zero value at 30 June 2014. At 31 December 2013 the total was Euro 6 thousand and referred to reclassification of the liabilities of the subsidiary CELPI.

FINANCIAL POSITION

The net financial indebtedness, calculated as the difference between short/medium/long-term financial liabilities and short/medium/long-term financial assets, can be broken down as indicated in the following table:

thousands of euro

	30/06/2014	31/12/2013
Non-current financial assets	(55,808)	(79,424)
Non-current financial liabilities	1,872,446	1,841,116
Non-current net financial indebtedness	**1,816,638**	**1,761,692**
Current financial assets	(747,441)	(468,629)
Current financial liabilities	968,434	714,320
Current net financial indebtedness	**220,993**	**245,691**
Net financial indebtedness	**2,037,631**	**2,007,383**

Net Financial Position regarding related parties

Non-current financial assets include Euro 24,739 thousand relating to the non-current portion of the current account which governs the trade and financial transactions between the subsidiary Iren Servizi e Innovazione (formerly Iride Servizi) and the Municipality of Turin, Euro 68 thousand receivables from the Municipality of Genoa, Euro 705 thousand receivables from associates, Euro 18,000 thousand receivables from the joint venture Enia Solaris, Euro 5,000 thousand receivables from the joint venture Iren Rinnovabili, Euro 4,500 thousand receivables from the joint venture Greensource and Euro 497 thousand relating to fixed-term deposits held with the Intesa Sanpaolo Group.

Of the non-current financial liabilities, Euro 116,424 thousand refers to non-current loans granted by the Intesa Sanpaolo Group.

Current financial assets include Euro 55,674 thousand relating to the current portion of the current account between the subsidiary Iren Servizi e Innovazione (formerly Iride Servizi) and the Municipality of Turin, Euro 416,500 thousand receivables from OLT Offshore, Euro 210,693 thousand receivables from AES Torino, Euro 7,500 thousand receivables from Sviluppo Idrico, Euro 6,614 thousand receivables from the associate ASA and Euro 1,784 thousand receivables as the positive balance of bank current accounts held with the Intesa Sanpaolo Group. The remaining Euro 9,034 thousand refer to receivables from associates (mainly dividends to be collected) and joint ventures, and to the positive fair value of derivative contracts signed with the Intesa Sanpaolo Group. For further details reference is made to the schedule of transactions with related parties shown in the annex.

Of the current financial liabilities, Euro 132,559 thousand refers to short-term loans granted by the Intesa Sanpaolo Group. The remaining Euro 1,743 thousand refers to payables due to the Municipalities of Parma, Piacenza, Reggio Emilia and Genoa, to the joint ventures Iren Rinnovabili and AES Torino and the associate Valle Dora Energia for individual non-significant amounts. For further details reference is made to the schedule of transactions with related parties shown in the annex.

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

thousands of euro

	30/06/2014	31/12/2013
A. Cash	(26,710)	(50,222)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash (A) + (B) + (C)	**(26,710)**	**(50,222)**
E. Current financial receivables	**(720,731)**	**(418,407)**
F. Current bank payables	429,571	26,805
G. Current portion of non-current liabilities	529,333	667,547
H. Other current financial liabilities	9,530	19,968
I. Current financial indebtedness (F)+(G)+(H)	**968,434**	**714,320**
J. Current net financial indebtedness (I) – (E) – (D)	**220,993**	**245,691**
K. Non-current bank payables	1,309,060	1,433,219
L. Bonds issued	517,676	367,640
M. Other non-current liabilities	45,710	40,257
N. Non-current financial indebtedness (K) + (L) + (M)	**1,872,446**	**1,841,116**
O. Net financial indebtedness (J) + (N)	**2,093,439**	**2,086,807**

VIII. NOTES TO THE INCOME STATEMENT

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

REVENUE

NOTE 29_REVENUE FROM GOODS AND SERVICES

This item amounts to Euro 1,368,350 thousand (Euro 1,691,297 thousand in the first half of 2013). For further details on operating segment revenue performance, reference should be made to the tables in paragraph “X. Segment reporting”.

NOTE 30_CHANGE IN CONTRACT WORK IN PROGRESS

This item amounted to Euro 136 thousand (Euro 1,132 thousand in the first half of 2013) and mainly refers to contract work in progress performed for road resurfacing after damage caused by works.

NOTE 31_OTHER REVENUE AND INCOME

Other revenue includes:

Grants

thousands of euro

	First half of 2014	First half of 2013
Grants related to plant	3,636	2,607
Other grants	698	503
Total	**4,334**	**3,110**

The grants related to plant represent the pertaining portion of 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 2014	First half of 2013
Revenue from Emission Trading	3,934	75
Revenue from Green Certificates	40,746	49,337
Revenue from White Certificates	12,944	9,667
Total	**57,624**	**59,079**

Other income

	First half of 2014	First half of 2013
		thousands of euro
Revenue from service contracts	3,007	3,349
Revenue from rental income and leases	261	261
Capital gains on goods disposal	21,562	82
Prior year income and revenue	55,327	10,807
Insurance reimbursement	94	172
Other repayments	3,434	3,373
Income from fair value of commodity derivatives	5	119
Other revenue and income	6,508	14,760
Total	**90,198**	**32,923**

The significant increase in other income is due to:

- the capital gain realised on disposal of almost all the units held in Fondo Core Multiutilities (around Euro 21 million);
- revenue owed to the Integrated Water Service from prior years (approximately Euro 19 million);
- the recognition of credits associated with the Emission Trading System and assigned to the "new entrant" plants (around Euro 9.9 million);
- the positive outcome of disputes and penalties claimed by suppliers (around Euro 8.4 million).

