Annual Report

at 31 december **2016**

iren

Summary

Introduction

Directors' Report

Consolidated Financial Statements and Notes to Financial Statements

Separate Financial Statements and Notes to Financial Statements

NOTICE CONCERNING THE SHAREHOLDERS' MEETING

The shareholders are called to the ordinary meeting to be held at the Sala Campioli, Via Nubi di Magellano 30, Reggio Emilia on 20 April 2017 at 11 a.m., on single call, to discuss and resolve the following

Agenda:

1) Separate Financial Statements at 31 December 2016, Directors' Report on Operations and proposal for allocation of the profit: related and consequent resolutions.
2) Remuneration Report (section 1, under the terms of Art. 123-ter, paragraph 3 of the Consolidated Law on Finance): related and consequent resolutions.

The Chairperson of the Board of Directors

(Paolo Peveraro)

KEY FIGURES OF THE IREN GROUP

	Financial year 2016	Financial year 2015	Changes %
Income statement figures *(millions of euro)*			
Revenue	3,283	3,094	6.1
Gross Operating Profit (EBITDA)	814	678	20.1
Operating profit (EBIT)	427	347	23.1
Profit/(loss) before tax	303	246	23.2
Profit (loss) for the period - Group and non-controlling interests	185	140	32.1
Financial Position Figures *(millions of euro)*	*At 31/12/2016*	*At 31/12/2015*	
Net invested capital	4,745	4,231	12.1
Shareholders' equity	2,288	2,062	11.0
Net Financial Position	(2,457)	(2,169)	13.3
Financial/economic indicators			
	Financial year 2016	*Financial year 2015*	
GOP/Revenue	24.8%	21.9%	
	At 31/12/2016	*At 31/12/2015*	
Debt/Equity	1.07	1.05	
Technical and commercial figures	**Financial year 2016**	**Financial year 2015**	
Electricity sold (GWh)	15,045	12,383	21.5
Thermal energy produced (GWh_t)	2,868	2,870	(0.1)
District heating volume (mln m^3)	84.8	81.9	3.5
Gas sold (mln m^3)	2,752	2,568	7.2
Water distributed (mln m^3)	170	162	4.9
Waste collected (tons)	1,216,923	1,171,623	3.9
Waste disposed of (tons)	1,102,568	764,702	44.2

The Group is structured according to a model which provides for an industrial holding company, with registered office in Reggio Emilia, and four companies responsible for the single business lines operating in the main operating bases of Genoa, Parma, Piacenza, Reggio Emilia, Turin and owing to the recent acquisition of the Atena Group also in Vercelli.
The Holding is responsible for the strategic, development, coordination and control activities, while the four Business Units (BUs) have been entrusted with the coordination and guidance of the Companies operating in their respective sectors:

- Energy Business Unit operating in the sector of electricity production and district heating
- Market Business Unit active in the sale of electricity, gas and heat
- Networks Business Unit which operates in the field of the integrated water cycle, and in the gas distribution and electricity distribution sectors
- Waste Management Business Unit which performs the activities of waste collection and disposal.

In January 2016 the Group acquired control over TRM S.p.A. This company has won the contract to design, build and manage up to 2034 the waste-to-energy plant for municipal and similar waste serving the province of Turin.
As of 1 May 2016 the Iren Group has consolidated the company Atena SpA, operating in the integrated water cycle, electricity and gas distribution and environment and the company Atena Trading active in the sale of electricity and gas.

The Group has an important customer portfolio and a significant number of plants in support of the operating activities:
Electrical energy production: a considerable number of electricity and heat production plants for urban district heating production; electricity production in 2016 was approximately 9,100 GWh.

Gas Distribution: through its network of approximately 7,973 kilometres Iren serves more than 742,000 customers.

Electricity Distribution: with 7,715 kilometres of high, medium and low voltage underground and overhead networks, the Group distributes electricity to more than 713,000 customers in Turin, Parma and Vercelli.

Integrated water cycle: with around 18,494 kilometres of aqueduct networks, almost 9,617 km of sewerage networks and 1,136 treatment plants, Iren provides services to more than 2,670,000 residents.

Environmental cycle: with 152 equipped ecological stations, 3 waste-to-energy plants, 5 landfill sites, 18 treatment, selection, storage and recovery plants and 2 composting plants, the Group serves 147 municipalities for a total of more than 2,100,000 residents and around 1,813,320 tonnes managed in 2016.

District heating: through 905 kilometres of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 85 million m^3, equivalent to a population served of over 846,000 residents.

Sales of gas, electricity and heat: each year the Group sells over 2.7 billion m^3 of gas, more than 15,000 GWh of electricity and almost 2,900 GWh_t of heat for the district heating networks.

COMPANY OFFICERS

Board of Directors [1]

Chairperson	Paolo Peveraro [2]
Deputy Chairperson	Ettore Rocchi [3]
Chief Executive Officer	Massimiliano Bianco [4]
Directors	Moris Ferretti[5]
	Lorenza Franca Franzino [6]
	Alessandro Ghibellini [7]
	Fabiola Mascardi
	Marco Mezzalama [8]
	Paolo Pietrogrande [9]
	Marta Rocco [10]
	Licia Soncini [11]
	Isabella Tagliavini [12]
	Barbara Zanardi [13]

Board of Statutory Auditors [14]

Chairperson	Michele Rutigliano
Standing Auditors	Emilio Gatto
	Annamaria Fellegara
Supplementary Auditors	Giordano Mingori
	Giorgio Mosci

Financial Reporting Manager

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A. [15]

(1) Appointed by the Shareholders' Meeting of 09 May 2016 for the three years 2016-2017-2018.
(2) Appointed Chairperson by the Shareholders' Meeting of 09 May 2016.
(3) Appointed Deputy Chairperson at the meeting of the Board of Directors of 09 May 2016.
(4) Appointed Chief Executive Officer at the meeting of the Board of Directors of 09 May 2016.
(5) Member of the Remuneration and Appointments Committee, appointed on 12 May 2016.
(6) Member of the Transactions with Related Parties Committee, appointed on 12 May 2016.
(7) Member of the Control and Risk Committee (from 20 December 2016 named "Control, Risk and Sustainability Committee"), appointed on 12 May 2016.
(8) Member of the Control and Risk Committee (from 20 December 2016 named "Control, Risk and Sustainability Committee"), appointed on 12 May 2016.
(9) Member of the Control and Risk Committee (from 20 December 2016 named "Control, Risk and Sustainability Committee"), appointed on 12 May 2016. Mr Pietrogrande was also appointed Chairperson of the said Committee during the Committee meeting held on 18 May 2016.
(10) Member of the Remuneration and Appointments Committee, appointed on 12 May 2016. Ms Rocco was also appointed Chairperson of the Remuneration and Appointments Committee during the Committee meeting held on 24 May 2016.
(11) Member of the Transactions with Related Parties Committee, appointed on 12 May 2016.
(12) Member of the Remuneration and Appointments Committee, appointed on 12 May 2016.
(13) Member of the Transactions with Related Parties Committee, appointed on 12 May 2016. Ms Zanardi was also appointed Chairperson of the Transactions with Related Parties Committee during the Committee meeting held on 24 May 2016.
(14) Appointed by the Shareholders' Meeting of 28 April 2015 for the three years 2015–2016–2017.
(15) Appointed by the Shareholders' Meeting of 14 May 2012 for the nine years 2012–2020.

LETTER TO SHAREHOLDERS

Dear Shareholders,

2016 was a particularly significant year in the Iren Group's development process and the accounting results presented by the Board of Directors are very positive and confirm your Company's constant growth.

Results were obtained in a national and global context marked by great tensions and uncertainties which are difficult to understand. 2016 was distinguished by significant "breakage" events namely the election of Donald Trump as President of the USA, the decision of the United Kingdom to abandon the European Union and the vote of Italians in the Referendum against changes to the constitutional law.
It was a year characterised by great uncertainties also on the energy front, where the proportion of foreign gas imported by Italy remains stably above 90% and the leading suppliers of hydrocarbons are countries such as Russia, Libya, Iraq and Azerbaijan. 2016 also saw, as a surprise, the closure for maintenance of more than a third of the French nuclear power stations, an operation that entailed a sharp rise in the price per megawatt-hour.

The domestic sector of public services - which generates revenue of more than 6% of Italian GDP - was also affected by elements of notable uncertainty: the announced gas tenders have not yet begun, the ideological debate on the so-called "public water" continues following the outcome of the 2011 Referendum and entire areas of the country still cannot manage to find answers to the problem of waste.

Utilities is a complex and articulated sector, which for years has been going through a period of profound transformation, characterised – despite the aggregation and consolidation processes in progress - by great fragmentation, above all in the field of water and waste management services, even considering the numerous actions aimed at rationalisation attempted by parliament.

In this scenario the Iren Group has been a protagonist in several operations that consolidated its vocation as a leading aggregator and development driver in its core territories and in the industrial supply chains overseen. During 2016, your Company in particular defined among other things the acquisition of 80% of TRM S.p.A., the company that manages the Turin waste-to-energy plant, 60% of Atena Vercelli and 45% of Gaia, a company operating in environmental management in Asti and its Province.

The efforts and commitment made by the whole Company in implementing the strategic lines outlined in the Business Plan to 2021, seeking the maximum efficiency and integration, have in the economic and financial results their most concrete demonstration.

The Iren Group: ended 2016 with revenue of 3,283 million euro (+6.1% compared to the previous year), a Gross Operating Profit of 814.2 million euro (up 20.1% compared to 2015) and an Operating Profit of 426.8 million euro (+23.1% compared to 2015). The Group's net profit was 174 million euro, (+47.2% compared to 2015).
Net Financial Debt at 31/12/2016 amounted to 2,457 million euro, up by approximately 288 million euro mainly as a result of the full consolidation of TRM S.p.A and of a number of minor acquisitions. Net of this consolidation change, net financial debt would have decreased by approximately 147 million euro.

Particular attention was paid to Investments which look to the world of innovation, one of the pillars of the business plan on which the Group is building its growth process. This commitment is testified also by the "Top Utility Innovation & Technology" award, won in early 2017, which recognises Iren as the best utility in terms of investments in research and development aimed at innovation. In the scope of innovation Iren plays a role in several projects co-financed at the European and national level with the involvement of industrial firms all over Europe. A blend of contacts and partners at the base of an open innovation model will enable your Company to respond quickly to the ever-faster changes that technological evolution brings, with the objective of offering our customers a service with increasingly high added value.

A service which for Iren translates into pursuing excellence in its fields of work: from separate waste collection, which in 2016 came out at 59.2% compared to a national average figure of 47.5%, to the percentage of leaks on the water network at 24% compared to the national average of 35%.

Innovation cannot be separated from a generational turnover process: more than 100 young talents under 31 years of age have joined the Company in the last 18 months, adding new skills and energy to serve the businesses.

Not only excellent numbers: Iren continues to grow also maintaining great attention to its core territories. Support that is expressed through the 2.2 billion euro of investments provided for in the business plan to 2021, 98% of which destined for development in local areas, generating a significant effect in social and economic terms. An effect that develops further in the support for theatres and initiatives in the cultural, environmental and sporting fields that your Company provides in the core territories.
An attention that was paid also to other areas as seen in the initiatives carried out by the company and by its employees with collections of donations and targeted actions for the areas of central Italy hit by the earthquake.

Environmental sustainability is increasingly at the centre of the new global challenges: the Government's agenda, the guidelines of the European Union, the targets at 2030 of the United Nations and many other institutional initiatives take place in a scenario that requires planning and action to safeguard the future of the Earth. In this logic the Iren Group's policies continued also in 2016 in keeping with the principles of environmental, social and economic sustainability.
Respect for and protection of the environment, energy efficiency, constant dialogue with communities and local areas, customer satisfaction and attention to professional development of employees have been the guiding values that represent the corporate identity and are the supporting columns of the business plan to 2021. A plan that puts the stress on activities with low environmental impact such as district heating networks, consolidation of plants associated with the "Waste to Material" concept as well as the implementation of systems that enable remote reading and remote management of electricity, gas and water meters and electronic smart grids.

I must again remind you of the work done in the educational field because education is the most effective and strategic way for affirming a culture of sustainability and innovation.
In 2016 your Company increased again its commitment in the schools of Liguria, Piemonte and Emilia Romagna meeting almost 90,000 people, to whom lifestyles more respectful of the environment were illustrated, encouraging the awareness that the resources are limited so that it is necessary to find a sustainable balance to development.

The Business Plan to 2021 reconfirmed the strategic guidelines based on efficiency, consolidation, focus on Customers and sustainability, adding a renewed attention to satisfying the Shareholders, testified by the proposal to the Shareholders' Meeting of a dividend 14% higher than in 2015, a figure that places Iren among the stocks with the best remuneration policy in the sector.

On behalf of the Board of Directors, I would like to thank all our employees for their expertise and commitment shown every day in their work, which have led to our achieving these results. Finally, I also want to thank all members of the Board of Directors and of the Board of Statutory Auditors for their decisive contribution to the growth of your Company.

The Chairperson of the Board of Directors
(Paolo Peveraro)

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 and 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 adequate profitability.

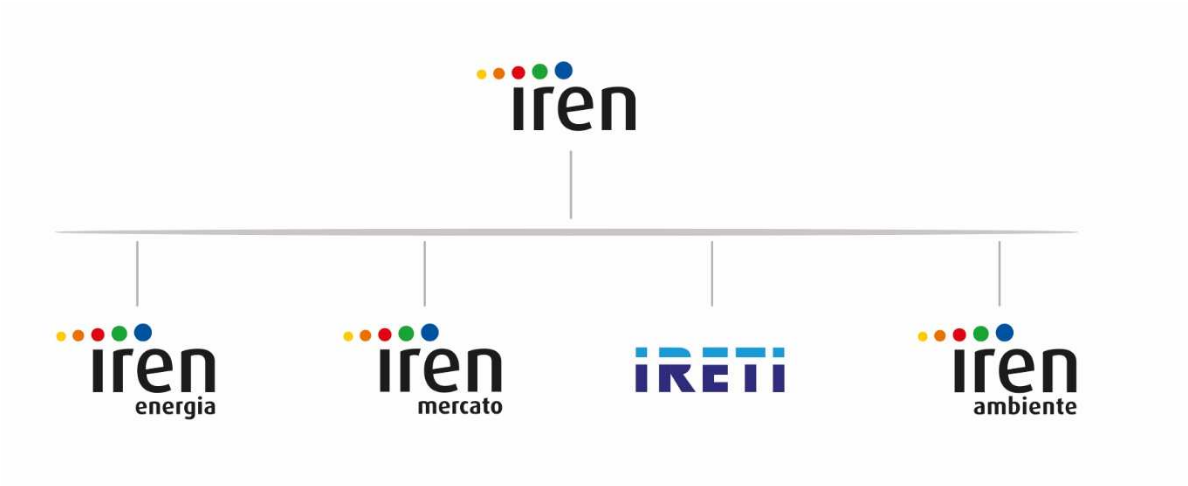
"I think having land and not ruining it is the most beautiful art that anybody could ever want to own."

ANDY WARHOL

Directors' Report

at 31 december **2016**

THE CORPORATE STRUCTURE OF THE IREN GROUP



Note that this is the organisational structure for management purposes.

The presentation includes the Companies directly and entirely controlled by Iren S.p.A. In addition, Iren S.p.A. has a direct equity interest in the associate Plurigas S.p.A. – this company was placed in voluntary liquidation by the Shareholders' Meeting of 27 March 2013.

ENERGY BU

Cogeneration production of electricity and heat

Iren Energia has a total of approximately 3,000 MW of installed capacity (in electrical set-up), in particular it has 25 electricity production plants: 19 hydroelectric plants, 6 thermoelectric cogeneration plants and 1 thermoelectric plant, for a total capacity of approximately 2,800 MW of electricity and 2,300 MW of heat, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are eco-compatible. In particular, the hydroelectric production system plays an important role in environmental protection, as it uses a renewable and clean resource without the emission of pollutants. Hydroelectric energy reduces the need to make use of 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. 40% of total heat production capacity is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. Iren Energia oversees the Group's electricity and thermal energy planning and dispatching activities.

District heating

In Turin Iren Energia has the largest district heating network in Italy, with 554.2 km of dual pipes (of which 23.9 km in the Municipality of Nichelino), and the networks of Reggio Emilia with an extension of 218.7 km, Parma with 98.7 km, Piacenza with 22.7 km and Genoa with approximately 10.3 km, for a total of 904.6 km.

Starting from 01 October 2015 Iren Energia, following the transfer of the business unit from Iren Emilia, manages directly the operation and maintenance of the district heating plants of the cities in Emilia. The total volume heated at 31 December 2016 amounted to 84.8 million cubic metres, up compared to 2015 by 3.6%.

Services to Local Authorities and Global Service

Iren Servizi e Innovazione works in the field of street and monument lighting and traffic lights, and manages, in technological global service, the thermal and electrical systems of the public buildings of the city of Turin and renewable and alternative energy.

In agreement with Turin City Council it is carrying out a structured plan of renewals aimed at improving energy efficiency and limiting consumption, which involves replacing traditional mercury lamps with LED lamps.

MARKET BU

Through Iren Mercato the Group sells electricity, gas and heat, supplies fuel to the Group, trades energy efficiency certificates (or white certificates), green and emission trading certificates, provides customer management services to Group companies, and supplies heat services and sells heat through the district heating network. On 1 May 2016 Atena Trading, a company operating in the sale of both electricity and gas also became part of the group.

Iren Mercato operates at the national level with a higher concentration of customers served in the Centre and North of Italy and handles the sale of the energy provided by the Group's various sources on the market represented by final customers and other wholesale operators.

The main Group energy sources available for its activities 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 electricity market in Turin province and the Parma area.

Historically it has operated in the direct sale of natural gas in the territories of Genoa, Turin and Emilia.

Lastly, it handles heat sales to district heating customers in Turin and the provincial capitals of Reggio Emilia, Parma, Piacenza and Genoa and sales development in new district heating areas.

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

Sale of Natural Gas

Total volumes of natural gas procured during 2016 were 2,752 million m³ of which 998 million m³ were sold to end customers outside the Group and 1,547 million m³ were used within the Iren Group both for electricity and thermal energy production and for the provision of heating services.

At 31 December 2016, gas customers managed by the Market Business Unit were approximately 805,000, spread throughout the traditional Genoa, Turin and Emilia Romagna catchment area and surrounding development areas, and customers of the new Vercelli catchment area brought in by Atena Trading, consolidated as from 1 May 2016 (approximately 26,000 customers).

Sale of electricity

The volumes sold in 2016 by the Market BU amounted to 9,539 GWh.

Retail electricity customers managed at 31 December 2016 were more than 790,000 distributed mainly in the areas traditionally served, corresponding to Turin and Parma, and in the areas covered commercially by the company and by Atena Trading (approximately 28,000 customers).

Sale of heat through the district heating network

Iren Mercato manages the sale of heat, purchased from Iren Energia, to customers receiving district heating in the municipalities of Genoa, Turin and Nichelino, and in the provinces of Reggio Emilia, Piacenza and Parma.

The total district heating volumes at 31 December 2016 amounted to 84.8 million cubic metres.

Heat service management

The Group sells heat management services and global services to both private entities and public bodies.

NETWORKS BU

Following the extraordinary corporate rationalisation operations, carried out at the end of 2015 and with effect from 1 January 2016, the activities related to the Networks BU were performed mainly by the company IRETI, which incorporates the former companies Genova Reti Gas, Iren Acqua Gas, Iren Emilia, AEMD and Acquedotto di Savona. The company handles the integrated water cycle, electricity distribution, natural gas distribution and other minor activities. On 1 May 2016 Atena Trading also became part of the group. This company operates in the supply of integrated water cycle services and of electricity and gas distribution in the territory of the city and in part of the province of Vercelli.

Integrated Water Services

IRETI, directly and through the operating subsidiaries Mediterranea delle Acque and Idrotigullio, and since May also Atena S.p.A. as mentioned above, operates in the field of water supply, sewerage and waste water treatment in the provinces of Genoa, Savona, Piacenza, Parma, Reggio Emilia and Vercelli. With acquisition of the business unit known as "Ramo Ligure" from Società Acque Potabili S.p.A. with effect from 1 July 2015, IRETI extended to 4 more municipalities (Camogli, Rapallo, Coreglia Ligure and Zoagli) in the Genoa ATO and to the municipality of Bolano (La Spezia) management of the integrated water service consolidating its presence in the territory. Overall in the Optimal Territorial Areas ("Ambiti Territoriali Ottimali" - ATOs) managed (Genoa Area, Reggio Emilia, Parma, Piacenza, Savona and La Spezia), the service is provided in 206 Municipalities serving over 2.6 million residents. The Municipalities served in the province of Vercelli are 14 plus the capital. During 2016 the Networks BU sold approximately 170 million cubic metres of water, through a distribution network of approximately 18,500 km. As regards waste water, the company manages a total sewerage network spanning approximately 9,600 km.

Gas distribution

IRETI distributes natural gas in 75 municipalities of the provinces of Reggio Emilia, Parma and Piacenza, in the municipality of Genoa and in 19 other municipalities nearby. Through Atena S.p.A. it distributes gas in the city of Vercelli and in 11 other municipalities of the province. The distribution network made up of 7,973 km of high, medium and low pressure pipes serves a catchment area of approximately 742,000 customers. During 2016 IRETI distributed approximately 1,250 million cubic metres of gas.

Electricity distribution

With approximately 7,715 km of network in medium and low voltage IRETI provides the electricity distribution service in the cities of Turin and Parma. Atena S.p.A. distributes electricity in the city of Vercelli.

WASTE MANAGEMENT BU

The Waste Management BU carries out the activities of waste collection and disposal mainly through three companies: Iren Ambiente, operating in the Emilia area, AMIAT and TRM operating in the Piemonte area. In May Atena S.p.A. also became part of the group; this company is an IRETI investee but also operates in waste collection work in the city of Vercelli and in 26 other municipalities of the province. During 2016 the plant network of the BU was increased with the purchase of the company REI S.r.l. situated in the Piemonte area and with the equity interest in the company ReCos S.p.A. operating in the Liguria area. The Waste Management BU carries out all the activities of the urban waste management chain (collection, selection, recovery and disposal) with particular attention to sustainable development and to environmental protection confirmed by growing levels of separate waste collection; it also manages an important customer portfolio to which it provides all the services for special waste disposal.
In January 2016 the Group acquired control over TRM S.p.A., the company that manages the Turin waste-to-energy plant. This plant has a waste-to-energy capacity of approximately 500 thousand tonnes/year of waste with energy recovery and has enabled the Group to triple its waste-to-energy capacity, confirming IREN among the top three companies at the national level in terms of waste handled.
On 1 October 2016 an equity investment was acquired in the company ReCos S.p.A. based in La Spezia, of which Iren Ambiente S.p.A. holds 25.5%. ReCos S.p.A. performs both management and maintenance of the WDF production plant in the municipality of Vezzano Ligure and the composting plant in the municipality of Arcola. In December 2016, with the start of operations planned for the first quarter of 2017, the Group acquired the single-plant company REI S.r.l. set up for the creation of a new landfill site, to include hazardous and exclude municipal waste, based in Pianezza (TO).

INFORMATION ON THE IREN SHARE IN 2016

Iren share performance on the Stock Exchange

During 2016 the FTSE Italia All-share (the main Borsa Italiana index), recorded a drop of 6.8%, due mainly to the negative performance of the banking sector. This result can also be attributed to the effects of the persistent uncertainty and global economic fragility represented by the weakness in the oil price, in particular in the first half of the year.

In this scenario the IREN stock rose by about 7.4%, recording for the second consecutive year the greatest increase in value among its most direct competitors.

At the end of December 2016, the IREN stock stood at 1.56 euro per share, with average trading volumes in the year of approximately 1.8 million units per day.