EXPENSE

NOTE 32_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

	First half of 2014	First half of 2013
		thousands of euro
Purchase of electrical energy	149,688	153,128
Purchase of gas	355,482	570,969
Purchase of heat	27	56
Purchase of other fuels	1,259	1,849
Purchase of water	361	414
Other raw materials	8,469	8,007
Other inventory mat. (including fuels and lubricants)	17,094	17,503
Emission Trading	9,351	6,107
Green certificates	1,631	5,351
White certificates	10,427	8,393
Change in inventories	19,687	15,878
Total	**573,476**	**787,655**

The Change in inventories is due mainly to the reduction in gas held in storage associated with the heating season.

NOTE 33_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down in the following table:

thousands of euro

	First half of 2014	First half of 2013
Transport of electrical energy	147,297	156,715
Electrical system costs	44,659	51,588
Tolling fees	-	38,955
Gas carriage	30,245	28,563
Heat carriage	47,696	47,512
Third party works for networks and plants	62,787	60,123
Collection and disposal, snow clearing, public parks	44,839	49,450
Maintenance expense	4,008	4,459
Expenses related to personnel (canteen, training, travel)	2,752	2,289
Professional services (studies, design, analysis)	4,867	3,985
Technical and administrative consulting	5,210	5,122
Trade and advertising expenses	2,099	2,238
Legal and notary fees	2,598	2,381
Insurance	5,238	4,884
Banking costs	4,374	2,186
Telephone costs	1,945	4,870
Costs related to service contracts	137	822
Reading and invoicing services	5,294	5,086
Fees of the Board of Statutory Auditors	648	697
Other costs for services	17,312	21,136
Total costs for services	**434,005**	**493,061**

Costs for electrical energy transport and electrical system costs decreased compared to the first half of 2013 due to lower volumes of electrical energy sold.

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

Subcontracts and works mainly relate to operating and maintenance costs of the plant systems and networks.

Costs for the use of third-party assets amount to Euro 22,955 thousand (Euro 20,980 thousand in the first half of 2013). These include instalments paid to the market operator of the Genoa district, instalments paid to the companies which own the assets of the integrated water service in the municipalities of Parma, Piacenza and Reggio Emilia, cross easement, operating lease rentals (including rents paid for the use of the buildings transferred to the Core Multiutilities fund during 2012), hiring and other rentals.

NOTE 34_OTHER OPERATING EXPENSE

Other operating expense is broken down in the following table:

thousands of euro

	First half of 2014	First half of 2013
General expense	3,230	3,047
Instalments and higher instalments for water shunting	6,448	5,154
Logistics expense	45	74
Taxes and duties	11,871	9,546
Prior year expense	12,012	12,450
Capital losses on goods disposal	83	68
Expense from fair value of commodity derivatives	-	74
Other miscellaneous operating expense	3,757	3,316
Total	**37,446**	**33,729**

NOTE 35_CAPITALISED EXPENSES FOR INTERNAL WORK

This item relates to increases in assets recorded in the statement of financial position developed using internal resources.

thousands of euro

	First half of 2014	First half of 2013
Capitalised labour costs	6,218	7,669
Capitalised inventory materials	2,585	3,120
Total	**8,803**	**10,789**

NOTE 36_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

thousands of euro

	First half of 2014	First half of 2013
Gross remuneration	95,121	91,150
Social security charges	33,229	28,814
Post-employment benefits	385	463
Other long-term employee benefits	223	198
Other personnel expense	7,401	6,816
Directors’ fees	852	1,071
Total	**137,211**	**128,512**

As described in Note 35, Euro 6,218 thousand of costs related to employees were capitalised.
“Other expense” includes 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.
The personnel composition is shown in the following table.

	30/06/2014	31/12/2013	Average for the period
Managers	68	66	69
Junior managers	208	212	211
White collars	2,593	2,598	2,598
Blue collars	1,566	1,574	1,567
Total	**4,435**	**4,450**	**4,445**

NOTE 37_AMORTISATION/DEPRECIATION

thousands of euro

	First half of 2014	First half of 2013
Property, plant and equipment and investment property	72,689	57,413
Intangible assets	36,223	35,110
Total	**108,912**	**92,523**

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

NOTE 38_PROVISIONS AND IMPAIRMENT LOSSES

thousands of euro

	First half of 2014	First half of 2013
Allowance for impairment of accounts receivable	23,879	29,909
Provision for risks and restoration provision of third party assets	19,965	20,822
Provision releases	(21,289)	(25,060)
Impairment losses	686	713
Total	**23,241**	**26,384**

The analysis of the provisions and related variations are given in the comment to the statement of financial position item “Provisions for risks and charges”. Released provisions refer mainly to the review of estimates of probable future charges allocated in previous years.
Impairment losses primarily refer to the impairment of intangible assets associated with the constant, prudential assessment of costs due to the increase in the customer base.

Note that the comparative figures for the first half of 2013 were restated so that, as in 2013, the item “Provisions” recorded the adjustment to the restoration provision of third party assets previously recognised under “Financial expense” (Euro 6,783 thousand).

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 2014	First half of 2013
Dividends	1,030	790
Bank interest income	191	139
Interest income from receivables/loans	10,648	9,155
Interest income from customers	2,522	3,901
Fair value gains on derivatives	162	557
Income on realised derivatives	14	16
Gains on financial assets disposal	-	-
Exchange rate gains	-	-
Other financial income	126	103
Total	**14,693**	**14,661**

Interest income from receivables/loans includes interest accrued on the current account between Iren Servizi e Innovazione (formerly Iride Servizi) and the Municipality of Turin for Euro 783 thousand. The remaining amount mainly refers to interest income from the joint venture OLT Offshore (Euro 8,341 thousand).

Note that the comparative figures for the first half of 2013 were restated so that, as in 2013, the item "Provisions" recorded the adjustment to the restoration provision of third party assets (Euro 6,783 thousand).

Financial expense

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

thousands of euro

	First half of 2014	First half of 2013
Interest expense on loans	32,683	31,550
Interest expense on bonds	11,777	4,785
Interest expense on bank current accounts	487	3,240
Other interest expense	2,548	3,265
Capitalised financial charges	(2,002)	(3,174)
Derivative fair value charges	92	-
Charges on realised derivatives	7,664	9,478
Loss on financial assets disposal	-	139
Interest cost – Employee benefits	1,559	1,659
Exchange rate losses	1	24
Other financial expense	7,690	3,752
Total	**62,499**	**54,718**

The increase in interest expense on bonds reflects the Private Placement issues completed in October 2013 and February 2014. This item includes amounts relating to the measurement at amortised cost.
Reference should be made to the note to the statement of financial position line item "Employee benefits" for details of financial expense on employee benefits.

Other financial expense mainly includes financial expense for the discounting of provisions.

NOTE 40_SHARE OF PROFIT OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

The result is a profit of Euro 7,480 thousand (profit of Euro 28,284 thousand in the first half of 2013) and includes reversals of impairment losses for Euro 20,850 thousand and impairment losses totalling Euro 21,370 thousand.

NOTE 41_IMPAIRMENT LOSSES ON INVESTMENTS

This item amounts to Euro 20 thousand (none in the first half of 2013) and refers to the impairment loss on the investment in Acque Potabili Siciliane.

NOTE 42_INCOME TAX EXPENSE

Income taxes for the first half of 2014 are estimated at Euro 69,866 thousand (Euro 87,092 thousand in the first half of 2013) resulting from the best estimate of the average rate expected to apply to the entire year.

Recovery of State Aid
With regard to the issue of recovery of State Aid, illustrated in detail in the notes to the financial statements at 31 December 2013 and previous years, there are no updates to report in the first half of 2014.

NOTE 43_PROFIT FROM DISCONTINUED OPERATIONS

This item had a zero value in the first half of 2014 and in the comparison period of 2013.

NOTE 44_PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests, which amounts to Euro 9,830 thousand (Euro 5,884 thousand in the first half of 2013), relates to the share of profit of non-controlling interests in companies fully 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 2014 is the weighted average, unchanged compared to the previous year, of shares outstanding over the reference period based on the provisions of paragraph 20, IAS 33.

	First half of 2014	First half of 2013
Net profit/(loss) for the period (thousands of euro)	72,157	110,737
Weighted average number of shares outstanding over the year (thousand)	1,276,226	1,276,226
Basic earnings/(loss) per share (euro)	**0.06**	**0.09**

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 financial instruments that could potentially dilute the ordinary shares.

	First half of 2014	First half of 2013
Net profit/(loss) for the period (thousands of euro)	72,157	110,737
Weighted average number of shares (thousands)	1,276,226	1,276,226
Weighted average number of shares to calculate the diluted earnings per share (thousands)	1,276,226	1,276,226
Diluted earnings/(loss) per share (euro)	**0.06**	**0.09**

NOTE 46_OTHER COMPREHENSIVE INCOME

The effective portion of changes in the fair value of cash flow hedges, negative for Euro 3,098 thousand, refers to interest rate hedges and commodity price hedges (electrical energy and gas).

The portion of other profits/(losses) of companies accounted for using the equity method, negative for Euro 7,691 thousand, refers to changes in the fair value of the cash flow and commodity hedging of associates.

The tax effect of other comprehensive income is a profit of Euro 776 thousand.

IX. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees relate to:

a) Sureties for Group commitments of Euro 416,544 thousand (Euro 403,418 thousand at 31 December 2013). The most significant items relate to sureties issued in favour of:
   - Reggio Emilia Provincial Government for Euro 60,489 thousand for waste collection and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
   - ENEL Distribuzione for Euro 43,523 thousand to guarantee the electrical energy transport service contract;
   - SNAM Rete Gas for Euro 87,067 thousand, of which Euro 61,500 thousand in the interest of OLT Offshore LNG Toscana in relation to the construction of a delivery point;
   - the Electrical energy Market Operator (GME) for Euro 25,300 thousand to guarantee the market participation contract;
   - the City of Turin for Euro 27,476 thousand as definitive guarantees in the AMIAT/TRM tender procedure;
   - ATO-R, for Euro 41,000 thousand, as definitive guarantees in the AMIAT/TRM tender procedure;
   - Terna, for Euro 28,828 thousand to guarantee injection and withdrawal dispatching contracts and to guarantee the electrical energy transport service contract;
   - the Customs Authority, for Euro 17,520 thousand to guarantee the regular payment of revenue tax and additional local and provincial duties on electrical energy consumption and gas excise;
   - Parma Provincial Government, for Euro 13,749 thousand for waste collection and operating and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
   - Genova Reti Gas for Euro 11,189 thousand to guarantee the natural gas distribution contract;
   - G.S.E. S.p.A., for Euro 16,554 thousand, for the auctioning procedure to obtain incentives on the IEH plant in Parma;
   - the Ministry of the Environment, for Euro 6,688 thousand;
   - the Piacenza Provincial Government, for Euro 3,796 thousand for waste collection and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
   - ATERSIR for Euro 3,060 for agreements with the Reggio Emilia areas S.I.I. and S.G.R.U.;
   - AES Torino for Euro 2,264 thousand to guarantee the natural gas distribution contract;
   - the Municipality of Moncalieri for Euro 1,486 thousand, to guarantee the construction of urbanisation works;
   - REAM Sgr S.p.A., for Euro 2,319 thousand, to guarantee future lease payments of properties transferred to the fund called Fondo Core MultiUtilities;
   - the Municipality of Genoa, for Euro 1,640 thousand, to guarantee works on the gas network;
   - FCT Holding, for Euro 2,000 thousand, as definitive guarantee in the AMIAT/TRM tender procedure.

b) Guarantees given on behalf of subsidiaries, joint ventures and associates, amounting to Euro 225,125 thousand, primarily to guarantee credit facilities.