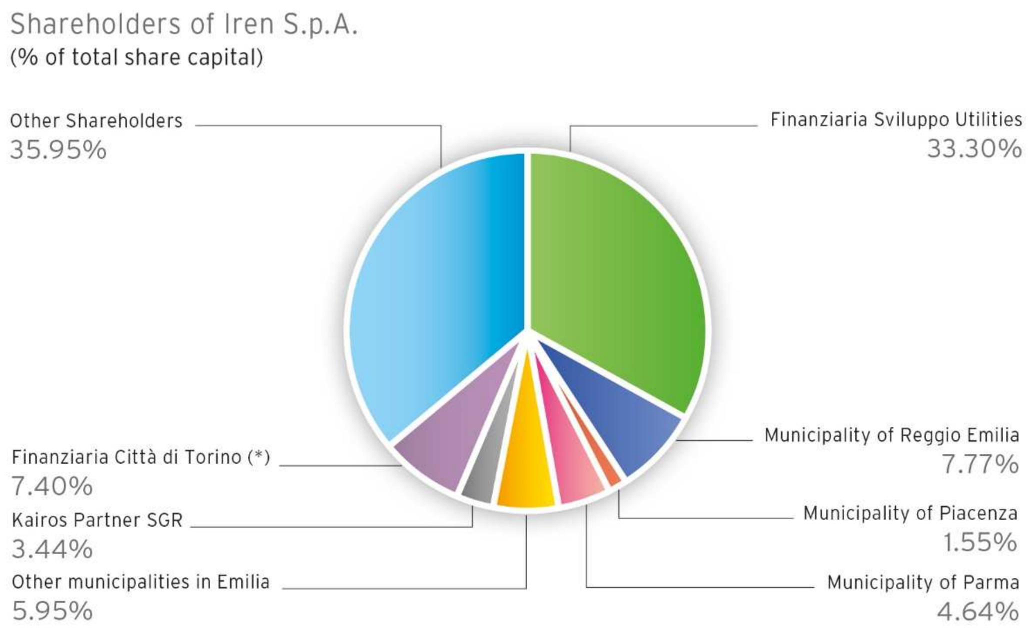
In 2016 the average price was 1.48 euro per share, with a peak at 1.67 euro per share recorded on 30 May and a low of 1.27 euro per share on 05 February.

Share coverage

During 2016 the IREN Group was followed by seven brokers: Banca IMI, Banca Akros, Equita, Fidentiis, Intermonte, KeplerCheuvreux and Mediobanca. Subsequently Main First was added, activating coverage starting from 23 January 2017.

Shareholding structure

At 31 December 2016, based on available information, the shareholding structure of Iren was as follows:

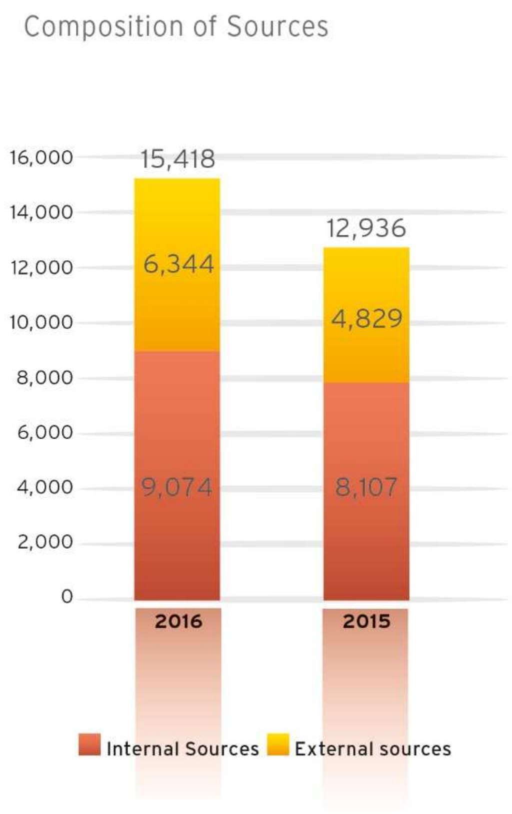


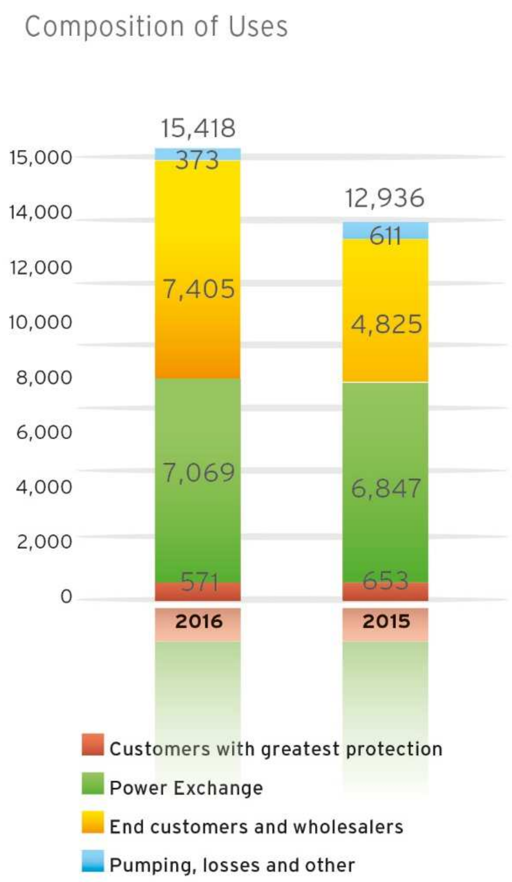
*Savings shares without voting rights

OPERATING DATA

Electricity balance sheet

GWh	Financial Year 2016	Financial Year 2015	Changes %
SOURCES			
The Group's gross production	9,074	8,107	11.9
a) Hydroelectric	*1,228*	*1,479*	(17.0)
b) Cogeneration	*5,360*	*4,746*	*12.9*
c) Thermoelectric	*1,986*	*1,665*	*19.2*
d) Production from WTE plants and landfills	*500*	*217*	*130.4*
Purchases from *Acquirente Unico* (Single Buyer)	601	664	(9.5)
Energy purchased on the Power Exchange	3,519	1,865	88.7
Energy purchased from wholesalers and imports	2,224	2,300	(3.3)
Total Sources	**15,418**	**12,936**	**19.2**
USES			
Sales to protected customers	571	653	(12.5)
Sales on the Power Exchange	7,069	6,847	3.2
Sales to eligible final customers and wholesalers	7,405	4,825	53.5
Pumping, distribution losses and other	373	611	(39.0)
Total Uses	**15,418**	**12,936**	**19.2**

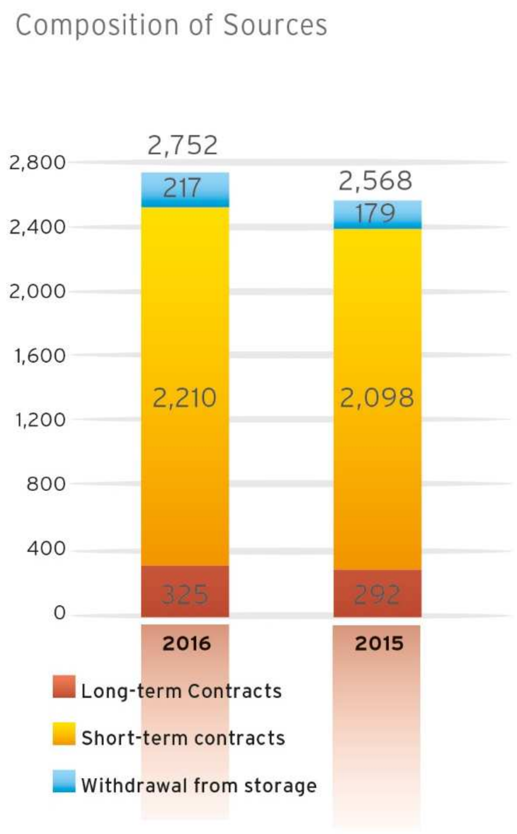


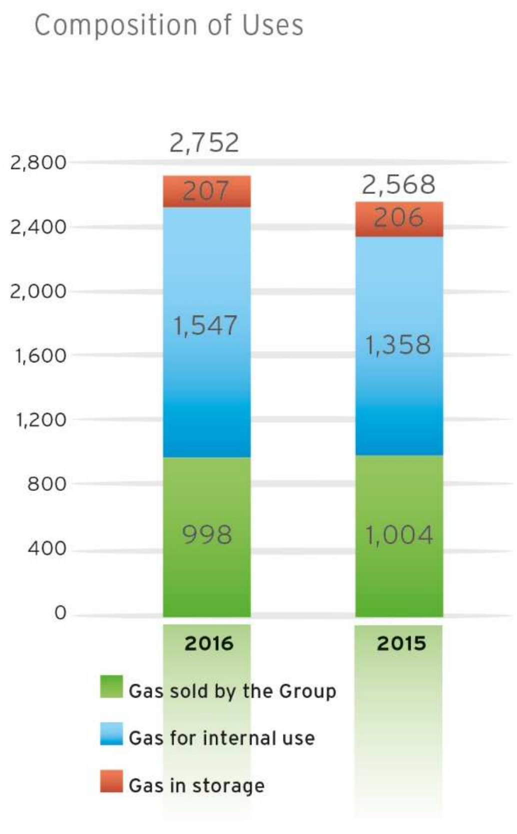


Gas Production

Gas Production Millions of m³	Financial Year 2016	Financial Year 2015	Changes %
SOURCES			
Long-term contracts	325	292	11.4
Short- and medium-term contracts	2,210	2,098	5.3
Withdrawals from storage	217	178	21.9
Total Sources	**2,752**	**2,568**	**7.2**
USES			
Gas sold by the Group	998	1,004	(0.6)
Gas in storage	207	206	0.5
Gas for internal use [(1)]	1,547	1,358	13.9
Total Uses	**2,752**	**2,568**	**7.2**

(1) Internal use involves thermoelectric plants and use for heat services and internal consumption





Network services

	Financial Year 2016	Financial Year 2015	Changes %
ELECTRICITY DISTRIBUTION			
Electricity distributed (GWh)	4,148	3,995	3.8
No. of electronic meters	688,854	740,272	(6.9)
GAS DISTRIBUTION			
Gas introduced into the Emilia area network (mln m³)	*878*	*871*	*0.8*
Gas introduced into the Genoa area network (mln m³)	*345*	*338*	*2.1*
Gas introduced into the Vercelli area network (mln m³)	*26*	-	*n.s.*
Total Gas *introduced into the network*	1,250	1,209	3.4
DISTRICT HEATING			
District heating volume (mln m³)	84.8	81.9	3.6
District heating network (Km)	905	883	2.5
INTEGRATED WATER SERVICE			
Water volume (mln m³)	170	162	4.9

MARKET CONTEXT

THE MACROECONOMIC SCENARIO

The Italian economy recorded positive signs at the beginning of the year, with a GDP increase in the first quarter of 0.3% on a quarterly basis, while the second quarter of 2016 was quite disappointing with real GDP stable compared to the first quarter of the year. The third and fourth quarters of 2016 recorded small positive signs in production. The annual average for GDP could therefore record an increase in real terms of around 1%. Almost all components of demand contributed to the modest acceleration in growth (in 2016 of 0.8%), but the signs of a turnaround in the cycle are weak and subject to much uncertainty. What was missing was above all driving force of investments, even though they were encouraged by fiscal policy changes and favourable monetary policy conditions, as well as by labour market reforms. The political uncertainty, the weakness of demand and the low dynamism of international trade discouraged companies from investing in new production capacity, despite the improvement in the competitive conditions of businesses.
Some reflections are presented below on the structural weaknesses that are conditioning the intensity of the Italian recovery.

Household spending

Italian households saw growth in net available income in real terms, deriving also from falling inflation, to a greater extent compared to other European countries. However the increase in average income was not the result of an improvement of all classes of income. Income distribution of continues to favour higher earners. With almost no change in salaries the distribution of employment opportunities was very unfavourable for the weakest segments.
Employment in fact increased, but not for young people - the incentives for new employment expanded the demand for work for some time, but the structure of available income is increasingly affected by the structural change in the employed population: in three years the number of employed people less than 35 years old fell by 160 thousand. The ageing also reduced the number of people employed in the central age bands and increased, owing to the simple passing of years, the over-fifties employed (together with the increase in the retirement age). In three years the number of over-fifties employed grew by 1 million: overall the latter currently represent approximately a third of the labour force employed. The cohorts of older employed people displaced young people, but for them, besides a lower spending propensity, the growing uncertainty about the future sustainability of the pension system needs to be considered; this leads to an increase in the propensity to save.

Investments

Investments should be the driver of growth also for 2017: the majority of companies interviewed stated in fact levels of access to credit and of liquidity in line with the figures existing before the crisis. The difficulty of accessing credit seems to have been overcome for companies that have survived the crisis. The productive fabric changed radically during the long crisis; the sectors typical of products made in Italy have survived, with an average need for fixed capital lower than that of the productive structure before the crisis.
The resistance of a positive trend in exports and the slight recovery of market shares in a context in which global trade was in decline, are the symptom of an industry which is, very gradually, reorganising and freeing itself from obsolete production capacity. On the other hand, it has to be noted that the degree of use of the plants at the end of 2016 was lower than that of a year before. The public sector planned to get infrastructural investments started again, after the long decline that accompanied the manoeuvres to reduce the deficit agreed in the context of the European Fiscal Compact policies. The conditions of the public budget are still difficult and the decision-making process still very slow, above all in the context of political uncertainty which has followed the outcome of the referendum.

Exports

In 2016 moderate growth was recorded in foreign trade, with exports of goods to the euro area increasing, attenuated by a decrease in volumes to non-EU countries. For 2016 exports of goods and services are for this reason expected at around 1.6%, stimulated also by the falling euro, showing a slightly rising trend although not with confidence like what was achieved in 2015 (in which figure of 4.3% was recorded).

Structural weakness of the banking system and political instability: the greatest risks for 2017
The transmission of monetary policy through the credit channel remains impeded by the structural difficulties of the Italian banking systems, limiting the impact of low interest rates on demand. To this must be added the growing degree of systemic uncertainty that the European and American economies and policies are going through. The fiscal impulse deriving from the automatic stabilisers of the public budget in 2017 was besides called into question by the EU, which is asking for new corrective measures. From the macroeconomic point of view, 2017 is therefore expected to be still difficult and full of unknowns.

THE OIL MARKET

In 2016 the average price of crude oil was 43.69 $/bbl, down compared to the same period of 2015 (-17%), with an average $/€ exchange rate of 1.106 $/€, essentially in line with the quotation of the previous year (-0.03%). As a result of the previous trends, the average price of crude oil in euro was 39.53 €/bbl in 2016, considerably down compared to the 2015 average (-17%).
In 2016 the spot prices of Brent Dated showed a growing trend, showing strong signs of recovery in December, with a peak of 53.60 $/bbl (+22.90 $/bbl compared to the figure at the beginning of the year), after high volatility between October and December, oscillating between 46 $/bbl and 56 $/bbl. The fluctuation of the last few months of 2016 was mainly driven by expectations of a reduction in the surplus of oil products, deriving from the recent agreements reached on redefining the production ceiling of the OPEC countries and by the further production cut agreed between OPEC and non-OPEC countries.

Brent Price Trends ($/bbl)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	30.69	32.48	38.49	41.48	46.88	48.34	45.10	45.77	46.67	49.66	45.13	53.60
2015	47.86	58.13	55.92	59.76	64.32	61.69	56.54	46.64	47.61	48.56	44.29	38.21

Source: REF-E processing of Platts data

THE ELECTRICITY MARKET

Supply and demand

In 2016 the production of electricity in Italy was 275.65 TWh, up compared with the previous year by 1.2%. The demand for electricity, of 310.25 TWh, was met for 88% from national production, while for the remaining 12% from foreign production, showing growth in national production compared to 2015 of 3%.
At the national level, traditional thermoelectric production was 187.46 TWh, representing an increase of 2.5% compared to 2015 and represented 68% of the production supply; hydroelectric production was 42.32 TWh (-8.9% compared to 2015) representing 15% while geothermal, wind and photovoltaic production was 45.86 TWh (+6.4% compared to 2015) covering 17% of supply.
Consumption of 2016 was down compared to the previous year with a drop of -2.1%. The percentage decreases occurred in all zones, in particular in the Northern zone of -0.5%, in the Centre of -2.9%, in the South of -3.7% and on the Islands of -4.7%.

Demand and supply of accumulated electricity
(GWh and changes in trends)

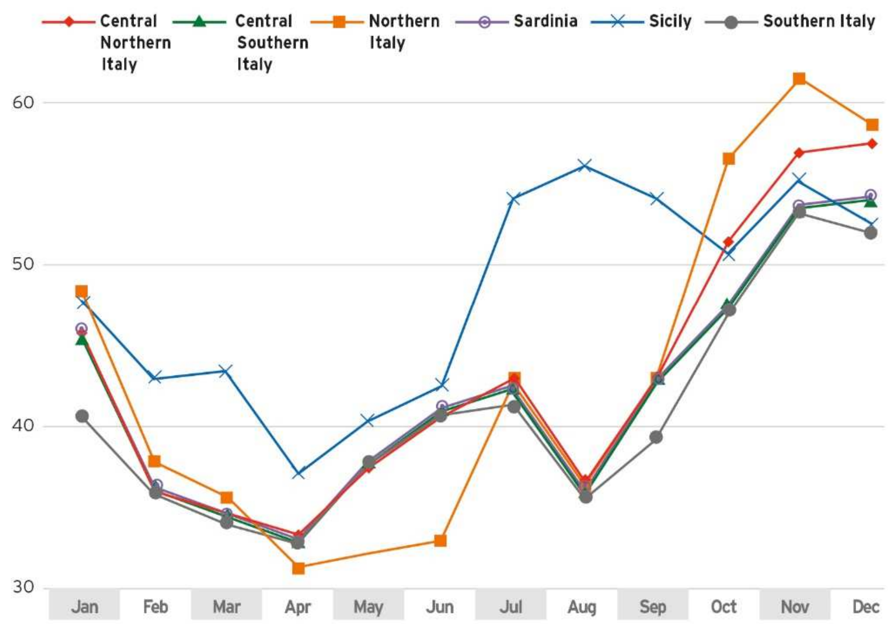
	up to 31/12/2016	up to 31/12/2015	Change %
Demand	**310,251**	**316,897**	**-2.1%**
Northern Italy	144,208	145,000	-0.5%
Central Italy	92,424	95,150	-2.9%
Southern Italy	45,994	47,754	-3.7%
Islands	27,625	28,992	-4.7%
Net production	**275,649**	**272,428**	**1.2%**
Hydroelectric	42,323	46,451	-8.9%
Thermoelectric	187,461	182,861	2.5%
Geothermoelectric	5,865	5,824	0.7%
Wind and photovoltaic	40,000	37,292	7.3%
Pumping consumption	-2,424	-1,909	27.0%
Foreign balance	**37,026**	**46,378**	**-20.2%**

Source: Terna & GME

Day-Ahead Market (DAM) prices

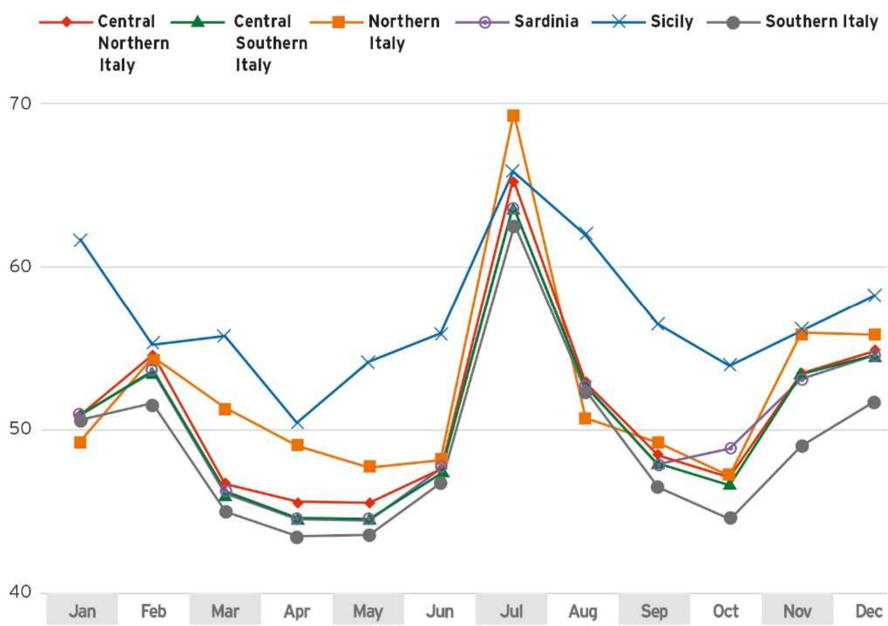
In 2016 the zonal prices fell in general by -18% compared to the previous year showing a drop in all zones and consequently also of the SNP. The zones that recorded the greatest decrease (-19%) were the North and Sardinia zones, while Centre-North and Sicily saw a smaller reduction (-17%).
This drop was greater in the third quarter (-26%), if we look at the average figure between the zones, although the largest difference compared to 2015 was recorded in the North zone in the second quarter, the price of which was -35% lower than in the respective quarter of 2015.
Unlike the trend recorded from the start of the year, in the last quarter the zonal prices saw an average increase of 1%, with the North zone which, recording +10% compared to the same period of 2015, drove this growth; the Centre-North (+5%) and the South (+3%) followed in its wake while the average price of the remaining zones was lower compared to that of 2015 (Centre-South -1%, Sardinia -2%, Sicily -7%). As a consequence the SNP in the fourth quarter was 6% higher than in the respective quarter of 2015.
In the fourth quarter, following the reduction of imports from abroad (in particular from France) by means of Market Coupling, an average price was recorded in the North zone of 58.54 €/MWh (average CCT -2.59 €/MWh). The North zone also recorded the highest monthly average price of 2016 (61.16 €/MWh in November).
The remaining zones recorded prices very similar to each other with slight variations in certain hours.
Overall, 2016 recorded therefore: a price in Sicily structurally higher on average than the other zonal prices and a price in the North zone with greater variability, as it recorded constantly a lower price than the other zonal prices in the second quarter (reaching a record low price,
on average of 30.83 €/MWh) with a sharp rise in the last three months (reaching the highest price of 2016 in November). The other zonal prices showed trends very similar to each other.

ITALIAN ZONAL PRICE TRENDS 2016 (€/MWH)



Source: REF-E processing of GME data

ITALIAN ZONAL PRICE TRENDS 2015 (€/MWH)



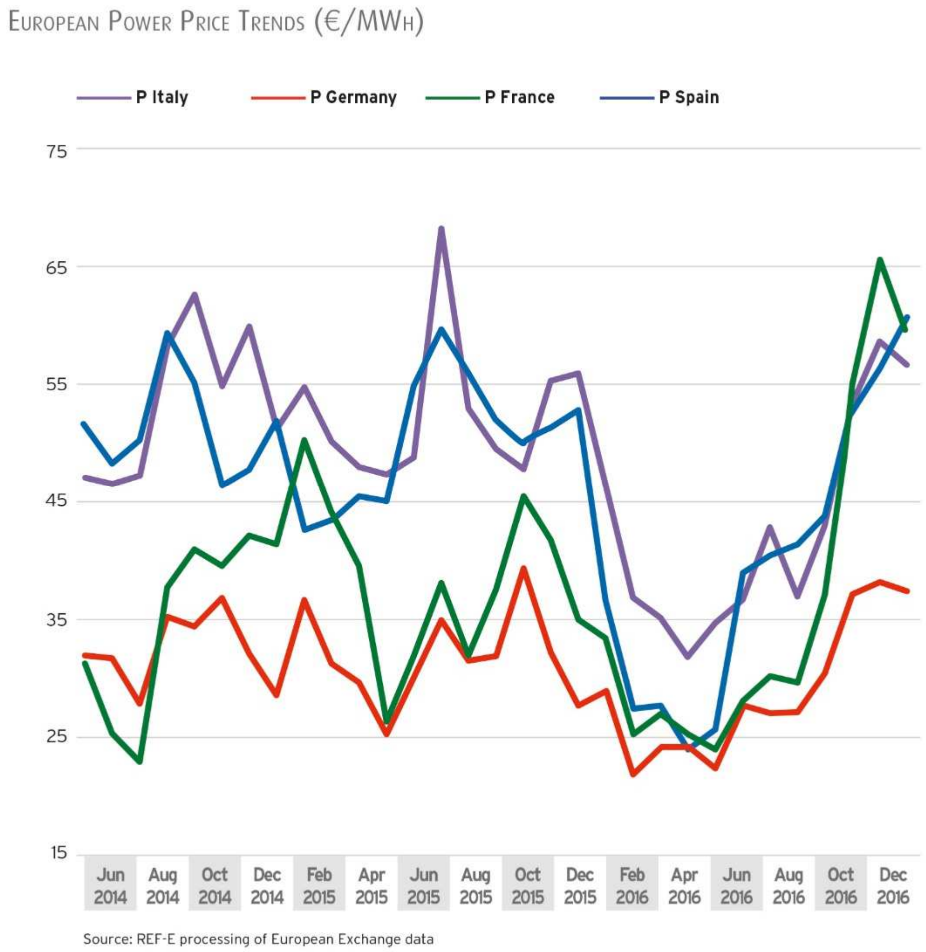
Source: REF-E processing of GME data

Trend in main European power exchanges

The European power exchanges[1] expressed, in 2016, an average price of 35.09 €/MWh sharply down compared to the previous year (-13%) with a spread compared to the SNP of 7.65 €/MWh (again down in

[1] Arithmetic average of the Spanish, French and German prices.

annual terms compared to the 12.14 €/MWh of 2015), despite the jump in the French prices in the last quarter (59.85 €/MWh against the 32.33 €/MWh of the third quarter).