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane (namely guarantees for credit facilities and letters of patronage for Euro 57,167 thousand as at 30 June 2014 (unchanged compared to 31 December 2013). The liquidators concluded the main procurement contracts and since 1 October 2012 the Company’s operating activity therefore includes only the purchase of gas from the Russian Gazprom supplier and the sale of gas to their shareholders or subsidiaries, included Iren Mercato. Therefore the company’s financial exposure is progressively lowering with the consequent decrease in shareholders’ guarantee obligations.
Also note the sureties issued in favour of Banca Intesa for Euro 3,834 thousand to guarantee the mortgage of the associate Mestni Plinovodi and simple letter of patronage for Euro 8,847 thousand signed in favour of Cariparma on loans granted to the joint venture Varsi Fotovoltaico Srl.

COMMITMENTS

With regard to the subsidiary Mediterranea delle Acque, a commitment within the framework Agreement with the shareholder F2i rete idrica S.p.A. 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 Mediterranea delle Acque 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 recognition of amortisation deducted by Mediterranea delle Acque regarding the water operating 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).

Also note Iren S.p.A.'s commitment to Cariparma to retain control over Iren Ambiente Holding and by Iren Ambiente Holding to retain direct or indirect ownership of a share package amounting to at least 70% of the share capital of Varsi Fotovoltaico which has an existing loan agreement with Cariparma.

CONTINGENT LIABILITIES

Mediterranea delle Acque: Dispute with the Tax Authorities
With regard to the dispute with the Tax Authorities, regarding the assessment notices for the years 2003, 2004, 2005, 2006, 2007 and 2008, pursuant to art. 37 bis, paragraph 4 of Italian Presidential Decree 600/73, as described in the financial statements at 31 December 2013, events and updates occurred during the first half of 2014 and up until the approval of these financial statements by the Board of Directors, are described hereunder.

In 2013 the company was subject to a tax audit by the Liguria Regional Department of the Tax Authorities for the years 2009, 2010 and 2011. The audit was completed in April 2014.
The company defined a number of minor findings and, to date, no notices of assessment have been served with regard to 2009, 2010 and 2011 in relation to the deduction of amortisation for those years of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A.

On 4 June 2014 a request for clarification was served pursuant to art. 37-bis, paragraph 4, Presidential Decree 600/73 for 2009, 2010 and 2011, relating to the deduction of the amortisation of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A. as fully illustrated in the financial statements at 31 December 2013.

On 1 August 2014 the company arranged the filing of its own statements of defence in line with what was indicated in reference to the tax years covered by the notice of assessment.
It is highly likely that by the end of this year/first few months of 2015 the Tax Authority will take follow-up action on the notices of assessment served for the aforementioned years.
The potential liability associated with these years is illustrated below.

The Company, also in light of the opinion expressed by fiscal consultants, deems that the risk deriving from the dispute can be referred to liabilities as per IAS 37. Since a charge is possible, but not probable, pursuant to provisions set out by the reference accounting standard, the matter was disclosed in the notes to the financial statements without allocating any provision. This is based on the opinion that it is unlikely that the Company will have to pay any amount in relation to this obligations taking into account of the strong defence raised during the proceedings.
The above-mentioned opinion was confirmed also by the company's legal consultants who examined the reasons for the first instance ruling. These reasons, in fact, seem to be incorrect under a logical and juridical point of view and the company deems that the ruling will be restated in the following judgement instances. The lawyers were therefore asked to prepare the appeal claim, which was lodged in accordance with law.
At this stage of proceedings, and the above-mentioned reasons (duly motivated in other deeds issued during the proceedings), and based on the reasons specified in the first instance pronouncement, the Company believes that the appeal will be successful and that the assessment notices will be cancelled.

Therefore, the Company does not deem it necessary to accrue a specific provision as it is not probable that economic resources will be used to settle tax claims.
Pursuant to paragraph 86 of IAS 37, the following information regarding contingent liabilities is supplied:

a) in the event the orientation of the first instance rulings shall strengthen, for all years still to open to tax assessment for income tax purposes, the company shall consider as non-tax deductible all amortisation/depreciation calculated by Mediterranea delle Acque on gains resulting from transfers from AMGA S.p.A., at that time not subject to taxation, and amounting to around Euro 93 million. This would result in a total tax payable plus interest of approximately Euro 32.7 million, of which around Euro 0.6 million in higher taxes for the first half of 2014.
b) if the outcome is unfavourable, it is however impossible to establish the time when the matter has turned to be unfavourable for the Company and when the above-mentioned amounts will be payable (also taking account of tax collection dynamics that, although in the presence of a pending ruling, provide for a preliminary payment of a portion of the assessed tax);
c) the Company deems it a mere possibility that resources expected to produce economic benefits will have to be used to fulfil tax obligations.

Iren S.p.A. tax audit
On 24 July 2014 the Provincial Department of Reggio Emilia of the Tax Authority served a notice of findings on IREN S.p.A. with regard to direct taxes and VAT, which the company is now examining with support from its advisors. From analyses performed thus far there are no grounds to accept the notice of findings in that valid reasons have emerged to challenge the elements reported and the scenarios underlying the findings are considered possibly and only in part probable. In addition, also in view of the assessments in progress, the impact on the findings scenarios for their qualification as probable cannot be quantified at this time.

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

The Iren Group operates in the following business segments:

- Generation and District Heating (hydroelectric energy, cogeneration of electrical energy and heat and district heating networks)
- Market (Sale of electrical energy, gas, heat)
- Energy Infrastructures (Electrical energy distribution networks, gas distribution networks)
- Integrated Water Service (Sale and distribution of water, water treatment and sewerage)
- Waste Management (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 management uses in making operational and strategic decisions.
For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on 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 a breakdown by geographical area.
The following tables present the net invested capital compared to values at 31 December 2013 and the income statements (up to the operating performance) by segment, compared with figures for the first half of 2013, restated to take into account the deconsolidation of AES Torino, OLT, SAP and Iren Rinnovabili assets previously consolidated by the proportional method and now measured at equity.

Statement of financial position restated by operating segment at 30 June 2014

millions of euro

	Generation and District Heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,780	56	860	952	345	27	295	4,315
Net working capital	44	81	-85	113	-4	19	14	182
Other non-current assets and liabilities	-79	33	-60	-283	-60	-14	-20	-483
Net invested capital (NIC)	**1,745**	**170**	**715**	**782**	**281**	**32**	**289**	**4,014**
Equity								1,976
Net financial position								2,038
Own funds and net financial indebtedness								**4,014**

Statement of financial position restated by operating segment at 31 December 2013

millions of euro

	Generation and District Heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,820	55	850	951	335	29	286	4,326
Net working capital	128	20	-56	86	-31	-11	7	143
Other non-current assets and liabilities	-94	36	-61	-272	-50	-14	-18	-473
Net invested capital (NIC)	**1,854**	**111**	**733**	**765**	**254**	**4**	**275**	**3,996**
Equity								1,989
Net financial position								2,007
Own funds and net financial indebtedness								**3,996**

Income statement by operating segment at 30 June 2014

millions of euro

	Generation and District Heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Netting and adjustments	Total
Total revenue and income	**413**	1,299	**161**	222	**115**	59	**-749**	1,520
Total operating expense	**-341**	-1,251	**-91**	-138	**-88**	-36	**749**	-1,196
Gross Operating Profit (EBITDA)	**72**	**48**	**70**	**84**	**27**	**23**	**-**	**324**
Net am./depr., provisions and impairment losses	**-36**	-20	**-21**	-35	**-17**	-3	**-**	-132
Operating profit (EBIT)	**36**	**28**	**49**	**49**	**11**	**20**	**-**	**192**

Income statement by operating segment at 30 June 2013

millions of euro

	Generation and District Heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Netting and adjustments	Total
Total revenue and income	**492**	1,681	**160**	204	**106**	44	**-899**	1,788
Total operating expense	**-381**	-1,613	**-84**	-144	**-89**	-42	**899**	-1,453
Gross Operating Profit (EBITDA)	**111**	**68**	**76**	**60**	**17**	**2**	**-**	**335**
Net am./depr., provisions and impairment losses	**-26**	-24	**-23**	-32	**-11**	-3	**-**	-119
Operating profit (EBIT)	**85**	**44**	**53**	**28**	**6**	**-1**	**-**	**215**

The comparative figures for the first half of 2013 were restated so that, as in 2013, the item “Provisions” recorded the adjustment to the restoration provision of third party assets previously recognised under “Financial expense” (Euro 6.8 million).

XI. ANNEXES TO THE CONDENSED CONSOLIDATED INTERIM REPORT

FULLY CONSOLIDATED COMPANIES

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

INVESTMENTS IN OTHER COMPANIES

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

TRANSACTIONS WITH RELATED PARTIES

FULLY CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share capital	% ownership	Participating company
Iren Acqua Gas S.p.A.	Genoa	Euro	386,963,511	100.00	Iren
Iren Ambiente Holding S.p.A.	Piacenza	Euro	1,000,000	100.00	Iren
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00	Iren
Iren Emilia S.p.A.	Reggio Emilia	Euro	196,832,103	100.00	Iren
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00	Iren
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00	Iren
AEM Torino Distribuzione S.p.A.	Turin	Euro	126,127,156	100.00	Iren Energia
AGA S.p.A.	Genoa	Euro	11,000,000	99.64	Iren Emilia
AMIAT V. S.p.A.	Turin	Euro	1,000,000	93.0592	Iren Emilia
				0.0008	Iren
Bonifica Autocisterne	Piacenza	Euro	595,000	51.00	Iren Ambiente Holding
CAE Amga Energia S.p.A.	Genoa	Euro	10,000,000	100.00	Iren Mercato
Climatel S.r.l.	Savona	Euro	10,000	100.00	O.C.Clim
Consorzio GPO	Genoa	Euro	20,197,260	62.35	Iren Emilia
Eniatel S.p.A.	Piacenza	Euro	500,000	100.00	Iren Emilia
GEA Commerciale S.p.A.	Grosseto	Euro	340,910	100.00	Iren Mercato
Genova Reti Gas S.r.l.	Genoa	Euro	1,500,000	100.00	Iren Acqua Gas
Idrotigullio S.p.A.	Chiavari (GE)	Euro	979,000	66.55	Mediterranea delle Acque
Immobiliare delle Fabbriche S.r.l.	Genoa	Euro	90,000	100.00	Mediterranea delle Acque
Iren Servizi e Innovazione S.p.A. (formerly Iride Servizi S.p.A.) (*)	Turin	Euro	52,242,791	93.78	Iren Energia
				6.22	Iren Emilia
Laboratori Iren Acqua Gas S.p.A.	Genoa	Euro	2,000,000	90.89	Iren Acqua Gas
Mediterranea delle Acque S.p.A.	Genoa	Euro	19,203,411	60.00	Iren Acqua Gas
Monte Querce	Reggio Emilia	Euro	100,000	60.00	Iren Ambiente
Nichelino Energia S.r.l.	Turin	Euro	8,500,000	67.00	Iren Energia
				33.00	AES Torino
O.C.Clim S.r.l.	Savona	Euro	100,000	100.00	CAE Amga Energia
Tecnoborgo S.p.A.	Piacenza	Euro	10,379,640	99.50	Iren Ambiente
				0.50	Iren

(*) On 14 February 2014, following entry in the Turin Register of Companies, the company changed its name to “Iren Servizi e Innovazione S.p.A.”.