Futures of Baseload SNP on the EEX

The table below shows a comparison between the average future prices of products available for the fourth quarter of 2016 referred to the Single National Price, recording upward changes in November, due to the context of uncertainty of the French nuclear industry. In December, with the start of re-entry into production of some of the French nuclear power stations that had been shut down, the prices fell on average by 7 €/MWh reflecting a downward trend also on the Q1-17 product. Q2-17 and Q3-17, on the contrary, rose in price between October and December showing respectively growth of +1.7 €/MWh and +1.4 €/MWh in the period in question. Annual futures instead showed in the last three months a variability in the range between 44.5 and 45.1 €/MWh.

Oct-16 Futures		Nov-16 Futures		Dec-16 Futures	
Monthly	**€/MWh**	**Monthly**	**€/MWh**	**Monthly**	**€/MWh**
Nov-16	52.5	Dec-16	61.3	Jan-17	55.1
Dec-16	58.1	Jan-17	59.5	Feb-17	51.9
Jan-17	58.5	Feb-17	57.7	mar-17	50.3
Quarterly	**€/MWh**	**Quarterly**	**€/MWh**	**Quarterly**	**€/MWh**
Q1 17	52.0	Q1 17	51.8	Q1 17	48.0
Q2 17	38.7	Q2 17	39.9	Q2 17	40.4
Q3 17	43.0	Q3 17	43.3	Q3 17	44.4
Yearly	**€/MWh**	**Yearly**	**€/MWh**	**Yearly**	**€/MWh**
Y1 17	44.7	Y1 17	45.1	Y1 17	44.5

Source: Reuters on EEX data

THE NATURAL GAS MARKET

Supply and demand

2016 saw a stronger rising trend in gas consumption, which compared to the previous year came out at +5.2%, driven by a sharp increase in thermoelectric (13.7%) and industrial (4.6%) demand. On the contrary, residential demand ended the year with a slight decrease, compared to 2015, of 0.2%.

Uses and sources of natural gas in the period January-December 2016 and comparison with previous years

GAS USED (bln m3)*	2016	2015	2014	Change % 2016 v 2015	Change % 2015 v 2014
Industrial use	13.4	12.8	13.1	4.6%	-2.3%
Thermoelectric use	23.3	20.5	17.7	13.7%	15.6%
Distribution plants	31.4	31.5	28.8	-0.2%	9.2%
Third party network and system consumption / line pack	2.4	2.2	1.8	6.9%	23.5%
Total used	**70.4**	**66.9**	**61.4**	**5.2%**	**9.0%**

**Cumulative amounts at 31 December 2016*

Source: REF-E processing of SRG data

GAS INPUT (bln m3)*	2016	2015	2014	Change % 2016 v 2015	Change % 2015 v 2014
Imports	65.0	60.8	55.4	6.9%	9.8%
National Prod.	5.6	6.4	6.9	-12.9%	-6.6%
Storage	-0.2	-0.3	-0.9	-35.3%	-64.1%
Total input (incl. Storage)	**70.4**	**66.9**	**61.4**	**5.2%**	**9.0%**
Max. capacity	127.4	127.1	128.4		
Load Factor	**51.0%**	**47.8%**	**43.1%**		

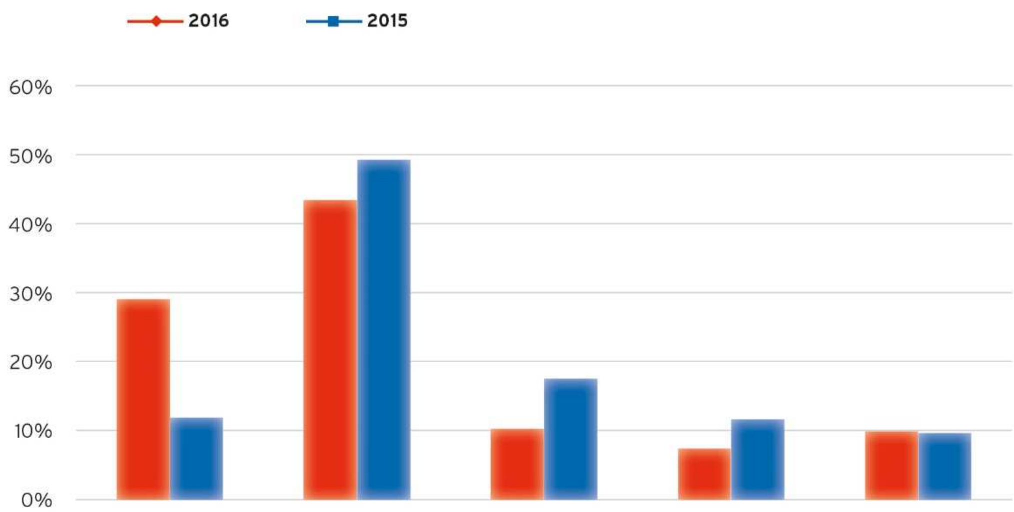
**Cumulative amounts at 31 December 2016*

Source: REF-E processing of SRG data

The drop in residential demand is attributable mainly to higher temperatures compared to the seasonal averages, which caused a decrease in absolute terms of approximately 0.2 bln m³. Industrial consumption increased by 0.6 bln m³, recording figures similar to those of 2013. On the contrary, volumes for thermoelectric uses increased by 2.8 bln m³ owing to the contingent unavailability of some of the French nuclear power stations, and as a consequence, the reduction of imports from France during the period which generated, especially in the last quarter of 2016, more space for electricity production from natural gas.

As regards demand, imports, driven particularly by Mazara, increased by 6.9% while domestic production recorded a slowdown (-13%), owing to the drop in Brent. The balance of storage systems (outputs+/inputs-) indicated -0.2 bln m³. This result is attributable to lower output during the first half of the year, although there was a high use of storage in December.

Imports by entry point over the total* (% values)



Year	Mazara	Tarvisio	Gries	Gela	LNG
2016	29.0%	43.4%	10.3%	7.4%	9.9%
2015	11.9%	49.2%	17.5%	11.7%	9.7%

*cumulative amounts at 31 December 2016
Source: REF-E processing of SRG data

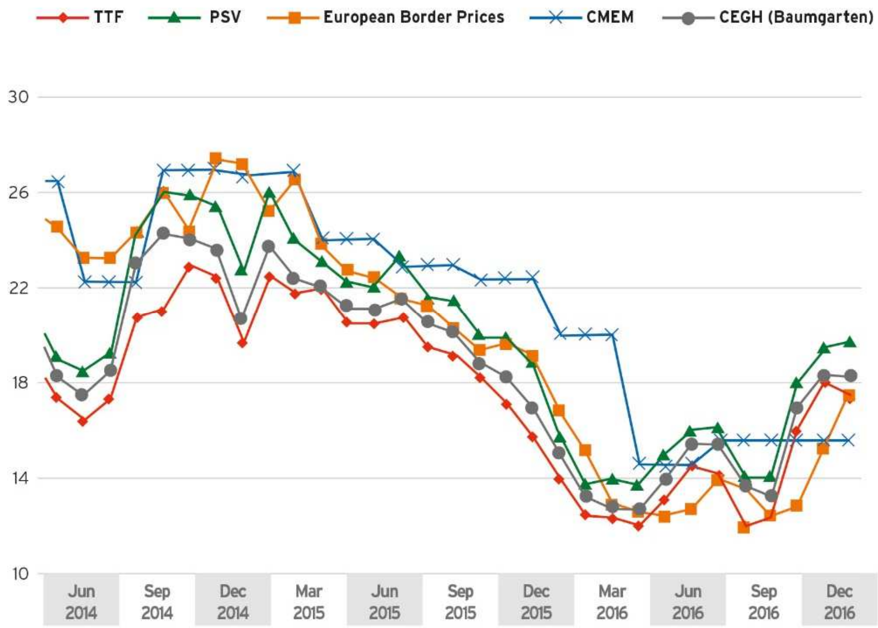
(*) Cumulative amounts at 31 December 2016

Overall 2016 was characterised by a sharp increase in Algerian imports, which now account for 29% of the total (+17% compared to 2015) causing a drop in imports from Russia, Northern Europe and Libya.
The Algerian recovery was confirmed by the growth of production capacity and by the limited increase of domestic consumption which thus made room for more exports, mainly via pipeline to Italy. Imports from Tarvisio (associated mainly with Russian supplies) however kept the highest market share, with 43.4% of the total. The remaining volumes imported instead came for 10.3% from Gries (Northern Europe), 10% from LNG (mainly from the Rovigo regasification plant/Cavarzere entry point (Qatar)) and finally 7.4% from Gela (Libya).

Wholesale gas price

In 2016 wholesale prices of natural gas in Europe were characterised overall by a sharp drop compared to 2015, although from October there was a considerable recovery. In fact prices at the border, still in part oil-linked, went down from an average of 22.5 €/MWh in 2015 to 14 €/MWh in 2016, although in the last quarter there was a clear upward trend. This trend was boosted by the recovery of Brent (up from 38.21$/bbl in January to 53.60 $/bbl in December) and of the hub prices, these latter driven mainly by the growth in European demand, above all for thermoelectric use (following the contingent unavailability of some French nuclear power stations), and to a lack of availability of LNG at the northern-European terminals (at the lowest levels in the last 4 years) owing to the low market appeal of the NBP and of the interconnected markets. After the sharp drop seen in the second and third quarter of 2016, the hub prices thus ended the year with an increase of 34% compared to the third quarter.
The Dutch TTF, in 2016, recorded an annual average figure of 14.03 €/MWh on a spot basis, down compared to 2015 by 29%. The PSV also followed, as usual, the sharp drop of the TTF, recording an average figure for spot prices of 15.84 €/MWh, compared to 22.16 €/MWh in 2015. Although the spread in absolute terms decreased, the Italian PSV is still a premium market with respect to the northern-European hubs, with a spread on the TTF of +1.8 €/MWh (-30% compared to 2015).

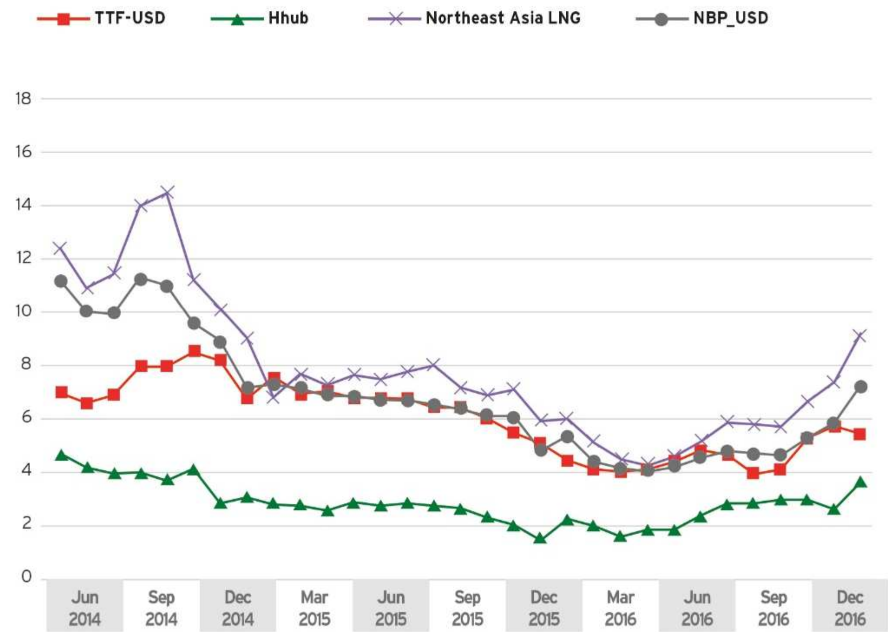
WHOLESALE PRICES IN EUROPE (€/MWH)



Latest data 31 December 2016
Source: REF-E processing of Platts-WGI data

As regards the Italian market, the balancing platform changed from 1 October: the two segments that made it up (G+1 and G-1) were replaced by the Gas in Storage Market (GSM) and the Locational Products Market (LPM), with the introduction of new balancing rules.
However in the first nine months of 2016 a volume of approximately 3.5 bln m³ was traded, up, compared to the same period of 2015 (3.05 bln m³), with an average balancing price of 16.08 €/MWh, approximately 30% lower than in 2015.
The so-called "CMEM component", meant to reflect the cost of procuring gas in the protected market price, defined by the AEEGSI on the basis of the TTF forward prices, remained unchanged, and was therefore confirmed at 15.53 €/MWh. In 2016 the average of the CMEM was 16.45 €/MWh, lower compared to the previous year (24.1 €/MWh)

LNG prices ($/MBtu)



Latest data 31 December 2016
Source: REF-E processing of Platts data

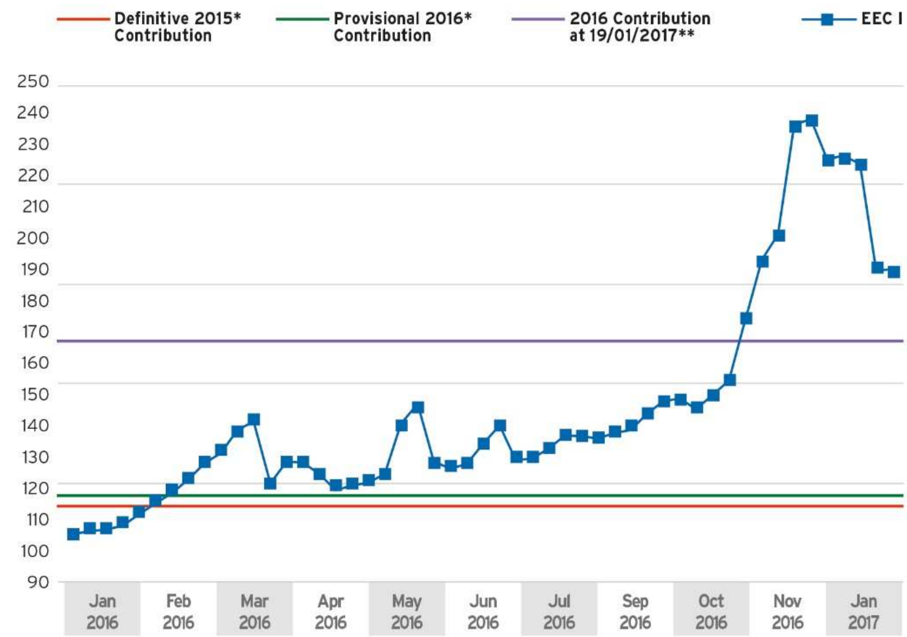
In the markets of North-East Asia, the limited world growth and the new liquefaction coming into production in Australia and in the USA (Sabine Pass) and the drop in oil prices, were reflected in lower LNG prices, in a first stage, and a recovery starting from the last quarter of 2016. While in 2015 the Asian spot prices had recorded an average of 7.5 $/MBtu, in 2016 an average of 5.79 $/MBtu was recorded, showing a recovery above all in the last months of 2016, ending in December at 5.16 $/MBtu.
Also in the USA, the American gas market, the Henry Hub, confirmed the same trend: a lower price compared to the previous year (2.5 $/MBtu against 2.6 $/MBtu), but up compared to the last nine months (2.32 $/MBtu).

WHITE CERTIFICATES (EECs)

Market trend

Between January and December 2016 the prices of Energy Efficiency Certificates (EECs) traded in the exchange recorded a significant increase, reaching in the last few weeks record price peaks, at up to 240 €/EEC. From the start of calendar year 2016 the market price has stayed well above 100 €/EEC; starting from the end of last winter the market seemed to settle gradually at around 150 €/EEC, the price indicated also by the Government as the new possible benchmark for the purpose of calculating the costs in the tariff connected to the mechanism. From the end of October instead the rising trend became more intense, arriving in fact at the peaks mentioned above, with a consequent significant potential impact on the definitive tariff contribution for 2016 which, as it is calculated with the market results from the beginning of June to the second session of January 2017, would be higher than 165 €/EEC.

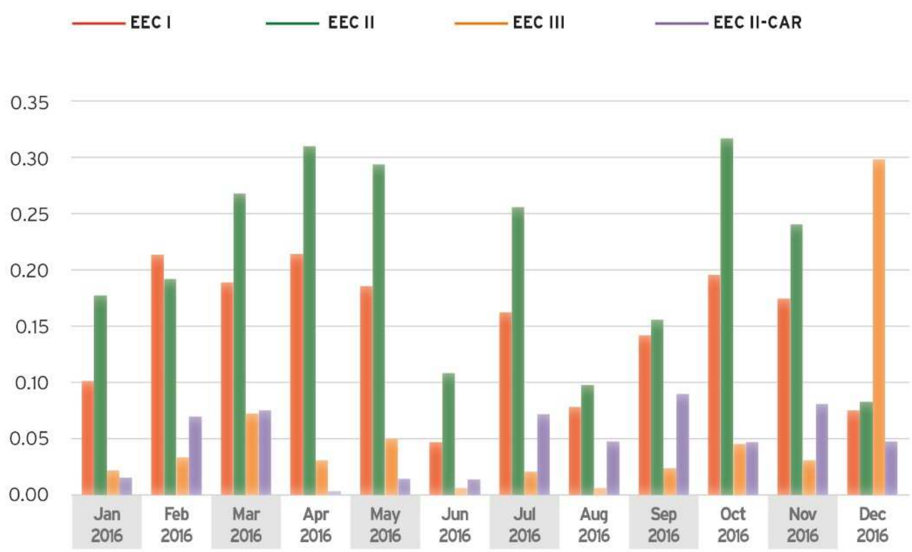
EEC: Market Price and Tariff Contribution (€/EEC)



* AEEGSI, DMEG/EFR/11/2016. ** REF-E calculation using GME data, last listing 17 January 2017
Source: REF-E processing of GME and AEEGSI data

In terms of total volumes traded in the exchange since the start of the year the situation was instead more stable, except for the physiological drop in June, when after compliance for the 2015 obligation year a significant reduction was recorded, and in August-September, when also after the smaller number of sessions a reduction was recorded, while from October the trades came back into line with the previous months[2].

Monthly Volumes on EEC Market (EEC millions)

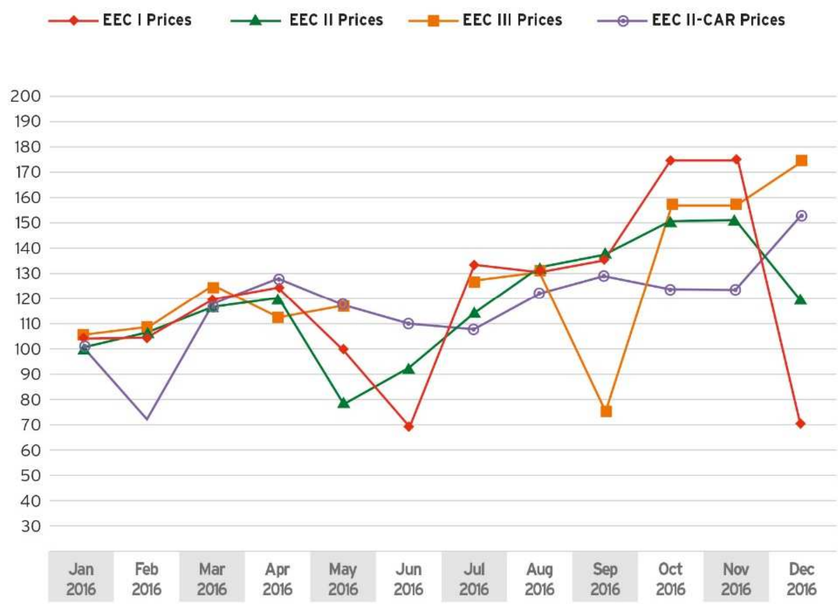


Monthly volumes from start of 2016
Source: REF-E processing of GME data

Also on the OTC market prices recorded increases, although more limited and uncertain, and without reaching in any case the exchange peaks, arriving at the most to just less than 175 €/EEC. Volumes in 2016 were overall higher on the exchange than in bilateral trades.

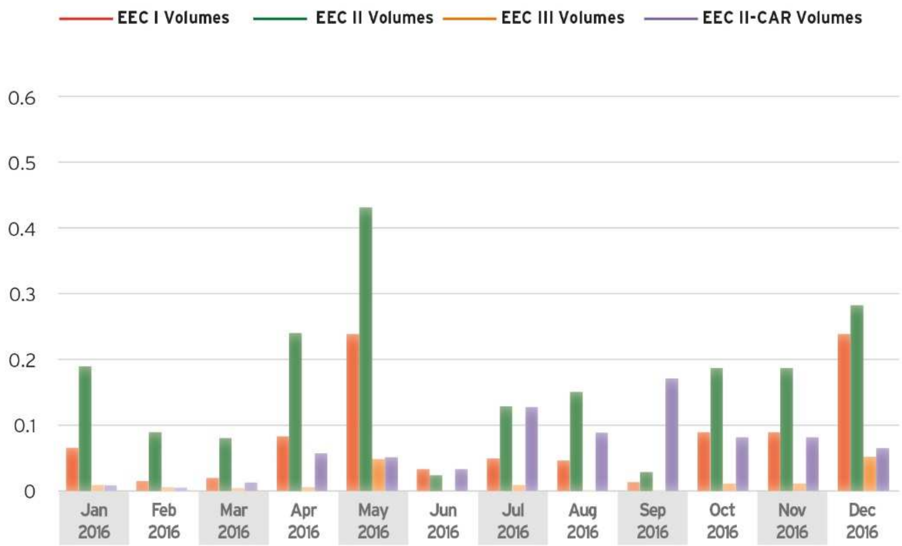
[2]The volumes related to certificates of type I, II, III are presented, and also II-CAR, because for this last type the trades gradually became significant in terms of volumes, while in terms of prices there is total alignment with I, II and III certificates.

OTC EEC Monthly Prices (€/EEC)



Monthly prices from start of 2016
Source: REF-E processing of GME data

OTC EEC Monthly Volumes (EEC millions)



Monthly volumes from start of 2016
Source: REF-E processing of GME data

2016 ENERGY AND GAS LAWS AND REGULATIONS

The main regulatory and legislative measures of 2016 with the greatest impact for the energy businesses of the Iren Group are presented below.

GAS

Gas Energy Management

Resolution 166/2016/R/gas - methods for calculating the CMEM and CCR components for the period between 01 October 2016 and 31 December 2017
With this resolution the Authority expresses itself on the methods for determining the components related to the cost of procuring natural gas on the wholesale markets (CMEM) and of the related activities (CCR).
The AEEGSI confirms the current methods for calculating/updating the CMEM tariff component, to cover the cost of purchasing the raw material, keeping the reference to the TTF prices.
The method for quantifying the CCR was also updated confirming the "Balancing Risks" and "Profile and Weather Events" components and adjusting to them the "Level Risk" components - in consideration of an expected rate of leaving the protection service higher than that recorded in the last two years - and "Pro-Die Risk". The methods for determining the costs related to the national and international logistics are confirmed. Finally the application of the GRAD component (for gradual application of the economic conditions of the protection service after the reform in 2013) envisaged for the HV 2016–17 is extended by one quarter with the same amount of expected revenues.

Resolution 312/2016/R/gas - gas balancing.
The AEEGSI approved the new Integrated Gas Balancing Regulation (TIB), which incorporates the guidelines provided in CD no. 103/2016 and European Regulation no. 312/2014. The rules of the CBR take effect on 01 October 2016.
The new system places on users responsibility for balancing their positions in the context of the gas day, using various sources which have intraday flexibility, not only storage.
At the same time an incentive system was defined to make SNAM more responsible for the quality and punctuality of the data provided to operators.

Resolution 336/2016/R/gas - Introduction of a pilot project related to capacity at delivery points on the gas transport network that supply electricity generation plants
With this resolution, the AEEGSI confirms that the ex-ante conferral regime will be maintained; this provides for all the types of capacity products now available at interconnection points with countries in the European Union so that all users may select the composition of the capacity product portfolio that best meets their production requirements. The pilot project aims to facilitate the move towards more flexible and effective conferral mechanisms, making it possible for producers to better coordinate the purchase of gas transport capacity with the sale of electricity and services.

Resolution 550/2016/R/gas - compliance with the Council of State judgement relating to the tariff regulation of the natural gas transport and dispatching service for the period 2010–2013
With the resolution in question, the Authority redetermined the tariff criteria of the gas transport service for the 2010–13 regulatory period, in compliance with the Council of State Judgement no. 2888/201. The judgement declared unconstitutional the 2010–13 gas transport and dispatching tariffs and cancelled the rules contained in Resolutions ARG/gas 184/09, 192/09, 198/09 and 218/10. With this measure the AEEGSI:

- confirms the 90:10 distribution criterion between the capacity and commodity components (according to which the costs of capital are attributed to the capacity component and the operating costs to the commodity component), in accordance with the cost reflectivity principle laid down in the community legislation;
- confirms that the identification of the barycentre of the market is not the result of a discretionary assessment of the regulator, because it represents the physical place in which withdrawals from the transport grid are concentrated, that is the physical place towards which the gas put in at the entry points is transported.

Consultation Document (CD) 12/2016/R/gas - Changes relating to gas settlement rules
With this CD, the Energy Authority attempts to resolve the operating anomalies of gas settlement, issuing for consultation its proposals on algorithms, invoicing, disclosure obligations and penalties. In particular the question of the algorithm needed to determine the physical and economic items after the adjustment session is tackled, with two options proposed. The first provides for keeping the current algorithm, shifting however the use of the information on the "correspondence matrix" to the end of the process (known as "reascending the chains"). The second option extends instead the application of the algorithm used today for the balancing sessions.

CD 570/2016 - Measures for simplification of gas settlement
The AEEGSI proposes to maintain the current algorithm in use for the adjustment session, shifting however the use of the information on the correspondence matrix to the end of the process, after doing all the squarings on single users and applying the algorithm used today for the balancing sessions also with reference to the adjustment sessions.

Ministerial Decree of 25 February 2016 - Urgent Changes to the Rules on the Natural Gas Market
With this Decree, the Ministry of Economic Development approved the urgent changes to the Rules on the natural gas market, resolved by the Energy Markets Manager ("Gestore dei Mercati Energetici – GME"). The changes in question were made in compliance with Art. 13 of Regulation (EU) 2015/703, following what had been communicated by Snam in relation to the change in the unit of measurement from GJ to MWh.

Ministerial Decree of 11 May 2016 - regulation of weekly gas payments.
The MED approved the change to the MGAS rules in relation to managing payments on a weekly basis incorporated into the Rules on the Natural Gas Market with effect from 01 September 2016.

Gas networks

Resolution 70/2016/R/gas - Launch of a proceeding for defining documentation assessment criteria for the purposes of partial payment or exoneration from payment of the amount provided for in cases of failure to cut off supply to delivery points supplied in the default distribution service
The measure launches a proceeding for the adoption of rules aimed at defining the assessment criteria of applications presented by distribution companies for the purposes of partial payment of the amounts provided for in the event of failure to cut off supply to a delivery point according to the timing laid down in the regulations.

Resolution 173/2016/R/gas: Determining provisional reference tariffs for gas distribution and measurement services for 2016 and approval of bi-monthly equalisation amounts, relating to the distribution of natural gas service for 2016
With this Resolution, the AEEGSI provisionally set the reference tariffs for companies managing distribution networks and the related equalisation amounts for 2016, based on the technical/economic data relating to investments made in 2015. The tariffs remain provisional because these figures are still subject to verification.

Resolution 223/2016/R/gas - Rules on insurance in favour of gas final customers, for the four-year period 01 January 2017 - 31 December 2020.
The AEEGSI passed a resolution regarding insurance in favour of gas end customers for the 2017–2020 period. This insurance has in fact been implemented for several years now, and aims to provide financial cover for gas final customers involved in accidents arising from using gas. The cost for this insurance was always a marginal charge of a few euro cents a year for the final customers, applied at each individual Redelivery Point.

Resolution 465/2016 - Public tender procedures for the identification of suppliers of last instance and suppliers of the default distribution service, starting from 01 October 2016
The resolution governs the Default Distribution Service, with particular reference to the activities that remain the responsibility of the distributors and introduces specific changes on the subject of legal initiatives.

Resolution 775/2016 - Intra-period updating of the 2017-2019 tariff regulation
After the observations received on the consultation document 456/2016, the AEEGSI defines its guidelines on the subject of recognising costs and investments.
As regards recognising Opex the Authority establishes:
(i) the reduction rates of unit distribution costs;
(ii) the component related to metering confirming the previous cost level;
(iii) the increase in recognition of commercial costs;
(iv) the reduction in the recognition of costs related to metrological checks for metering units of more than G10, and finally
(v) recognises a final figure, with a maximum limit, for centralise remote management costs up to 2017.

As regards Capex, the AEEGSI establishes:
(i) that the final figure for 2016 investments will be recognised with a maximum limit;
(ii) the standard costs for metering units G4 and G6 starting from 2017;
(iii) the penalties for failure to install G4 and G6 metering units for the years 2015, 2016 and 2017.

CD 518/2016/R/gas - Distribution of natural gas: guidelines aimed at increasing the number of accessible meters and recourse to actual readings.
The AEEGSI issues for consultation its final orientations for improving metering data quality. In particular, for accessible meters it introduces for all distributors a proposed penalty to be paid to Cassa per i Servizi Energetici e Ambientali (the Energy and Environmental Services Fund) as well as compensation to be paid to final customers in the event of failure to achieve the reading performance provided for in the regulation. For partially accessible and non-accessible meters it establishes, for distributors that manage more than 50,000 Redelivery Points, a maximum percentage of this type of metering device, exceeding which triggers an obligation to replace them with smart meters.

Italian Law 21/2016 ("Decreto Milleproroghe")
The law introduces an extension with respect to publication of call for gas tenders, the suppression of sanctions for Municipalities that do not publish calls in time and assignment to the MED of the task of appointing a commissioner to call the tender if not even the Region has intervened in the 8 months after the deadline for the call.

ELECTRICITY

Energy management

Resolution 134/2016/R/eel - Rules on the additional fee for the temporary remuneration of production capacity availability for 2010 and 2011.
With Res. 48/04, the Authority set the regulations for the temporary remuneration of production capacity availability, breaking this down into two parts:
- Remuneration based on the effective production capacity made available by admitted parties in high and medium critical days → CAP1 Fee.
- Supplementary remuneration for revenue on the spot market, if this is lower than the conventional reference level (equal to revenue that the producer could have obtained with production being equal, under the administered regime) → S Fee.

Pursuant to this Resolution, Terna had to recalculate the amount for the S Fee and notify the relevant operators.

Resolution 303/2016/R/eel - Update of the transitory rules on specific remuneration of the production capacity, for the year 2015
According to the transitory rules on capacity, every year the capacity payment fee is paid to all plants; this fee is made up of two components, one (*CAP1*) paid on condition that the subjects admitted to the remuneration system have effectively made available the production capacity in high and medium critical days, and the other (*further S fee*) paid as possible remuneration supplementing the revenue made by the single producer.

The resolution in question establishes the criteria for quantifying the revenue (GCAP1), which the CAP1 unit fee in €/MW is determined against for the remuneration of plant production capacity for 2015.

CD 713/2016/R/eel - AEEGSI guidelines on aspects of the Capacity Market rules
The resolution comes within the context of the regulation of Terna, which published the draft proposals for the rules on the system of remunerating available capacity, in the stages of first and full implementation. These draft rules - approved by the AEEGSI and the MED – cover the operation of the Capacity Market: Flexibility Requirements, TERNA's Duties, Stages of the Auctions, Method for calculating the available Production Capacity.
The CD in question intended to tackle a three other matters:

- The maximum amount of the bonus payable for the existing and new capacity defined adding together the standard fixed investment costs (capex) and the standard fixed operating costs (opex) of a hypothetical plant of the turbogas type with open cycle powered by natural gas (identifying this technology as the most advanced technology, on the basis of a Terna study);
- changes in contractual obligations, in particular as regards the structure of the reference prices;
- definition of the criteria for calculating the fee to cover the net capacity procurement expenses, applied to users of the dispatching in withdrawal owners of consumption units that have capacity commitments.

Regulation 823/2016/R/Eel - Approval of the draft regulations containing the methods for procuring resources interruptible with advance notice, for the period 16 January 2017 - 31 March 2017
Owing to the contingent unavailability of some of the French nuclear plants, the AEEGSI approved the draft regulations prepared by TERNA to enable the procurement of a further 1,000 MW of resources interruptible with advance notice located in the North and Centre-North zones for the period 01 January 2017-31 March 2017.

Ministerial Decree of 15/6/2016 MED - Updated Integrated Text of the Electricity Market Rules (Testo Integrato della Disciplina del Mercato Elettrico - TIDME).
Following the positive opinion of the AEEGSI, with this decree the MED approved amendments to the Integrated Text of the Electricity Market Rules (TIDME), regarding the measures necessary to start market coupling on the intra-day market.
The amendments refer to the revision of the "market coupling" definition and the stipulation that outcomes of intra-day market sessions must take into account imports and exports in relation to bordering markets where market coupling itself is operational.

Ministerial Decree of 21/9/2016 of the MED and AEEGSI Resolution no. 501/2016/R/eel - Approval of the proposed changes to the regulation on the Forward Electricity Account Trading Platform, put forward by the Energy Markets Manager, on the subject of settlement
These measures approved, respectively, the amendments to the Integrated Text of the Electricity Market Rules and to the Regulation of the Forward Electricity Account Trading Platform (FEATP), in order to lay down the new rules relating to management of payments on a weekly basis (W+1) on the MGP and MI energy markets and on the FEATP and the adoption of SEPA Direct Debit Business To Business as settlement instrument of the electricity market and of the FEATP itself.

Resolution 333/2016/R/eel - Valuation of effective balancing 2012-2014
The Resolution was published and follows up on the directions outlined in CD/623/2015 on the regulations to implement for effective balancing for 2012–2014 subsequent to the judgements by the Council of State that had cancelled the previously applicable regulation.
There is also provision for an alternative regulation, with the application of the regulations applicable prior to the Authority's first intervention in 2012.

Resolution 444/2016/R/eel - Valuation of effective balancing - Priority actions
The Authority for Electricity, Gas and Water introduced a new system for the valuation of effective balancing in the context of the dispatching service with gradual application starting from 01 August 2016, in order to give an adequate incentive to correct planning of the quantities of electricity introduced and withdrawn.

CD 684/2016/R/eel - Valuation of effective balancing - Further actions in the context of the transitory system introduced by resolution 444/2016/R/eel
With this document the AEEGSI illustrated a number of adjustments to be made to the mechanism for the valuation of effective balancing (single-dual price mixed valuation) of the transitory system defined by resolution 444/2016/R/ EEL valid from January 2017, and provided some indications on the timing for introducing the overall reform of the balancing rules based on nodal prices.

Resolution 800/2016/R/eel - Further actions for the valuation of effective balancing, for the year 2017, in the context of the transitory system introduced by the Authority's resolution 444/2016/R/eel
This measure extends up to April 2017 the transitory system in force up to December 2016 and modifies the determination of the zonal sign from May 2016, expanding the application bands of the dual prices pursuant to resolution 444/2016/R/eel.

Electricity networks

Resolution 87/2016/R/eel - functional and performance specifications for 2G Smart Meters.
The resolution (which will come into force after 3 months have passed from notification to the European Community) governs electricity meters for LV customers (known as "2G smart meters") with a view to their replacement after the complete depreciation of the previous ones currently installed (known as "1G"), defining their 7 necessary functions and the expected levels of system performance (and related full installation times).
The measure provides for a first version 2.0 (immediately available), which must have both a communication channel to the electricity system which can use the Power Line Carrier (PLC) in band A or in radio frequency, and a second channel to the user devices to be installed in homes, which must be able to use at least the PLC in band C.
The resolution is also aimed at assessing the effective availability of standardised technological solutions with incremental and evolutionary functions for the communication of the meters and for the power limiter that makes it possible to interrupt the supply of electricity in the event that the available power is exceeded without opening the magneto-thermal switch.

Resolution 646/2016/R/eel on 2G Smart Metering systems - recognition of the costs for metering low-voltage electricity and rules on the subject of commissioning. Amendments to the TIME (Integrated Text on Electricity Metering)
This measure defines, for the three years 2017-2019, the recognition of costs for metering low-voltage electricity and other rules on the subject of commissioning of second-generation Smart Metering systems.
The measure in question was then corrected by Resolution 696/2016/R/eel, which rectifies a material error.

CD 457/2016/R/eel - Second-generation smart metering systems for metering low-voltage electricity. Final guidelines for cost recognition
In CD 457/2016 the Authority illustrates the final guidelines (after CD 267/2016/R/EEL) for defining the incentivising mechanisms of cost related to 2G smart metering systems and the changes at the same time in the recognition of metering service costs that become necessary to guarantee a consistent regulatory framework. The guidelines set forth in the consultation document anticipate, on the perimeter of the metering activity, the introduction of a Totex ("Total expenditure") approach to cost recognition.

Resolution 233/2016/R/eel - Determination of the provisional reference tariffs for the electricity distribution service, for 2016, for companies that serve more than 100,000 withdrawal points
The Resolution provides for the provisional calculation of reference tariffs for the electricity distribution service under paragraph 8.1 of the integrated code on transport (TIT) for 2016, for companies serving over 100,000 withdrawal points.
With Directive DIUC 18/2016, in addition, the Authority – in line with the indications pursuant to Res. 233/2016 – provided to the distributors the precise stratifications of the assets used to determine the tariffs in order to study in depth and check with the said distributors the consistency with the accounting information available.

Resolution 734/2016/R/eel - Determination of the provisional reference tariffs for the electricity distribution and metering services, for 2016, for companies that serve up to 100,000 withdrawal points.
Complementary to the previous one, this resolution determines provisionally the reference tariffs for the electricity distribution and metering services, for 2016, for companies that serve up to 100,000 withdrawal points

Ministerial Decree of 22 December 2016 - Transfer of the concession for electricity distribution in the municipalities of Turin and Parma
With the Decree in question, the Ministry of Economic Development transferred the concessions for operating the electricity distribution service in the municipalities of Turin and Parma, formerly attributed to AEM Torino Distribuzione S.p.A., to the company IRETI S.p.A.

FINAL CUSTOMERS

Launch of Similar Protection

Resolution 369/2016/R/eel: reform of the price protections in the retail market for electricity and natural gas: Similar Protection (SP) to the free electricity market for final domestic customers and small enterprises
The resolution in question reforms the market mechanisms for price protection for domestic and non-domestic customers, through the revision of the more protected supply conditions (in order to make it consistent with the role of universal service that it is destined to assume) and the establishment of the SP. The resolution regulates the main aspects of the SP, while a subsequent measure will define the regulation of the reformed greater protection. Both systems will be operational starting from 01 January 2017.
Subjects with a right to participate in Similar Protection (SP) are all domestic customers and small enterprises served under greater protection and final customers with the right to greater protection. The Single Buyer will be the administrator of the SP and will be responsible for carrying out the procedures to identify and monitor the free market suppliers admitted.
The term of the contract, initially envisaged of a year with no extension possible, was then redefined in the subsequent resolution no. 541/2016 presented below.

Resolution 541/2016/R/eel: Approval of the regulation for identifying suppliers and for monitoring.
Resolution 541/2016/R/eel approves the Regulation of the SP prepared by the Single Buyer and updates a number of specific provisions relating to the SP rules established with Resolution 369/2016/R/eel.
This resolution clarifies that the “supervised trading environment” of the SP will run from 01 January 2017 and until the greater protection service is superseded, and in any case no later than 30 June 2018 and changes the dates related to the admission procedure for suppliers involved in the SP.

Resolution 633/2016/R/eel - Reformed Greater Protection Service and Similar Protection to the free market: reform of the conditions for providing the Greater Protection Service and definition of the PCR and PCV fees
This measure completes the reform of the market mechanisms for price protection for domestic and non-domestic electricity customers, modifying the conditions for providing the greater protection service (reformed greater protection service), completing the definition of the fees related to Similar Protection and introducing specific communication obligations on the current providers of greater protection.

Resolution 689/2016/R/eel - Rules for facilitators of Similar Protection in the electricity market. Amendments to Authority resolution 369/2016/R/eel
This measure supplements the rules on Similar Protection detailing the operations of facilitators and the mechanism for covering the costs incurred by the same in order to assist final customers in understanding and signing up to the service. Amendments to resolution 369/2016/R/eel were introduced.

Tariffs

Resolution 342/2016/R/eel – Launch of a proceeding for timely adoption of prescriptive measures and the assessment of potential electricity wholesale market abuse under the terms of Regulation (EU) no. 1227/2011 (REMIT)
This resolution launches proceedings for measures to be adopted aimed at counteracting certain conduct carried out by dispatching users on the wholesale electricity market, which could potentially represent market abuse pursuant to Regulation (EU) 1227/2011 - REMIT. This could be done by adopting prescriptive measures or asymmetrical regulatory provisions.

Resolution 459/2016/E/eel: Launch of new proceedings for timely adoption of prescriptive measures and the assessment of potential electricity wholesale market abuse under the terms of Regulation (EU) no. 1227/2011 - REMIT
Resolution 459/2016 provides for new measures aimed at stopping and prosecuting possible anomalous conduct carried out by supply and demand operators in the electricity wholesale markets.

Resolution 575/2016/R/eel - Execution of the order of the Lombardy Regional Administrative Court, on mechanisms for automatic recognition, to final customers, of amounts recovered by the company Terna S.p.A. with respect to anomalous conduct carried out by dispatching users, pursuant to the proceedings launched with Authority resolutions 342/2016/E/eel and 459/2016/E/eel
The resolution in execution of the order of the Lombardy RAC establishes that the amounts that will be recovered by Terna on the basis of the prescriptive measures and the asymmetric regulation measures, expected at the end of the proceedings launched, must immediately be accounted for in the calculation of the uplift fee. This enables them to be immediately and automatically allocated to all dispatching users and, through them, to all final customers of both the protected and the free market.

Resolution 816/2016/R/eel - Update of RCV and DISPBT components - update of TIV
This document establishes the new Marketing and Sale Remuneration (Remunerazione Commercializzazione Vendita - RCV) figures to cover the commercial costs on the greater protection market, increased by approximately 10%, and remodulates the dispatching component refunding the spread related to marketing activity applied to all final customers with a right to greater protection (DISPBT).
The resolution also contains the new figures for offsetting default expenses for 2017 with an increase of about 50% compared to 2016 in the costs recognised at POD.

Resolution 817/2016/R/gas - Update of the QVD (Retail Sale Portion) component of the of the economic conditions of the natural gas protection service, for the year 2017
The AEEGSI defines the amounts of the QVD component, the component covering the marketing activity costs of the service of selling natural gas to customers that make use of the protection service in force starting from 01 January 2017.

Resolution 782/2016/R/eel - Reform of network tariffs and domestic customer system expenses.
In line with the provisions of resolution 582/2015/R/eel, this AEEGSI measure introduces important changes from 01 January 2017:

- The tariffs for the network services (transmission, distribution and metering) assume the structure entitled TD for all domestic customers, irrespective of the condition of official residence, thus eliminating all progression;
- The fees to cover the general system expenses are limited to 2 progressive bands and the A3 fee becomes a fixed rate only for non-residents;
- the distinction between residents and non-residents remains only for system expenses and the DISPBT component;
- the distinction between customers at more and less than 3 kW is eliminated; the difference remains only for the purpose of calculating the duties;
- a more granular choice of the power level used is permitted and for 2 years the cancellation of the fixed-rate contribution to cover administrative expenses related to a change in power is provided for.

CD 255/2016: reform of the tariff structure of general system expenses for non-domestic customers in the electricity market.
The CD becomes the first point of consultation in the context of the process started with Resolution 138/2016. The CD deals with the feasibility of the reform required by the law, presenting options for the gradual application of the new tariff structure for general expenses for non-domestic customers supplied with MV and LV.
Law no. 21/2016 stipulates that the tariff structure for general expenses must be adjusted to the criteria used for network tariffs, by also introducing a trinomial tariff structure for the former. The CD provides three different procedures for introducing a trinomial structure for general expenses. Each option has a weighting distribution for the charges among the different types of users and consumption classes.

Invoicing

Resolution 100/2016 - Provisions related to issuing the closing invoice for cessation of the supply of electricity or natural gas.
The measure defined the rules on issuing the closing invoice for cessation of the supply of electricity or natural gas to retail customers in low voltage for electricity or whose consumption is less than 200,000 m3/year for gas. Reference is made to all cases in which the supply contract between the seller and the final customer is terminated for any reason.
Very stringent rules are established on the subject of last invoice issuing times and a priority order is established for the use of reading data privileging effective ones.
Compensation payable by the seller is provided for if the closing invoice is issued after the deadlines set and automatic compensation payable by the distributor if the terms for making data available to the seller are not observed and compensation to be paid to the final customer if the distributor makes available the metering data after 30 days from cessation of the supply.

Resolution 463/2016/R/com - Provisions on periodic invoicing, compensation payable by sellers and distribution companies and further obligations of the above companies, on the subject of metering.
The provision approves the “Integrated Text of AEEGSI rules on Invoicing of the retail sales service for electricity and natural gas customers (ITI)" and introduces compensation payable by sellers and distribution companies and further obligations of the above companies, on the subject of metering.
The rules of the ITI apply to all supplies under the system of greater protection, gas protection and Similar Protection; this resolution applies also to the free market, subject to certain permitted exceptions, in general in greater favour of customers.
The rules apply to all domestic and non-domestic customers connected in low voltage – for the electrical sector – and to all customers with consumption of less than 200,000 m3/year – for the natural gas sector.
The resolution reforms all the aspects of invoicing: issue and frequency of periodic invoices, order of use of the metering data, recalculations and other invoicing rules (including a prohibition on invoicing consumption after the issue date - a rule to which no exception can be made), self-reading and general standards for the quantification of estimated consumption and the compensation in favour of final customers (for both sellers and distributors).

Resolution 738/2016/R/com - changes to the rules defined by the ITI.
This measure makes changes to resolution 463/2016/R/com and to its Annex A (ITI), to the Integrated Text on Transmission (ITT), to the Integrated Text on Electricity Metering (ITEM) and to the Integrated Text on Retail Sale of Natural Gas and Gases other than natural gas distributed by means of urban networks (ITGS) for aspects related to invoicing and to rules on payment in instalments.

Quality

Resolution 413/2016/R/com - New integrated text of the regulation on the commercial quality of sales services and amendments to the regulation on the commercial quality of electricity and natural gas distribution services, to the commercial code of conduct and to Bill 2.0.
The AEEGSI reformed significantly the Integrated Text on Sale Quality (ITSQ), some parts of the Integrated Texts on electricity and natural gas distribution (ITEQ and RGDQ) related to the activities of exchanging data between sellers and distributors for the purposes of responding to the complaints of final customers, the Code of Commercial Conduct in the part that regards the disclosure obligations of sellers. It also intervened to increase the efficiency of the processing of complaints at the first level (stage in which final customers' complaints are processed by the seller/distributor) and finally the Bill 2.0 measure.