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Company	Registered office	Currency	Share capital	% ownership	Participating company
AES Torino S.p.A.	Turin	Euro	110,500,000	51.00	Iren Energia
IREN Rinnovabili (Group)	Reggio Emilia	Euro	285,721	70.00	Iren Ambiente Holding
Olt Offshore Toscana LNG S.p.A.	Milan	Euro	145,750,700	41.71	Iren Mercato
Società Acque Potabili (Group)	Turin	Euro	3,600,295	30.86	Iren Acqua Gas
Sviluppo Idrico s.r.l.	Turin	Euro	50,000	50.00	Iren Acqua Gas
A2A Alfa S.r.l.	Milan	Euro	100,000	30.00	Iren Mercato
Aciam S.p.A. (*)	Avezzano	Euro	258,743	29.09	Iren Ambiente Holding
Acos Energia S.p.A.	Novi Ligure	Euro	150,000	25.00	Iren Mercato
Acos S.p.A.	Novi Ligure	Euro	17,075,864	25.00	Iren Emilia
Acquaenna S.c.p.a.	Enna	Euro	3,000,000	46.00	Iren Acqua Gas
Aguas de San Pedro	S.Pedro Sula (Honduras)	Lempiras	159,900	30.00	Iren Acqua Gas
Aiga S.p.A.	Ventimiglia	Euro	104,000	49.00	Iren Acqua Gas
Amat S.p.A.	Imperia	Euro	5,435,372	48.00	Iren Acqua Gas
AMIAT S.p.A.	Turin	Euro	46,326,462	49.00	AMIAT V. S.p.A.
Amter S.p.A.	Cogoleto	Euro	404,263	49.00	Mediterranea delle Acque
ASA S.p.A.	Livorno	Euro	28,613,414	40.00	AGA
ASTEA	Recanati	Euro	76,115,676	21.32	Consorzio GPO
Atena S.p.A.	Vercelli	Euro	8,203,255	40.00	Iren Emilia
Domus Acqua S.r.l.	Domusnovas	Euro	96,000	29.00	Iren Acqua Gas
Fata Morgana S.p.A. (**)	Reggio Calabria	Euro	1,402,381	25.00	Iren Emilia
Fin Gas srl	Milan	Euro	10,000	50.00	Iren Mercato
GICA s.a.	Lugano	CHF	4,000,000	24.99	Iren Mercato
Global Service Parma	Parma	Euro	20,000	30.00	Iren Emilia
Il Tempio S.r.l.	Reggio Emilia	Euro	110,000	45.50	Iren Emilia
Iniziative Ambientali S.r.l.	Novellara	Euro	100,000	40.00	Iren Ambiente Holding
Mestni Plinovodi	Koper (Slovenia)	Euro	15,952,479	49.88	Iren Acqua Gas
Mondo Acqua	Mondovì	Euro	1,100,000	38.50	Iren Acqua Gas
Piana Ambiente S.p.A. (**)	Gioia Tauro	Euro	1,719,322	25.00	Iren Emilia
Plurigas (***)	Milan	Euro	800,000	30.00	Iren
Rio Riazzone S.p.A.	Reggio Emilia	Euro	103,292	44.00	Iren Ambiente Holding
S.M.A.G.	Genoa	Euro	20,000	30.00	Iren Acqua Gas
Salerno Energia Vendite	Salerno	Euro	2,447,526	39.40	GEA Commerciale
Sea Power & Fuel S.r.l.	Genoa	Euro	10,000	50.00	Iren Mercato
Sinergie Italiane S.r.l. (***)	Milan	Euro	1,000,000	30.94	Iren Mercato
So. Sel. S.p.A.	Modena	Euro	240,240	24.00	Iren Emilia
Tirana Acque (***)	Genoa	Euro	95,000	50.00	Iren Acqua Gas
TRM V. S.p.A.	Turin	Euro	1,000,000	48.70	Iren
				0.10	Iren Ambiente
				0.10	Iren Emilia
				0.10	Iren Energia
Valle Dora Energia Srl	Turin	Euro	537,582	49.00	Iren Energia
VEA Energia e Ambiente	Pietra Santa	Euro	96,000	37.00	Iren Mercato