Resolution 795/2016/R/com - changes to the regulation of the commercial quality of the electricity and natural gas distribution service and to the regulation of the commercial quality of the sales service for providing technical data required by the seller.
This measure modifies the content of two integrated texts, regarding the distributors' services:
- ITEQ/RQDG on (i) time for making available to the seller other complex technical data; (ii) obligations to record information and data concerning services subject to specific and general commercial quality levels; (iii) specific and general commercial quality levels referred to the time for making technical data available to the seller;
- ITSQ on methods of communication between sellers and distributors and promptness obligations.

TV licence fee

Stability Law (no. 208 of 28 December 2015) and MED Decree – TV licence fee in bills
On 04 June 2016 the MED implementation decree no. 94, and on 21 June the Revenues Agency's Circular were published on the rules for determining the fee payable according to the different cases.
Since 2 July 2016 the Single Buyer has been transferring monthly to sellers the list of customers to which to apply the fee instalments. The Revenues Agency made available at the end of September a control software for transferring the lists related to payments by customers and to the Revenues Agency itself.

Other operational matters

CD 712/2016/R/com - Refinement of the rules on arrears in the retail markets for electricity and natural gas. Compliance with the judgement of the Lombardy RAC, sect. II, 1629/16
The AEEGSI re-proposes the rules on arrears in the retail electricity markets, with reference to certain specific provisions of resolution 258/2015/R/com, associated with, among other things, the extension of the rules on compensation chargeable to the distribution company and the suspension of the terms for paying for the transport service in the presence of non-fulfilment considered more serious. The RAC had objected in fact only to the lack of prior consultation.
It also refines the current provisions related to the natural gas retail market to take into account a number of requests for clarification received, on the subject of:
- activation of the last resort services (LRSs and DDSs) for redelivery points on which a company providing the energy services was present, in order to correctly identify the subject, in favour of which the service itself must be activated;
- possible launch of experiments in favour of distribution companies that manage particularly critical plants in terms of level of accessibility of the meter.

Resolution 553/2016/R/eel - termination of dispatching and transport contracts for non-fulfilment by the relevant user and activation of the last resort services
This measure, which follows the consultation document 446/2016/R/eel, is aimed at reducing the time necessary to terminate dispatching and transport contracts and the time spent by final customers in the last resort services, if activated, taking into account the need to limit the burden on the procedures of both switching already in being, and of settlement; this also with the prospect of evolution of the 2G Smart Metering systems and, at the same time, the expected development of the Integrated Information System (IIS).

The fast switching (or fast withdrawal from services) procedure defined by the measure constitutes a first complete regulation of intra-monthly switching (here limited to the case of termination of a dispatching or transport contract).

Resolution 302/2016: revision of rules on the withdrawal of retail customers.
Based on Resolution 302/2016/R/com, the AEEGSI amended the procedures and timing for exercising the right of withdrawal from supply contracts for small final customers, with the objective of also standardising rules in the context of changes in the retail market.
The new rules take effect from 01 January 2017, including contracts existing at that date.

CD 225/2016 - Protecting final customers, processing complaints and settling disputes out-of-court.
The document confirms the outline proposed in the previous CD 614/2015, namely the objective to rationalise and reform the protection system, by acting on three escalation levels:
- first level: focused on processing the complaint, involving the customer and the company Implementation expected between January 2017 and July 2018
- second level: the attempt at reconciliation is confirmed as the primary resolution tool in individual disputes;
- third level: referring directly to the Authority, and accessible only according to specific conditions Implementation should take place during 2017.

The Consumer Area Call Centre is tasked with disseminating information to final customers regarding the tools available to resolve disputes with suppliers, and more generally to increase information regarding their rights.

CD 621/2016/E/com - Establishment of a third decision-making level for disputes between final customers or users and operators or managers in the sectors regulated by the Electricity Authority, Gas and Water
The AEEGSI states that final customers of the regulated sectors must be able to activate the third-level decision-making mechanism voluntarily, in the event of residual failures of the reconciliation available at the second level of the same system. Disputes involving compensation and those for the definition of which the Authority does not have power under the law are however excluded. This mechanism, which takes the form of an out-of-court proceeding, the result of which consists of an administrative measure, can be appealed to the competent RAC and does not exclude an appeal to the ordinary courts.

CD 446/2016/R/eel - Revision of the methods and timing related to termination of dispatching and transport contracts owing to non-fulfilment of the relevant user and activation of the last resort services for final customers in the electricity market
The document illustrates a number of orientations aimed at reducing the exposure of users that could lead to a revision of the amount of the guarantees required to cover the said exposure related to the dispatching and transport services.
To make all this practicable it is necessary to reduce the time given to final customers to find a new commercial counterparty before the activation of the last instance services and, if they have been activated, to enable a rapid exit from the same.

Resolution 327/2016 - Extension of the deadline regarding the obligation to unbundle the communication policy and the brand for the sale of electricity to final customers.
In view of the current uncertainty regarding the expected Draft Competition Law (DDL), the AEEGSI has decided to extend the obligation of debranding between sales on the free market and protection until 01 January 2017.

REGASIFICATION

Tariffs

Resolution 191/2016/R/gas - Supplement to application procedures for the factor covering revenue for the regasification LNG service, following the introduction of the integrated regasification and storage service
Ministerial Decree 25/2/2016 and Res. no. 77/2016, together with Res. no. 135/2016 introduced auctions for the allocation of regasification capacity, authorising final industrial customers to procure LNG directly from abroad. The MED decided to hold the auction for regasification capacity at the same time as the auction for storage capacity. To implement the above Ministerial Decree, with Resolution no. 135/2016 the AEEGSI regulated the methods for calculating the reserve price for the auction procedures for conferment of capacity for the integrated regasification and storage service for the year 2016/2017. Finally with Res. no. 191/2016 the AEEGSI adjusted the OLT guarantee factor to take into account revenue that can be realised with the new integrated regasification and storage service. The resolution updates the calculation formula for the guarantee factor, by subtracting 64% of revenue realised with the integrated service from the reference revenue to be multiplied, in addition to revenue arising from unit fees received for the normal use of plants and the flexibility service.

Resolution 392/2016/R/Gas - Determination of the tariffs for the LNG regasification service, for the year 2017 - and Res. 607/2016/R/gas - Launch of proceedings for compliance with the Council of State judgements no. 3356/2016 and no. 3552/2016 on the subject of determination of the tariffs
The AEEGSI with Resolution 392/2016 approves the tariffs presented by certain operators, including the company OLT, and undertakes to adjust quickly the tariffs for the year 2016/2017 of the company in consideration of the decision of the Council of State (judgements no. 3356/2016 and no. 3552/2016).
With the subsequent Resolution no. 607/2016 the Authority, after the above Council of State judgements, launches a proceeding to ascertain the effectiveness of the waiver of the exemption by OLT. In addition, in this resolution the AEEGSI expressed its position in relation to the fact that the terminal has to bear the transport costs on the entire capacity instead of on the basis of the effective provision of the service. While awaiting the conclusion of the proceeding it states that the 2016 and 2017 tariffs in force as of today will continue to apply.

Capacity assignment auctions

MED Decree 7/12/2016 - The MED confirms for the period 01 April 2017 - 31 March 2018 the integrated regasification/storage service for 1.5 Bln m^3. The regasification capacity to be assigned is that subject to the guarantee factor but is extended, on a voluntary basis, also to that not guaranteed by revenue coverage regulated by the Authority. The decree also assigns a to the AEEGSI the task of governing the auction procedures, establishing that the reserve price must be equal "to the sum of a storage component, single for all regasification companies, and a regasification component".

CD 714/2016 – Introduction of market mechanisms for conferring the regasification capacity to users
After the issue of the above decree, the Authority published the consultation document aimed at introducing market mechanisms for conferring the regasification capacity to users to stimulate use of the plants.
Two types of auction are proposed depending on whether they are for long-term or short-term Capacity: for the former a Growing Marginal Price Auction is proposed, for the latter the Pay as Bid logic.
A logic for determining the Reserve Price is also proposed; this is differentiated according to whether it involves assignment of annual or multi-annual capacity (reference: tariffs), intra-annual capacity (reference: market price) or short-term capacity (reference: tending to zero).
After these actions the Revenue Coverage Factor should also be determined on the basis of the auction prices and no longer of the regulated tariffs.
As regards Auction Proceeds, the AEEGSI proposes that any surplus of the assignment prices with respect to the tariffs should be destined, first of all, to reducing the expenses borne by the system, while any further surplus should be paid to plants the costs of which were not completely paid in the past.

SIGNIFICANT EVENTS OF THE PERIOD

IRETI S.p.A.

Following the extraordinary operations carried out at the end of 2015 with effects from 01 January 2016, IRETI S.p.A. began to operate.

The company handles the water services in the provinces of Genoa, Savona, La Spezia, Parma, Piacenza and Reggio Emilia where it operates in the fields of water supplies, sewerage and purification of waste water. With more the 18,000 km of aqueduct networks, over 9,300 km of sewerage networks and approximately 1,100 treatment plants, the company serves more than 2,550,000 inhabitants of more than 200 municipalities, distinguishing itself as the third largest operator in Italy in the water services sector by number of cubic metres managed.

Through more than 7,600 km of network the company distributes natural gas in the municipality of Genoa and in another twenty or so surrounding municipalities, as well as in more than 70 municipalities of the provinces of Parma, Piacenza and Reggio Emilia, for a total of approximately 726,000 customers served.

With approximately 7,300 km of medium and low voltage networks IRETI distributes electricity in the cities of Turin and Parma and is the fifth largest operator in Italy in the electricity sector in terms of quantity of electricity distributed.

In the territory of Emilia in addition IRETI manages the public street lighting and traffic light plants, maintaining and managing the present plants but also designing and building new ones.

TRM

The Iren Group has achieved another important objective of the business plan which determined the acquisition of control over TRM S.p.A., a company, which manages in particular the final waste treatment activity serving the province of Turin. In fact, on 29 January 2016 an agreement was signed for acquisition by Iren S.p.A. - through the subsidiary Iren Ambiente S.p.A. - with a 100% stake in F2i Ambiente S.p.A. (now TRM Holding S.p.A.), which holds as its only equity investment 51% of TRM V. S.p.A.

Iren Ambiente already held directly 49% of the share capital of the company TRM V. and through this operation the latter becomes a subsidiary of the Iren Group.

TRM V. holds 80% of the share capital of TRM S.p.A., a company which has received the contract to design, build and manage up to 2034 the waste-to-energy plant using municipal and similar waste serving the province of Turin which was authorised by the city in July 2015 on saturation of the thermal load under the terms of Art. 35 of the “Sblocca Italia” Law Decree.

The plant has a waste-to-energy capacity of approximately 500,000 tons of undifferentiated urban waste, with production of energy.

The acquisition enables the Group to triple its waste-to-energy capacity, confirming Iren among the first three companies at the national level in terms of waste treated and represents, in addition, a solid base on which to build any further successful operations in the sector.

Sale of the TLC network in the territory of Emilia

Through the subsidiary IRETI, a company operating local public network services the Group signed, on 21 March 2016, an agreement with BT Italia S.p.A., which provides for the sale of a business unit consisting of the telecommunications (TLC) network in Emilia Romagna, the related rights and authorisations, and the receivable and payable contracts involving the business unit. The contract comes in the context of the previous agreements between IRETI (formerly Iren Emilia) and BT Italia/BT Enìa which already attributed to BT Enìa, a BT Italia subsidiary and IRETI investee, the long-term indefeasible rights for use of the TLC Network.

At the same time BT Enìa and IRETI signed a specific contract that grants to the latter the right to use, for a period of 30 years renewable for another 10, 25% of the total capacity of the TLC network sold and grants to BT Enìa the right to use, for a period of 30 years renewable for another 10, 25% of the physical space existing inside all the service cable ducts of the district heating network owned by Iren Energia in the Emilia Romagna Region.

The operation, in keeping with the guidelines of the business plan, thus allows a rationalisation of the asset portfolio in the TLC sector and additional use of the infrastructures serving urban district heating, conserving at the same time access to the TLC network for the needs and requirements of the Iren Group and of the Public Bodies of reference.

Shareholders' Meeting of Iren S.p.A.

On 09 May 2016 the Shareholders' Meeting of Iren S.p.A., in the ordinary session, approved the Company's Financial Statements in relation to financial year 2015 and resolved to distribute a dividend of 0.055 euro per share, confirming what had been proposed by the Board of Directors. The dividend of 0.055 euro for each ordinary and savings share was paid starting from 22 June 2016 (ex-dividend date 20 June 2016 and record date 21 June 2016).

With approval of the financial statements at 31 December 2015 the term of the Board of Directors in office at the time expired.

The Shareholders' Meeting therefore proceeded to appoint the new Board of Directors of the company which will remain in office for financial years 2016/2017/2018 (expiry: date of approval of the financial statements of financial year 2018).

The thirteen members of the new Board of Directors are: Marco Mezzalama, Lorenza Franca Franzino, Fabiola Mascardi, Marta Rocco, Alessandro Ghibellini, Moris Ferretti, Isabella Tagliavini, Barbara Zanardi, Paolo Peveraro, Ettore Rocchi, Massimiliano Bianco, appointed from the list presented by Finanziaria Sviluppo Utilities S.r.l. and 64 former Enìa public shareholders and voted by the majority, to whom must be added Paolo Pietrogrande and Licia Soncini appointed from the list presented by Anima SGR S.p.A., voted by the minority.

The Meeting also appointed Paolo Peveraro to the position of Chairperson of the Board of Directors for financial years 2016/2017/2018.

In the extraordinary session the Shareholders' Meeting approved:

(i) the amendments to Articles 6, 9, 10, 16, 18, 19, 21, 25, 27, 28 and 38 and the insertion of Articles 6-bis, 6-ter and 6-quater of the Articles of Association to introduce increased voting rights ("loyalty shares") and

(ii) the insertion of Paragraph 4 in Article 5 of the Articles of Association to delegate to the Board of Directors, under the terms of Article 2443 of the Italian Civil Code, capital increases with exclusion of the option right up to a maximum amount of a nominal 39,470,897.00 euro.

Company officers

After the Shareholders' Meeting had appointed Paolo Peveraro as Chairperson, the new Board of Directors at its meeting on 09 May 2016 appointed Ettore Rocchi as Deputy Chairperson and Massimiliano Bianco as CEO, in addition to granting powers and proxies as envisaged in the current Articles of Association.

Acquiring majority shareholding in Atena S.p.A.

The Group's ongoing commitment to achieving the objectives set in the business plan resulted in a majority shareholding being acquired in Atena S.p.A.

Through its subsidiary IRETI, Iren increased its stake in the share capital of Atena S.p.A from 22.7% (following the merger by incorporation of Atena Patrimonio) to 60.0% of the corporate shareholding.

Subsequent to the framework agreement entered into between Iren and the municipality of Vercelli on 21 December 2015 to form the basis for the Atena development project, this result was achieved with IRETI subscribing to a share capital increase of 50 million euro on 26 May 2016, which the Shareholders' Meeting of Atena S.p.A. had resolved on 21 December 2015 (at the same time as the extraordinary Shareholders' Meeting of Atena S.p.A. and Atena Patrimonio that resolved to merge the two entities), and the acquisition by the municipality of Vercelli on the same date of an additional 7.9% of the post-merger company's share capital, for 10.47 million euro.

The transaction referred to above is based on one of the main strategic principles forming the basis of the Group's business plan: territorial consolidation within the Group's reference areas.

The development is the cornerstone of the management strategy for Atena S.p.A., with significant investments envisaged in electricity, water, environmental networks and energy efficiency.

Regulatory context – regasification tariffs

During 2016 the Council of State, with two judgements filed (no. 3356 of 26 July and no. 3552 of 9 August) definitively concluded the judgments involving the AEEGSI resolutions approving the regasification tariffs and regulating the regasification terminal which OLT Offshore LNG appealed against. Both judgments have ended favourably for OLT.

With judgement no. 3356 the Council of State in fact rejected the AEEGSI's appeal against the judgements of the Lombardy RAC which had accepted the good grounds of the main illegitimacy arguments put forward by OLT against the tariff resolutions which had not recognised completely or adequately certain

costs incurred by the Company, in this way confirming the latter's right to redetermination of the tariffs from 2013 to 2015 with identical effects also on the tariff for 2016.
With judgement no. 3552 the Council of State accepted that the Company had a full right to be given the revenue coverage factor on the perimeter of the revenues recognised including a higher remuneration of 3% on new investments, the right to purchase transport capacity on the Snam Rete Gas network on the basis of the regasification capacity purchased on its own terminal by the shippers and not obligatorily for 20 years and for a minimum capacity fixed by the Authority, and the freedom to offer or not offer the regasification service without committing, in this last case, a breach of service obligations with consequent repayment of the amounts received by way of the guarantee factor after issuing a suitable guarantee.
Both judgements were notified to the AEEGSI and have become final.
However in October 2016 the Authority adopted resolution 607/2016/R/GAS with which it launched a proceeding to ascertain the effectiveness of the waiver of exemption by OLT. In addition, in this resolution the AEEGSI expressed its position in relation to the fact that the terminal has to bear the transport costs on the entire capacity instead of on the basis of the effective provision of the service. While awaiting the conclusion of the proceeding it states that the 2016 and 2017 tariffs in force as of today will continue to apply.
In order to guarantee that the rights recognised with the two final judgements of the Council of State are promptly and correctly recognised OLT launched new legal actions before the RAC and the Council of State concerning the request for correct compliance by the AEEGSI, and a declaration of nullity of the aforementioned resolution 607/2016/R/gas.

Supply of electricity to the Public Administration
In September 2016 through the subsidiary IREN Mercato, the Group was confirmed as the winner of 2 lots of the annual tender called by Consip for supplying electricity to the Public Administration.
In continuity with the current agreement in being IREN Mercato will continue to be the reference supplier of the Public Administration of Liguria, Lombardy, Emilia Romagna and Trentino.
The award of the tender entails the signing of an agreement between IREN Mercato and Consip for a term of 12 months, within which it is possible to receive orders from the Public Administration for a total volume of electricity of 1.4 TWh on approximately 50,000 supply points with a turnover estimated of approximately 250 million euro.
As in the existing agreements IREN Mercato will offer the possibility, to Public Administrations which request it, to certify the supply of energy from renewable sources (Green Energy certification), making use of the Group's renewable production, in particular from hydroelectric sources.
With this result IREN consolidates its growth process through efficiency, innovation, sustainability and collaboration with the Local Communities and the territory, in line with the objectives and the vision of the Group's business plan.

Purchase of stake in Re. Cos. S.p.A.
The Temporary Consortium set up by Iren Ambiente and Ladurner S.r.l., was awarded the tender, called by ACAM S.p.A., for the sale of 51% of Re. Cos. S.p.A. The purchase of 51% of the company's share capital, divided equally between IREN Ambiente and Ladurner S.r.l. on the basis of 25.5% each, was completed with a notarial deed on 29 September 2016. A 49% stake will remain in the hands of ACAM S.p.A.
Re. Cos. S.p.A. holds the concession or the revamping and operation of the Saliceti waste selection and processing plant and the processing plant of the "green" portion deriving from grass cutting and pruning in Boscalino, serving mainly the province of La Spezia and part of the Tigullio valley.
For the IREN Group the operation constitutes a further important step in the process of territorial consolidation outlined in the business plan and it allows strengthening of its presence in a fragmented area such as Liguria. It represents, in addition, an important initiative on the basis of which further operations in the area can possibly be developed.

Business Plan to 2021

On 18 October the Board of Directors approved the Business Plan to 2021. The business plan to 2021 is based on the excellent results obtained in the recent past, reconfirming the strategic guidelines outlined in the 2015–2020 plan, updated on the basis of the scenario changes that have occurred; efficiency, consolidation, focus on the Customer and sustainability remain the essential pillars to which are added a renewed attention to satisfying Shareholders.

The main strategic guidelines of the business plan to 2021 are:

- ***A further drive to make the processes more efficient, to make the Group's action increasingly fast, incisive and effective.***
  The profound renewal plan, launched in the second half of 2015, has already brought important results and will be the basis for the revision and optimisation of the processes also for the near future. The Group also completed the revision of its business model and the consequent corporate rationalisation, important enabling factors for achieving the synergy targets.
- ***The Customer as a fundamental asset and linchpin on which to build a new corporate culture made up of reliability, inclusivity and innovation.***
  The strategy which has the objective of transforming the energy product from a commodity to a high-value-added service will be the basis of the Group's new commercial paradigm which aims at creating for the Customer a satisfying customer experience, made up of energy saving, efficiency and innovation. All this will make it possible to support the important acquisition and loyalty objectives included in the business plan.
- ***IREN protagonist of the consolidation process in its areas of reference.***
  During the last two years important operations (AMIAT, TRM, Atena) have been completed, which have made it possible to be present with greater strength in several areas included in the Group's core territories. Over the next few years a further effort in this direction is planned, which will confirm IREN as the main aggregator and driver of development in the North-West of Italy.
- ***All the plan objectives will be developed in a framework of environmental, social and financial sustainability.***
  Environmental awareness has always characterised the Group's decisions and is confirmed also in this business plan which puts the stress on activities with low environmental impact such as district heating networks, plant consolidation linked to the concept of "Waste to material" as well as the implementation of smart-metering and smart-grids.

The business plan to 2021 lays out new and challenging objectives supplementing the medium- and long-term strategic pathway embarked on in 2015 and characterised above all by a particular focus on seeking maximum efficiency.

Also for the coming years, efficiency and sustainability will be the fundamental strategic levers to successfully manoeuvre the growth drivers identified in the new business plan, linked above all to development of the regulated and semi-regulated businesses and to a strong focus on energy customers.

On the basis of these strategic lines the IREN Group is aiming for growth in EBITDA, constantly rising Group profit which will enable a clear dividend policy which puts the stress on growth of dividend per share, an improvement in the net financial indebtedness/EBITDA ratio and development of its role as aggregator hub and development driver in its core territories.

The operating targets outlined in the Business Plan to 2021 will enable strong cash generation such as to cover easily the challenging investment plan, of more than 2.2 billion euro, and will make it possible to achieve a balanced ratio between net debt and EBITDA of 3x. This will guarantee for subsequent years notable financial flexibility which can be used to seize interesting investment and M&A opportunities or, in the absence of the latter, to remunerate the shareholders further.

Bond issue as part of the EMTN programme and lability-management operations

On 24 October 2016 Iren S.p.A. completed with full success, for the second consecutive year, the placing of a bond issue for a benchmark amount of 500 million euro as part of the Euro Medium Term Notes (EMTN) Programme of 1.5 billion euro, as most recently renewed and increased by the Board of Directors on 18 October 2016. The bonds, Fitch rating BBB, were issued at MS+80 bps with coupon of 0.875% and maturity 4 November 2024 (duration 8 years) and will be listed on the regulated market of the Irish stock exchange, where the prospectus was filed.

In connection with the issue at the same time a financial optimisation and liability management programme was set, with the launch on the market of a Tender Offer on all existing securities of the company in maturity between 2019 and 2022. The operation was positively completed on 31 October 2016 achieving the repurchasing target of an amount 150 million euro.

During December 2016, in line with the liability-management strategy previously mentioned, resolved by the Board of Iren S.p.A. on 18 October 2016, the directors of the Group decided to proceed with voluntary early repayment of the two non-convertible bond loans (the so-called Puttable Bonds), with a face value of 150 million euro, to be carried out in September 2017 at the moment of the maturities of the related interest instalments.

Overall the activity carried out is aimed at refinancing the company's debt with a view to improving the financial structure, structurally reducing the cost of capital and extending the average duration of the debt.

Corporate rationalisation - Salerno Energia Vendite S.p.A.

The IREN Group is proceeding in the corporate rationalisation process which will lead to acquiring a further stake in Salerno Energia Vendite S.p.A.

At a meeting on 25 October 2016 the Salerno City Council resolved to approve the framework agreement signed by Salerno Energia Vendite and Iren Mercato. With this Resolution the City Council gave the green light to the Parties to proceed with the project for the merger by incorporation of GEA Commerciale, wholly controlled by Iren Mercato, into Salerno Energia Vendite, in which GEA Commerciale itself has a 39.4% stake, Salerno Energia Holding a 59.0% stake and 1.6% is held by Gescom. After the completion of the operation outlined in the framework agreement, which will take place through the merger described above, the shareholding structure Salerno Energia Vendite will be the following: IREN Mercato 50%, Salerno Energia Holding 48,8%, Gescom 1,2%.