(*) company classified under assets held for sale

(**) company in liquidation classified under assets held for sale

(***) company in liquidation

INVESTMENTS IN OTHER COMPANIES

Company	Registered office	Currency	Share capital	% ownership	Participating company
Acque Potabili Siciliane	Palermo	Euro	5,000,000	56.77	Società Acque Potabili
				9.83	Mediterranea delle Acque
Astea Energia	Osimo (AN)	Euro	117,640	6.00	Iren Mercato
Atena Patrimonio	Vercelli	Euro	73,829,295	14.65	Iren Emilia
ATO2 Acque	Biella	Euro	48,000	12.50	Iren Acqua Gas
Autostrade Centro Padane	Cremona	Euro	30,000,000	1.46	Iren Emilia
BT ENIA Telecomunicazioni	Parma	Euro	4,226,000	12.01	Iren Emilia
C.R.P.A. S.p.A.	Reggio Emilia	Euro	1,851,350	5.40	Iren Emilia
Consorzio L.E.A.P.	Piacenza	Euro	1,192,079	0.84	Iren Ambiente Holding
Consorzio Topix	Turin	Euro	1,685,000	0.30	Iren Energia
Cosme Srl	Genoa	Euro	320,000	1.00	Iren Acqua Gas
CSP Scrl	Turin	Euro	641,000	6.10	Iren Energia
Energia Italiana S.p.A.	Milan	Euro	26,050,000	11.00	Iren Energia
Environment Park S.p.A.	Turin	Euro	11,406,780	3.39	Iren Energia
Nord Ovest Servizi	Turin	Euro	7,800,000	10.00	Iren Acqua Gas
RE Innovazione	Reggio Emilia	Euro	882,872	0.87	Iren Ambiente Holding
Rupe S.p.A.	Genoa	Euro	3,057,898	0.39	Immobiliare delle Fabbriche
S.D.B. S.p.A.	Turin	Euro	536,000	1.00	Iren Servizi e Innovazione (formerly Iride Servizi)
Stadio Albaro	Genoa	Euro	1,230,000	2.00	CAE Amga Energia
T.I.C.A.S.S.	Genoa	Euro	98,000	4.08	Iren Acqua Gas
TLR V. S.p.A.	Turin	Euro	120,000	99.996	Iren Energia
				0.001	Iren
				0.001	Iren Ambiente
				0.001	Iren Emilia
Valfontanabuona Sport S.r.l. (*)	Genoa	Euro	45,250	51.000	O.C.Clim S.r.l.

(*) investment held for sale

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

thousands of euro

IAS/IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	2,558,287		
Investment property	14,495		
Intangible assets	1,181,377		
Goodwill	124,407		
Investments accounted for using the equity method	421,260		
Other investments	15,565		
Total (A)	**4,315,391**	**Non-Current Assets (A)**	**4,315,391**
Other non-current assets	45,259		
Other payables and other non-current liabilities	(194,154)		
Total (B)	**(148,895)**	**Other non-current assets (liabilities) (B)**	**(148,895)**
Inventories	81,485		
Trade receivables	869,504		
Current tax assets	1,575		
Other receivables and other current assets	224,126		
Trade payables	(714,802)		
Other payables and other current liabilities	(202,902)		
Current tax liabilities	(77,164)		
Total (C)	**181,822**	**Net working capital (C)**	**181,822**
Deferred tax assets	308,277		
Deferred tax liabilities	(170,382)		
Total (D)	**137,895**	**Deferred tax assets (liabilities) (D)**	**137,895**
Employee benefits	(113,593)		
Provisions for risks and charges	(246,960)		
Provisions for risks and charges - current portion	(112,535)		
Total (E)	**(473,088)**	**Provisions and employee benefits (E)**	**(473,088)**
Assets held for sale	491		
Liabilities related to assets held for sale	-		
Total (F)	**491**	**Assets (Liabilities) held for sale (F)**	**491**
		Net invested capital (G=A+B+C+D+E+F)	**4,013,616**
Equity (H)	**1,975,985**	**Equity (H)**	**1,975,985**
Non-current financial assets	(55,808)		
Non-current financial liabilities	1,872,446		
Total (I)	**1,816,638**	**Non-current financial indebtedness (I)**	**1,816,638**
Current financial assets	(720,731)		
Cash and cash equivalents	(26,710)		
Current financial liabilities	968,434		
Total (L)	**220,993**	**Current financial indebtedness (L)**	**220,993**
		Net financial indebtedness (M=I+L)	**2,037,631**
		Own funds and net financial indebtedness (H+M)	**4,013,616**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial receivables and Cash and cash equivalents	Other receivables	Trade payables	Financial payables
SHAREHOLDERS - RELATED PARTIES					
Municipality of Genoa	8,241	68	-	3,950	220
Municipality of Parma	19,493	-	-	974	12
Municipality of Piacenza	3,571	-	-	430	4
Municipality of Reggio Emilia	5,933	-	-	2,945	8
Municipality of Turin	40,922	80,413	-	1,865	-
Finanziaria Sviluppo Utilities	48	-	2,759	-	-
Intesa Sanpaolo Group	-	2,550	-	-	248,983
JOINT VENTURES					
AES Torino	4,203	210,693	7,848	24,799	12
OLT Offshore LNG	958	416,500	-	-	-
Società Acque Potabili	19,089	-	-	2,357	-
Acquedotto Savona	15	-	-	-	-
Acquedotto Monferrato	3	-	-	-	-
ENìA Solaris	4	18,841	-	-	-
Iren Rinnovabili S.p.A.	308	5,142	-	179	1,320
Greensource	67	4,597	-	36	-
Sviluppo Idrico	-	7,573	-	-	-
ASSOCIATES					
Aciam S.p.A.	303	532	-	-	-
Acos Energia S.p.A.	894	-	-	(6)	-
Acos S.p.A.	14	246	-	-	-
Acquaenna S.c.p.a.	3,460	299	-	384	-
Aiga S.p.A.	166	466	-	-	-
Amat S.p.A.	48	-	-	5	-
AMIAT S.p.A.	168	1,846	-	-	-
Amter S.p.A.	2,247	58	-	310	-
ASA S.p.A.	8,210	6,614	-	1,765	-
ASTEA	-	827	-	-	-
Atena S.p.A.	137	217	-	14	-
Domus Acqua S.r.l.	35	-	-	-	-
Fondo Core Multiutilities	-	-	-	-	-
GICA s.a.	-	572	-	-	-
Global Service Parma	5,311	-	-	2,540	-
Il Tempio S.r.l.	-	310	-	-	-
Mondo Acqua	330	-	-	-	-
Piana Ambiente S.p.A.	62	-	-	-	-
Plurigas S.p.A. (in liquidation)	6	3,000	-	(682)	-
S.M.A.G. srl	85	-	-	1,073	-
Salerno Energia Vendite	3,126	-	-	185	-
Sinergie Italiane S.r.l.	21	-	11,040	7,576	-
So. Sel. S.p.A.	7	17	-	2,111	-
TRM V	417	-	-	-	-
Valle Dora Energia Srl	6	-	-	-	164
OTHER RELATED PARTIES					
Agac Infrastrutture	-	-	-	600	-
Parma Infrastrutture	17,679	-	-	1,531	-
Piacenza Infrastrutture	-	-	-	697	-
Sportingenova S.p.A.	3,265	-	-	-	-
TOTAL	**148,852**	**761,381**	**21,647**	**55,638**	**250,723**