Both the incorporated and the incorporating company operate in natural gas sales, in geographical areas of interest: GEA Commerciale is present mainly in the provinces of Grosseto in Tuscany and Frosinone in Lazio, while Salerno Energia Vendite presides over almost all the provinces of Campania, as well as a number of Municipalities of the Basilicata and Calabria Regions. The cumulative customer portfolio of the two entities will therefore strengthen the presence in the Tyrrhenian area.

The operation, as well as contributing to achieving the growth targets of the customer base, will have positive effects in terms of efficiency, competitiveness and quality of the service offered, which besides gas will make it possible to propose contracts in the electricity free market; the experience of the two companies will be shared and this, together with the know-how of IREN Mercato in managing energy customers, will enable both the extraction of important synergies and the possibility of offering high-added-value services.

Unitary management of the business will facilitate, in addition, the expansion of the territorial catchment area of reference through marketing campaigns that aim to acquire new customers as well as increasing the loyalty of current ones.

The partnership between Iren and Salerno Energia Holding therefore constitutes an important element for the Group's commercial development project and completes the growth of the Customer base in external lines indicated in the recently presented business plan.

Award of 45% of the share capital of G.A.I.A. – Gestione Ambientale Integrata dell'Astigiano S.p.A.

On 23 November 2016 IREN Ambiente won the tender regarding 45% of the share capital of G.A.I.A. – Gestione Ambientale Integrata dell'Astigiano and at the same time the contract to the same, for a period of 15 years, for the municipal waste recovery, processing and disposal service in the context of the municipalities that are members of the Waste Catchment Area Consortium of the Asti area. The 45% stake will be acquired through a share capital increase of approximately 15 million euro.

G.A.I.A. S.p.A., in the share capital of which 115 Municipalities of the Asti area have a stake, operates in that territory through 2 plants for the processing of separate and unsorted municipal waste, a plant for the composting of organic waste, a landfill site for municipal and special waste to which must be added 9 eco-stations.

These plant assets, synergistic and complementary with respect to those of the Group, will help to increase the ability to cover the entire waste management cycle, and will be combined with IREN's experience in the sector and its financial resources and know-how, making it possible to implement an important development plan with the objective of maintaining and increasing the levels of excellence of the services offered.

IREN's entry into the share capital of G.A.I.A. Is a further concreted action in the context of the aggregation project continuing the important programme of territorial oversight which during 2016 accelerated rapidly.

Acquisition of the residual water unit of Acque Potabili S.p.A.

On 6 December 2016 the Board of Directors of IREN S.p.A. approved the purchase of the business unit consisting of the integrated water service concessions, related to 31 Municipalities in the North West, owned by Acque Potabili S.p.A., a company in which the Group, through the subsidiary IRETI, holds 44.92% of the share capital.

The acquisition contract was signed on 30 December 2016, with effectiveness from 1 January 2017.

The operation completes the rationalisation process of the Acque Potabili Group which began with the de-listing of Società Acque Potabili S.p.A., on 01 February 2015, and continued with the gradual transfer of some of the water service concessions held by it to its two majority shareholders, SMAT S.p.A. and, indirectly, IREN S.p.A. And the disposal of the non-strategic concessions to third parties.

The operation is a further concrete action within the corporate rationalisation project and enables the enhancement of the concessions in the Group's core territory, as well as greater efficiency and the extraction of further synergies.

The operation outlined above, having as the counterparty Acque Potabili S.p.A., constitutes a related party transaction of minor significance under the terms and for the purposes of the Regulation adopted by CONSOB with resolution no. 17221 of 12 March 2010 as amended, not coming within any exclusion option provided for in the Internal Regulation approved by the Board of Directors of IREN. The transaction was treated under the terms of art. 8 of the OPC Internal Regulation.

Termination of the contract to purchase Ecoprogetto Tortona S.r.l.

On 15 December 2016 the IREN Group, through the subsidiary IREN Ambiente communicated to the shareholders of Ecoprogetto Tortona, set up in 2014 and the holder of a concession for the construction and operation of an anaerobic digestion plant located in the Municipality of Tortona (AL), that the purchase contract for 40% of the company's shares, signed on 13 November 2015, had to be understood as terminated and ineffective, as the conditions precedent provided for at the second closing, aimed at the purchase of the remaining equity interest representing 60% of the company's share capital, had not been fulfilled.

Under the terms of the purchase contract, the IREN Group will therefore transfer the 40% equity interest in the company Ecoprogetto Tortona back to the Ladurner Group, according to the terms of the contract, at the price originally paid.

Confirmation of the "investment grade" rating of IREN at BBB- with outlook stable and the rating BBB for the Eurobonds issued by the Group starting from 2014

On 19 December 2016 the Fitch rating agency confirmed for the Iren Group a BBB- rating, with a stable outlook.

This judgement is associated mainly with the confirmation and evolution of the strategic pillars on which the Group's business plan is based, with its business portfolio made up for approximately 70% of regulated and semi-regulated activities and with the positive results achieved in the last few periods.

These reasons were the basis also for confirmation of the BBB rating on the bonds issued starting from 2014.

Acceptance of the recommendations of the Governance Code of Listed Companies (July 2015 edition) and establishment of the Control, Risk and Sustainability Committee.

On 20 December 2016 the Board of Directors of IREN S.p.A. resolved to formally accept the recommendations of the Governance Code of listed companies (July 2015 edition), the substantial incorporation of which had already begun during the year.

The Board of Directors also approved a document which highlights the governance solutions adopted by the Company with reference to the provisions of the Governance Code and, implementing the invitation pursuant to the Comment on art. 4 of the same, attributed investigatory functions on overseeing the social responsibility of the company on the subject of sustainability to the already-established Control and Risk Committee (which, as a consequence of the resolution, took on the name "Control, Risk and Sustainability Committee").

The functions will be identified with a subsequent resolution of the Board of Directors.

Acquisition of 100% of Ricupero Ecologici Industriali S.r.l.

On 21 December 2016 a contract was signed for the purchase by Iren Ambiente of 100% of the share capital of Ricupero Ecologici Industriali S.r.l. held by Derichebourg Environment S.A.S. The company owns and manages a landfill site for waste, including stable hazardous waste, with the exclusion of municipal waste, located in the Municipality of Collegno (Turin metropolitan area).

The initiative has great industrial importance and will enable a further consolidation of the Group in its core territories: the plant, authorised but not yet receiving waste, is located in fact within the core areas in which IREN operates and will ensure greater integration and use of the processing and disposal assets, and a balance between the waste intermediation activity, already strongly developed by IREN Ambiente, and the disposal activity.

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

Income statement

IREN GROUP INCOME STATEMENT

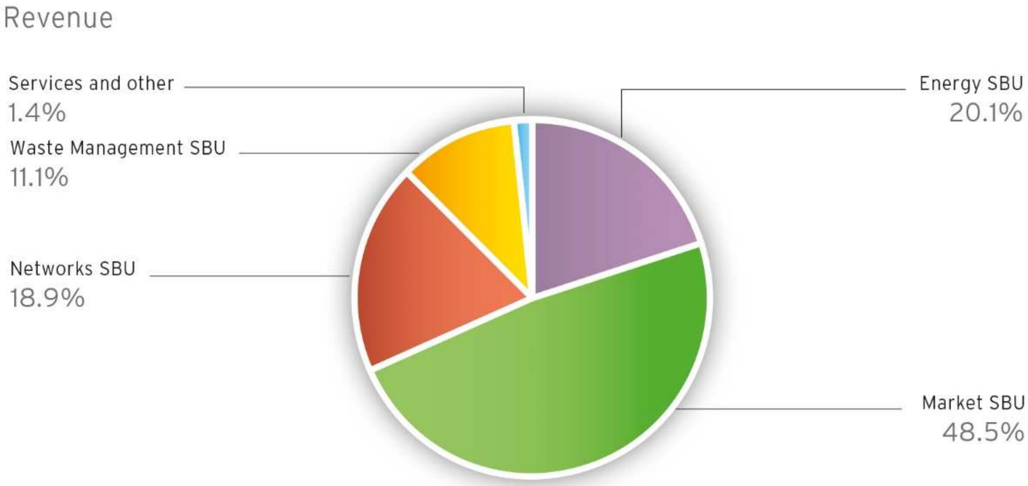
thousands of euro

	Financial Year 2016	Financial Year 2015	Change %
Revenue			
Revenue from goods and services	3,042,735	2,849,677	6.8
Change in work in progress	14,174	8,576	65.3
Other income	226,106	235,859	(4.1)
Total revenue	**3,283,015**	**3,094,112**	**6.1**
Operating expense			
Raw materials, consumables, supplies and goods	(997,328)	(1,023,964)	(2.6)
Services and use of third-party assets	(1,043,889)	(946,466)	10.3
Other operating expenses	(89,999)	(111,067)	(19.0)
Capitalised expenses for internal work	22,328	22,870	(2.4)
Personnel expenses	(359,956)	(357,722)	0.6
Total operating expense	**(2,468,844)**	**(2,416,349)**	**2.2**
GROSS OPERATING PROFIT (EBITDA)	**814,171**	**677,763**	**20.1**
Amortisation, depreciation, provisions and impairment losses			
Depreciation and amortisation	(304,435)	(267,609)	13.8
Provisions and impairment losses	(82,910)	(63,334)	30.9
Total amortisation, depreciation, provisions and impairment losses	**(387,345)**	**(330,943)**	**17.0**
OPERATING PROFIT (EBIT)	**426,826**	**346,820**	**23.1**
Financial income and expense			
Financial income	40,087	31,977	25.4
Financial expenses	(177,000)	(126,808)	39.6
Total financial income and expense	**(136,913)**	**(94,831)**	**44.4**
Share of profit (loss) of associates accounted for using the equity method	3,639	(6,254)	(*)
Value adjustments on equity investments	9,857	-	-
Profit (loss) before tax	**303,409**	**245,735**	**23.5**
Income tax expense	(118,153)	(105,662)	11.8
Net profit (loss) from continuing operations	**185,256**	**140,073**	**32.3**
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss) for the period	**185,256**	**140,073**	**32.3**
attributable to:			
- Profit (loss) - Group	173,980	118,193	47.2
- Profit (loss) - non-controlling interests	11,276	21,880	(48.5)

(*) Change of more than 100%

Revenue

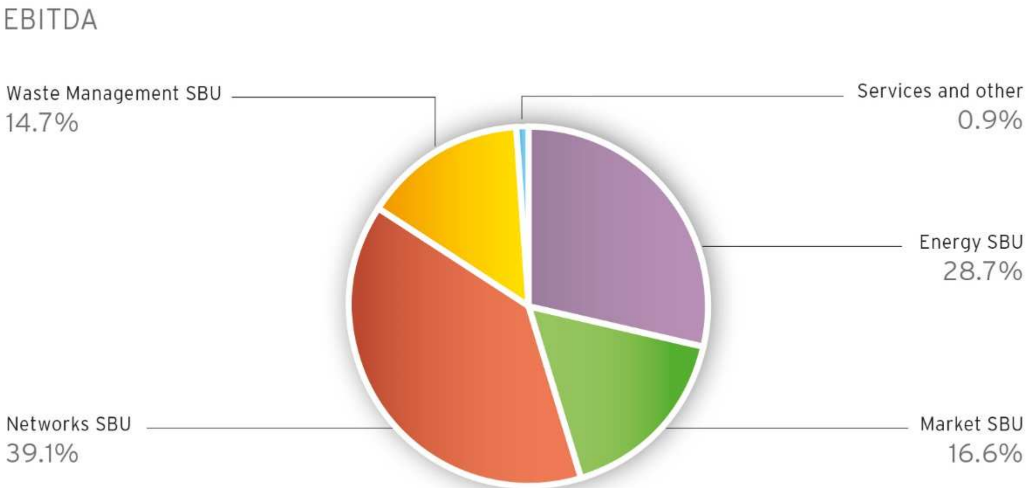
At 31 December 2016, the Iren Group achieved revenue of 3,283 million euro, up by +6.1% compared to the 3,094 million euro of financial year 2015. The increase recorded was mainly due to expansion of the consolidation scope to include TRM, the company that manages the waste-to-energy plant in Turin and, as of 01 May, also to consolidation of the Atena group, which operates as a multi-service and sales company in the area of Vercelli and surrounding municipalities. It is worth noting also the positive impact on revenue (approximately 15 million euro) of the effects on tariff trends consequent to the changes introduced by AEEGSI resolution 654/2015 (known as the electricity distribution “regulatory time lag”). The events mentioned made it possible to absorb the effects on revenue of the falling commodity prices.



Gross Operating Profit (EBITDA)

Gross operating profit amounted to 814 million euro, up +20.1% compared to 678 million euro recorded in 2015. The increase was due mainly to the higher margins of the energy supply chain (generation and sale), to operating synergies on costs which more than offset the reduction resulting from revision of the remuneration of capital invested in the networks, to a greater use of the Group's own waste disposal plants and to the changes in the consolidation scope, with the inclusion of TRM starting from January 2016 and of the ATENA group from May. The aforementioned effect of AEEGSI resolution 654/2015 on the subject of energy distribution tariffs also contributed positively to operating profit.

All business areas contributed to the upward trend, with the sole exception of hydroelectric production, characterised by a reduction in margins due to a decrease in prices and lower quantities produced.



Operating profit (EBIT)

Operating profit totalled 427 million euro, an improvement of +23.1% compared to the figure of 347 million euro in 2015. The trend in gross operating profit was partially absorbed by higher depreciation and amortisation of 37 million euro, owing mainly to the consolidation of TRM, as well as higher provisions and impairment losses of approximately 20 million euro of which 9 million euro of higher provisions for risks (of which 2 million euro of higher provisions for impairment of receivables and 7 million euro provisions for other risks), 7 million euro of higher impairment losses and 4 million euro of lower releases of provisions set aside in 2015 for cessation of the related risk.

Financial income and expense

The economic components of a financial nature showed a balance of net financial expenses of 137 million euro (95 million euro in the corresponding comparative period). In particular financial expenses amounted to 177 million euro (27 million euro in financial year 2015). The variation mainly reflects the consolidation of the financial expenses of TRM (19 million euro) and the one-off components related to the liability management operations regarding the early repayment of some of the bonds in the portfolio (44.8 million euro), inclusive of the effect of the evaluation of the early repayment, to be carried out in september 2017, of puttable bonds.

Financial income amounted to 40 million euro (32 million euro in the comparative year). The change was due essentially to recognition of the income associated with the refund of interest, paid in previous years, in relation to the favourable judgement on the recovery of state aid ("moratoria fiscale").

Share of Profit (loss) of associates accounted for using the equity method

The profit (loss) of associates accounted for using the equity method amounted to +3.6 million euro (-6.3 million euro in 2015). The positive change between the periods in analysis (+9.9 million euro) was mainly due to the better result for the period of the investee OLT Offshore LNG Toscana, partially offset by the change in the results of other associates and joint ventures. In financial year 2015, this item included the results for TRM V. and ATENA, which are now fully consolidated.

Value adjustments on equity investments

This item amounted to +9.9 million euro (not present in the comparative period), and refers substantially to the restatement at fair value, at the date the controlling stake was acquired, of the minority interest held at 31 December 2015, in TRM V. (10.5 million euro), partially offset by some impairment losses of other smaller equity investments.

Profit (loss) before tax

As a result of the above trends the consolidated profit before tax came out at 303.4 million euro, up on the 245.7 million euro recorded in financial year 2015.

Income tax expense

Income tax expense for the period amounted to 118 million euro, up by 11.7% compared to 2015. The effective tax rate was 38.9% (43% in 2015).

The decrease in the tax rate compared to the previous year was mainly due to the lower impact of the effects of the change in the IRES rate from 27.5% to 24% on the redetermination of net deferred tax assets.

Segment reporting

The Iren Group operates in the following business segments:

- Energy (Hydroelectric Production, Combined Heat and Power, District Heating Networks, Thermoelectric Production)
- Market (Sale of electricity, gas, heat)
- Networks (Electricity Distribution Networks, Gas Distribution Networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Other services (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 Italian north-west area, the following segment information does not include a breakdown by geographical area.
Below are the main income statement items with relative comments broken down by operating segment compared to the figures for the first half of 2015.

In 2016 non-regulated activities contributed to the formation of gross operating profit for 29% (24% in 2015), regulated activities accounted for 45% (52% in 2015), while semi-regulated activities grew, going up from 24% in 2015 to 26% in 2016.

Statement of financial position by business segment at 31 December 2016

millions of euro

	Energy	Market	Networks	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,876	67	2,141	959	21	156	5,220
Net Working Capital	25	(8)	114	8	31	-	171
Other non-current assets and liabilities	(90)	(2)	(387)	(151)	(16)	-	(646)
Net invested capital (NIC)	**1,811**	**57**	**1,868**	**816**	**36**	**156**	**4,745**
Shareholders' equity							2,288
Net financial position							2,457
Own funds and net financial indebtedness							**4,745**

Statement of financial position by business segment at 31 December 2015

millions of euro

	Energy	Market	Networks	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,940	74	1,973	400	24	237	**4,648**
Net Working Capital	91	(62)	125	(17)	17	-	**154**
Other non-current assets and liabilities	(94)	28	(408)	(99)	1	-	**(571)**
Net invested capital (NIC)	**1,937**	**40**	**1,690**	**285**	**42**	**237**	**4,231**
Shareholders' equity							**2,062**
Net financial position							**2,169**
Own funds and net financial indebtedness							**4,231**

Income Statement by business segment 2016

millions of euro

	Energy	Market	Networks	Waste Management	Other services	Netting and adjustments	Total
Total revenue and income	908	2,187	854	503	62	(1,230)	3,284
Total operating expense	(675)	(2,052)	(535)	(383)	(55)	1,230	(2,470)
Gross Operating Profit (EBITDA)	**234**	**135**	**319**	**120**	**7**	**-**	**814**
Net am./depr., provisions and impairment losses	(130)	(56)	(135)	(67)	0	-	(387)
Operating profit (EBIT)	**104**	**79**	**183**	**53**	**8**	**-**	**427**

Income Statement by business segment 2015

millions of euro

	Energy	Market	Networks	Waste Management	Other services	Netting and adjustments	Total
Total revenue and income	813	2,377	859	463	93	(1,511)	3,094
Total operating expense	(614)	(2,290)	(555)	(399)	(69)	1,511	(2,416)
Gross Operating Profit (EBITDA)	**199**	**87**	**304**	**65**	**24**	**-**	**678**
Net am./depr., provisions and impairment losses	(125)	(46)	(107)	(54)	1	-	(331)
Operating profit (EBIT)	**74**	**41**	**196**	**10**	**25**	**-**	**347**

Energy SBU

At 31 December 2016 revenue for the period amounted to 908 million euro, up 11.7% on the 813 million euro of 2015.

			Financial Year 2016	Financial Year 2015	Δ %
Revenue		€/mln	908	813	11.7%
Gross Operating Profit (EBITDA)		€/mln	234	199	17.5%
EBITDA Margin			*25.7%*	*24.4%*	
Operating Profit (EBIT)		€/mln	104	74	39.4%
Investments		€/mln	60	36	65.7%
Electricity produced		GWh	8,573	7,890	8.7%
	from hydroelectric sources	*GWh*	1,228	1,479	-17.0%
	from cogeneration sources	*GWh*	5,360	4,746	12.9%
	from thermoelectric sources	*GWh*	1,986	1,665	19.3%
Heat produced		GWh_t	2,679	2,634	1.7%
	from cogeneration sources	*GWh_t*	2,340	2,287	2.3%
	from non-cogeneration sources	*GWh_t*	339	347	-2.4%
District heating volumes		Mm^3	85	82	3.6%

At 31 December 2016 electricity produced was 8,573 GWh, up by 8.7% compared to the 7,890 GWh of financial year 2015, as a result of higher thermoelectric production at the Turbigo plant and at the cogeneration plants.

In particular thermoelectric production was 7,346 GWh, of which 5,360 GWh from cogeneration sources, up by 12.9% compared to the 4,746 GWh of 2015 and 1,986 GWh from thermoelectric sources in the strict sense, connected with the contribution of the Turbigo plant up by 19.3% compared to the 1,665 GWh of 2015.
Hydroelectric production was 1,228 GWh, down by -17.0% compared to 1,479 GWh in 2015.
Heat production in the period amounted to 2,679 GWh_t up by +1.7% compared to the 2,634 GWh_t of 2015, as a result of a thermal season which during the fourth quarter more than recovered the particularly mild thermal season of the first half of 2016 as well as the increase in volumes connected.
Overall district heating volumes amounted to approximately 85 million m^3 up by +3.6% compared to the 82 million m^3 of 2015.

Gross operating profit (EBITDA) amounted to 234 million euro, up +17.5% from the 199 million euro of financial year 2015.
This improvement was mainly due to the recovery of margins in the electricity production of cogeneration and thermoelectric plants, to the higher quantities produced, of both electricity and heat, as well as a reduction in operating expenses. This trend, particularly positive, made it possible to absorb completely the effect of the drop in production and margins of the hydroelectric sector.

The operating profit (EBIT) of the Energy segment totalled 104 million euro, an improvement of 39.4% compared to the 74 million euro of 2015. The trend in operating profit was partially absorbed by higher impairment losses of approximately 4 million euro, by higher provisions for risks of approximately 4 million euro in part offset by a higher provision releases of approximately 3 million euro owing to the cessation of the related risk.
Technical investments made in this sector amounted to 60 million euro.

Market SBU

At 31 December 2016 the revenue of the segment amounted to 2,187 million euro, down -8.0% from the 2,377 million euro of financial year 2015. As of 01 May 2016 the consolidation scope of the Market SBU includes Atena Trading, a company operating in the province of Vercelli.
Gross operating profit (EBITDA) amounted to 135 million euro, up 54.9% compared to 87 million euro recorded in financial year 2015.

		Financial Year 2016	Financial Year 2015	Δ %
Revenue	€/mln	2,187	2,377	-8.0%
Gross Operating Profit (EBITDA)	€/mln	135	87	54.9%
EBITDA Margin		*6.2%*	*3.7%*	
from Electricity	*€/mln*	52	13	(*)
from gas	*€/mln*	83	71	16.2%
from heat	*€/mln*	0	3	-94.3%
Operating Profit (EBIT)	€/mln	79	41	91.7%
Investments		16	14	14.2%
Electricity Sold	GWh	9,539	12,393	-23.0%
Electricity sold net of Power Exchange purchases/sales	GWh	9,152	11,628	-21.3%
Gas purchased	Mm^3	2,752	2,568	7.2%
Gas sold by the Group	Mm^3	998	1,004	-0.6%
Gas for internal use	Mm^3	1,547	1,358	13.9%
Gas in storage	Mm^3	207	206	0.1%

(*) Change of more than 100%

Sale of electricity

The volumes of electricity sold amounted to 9,539 GWh (net of pumping, network leaks and dedicated withdrawals) down by -23.0% compared to the 12,393 GWh of financial year 2015.
The drop is attributable solely to sales on the exchange carried out as from 1 April 2016 directly by the Energy BU, following a reorganisation of the energy management business.
Net of this organisational event, volumes sold on the free market, including the segments of business and retail customers and wholesalers, amounted to a total of 7,405 GWh, up 53.5% compared to the 4,825 GWh of 2015, and this thanks also to the change in the scope related to the entry of Atena Trading. All free market segments showed improvement, in particular the wholesalers segment recorded an increase of +51.6% with 2,877 GWh compared to the 1,897 GWh of 2015; business customers posted sales for 3,147 GWh for a +81.4% improvement compared to the 1,735 GWh of 2015, whereas retail customers recorded sales for 1,381 GWh with a +15.9% improvement compared to the 1,192 GWh of 2015.
The volumes sold on the protected market were 571 GWh, down by -12.5%, compared to the 653 GWh of 2015.

The gross operating profit (EBITDA) of the sale of electricity amounted to 52 million euro, a great improvement compared to 13 million euro in financial year 2015. The trend for the gross operating profit was the first to record an upward movement for both the free market and the protected market. With regard to the free market, the improvement is attributable mainly to the tariff revision on the sales component, the improvement in the procurement conditions as well as the higher volumes sold. In relation to the market with greater protection the improvement of margins derived from the tariff revision related to the increase in the portion referred to the marketing component both for 2016 and for earlier years.

Sale of Natural Gas

The volumes purchased amounted to 2,752 million m³, up by +7.2% compared to the 2,568 million m³ of financial year 2015. The gas sold by the group amounted to 998 million m³, down by -0.6% compared to the 1,004 million m³ of 2015, while internal consumption was 1,547 million m³ up by +13.9% compared to the 1,358 million m³ of financial year 2015.

Gross operating profit (EBITDA) of gas sales amounted to 83 million euro, up 16.2% compared to the 71 million euro recorded in 2015. The increase was due to an improvement in both the sale and the procurement conditions.

Sales of other services

Heat sales presented an operating margin down compared to the 3 million euro of 2015. The drop was due to the impact of higher operating expense.

Networks SBU

At 31 December 2016 the segment of Network activities, which comprises the businesses of Gas Distribution, Electricity and the Integrated Water Service, recorded revenue of 854 million euro, slightly down, by 0.6%, compared to financial year 2015, when it was 859 million euro.

Gross operating profit (EBITDA) amounted to 319 million euro, up 5% from the 304 million euro of financial year 2015.

Net operating profit (EBIT) totalled 183 million euro, a -6.7% decrease on the 2015 figure of 196 million euro. The positive trend of gross operating profit (EBITDA) was more than offset by the higher provisions for risks and for impairment of receivables, and by lower provision releases for the cessation of the risk that had characterised financial year 2015.

The main changes in the segments concerned are illustrated below.

		Financial Year 2016	**Financial Year 2015**	**Δ %**
Revenue	€/mln	854	859	-0.6%
Gross Operating Profit (EBITDA)	€/mln	319	304	5.0%
EBITDA Margin		*37.3%*	*35.3%*	
from Electricity Networks	*€/mln*	*83*	*76*	*10.3%*
from gas networks	*€/mln*	*73*	*72*	*1.0%*
from Integrated Water Service	*€/mln*	163	156	*4.2%*
Operating Profit (EBIT)	€/mln	183	196	-6.7%
Investments	€/mln	149	161	-7.7%
in Electricity Networks	*€/mln*	*29*	*26*	*10.4%*
in Gas Networks	*€/mln*	*35*	*37*	*-3.7%*
in Integrated Water Service	*€/mln*	85	98	-14.0%
Electricity distributed	GWh	4,148	3,995	3.8%
Gas introduced into the network	Mm³	1,250	1,209	3.4%
Water sold	Mm³	170	162	4.9%

Networks SBU - Electricity

Gross operating profit (EBITDA) amounted to 83 million euro, up 10.3% from the euro76 million of financial year 2015.

The increase in the profit was mainly due to an increase in revenue following application of AEEGSI Res. 654/2015/R/eel which changes for the fifth regulatory period, beginning on 01 January 2016, the mechanism through which the invested capital of the electricity distribution companies is remunerated, eliminating the so-called “regulatory lag”: This made it possible to more than offset the contraction of the distribution revenue constraint deriving from the reduction of the remuneration of invested capital for tariff purposes defined by the AEEGSI for the new regulatory period, and the cessation of the positive effect on 2015 of the contingent assets related to equalisation of previous years.

During the period investments for 29 million euro were made, mainly related to new connections, the construction of new LV/MV substations and LV/MV lines.

Networks SBU **-** *Gas Distribution*

Gross operating profit of gas distribution networks amounted to 73 million euro, up by +1% compared to 72 million euro in financial year 2015. The increase in the profit was mainly due to a reduction in operating expense which more than offset both the reduction in the distribution revenue constraint due to the reduction, established by the AEEGSI, of the remuneration of invested capital and the higher expense connected with the obligation on energy efficiency certificates.

Investments made in the period amounted to 35 million euro and regarded the provisions of AEEGSI resolutions, in particular making the network compliant with cathodic protection, the installation of electronic meters and replacement of grey cast iron pipes.

Networks SBU **-** *Water Cycle*

The gross operating profit of the period amounted to 163 million euro up by +4.2% compared to 156 million euro in financial year 2015. The increase in the profit was mainly due to operating synergies, to the change in the consolidation scope deriving from the acquisition of the Ligurian business unit of Società Acque Potabili (SAP) and of Atena SpA and from insurance reimbursements that had already emerged during the 1st half of 2016. These positive trends made it possible to more than offset the cessation of the positive effect of the earlier tariff adjustments recorded in financial year 2015 and the tariff revision related to the new regulatory period characterised by a reduction in the remuneration of capital with a consequent drop in the revenue constraint.

Investments in the period totalled 85 million euro and concerned the construction, development and maintenance of distribution networks and systems, the sewerage network and in particular water treatment plants.

Waste Management SBU

At 31 December 2016 the turnover of the segment amounted to 502 million euro up by 8.4% compared to the 463 million euro of the same period of 2015 mainly as a result of the entry into the consolidation scope from 01 January 2016 of TRM SpA, the company which manages the waste-to-energy plant in Turin.

		Financial Year 2016	Financial Year 2015	Δ %
Revenue	€/mln	502	463	8.4%
Gross Operating Profit (EBITDA)	€/mln	120	65	85.0%
EBITDA Margin		*23.8%*	*14.0%*	
Operating Profit (EBIT)	€/mln	53	10	(*)
Investments	€/mln	23	21	7.8%
Electricity sold	GWh	473	185	(*)
Thermal energy produced	GWh_t	190	171	10.6%
Waste collected	tons	*1,216,923*	1,171,623	3.9%
Waste disposed of	tons	*1,102,568*	*764,702*	*44.2%*
Urban waste	*tons*	*694,506*	*278,414*	*(*)*
Special waste	*tons*	*408,062*	*486,288*	*-16.1%*
Emilia area separate waste collection	%	*68.7*	*66.0*	*4.1%*
Turin area separate waste collection	%	*42.9*	*42.8*	*0.2%*

(*) Change of more than 100%

Gross operating profit of the segment amounted to 120 million euro, up 85 % compared to the 65 million euro recorded in 2015. The increase was mainly due to the consolidation of the TRM waste-to-energy plant in Turin; however the other waste disposal activities also contributed positively to the result thanks to greater use of the group's own waste-to-energy plants and the activities of collection and sweeping thanks to the reduction of operating expense.

The operating profit was 53 million euro, up compared to the 10 million euro recorded in 2015. The positive trend in gross operating profit was more than absorbed by the increase in the depreciation and amortisation of TRM for +33 million euro and by the higher impairment losses, only partially offset by lower provisions for risks and for impairment of receivables as well as an increase in provision releases owing to the cessation of the related risk.

The investments made in the period amounted to 23 million euro and refer to investments for maintenance of the various plants and investments in equipment and vehicles supporting waste collection based on the door-to-door and separated method.

Services and other

		Financial Year 2016	Financial Year 2015	Δ %
Revenue	€/mln	62	93	-32.7%
Gross Operating Profit (EBITDA)	€/mln	7	24	-68.9%
EBITDA Margin		*11.8%*	*25.5%*	
Operating Profit (EBIT)	€/mln	8	25	-68.3%
Investments	€/mln	22	25	-12.6%

(*) Change of more than 100%

At 31 December 2016 revenue was 62 million euro, down by -32.7% compared to the 93 million euro recorded in 2015.

Gross Operating Profit (EBITDA) amounted to 7 million euro, down compared to the 24 million euro in 2015.

Revenue and the gross operating profit were mainly affected by the recognition during financial year 2015 of the adjusted estimates related to expenses for electricity transport in previous years of the period 2004-2010.

Investments in the period amounted to 22 million euro and related largely to information systems and telecommunications.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE IREN GROUP (1)

thousands of euro

	31/12/2016	31/12/2015	Change %
Non-current assets	5,220,438	4,648,465	12.3
Other non-current assets (liabilities)	(148,513)	(161,911)	(8.3)
Net Working Capital	170,991	153,888	11.1
Deferred tax assets (liabilities)	61,412	110,972	(44.7)
Provisions for risks and employee benefits	(561,622)	(525,799)	6.8
Assets (Liabilities) held for sale	2,498	5,420	(53.9)
Net invested capital	**4,745,204**	**4,231,035**	**12.2**
Shareholders' equity	2,288,097	2,061,666	11.0
Non-current financial assets	*(49,950)*	*(53,012)*	*(5.8)*
Non-current financial debt	*2,967,471*	*2,698,648*	*10.0*
Non-current net financial debt	2,917,521	2,645,636	10.3
Current financial assets	*(860,245)*	*(690,878)*	*24.5*
Current financial debt	*399,831*	*214,611*	*86.3*
Current net financial debt	(460,414)	(476,267)	(3.3)
Net financial debt	2,457,107	2,169,369	13.3
Own funds and net financial debt	**4,745,204**	**4,231,035**	**12.2**

(1) For a reconciliation of the reclassified statement of financial position with that of the financial statements, please refer to the specific attachment to the consolidated financial statements.

The main changes in the statement of financial position for financial year 2016 are commented on below.
Non-current assets at 31 December 2016 amounted to 5,220 million euro, an increase of 572 million euro (+12.3%) compared to 31 December 2015 (4,648 million euro). The change, as well as to investments in plant, property and equipment, and intangible and financial assets (275 million euro), depreciation and amortisation (304 million euro), proceeds from the sale of investments (11 million euro) and impairment losses (12 million euro) of the period, was due essentially to the consolidation of the fixed assets of TRM and of the ATENA group, net of the elimination of the related equity investments carried at equity up to acquisition of control.
For further details on investments, see the section "Segment Reporting".
Net non-current liabilities fell mainly following the recognition of tax credits consequent to recognition in the period of the right to a refund of interest, paid in previous years, in relation to the favourable judgement on the recovery of state aid ("moratoria fiscale").
Net Working Capital at 31 December 2016 was 171 million euro (154 million euro at 31 December 2015); the change is attributable to the commercial components, also due to consolidation of TRM and of the ATENA group, and to the increase in inventories on work in progress balanced by lower gas storage. Net Working Capital includes future expenses for environmental offsets of TRM S.p.A.
Shareholders' equity at 31 December 2016 was 2,228 million euro, up by 11% compared to 31 December 2015 (2,062 million euro); the increase was essentially due to the effect of the profit for the period (185 million euro), the increase in reserves (mainly referring to third parties) deriving from the full consolidation of the ATENA Group and TRM (prior to acquiring control carried at equity) for 102 million euro, which was partially offset by dividend payments (87 million euro).
Net financial debt at 31 December 2016 amounted to 2,457 million euro, (2,169 million euro at 31 December 2015). The change was related substantially to the effect of the acquisitions of TRM, the ATENA Group and REI, mitigated by the cash flows deriving from operations in the period, positive overall. In fact, not considering the effect of these extraordinary operations net financial debt recorded a reduction of 147 million euro.
The statement of cash flows, presented below, provides an analytical breakdown of the reasons for the changes in financial items in financial year 2016.

CASH FLOW STATEMENT OF THE IREN GROUP

thousands of euro

	Financial Year 2016	Financial Year 2015	Change %
A. Opening cash and cash equivalents	**139,576**	**51,601**	**(*)**
Cash flows from operating activities			
Profit (loss) for the period	185,256	140,073	32.3
Adjustments:			
Income tax expense for the period	118,153	105,662	11.8
Share of profit (loss) of associates and joint ventures	(13,496)	6,254	(*)
Net financial expense (income)	136,913	94,831	44.4
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	304,435	267,609	13.8
Net impairment losses (reversals of impairment losses) on assets	11,633	5,088	(*)
Net provisions for risk and other charges	100,421	92,668	8.4
Capital (gains) losses	2,704	(3,644)	(*)
Utilisations of employee benefits	(10,096)	(13,336)	(24.3)
Utilisations of provisions for risks and other charges	(25,011)	(31,475)	(20.5)
Change in other non-current assets and liabilities	(17,240)	4,827	(*)
Other financial changes	(17,235)	(16,029)	7.5
Taxes paid	(100,694)	(91,731)	9.8
B. Cash flows from operating activities before changes in NWC	**675,743**	**560,797**	**20.5**
Change in inventories	1,686	(16,408)	(*)
Change in trade receivables	(77,954)	80,040	(*)
Change in tax assets and other current assets	(26,465)	70,743	(*)
Change in trade payables	(4,115)	(84,643)	(95.1)
Change in tax liabilities and other current liabilities	36,918	(34,496)	(*)
C. Cash flows from changes in NWC	**(69,930)**	**15,236**	**(*)**
D. Cash flows from /(used in) operating activities (B+C)	**605,813**	**576,033**	**5.2**
Cash flows from /(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(269,983)	(267,562)	0.9
Investments in financial assets	(4,823)	(7,650)	(37.0)
Proceeds from the sale of investments and changes in assets held for sale	9,993	4,777	(*)
Changes in consolidation scope	(454,957)	(25,469)	(*)
Dividends received	7,840	7,435	5.4
E. Total cash flows from /(used in) investing activities	**(711,930)**	**(288,469)**	**(*)**
F. Free cash flow (D+E)	**(106,117)**	**287,564**	**(*)**
Cash flows from /(used in) financing activities			
Dividends paid	(87,098)	(81,417)	7.0
New non-current loans	570,000	800,000	(28.8)
Repayment of non-current loans	(519,647)	(354,379)	46.6
Change in financial liabilities	408,292	(415,348)	(*)
Change in financial assets	(29,955)	(55,006)	(45.5)
Interest paid	(137,074)	(110,959)	23.5
Interest received	15,707	17,520	(10.3)
G. Total cash flows from /(used in) financing activities	**220,225**	**(199,589)**	**(*)**
H. Cash flows for the period (F+G)	**114,108**	**87,975**	**29.7**
I. Closing cash and cash equivalents (A+H)	**253,684**	**139,576**	**81.8**

(*) Change of more than 100%

In order to improve the financial information provided, more analysis on cash flows was included, specifically on those produced from operating and financial activities. In order to provide consistency, the period of comparison was prepared on a like-to-like basis as that for the period.

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

thousands of euro

	Financial Year 2016	Financial Year 2015	Change %
Free cash flow	(106,117)	287,564	(*)
Dividends paid	(87,098)	(81,417)	7.0
Interest paid	(137,074)	(110,959)	23.5
Interest received	15,707	17,520	(10.3)
Change in fair value of hedging derivatives	33,531	(1,298)	(*)
Other changes	(6,687)	4,905	(*)
Change in net financial position	**(287,738)**	**116,315**	**(*)**

(*) Change of more than 100%

The increase in net financial debt was mainly due to the free cash flow (-106 million euro), dividends paid (-87 million euro) and net financial expenses paid (-121 million euro).
The free cash flow of the period was negative following essentially the extraordinary effect of the operation to acquire control over TRM (purchase price and net financial debt consolidated) , and to a lesser extent the ATENA Group and REI, which absorbed the positive net cash flows of the period.
In particular, the free cash flow derives from the combined effect of the following determinants:

- operating cash flow of 606 million euro;
- cash flow from investing activities, a negative 712 million euro, generated mainly by the acquisition of control over and full consolidation of F2i Ambiente (now TRM Holding), TRM V, TRM, ATENA, ATENA Trading and REI for 455 million euro. The other components of the flow of investing activities are related to the combined effect of investments in the period of 275 million euro, the disposal of non-current assets for 10 million euro and dividends received by associates (mainly Plurigas) for a total of 8 million euro.

FINANCIAL POSITION, RESULTS OF OPERATIONS AND CASH FLOWS OF IREN S.P.A.

Income statement

INCOME STATEMENT OF IREN S.p.A.

thousands of euro

	Financial Year 2016	Financial Year 2015	Change %
Revenue			
Revenue from goods and services	139,122	71,486	94.6
Other income	7,420	18,481	(59.9)
Total revenue	**146,542**	**89,967**	**62.9**
Operating expense			
Raw materials, consumables, supplies and goods	(9,002)	(976)	(*)
Services and use of third-party assets	(87,150)	(51,468)	69.3
Other operating expenses	(6,522)	(3,610)	80.7
Capitalised expenses for internal work	9,563	2,893	(*)
Personnel expenses	(71,042)	(44,620)	59.2
Total operating expense	**(164,154)**	**(97,781)**	**67.9**
GROSS OPERATING PROFIT (EBITDA)	**(17,612)**	**(7,814)**	**(*)**
Amortisation, depreciation, provisions and impairment losses			
Depreciation and amortisation	(8,473)	(3,159)	(*)
Provisions and impairment losses	(956)	(489)	95.5
Total amortisation, depreciation, provisions and impairment losses	**(9,429)**	**(3,648)**	**(*)**
OPERATING PROFIT (EBIT)	**(27,041)**	**(11,462)**	**(*)**
Financial income and expense			
Financial income	242,176	238,102	1.7
Financial expenses	(145,788)	(111,678)	30.5
Total financial income and expense	**96,388**	**126,424**	**(23.8)**
Value adjustments on equity investments	-	-	-
- of which non-recurring	-	-	-
Profit (loss) before tax	**69,347**	**114,962**	**(39.7)**
Income tax expense	18,910	9,540	98.2
Net profit (loss) from continuing operations	**88,257**	**124,502**	**(29.1)**
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss) for the period	**88,257**	**124,502**	**(29.1)**

(*) Change of more than 100%

Revenue
Total revenue for Iren S.p.A. was 147 million euro, primarily relating to activities launched in the year for services provided to Group companies. The increase in the item was related both to the process of rationalising the macrostructure already launched in the previous year, and to the intra-group unit sale operations, which occurred in the first half of 2016. Specifically this was the acquisition from Iren Servizi e Innovazione S.p.A. of the ”Group services” unit, from Iren Energia S.p.A. of the “Warehouse” unit and from IRETI S.p.A. of the “Warehouse and Corporate Staff” unit respectively running from 1 January and 1 April 2016.

Operating expense
Operating expense amounted to 164 million euro and includes services and use of third-party assets (87 million euro), other operating expense (6 million euro) and personnel expense (71 million euro). The increase in operating expense compared to the previous year was the result essentially of management of staff activities for the Group companies, transferred to Iren S.p.A. following the organisational rationalisation described above.

Depreciation, amortisation and provisions
Depreciation, amortisation and provisions amounted to around 9 million euro. The increase in the amount was due to the
intra-group unit sale operations, which occurred in the first half of 2016.

Financial income and expense
The balance between financial income and expense was a positive 96 million euro. Financial income, of 242 million euro, included among other things dividends from subsidiaries, associates and other companies (approximately 154 million euro), interest income on loans to subsidiaries (73 million euro) and interest from the Revenues Agency resulting from the conclusion of the dispute launched by the company for the correct determination of interest on state aid ("moratoria fiscale").

Financial expense amounted to 146 million euro, and related essentially to interest expense on loans and bonds (130 million euro), including charges related to the above mentioned operations of liability management (44 million euro), and on derivatives put in place to hedge the risk of oscillating interest rates (11 million euro).

Profit (loss) before tax
Profit before tax is 69 million euro.

Income tax expense
Income taxes were a positive 19 million euro because they consist mainly of income from tax consolidation. In fact, the Company opted for participation in the national consolidation tax scheme pursuant to Art. 118 of the new Consolidated Income Tax Act (TUIR) and calculates IRES on a taxable base corresponding to the algebraic sum of taxable profits/losses of each company included in the consolidation scope.

Profit (loss) for the year
Net of taxes for the year, the company recorded a profit of 88 million euro.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF IREN S.P.A. (1)

thousands of euro

	31/12/2016	31/12/2015	Change %
Non-current assets	2,590,910	2,580,402	0.4
Other non-current assets (liabilities)	14,928	2,026	(*)
Net Working Capital	14,452	34,121	(57.6)
Deferred tax assets (liabilities)	11,513	16,853	(31.7)
Provisions for risks and employee benefits	(49,454)	(40,652)	21.7
Assets held for sale	240	240	-
Net invested capital	**2,582,589**	**2,592,990**	**(0.4)**
Shareholders' equity	1,604,935	1,582,719	1.4
Non-current financial assets	*(1,546,441)*	*(1,887,041)*	*(18.0)*
Non-current financial debt	*2,544,137*	*2,660,368*	*(4.4)*
Non-current net financial debt	997,696	773,327	29.0
Current financial assets	*(604,383)*	*(139,146)*	*(*)*
Current financial debt	*584,341*	*376,090*	*55.4*
Current net financial debt (assets)	(20,042)	236,944	(*)
Net financial debt	977,654	1,010,271	(3.2)
Own funds and net financial debt	**2,582,589**	**2,592,990**	**(0.4)**

(*) Change of more than 100%

(1) For a reconciliation of the reclassified statement of financial position with that of the financial statements, please refer to the specific attachment to the separate financial statements.

Non-current assets
Intangible assets, property, plant and equipment, investment property and financial assets totalled 2,591 million euro.

Net working capital
Net working capital was positive by 14 million euro. Deferred tax assets totalled 12 million euro, whereas provisions for risks and employee benefits amounted to approximately 49 million euro.

Shareholders' equity
2016 closed with equity of 1,605 million euro.

Net financial debt
At the end of 2016 net financial indebtedness amounted to 978 million euro. Specifically, non-current indebtedness, equal to 998 million euro, includes non-current financial liabilities of 2,544 million euro and non-current financial assets of 1,546 million euro. The latter mainly refer to loans to subsidiaries. The current net financial position totalled 20 million euro and comprises current payables due mainly to banks for 584 million euro, current financial receivables, largely from Group companies, for 463 million euro, and cash and cash equivalents amounting to 141 million euro.