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expense
SHAREHOLDERS - RELATED PARTIES					
Municipality of Genoa	-	5,181	1,500	-	-
Municipality of Parma	222	17,277	577	-	-
Municipality of Piacenza	-	8,329	437	-	-
Municipality of Reggio Emilia	-	14,999	451	-	-
Municipality of Turin	233	21,620	1,464	783	-
Finanziaria Sviluppo Utilities	-	14	-	-	-
Intesa Sanpaolo Group	-	-	380	2	3,858
JOINT VENTURES					
AES Torino	363	1,728	51,456	557	12
OLT Offshore LNG	-	288	-	8,341	-
Società Acque Potabili	-	2,972	615	-	-
Acquedotto Savona	-	77	6	-	-
Acquedotto Monferrato	-	3	-	-	-
ENìA Solaris	11	13	-	394	-
Iren Rinnovabili S.p.A.	3	312	198	193	-
Greensource	-	130	33	97	-
Sviluppo Idrico	-	-	-	-	-
ASSOCIATES					
Aciam S.p.A.	-	73	-	5	-
Acos Energia S.p.A.	-	7,068	-	-	-
Acos S.p.A.	-	24	-	-	-
Acquaenna S.c.p.a.	-	18	-	10	-
Aiga S.p.A.	-	9	-	6	-
Amat S.p.A.	-	83	7	-	-
AMIAT S.p.A.	-	149	2	-	-
Amter S.p.A.	-	1,166	289	-	-
ASA S.p.A.	-	287	34	-	-
ASTEA	-	(230)	-	320	-
Atena S.p.A.	-	134	6	-	-
Domus Acqua S.r.l.	-	-	-	-	-
Fondo Core Multiutilities	-	-	-	707	-
GICA s.a.	-	-	-	-	-
Global Service Parma	-	1,744	-	-	-
Il Tempio S.r.l.	-	-	-	1	-
Mondo Acqua	-	264	-	-	-
Piana Ambiente S.p.A.	-	-	-	-	-
Plurigas S.p.A. (in liquidation)	-	-	1,347	-	-
S.M.A.G. srl	-	5	1,298	-	-
Salerno Energia Vendite	-	11,748	-	-	-
Sinergie Italiane S.r.l.	-	43	49,852	-	-
So. Sel. S.p.A.	-	4	2,182	-	-
TRM V	-	189	1	-	-
Valle Dora Energia Srl	-	3	52	-	-
OTHER RELATED PARTIES					
Agac Infrastrutture	-	-	3,450	-	-
Parma Infrastrutture	-	4,052	1,188	(80)	-
Piacenza Infrastrutture	-	-	571	-	-
Sportingenova S.p.A.	-	-	-	-	-
TOTAL	**832**	**99,776**	**117,396**	**11,336**	**3,870**

STATEMENT REGARDING THE CONDENSED INTERIM REPORT PURSUANT TO ART. 154-BIS, ITALIAN LEGISLATIVE DECREE 58/1998

1. The undersigned, Nicola De Sanctis, CEO, 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, Legislative Decree no. 58 of 24 February 1998:

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

    of the administrative and accounting procedures in preparing the condensed interim report for the first half of 2014.

2. Furthermore, it is hereby declared that:

    2.1 the condensed interim report:

    a) is 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) corresponds with books and accounting records;

    c) is 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 consolidated interim report contains reliable analysis of important events which occurred in the first six months of the year and their impact on the condensed consolidated interim report, 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.

28 August 2014

CEO	Administration and Finance Director and Manager in Charge appointed under Law 262/05
Nicola De Sanctis	Massimo Levrino

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AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

To the Shareholders of
Iren SpA

1. We have reviewed the condensed consolidated interim financial statements of Iren SpA and its subsidiaries (the "Iren Group") as of 30 June 2014 and for the six months then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and related explanatory notes. The Directors of Iren SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34), as adopted by the European Union. Our responsibility is to issue this report based on our review.

2. Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB), with Resolution no. 10867 of July 31, 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles used therein, as well as the application of analytical review procedures on the data contained in the above mentioned condensed consolidated interim financial statements. The review excluded certain auditing procedures such as compliance testing, verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

   Regarding the comparative data of the consolidated financial statements of the prior year and of the condensed consolidated interim financial statements of the prior interim period, which are presented for comparative purposes, reference is made to our reports dated 18 April 2014 and 29 August 2013, respectively.

PricewaterhouseCoopers SpA

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3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Iren Group as of 30 June 2014 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34), as adopted by the European Union.

Turin, 29 August 2014

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

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

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