CASH FLOW STATEMENT OF IREN S.P.A.

thousands of euro

	Financial Year 2016	Financial Year 2015	Change %
A. Opening balance of cash and cash equivalents and centralised treasury management	**1,318,420**	**(37,265)**	**(*)**
Cash flows from operating activities			
Profit (loss) for the period	88,257	124,501	(29.1)
Adjustments:			
Income tax expense for the period	(18,910)	(9,540)	98.2
Net financial expense (income)	(96,387)	(126,424)	(23.8)
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	8,473	3,159	(*)
Net impairment losses (reversals of impairment losses) on assets	-	-	-
Net provisions for risk and other charges	8,489	8,999	(5.7)
Capital (gains) losses	(10)	-	-
Utilisations of employee benefits	(1,167)	(1,046)	11.6
Utilisations of provisions for risks and other charges	(1,370)	(1,384)	(1.0)
Change in other non-current assets and liabilities	(197)	(4,890)	(96.0)
Other financial changes	-	-	-
Taxes received/paid	10,974	13,759	(20.2)
B. Cash flows from operating activities before changes in NWC	**(1,848)**	**7,134**	**(*)**
Change in trade receivables	49,075	(70,257)	(*)
Change in tax assets and other current assets	(3,531)	(20,520)	(82.8)
Change in trade payables	(4,683)	41,051	(*)
Change in tax liabilities and other current liabilities	(11,710)	10,069	(*)
C. Cash flows from changes in NWC	**29,151**	**(39,657)**	**(*)**
D. Cash flows from /(used in) operating activities (B+C)	**27,303**	**(32,523)**	**(*)**
Cash flows from /(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(20,379)	(6,132)	(*)
Investments in financial assets	-	-	-
Proceeds from the sale of investments and changes in assets held for sale	1,511	186	(*)
Dividends received	153,673	164,846	(6.8)
Acquisition of business units	2,354	(3,010)	(*)
E. Total cash flows from /(used in) investing activities	**137,159**	**155,890**	**(12.0)**
F. Free cash flow (D+E)	**164,462**	**123,367**	**33.3**
Cash flows from /(used in) financing activities			
Dividends paid	(70,193)	(66,747)	5.2
Other changes in equity	-	479	(100.0)
New non-current loans	570,000	800,000	(28.8)
Repayment of non-current loans	(494,397)	(342,580)	44.3
Change in financial assets	73,248	1,092,971	(93.3)
Change in financial liabilities	(6,865)	(142,464)	(95.2)
Interest paid	(119,178)	(110,346)	8.0
Interest received	709	1,005	(29.5)
G. Total cash flows from /(used in) financing activities	**(46,676)**	**1,232,318**	**(*)**
H. Cash flows for the period (F+G)	**117,786**	**1,355,685**	**(91.3)**
I. Closing balance of cash and cash equivalents and centralised treasury management (A+H)	**1,436,206**	**1,318,420**	**8.9**
L. Current balance of centralised treasury management - subsidiaries	**(1,294,888)**	**(1,202,359)**	**7.7**
M. Closing cash and cash equivalents (I+L)	**141,318**	**116,061**	**21.8**

(*) Change of more than 100%

The following table summarises the changes in net financial indebtedness of the Parent, Iren S.p.A. for the years under review.

thousands of euro

	Financial Year 2016	Financial Year 2015	Change %
Free cash flow	164,462	123,367	33.3
Dividends paid	(70,193)	(66,747)	5.2
Interest paid	(119,178)	(110,346)	8.0
Interest received	709	1,005	(29.5)
Change in fair value of hedging derivatives	5,874	9,947	(40.9)
Other changes	50,943	71,398	(28.6)
Change in net financial position	**32,617**	**28,624**	**13.9**

(*) Change of more than 100%

The following table reconciles equity and the result of the Parent Company Iren S.p.A. at 31 December 2016 and 31 December 2015 with those of the consolidated financial statements.

thousands of euro

31/12/2016	**Equity**	**Profit (loss) for the period**
Equity and profit for the year of the Parent	**1,604,935**	**88,257**
Difference between the carrying amount and associates accounted for using the equity method	2,555	-30
Higher value from consolidation compared to the carrying amount of consolidated equity investments	413,124	227,930
Elimination of dividends from subsidiaries/associates	0	-153,663
Elimination of intra-group margins	-63,843	11,571
Other	1,015	-85
Group equity and profit for the year	**1,957,786**	**173,980**

"Elimination of intra-group margins" refers to the elimination of capital gains from the disposal of business units or companies within the Group. In particular, the transaction relating to the Genoa integrated water cycle carried out by the former AMGA (positive effect of 11 million euro on the income statement and negative by 42 million euro on Equity).

thousands of euro

31/12/2015	**Equity**	**Profit (loss) for the period**
Equity and profit for the year of the Parent	**1,582,719**	**124,501**
Difference between the carrying amount and associates accounted for using the equity method	3,770	36,870
Higher value from consolidation compared to the carrying amount of consolidated equity investments	310,950	116,923
Elimination of dividends from subsidiaries/associates	0	-164,846
Elimination of intra-group margins	-75,414	3,966
Other	1,841	783
Group equity and profit for the year	**1,823,866**	**118,197**

(*) these refer to The Group's Equity and Profit presented in the consolidated financial statements

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

Additional periodic financial information
In the light of the provisions of the Issuer Regulations, amended by CONSOB with Resolution no. 19770 of 26 October 2016, which introduced article 82-ter with effect from 2 January 2017, Iren made public on 24 January 2017 its intention to continue to communicate, on a voluntary basis, the so-called “additional periodic financial information”.
The “additional periodic financial information”, starting from financial year 2017 and until otherwise communicated, will be subject to approval by the Board of Directors in meetings to be held within 45 days from the end of the first and third quarter of each year and published, in keeping with the methods provided for in the Issuer Regulations, by distribution of a press release and of a publication/presentation on the Company’s website.
The main items of information contained in the “additional periodic financial information” will be the following:

- Corporate structure and company bodies;
- Summary of the economic results and the financial position;
- Segment reporting;
- Significant events of the period;
- Accounting statements related to the economic and financial situation and capital.

The Company:

- guarantees the consistency and correctness of the “additional periodic financial information” distributed to the public and the comparability of the related items of information with the corresponding figures contained in the financial reports previously distributed to the public;
- ensures rapid, non-discriminatory access reasonably capable of guaranteeing the effective distribution of the information in the whole of the European Union.

Conversion of Iren S.p.A. savings shares into ordinary shares by FCT Holding S.p.A. and subsequent sale
On 2 March 2017 FCT Holding S.p.A. communicated that it had concluded the sale of 14,001,986 ordinary shares, representing 1.18% of the Iren S.p.A. ordinary share capital. After the sale, FCT Holding S.p.A. holds a 6.308% stake in the Iren share capital.
The shares sold derive from the conversion of savings shares into ordinary shares, within the settlement date of the Offer, in accordance with the conversion procedure indicated in art. 6.9 of Iren’s By-laws.
This said, the Iren S.p.A. share capital is therefore currently represented by 1,195,727,663 ordinary shares with voting rights and by 80,498,014 savings shares without voting rights, all with a face value of 1.00 euro each.

BUSINESS OUTLOOK

In 2016 the macro-economic scenario in Italy was characterised by the first signs of recovery with a still weak upward trend: GDP in fact increased by 1.0% on an annual basis. This trend was reflected in the weakness, in particular in the first nine months of the year, of energy commodity prices. In the last quarter of 2016 the growth in demand for electricity, owing mainly to contingent and also foreign factors, instead sustained an increase in prices. In this context the Group was able to seize significant growth options, recording results sharply up driven by the excellent performance of the energy supply chain.

The results thus reached, together with the synergies achieved and the external growth options taken in the last 24 months confirm the targets of the Business Plan to 2021, presented by the Group in October 2016. In particular the growth envisaged from developing the Group’s strategic guidelines is confirmed: making processes more efficient, considering the customer as a fundamental asset, the Group’s role as an aggregator and driver of development in the North-West area.

REGULATORY FRAMEWORK

The main legislative references related to the Group's sectors of competence are presented below.

Regulations relating to local public services of economic importance

The rules on local public services resulting from the regulatory framework are contained in the Italian Law no. 221 of 17/12/2012 as amended converting Italian Law Decree no. 179 of 18/10/2012 containing further urgent measures for growth of the country, Art. 34, as amended by Italian Law Decree no. 150 of 30-12-2013 - Extension of terms provided for by legislative measures, Art. 13 *Terms on the subject of local public services,* in force since 1 March 2014.
On the basis of the legislative framework indicated, direct assignments granted as of 1 October 2003 to partially publicly-owned companies already listed on the Stock Exchange at that date, and to those controlled by them, cease at the expiry date provided for in the service contract; assignments that do not provide for an expiry date cease, with no extension possible, 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 geographical territories or areas.

With the 2015 Stability Law as amended (Italian Law no. 190 of 23 December 2014), measures are introduced in order to promote aggregation processes and to strengthen the industrial management of local public network services of economic significance. Paragraph 611 of Article 01 of the aforesaid law states that, starting from 01 January 2015, the Regions and Local Authorities must begin a process of rationalising the companies and equity investments directly and indirectly held.
To this end the next paragraph, 612, of the same Law states, with a view to a reorganisation and reduction of investee companies, that the presidents of regions and the autonomous provinces of Trento and Bolzano, the Presidents of provinces, Mayors and other top management of the administrations pursuant to paragraph 611, in relation to the respective fields of competence, must define and approve, by 31 March 2015, an operational plan to rationalise the companies and equity investments directly or indirectly held, the methods and implementation times, and a detailed description of the savings to be achieved. This plan, accompanied by a specific technical report, must be sent to the competent regional auditing section of the Court of Auditors and published on the institutional website of the administration involved. By 31 March 2016, the above-mentioned entities must prepare a report on the results achieved, which must be sent to the competent regional auditing section of the Court of Auditors and published on the institutional website of the administration involved. Publication of the plan and the report fulfils the disclosure obligation. With judgement no. 144 handed down on 16 June 2016, the Constitutional Court denied the constitutional legitimacy questions raised by the Veneto Region against the regulations whereby the Stability Law of 2015 had intended to intervene so as to reduce public territorial entities' equity investments and the relative costs, pursuant to paragraphs 611 and 612 above. The denial of the question, which was raised with reference to the legitimacy of the criteria identified, is motivated by the general objective of saving for the State Treasury and referring to the combining of each criterion with a government-related matter.

On 13 August 2015 Italian Law 124/2015 containing "Powers delegated to the Government on the reorganisation of the public administrations", better known as the Madia Law on Reform of the PA, was published in Official Journal no. 187.
The measure contains 14 important delegated legislative powers: public management, reorganisation of central and peripheral state administration, digitalisation of the PA, simplification of administrative procedures, rationalisation and control of investee companies, countering corruption, and transparency.
Implementing Art. 7 of the Madia Law, Italian Legislative Decree no. 97 of 25 May 2016, was published in the Official Journal. It came into force on 23 June 2016 and contained a "Revision and simplification of the rules on the subject of preventing corruption, disclosure and transparency, correcting Italian Law no. 190 of 06 November 2012 and Italian Legislative Decree no. 33 of 14 March 2013, under the terms of Article 7 of Italian Law no. 124 of 07 August 2015", on the subject of reorganisation of the public administrations, containing a revision and simplification of the rules on the subject of preventing corruption, disclosure and transparency, correcting Italian Law no. 190 of 06

November 2012 (anti-corruption) and Italian Legislative Decree no. 33 of 14 March 2013 (administrative transparency). Listed companies (as defined in Art. 2 lett. p) of the Consolidated Law on Investees) continue to be excluded from the rules of Italian Legislative Decree 33/2013.
With a Resolution no. 1309 of 28 December 2016, , the ANAC issued the Guidelines containing operating indications for the purposes of defining the exclusions and limits on civic access pursuant to art. 5 c. 2 of Italian Legislative Decree 33/2013 and, with the subsequent resolution no. 1310 issued the First Prime Guidelines containing indications on implementation of the disclosure, transparency and information distribution obligations contained in Italian Legislative Decree 33/2013 as amended by Italian Legislative Decree 97/2016.

Implementing Art. 2 of the Madia Law, Italian Legislative Decree no. 127 of 30 June 2016, was published in the Official Journal. It contained "Rules for the reordering of regulations on service conferences", and replaced Articles 14, 14-bis, 14-ter, 14-quater and 14-quinquies of Italian Law no. 241 of 7 August 1990. The main changes are:
- the "simplified" conference: no meetings are provided for but only the electronic transmission of documents. A decision is made in at the most 45 days (90 days when administrations responsible for environmental, landscape and territorial protection, cultural assets or for protecting people's health are involved). Tacit consent is provided for;
- the conference "simultaneous" with the meeting: this will be held only when strictly necessary, that is in the event of: a) particularly complex decisions; b) when in the simplified conference dissent has occurred or in any case conditions have been indicated (or requests for planning changes made), which make necessary a new assessment by the administrations. The conference meeting will be attended by only one representative of the State administrations, one for each Region and one for each Local Authority. The conference comes to an end in 45 days (90 days when administrations responsible for environmental, landscape and territorial protection, cultural assets or for protecting people's health are involved). Also in this case the tacit consent mechanism is provided for.

Implementing Article 5 of the Madia Law, Italian Legislative Decree no. 222 of 25 November 2016 was published in the Official Journal. It contained "Identification of proceedings subject to authorisation, certified start-of-work reporting (Segnalazione Certificata di Inizio di Attività - SCIA), tacit consent and communication, and definition of the administrative systems applicable to certain activities and proceedings". The Decree indicates for each activity the related administrative system and, therefore, whether it is free, whether a communication, an SCIA, a single or conditional SCIA, an authorisation, or an authorisation plus the SCIA is necessary. Articles 18 and 19 of the Madia Law contain guiding criteria for defining consolidated legislative decrees on local public services of general economic interest and on public investee companies.

With judgement 251/2016 the Constitutional Court, following an appeal by the Veneto Region, declared the Madia reform "partially unconstitutional" where "it states that the implementing legislative decrees must be adopted after acquiring the opinion provided by the Unified Conference, instead of after agreement in the State-Regions Conference". When "it is not possible to identify a subject for which the State is responsible in which to classify, principally, the law appealed against, because there is, instead, a combination of state and regional responsibilities, relating to subjects associated with an inextricable tangle, it is necessary for the state legislator to observe the principle of loyal collaboration and provide for adequate instruments to involve the Regions (and the local authorities), defending their responsibilities".
Reference is made in particular to 4 points of the delegating law:
1. Public governance
2. Reordering of the rules on equity investments
3. Local public services of general economic interest
4. Public employment.
In point 9 of the judgement the Court declares expressly that the pronouncements of unconstitutionality are limited to the delegating rules of Italian Law 124/2015, the subject of the appeal, and do not extend to the related implementing provisions.

While the Consolidated Law on Local Public Services of General Economic Interest, the scheme of which was approved, has lapsed following Constitutional Court judgement no. 251/2016, the Consolidated Law on Public Investee Companies was published in the Official Journal with Italian Legislative Decree no. 175

of 19 August 2016, and came into force on 23 September 2016. The law is however awaiting corrections following the aforesaid pronunciation of the Constitutional Court.

Code on public works contracts

Implementing a number of EU directives, with Italian Legislative Decree no. 50 of 18 April 2016, the Government approved the new Contracts Code, corrected with the subsequent measure of 15 July 2016. With subsequent ANAC Resolutions, the Authority approved the following Guidelines:

1. Guideline no. 1, containing "General guidance on the award of services related to architecture and engineering";
2. Guideline no. 2, containing "Economically most advantageous offer";
3. Guideline no. 3, containing "Appointment, role and duties of the single manager of the proceeding for the award of contracts and concessions";
4. Guideline no. 4, containing "Procedures for the award of public contracts of an amount less than the community significance threshold, market surveys and formation and management of the lists of economic operators";
5. Guideline no. 5, containing "Criteria for choosing the tender commissioners and for registering experts in the obligatory National Register of the members of selection boards";
6. Guideline no. 6, containing "Indication of the adequate evidence and of shortcomings in the execution of a previous work contract which can be considered significant to demonstrate the circumstances for exclusion pursuant to art. 80, paragraph 5, lett. c) of the Code".

2017 Budget and Stability Law

Following the entry into force of Italian Law no. 163 of 4 August 2016, the contents of the budget law and the stability law are included in a single measure, consisting of the new budget law, referred to a three-year period, which is divided into two sections:

- the first section performs substantially the functions of the former draft stability law;
- the second section reflects those of the draft budget law.

The Stability Law for 2016 set at 2,999.99 euro the limit - fixed up to December 2015 at 999.99 euro - above which transfers in cash, or of bank or post office savings books payable to the bearer are not permitted.
The Stability Law for 2017 was approved with Italian Law no. 232 of 11 December 2016, and published in Official Journal no. 297 of 21 December 2016.

Anti-Mafia Code

Italian Legislative Decree No. 159 of 6 September 2011, subsequently supplemented and amended by Italian Legislative Decree 153/2014 approved the Code on anti-Mafia laws and prevention measures, which consolidates all provisions of the fight against organised crime into one law.
In particular we can note elimination of the "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.
Italian Law Decree 90/2014, converted into Italian Law 114/2014 in Art. 29, amending Art. 1 paragraph 52 of Italian Law 190/2012, states that it becomes obligatory to consult the "White list", established at the Prefectures and that registration in the lists takes into account the anti-Mafia communications and information required by Italian Legislative Decree 159/2011, also for activities other than those for which the lists were established. The activities defined as at higher risk of infiltration are listed in paragraph 53 of Art. 1 of Italian Law 190 /2012 (e.g.: hot charters, waste transport and disposal for third parties, road transporters for third parties, extraction, supply and transport of soil and inert materials, etc.).
An ANAC communication of 23 June 2015 provides for annotation in the electronic criminal records and in the Database of Anti-Mafia Disqualifying Information.
Since 7 January 2016 the Single National Database of Anti-Mafia Documentation (Banca Dati Nazionale Unica per la Documentazione Antimafia - BDNA) for issuing anti-Mafia communications and information has been fully operational. As provided for in arts 87 and 90 of Italian Legislative Decree 159/2011, as amended, anti-Mafia communications and information are provided through consultation of the BDNA by subjects pursuant to art. 97, paragraph 1 of Italian Legislative Decree 159/2011, duly authorised.

Gas distribution

The rules on the Gas Distribution service were profoundly modified by the provisions of the Letta Decree, approved with Italian Legislative Decree no. 164 of 2000, which introduced competition into the Italian natural gas market by deregulating gas imports, exports, transport, dispatch and sales.
In a Decree of 19 January 2011 the Ministry of Economic Development determined the geographical areas for the natural gas distribution sector and with Ministerial Decree no. 226 of 12/11/2011, the so-called Criteria Decree (updated most recently with Ministerial Decree no. 106 of 20/05/2015) the Regulation on public tender criteria and the assessment of bids for the assignment of gas distribution services was adopted.

The terms for calling the tenders, initially set at six months from entry into force of the regulation, have been extended several times, most recently with Italian Law no. 21 of 25 February 2016 (containing Conversion, with amendments, of Italian Law Decree no. 210 of 30 December 2015, containing the extension of terms provided for in legislative measures published in OJ General Series no. 47 of 26 February 2016) which established that the terms pursuant to art. 3, paragraph 1, of the aforementioned regulation 226/2011, as amended, related to non-publication of the call for tenders pursuant to annex 1 attached to the said regulation, are extended respectively by twelve months for the areas of the first grouping, by fourteen months for the areas of the second grouping, by thirteen months for the areas of the third, fourth and fifth grouping, by nine months for the areas of the sixth and seventh grouping and by five months for the areas of the eighth grouping, in addition to the extensions current at the date of entry into force of the conversion law of the present decree.
The launches of the tenders for ATEM are envisaged as of today according to the following calendar, which takes into account the term for publication of the call for tenders. The deadlines already passed will be rescheduled:

- Reggio Emilia - tender extended for two years owing to earthquake - 11 November 2016
- Parma – 11 July 2016
- Piacenza 1 West – 11 December 2016
- Piacenza 2 East – 11 September 2017
- Genoa – 11 April 2017
- Vercelli – 11 October 2016

With Resolution 382/2012/R/gas, the standard service contract template for natural gas distribution was published.

On 22 May 2014 a Decree was issued by the Ministry of Economic Development containing “Approval of the document ‘Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants’”. This was published in Italian Official Journal, General Series, no. 129 of 6 June 2014 together with the document, which is annexed to the said decree and is an integral part of it, containing “Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants”.

On 24 July 2014 the AEEGSI published Resolution no. 367/2014 and Annex A – concerning the Gas distribution services tariff regulation system, with reference to the regulation period 2014-2019 for Territorial Area managements and other rules on the subject of tariffs, which was appealed by the Company, together with the Ministerial Decree of 22 May 2014.
The Lombardy RAC, Second Section, handed down - rejecting the appeals lodged by Iren Emilia and Genova Reti Gas (companies merged into IRETI) against AEEGSI Resolution no. 367/14 - respectively Judgements no. 2740/2015 and 2736/2015, filed on 22 December 2015, with which it rejected both appeals with costs compensated.
Appeals were lodged against the above judgements.
As regards the Ministerial Decree of 22 May 2014 and subsequent amendments and additions containing “Approval of the document ’Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants’”, we can specify that in the context of the same judgement pending before the Lazio RAC against the Guidelines, an appeal was also lodged with recourse for additional reasons against Ministerial Decree 106/2015, which modifies numerous provisions of Ministerial Decree 226/2011 (known as the Criteria Decree). Both appeals were rejected. Assessments are in progress to ascertain whether it is opportune to proceed with an appeal.

On 22 June 2015 the AEEGSI issued Resolution 296/2015/R/com with which it approved the "AEEGSI Rules on functional separation (unbundling) obligations for companies operating in the electricity and gas sectors (TIUF)" which establishes, among other things, an obligation to unbundle the communication policy and the brand between sale and distribution companies.

Art. 3 "Provisions on the subject of easements" of Italian Law no. 154 of 28 July 2016, containing Powers Delegated to the Government and further provisions on the subject of simplification, rationalisation and competitiveness of the agricultural and food industries, and sanctions on the subject of illegal fishing, in force since 25 August 2016, obliges owners of private roads to allow the passage of pipes for connection to the gas network of domestic or business users, including the installation of meters. As the provision indicated is an obligation, the Mayor of the competent Municipality, at the request of the interested parties, authorises the execution of the works, taking into due consideration the seasonality of the crops growing in the fields adjacent to the private roads involved in the work, in order to impede or limit any damage to these crops.

Default service

With Resolution ARG/gas 99/11, the Authority had introduced rules for the retail sale of natural gas, with particular reference to the methods of purchase and loss of liability of withdrawals, to rules on non-fulfilment by final customers of their payment obligations (default) to completion of the structure provided for regarding last resort services, regulating the default service (DS), aimed at ensuring the balancing of the distribution network in relation to withdrawals of gas made directly by the final 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.

This Resolution was initially considered unconstitutional and suspended by the Lombardy RAC with judgement no. 3296 of 29/12/2012, a judgement then overturned by the Council of State which accepted the appeal lodged by the AEEG against this pronouncement.

Very briefly the Council of State, following the AEEGSI's pleadings, decided that the default service is associated with the balancing service and that the same cannot be considered sales activity but, rather, as ex post settlement activity of the objective debt relationships created following withdrawals made by customers that have remained connected to the distribution network.

This was also considering the fact that the typical risk of sales activity, since the default of the final customer served is almost fully socialised and made chargeable to the community.

The matter was the subject of numerous actions, most recently AEEGSI resolution no. 258/2015/R/com challenged by Ireti S.p.A. with the fourth appeal for additional reasons. As of today the judgement on the merit of the appeal is pending and a public hearing to deal with the same has not yet been set.

The AEEGSI published Res. 70/2016/R/gas and CD 71/2016/R/gas, with which, on the basis of its findings, it proposed to define the procedure for the presentation and assessment of applications with which Distributors can ask to be exonerated, partially or totally, from the payments provided for in the event of failure to disconnect Redelivery Points. The replies from the Distributors are in progress.

On 4 August 2016 the AEEGSI published Resolution 465/2016/R/gas "Public tender procedures for the identification of suppliers of last instance and suppliers of the default distribution service, starting from 1 October 2016". The measure incorporates some of the proposals expressed by the Operators in the consultation on CD 71/2016/R/gas and, among other things, intervenes on the following aspects:

- Elimination of the obligation to proceed with the legal actions in cases of PDRs with "historical" consumption of less than 500 Sm3/year.
- The invoicing of legal expenses "without prejudice to what is otherwise ordered by the judge at the moment of deciding on the legal costs";
- The establishment of a Blacklist, with activation subordinated to payment of what is due when the same CF appears on another Redelivery Point.

Electricity distribution

Italian 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 electricity and sale to eligible customers, against the retention of a regulated monopoly arrangement for transmission and distribution.
Italian Law no. 290 of 27 October 2003 established the re-unification of ownership and management of the transmission grid.

Measures were adopted in 2007 to guarantee unbundling.
As already specified in the section Gas distribution, with Resolution 296/2015/R/COM the AEEGSI establishes functional unbundling obligations also for electricity operators. More specifically we can note the obligation to unbundle the communication policy and the brand between sale and distribution companies and, in particular in the electricity sector, also between sales on the free market and greater protection service. It is specified that interfacing with final customers must involve the use of distinct information channels, physical spaces and personnel.

Tariff structure for transmission, distribution and metering
With Resolutions no. 583/15/R/com, no. 653/15/R/eel, no. 654/15/R/eel and no. 658/15/R/eel, the AEEGSI established, for the 2016-2023 regulatory period, the tariff regulation for providing the electricity transmission, distribution, metering and dispatching services and the regulation of the transmission service quality.
The fifth period or new regulatory period (NRP) has a duration of eight years and is divided into two semi-periods identified as NRP1 (2016-2019) and NRP2 (2020-2023), each of which lasting four years.
Starting from 01 January 2016 and very gradually the reform of the Authority's electricity tariffs , provided for in Italian Legislative Decree 102/14, will be implemented. The reform arrives at the end of a an articulated consultation process, accompanied by several reports to Government and Parliament. When fully implemented, therefore from 2018, according to the reform, for the network services a non-progressive tariff structure is defined. This is the same for all domestic customers, and is set up on the basis of the criterion of adherence to the costs of the various services: the metering, marketing and distribution costs will be covered by per-customer fixed portion (€/year) and by a power portion (€/kW/year), while the transmission costs by an energy portion (c€/kWh). For the tariff for system expenses there remains instead a differentiation between resident customers (to which it is all applied in the energy portion like today, that is in c€ per kWh withdrawn) and non-resident customers (to which it is applied both in the fixed portion and in the energy portion).

Major hydroelectric shunt concessions

Constitutional Court Judgement no. 205 of 04 July 2011 pronounced the unconstitutionality of the provisions of Italian Law Decree no. 78 of 31 May 2010, converted to Italian Law no. 122 of 30 July 2010, which extended major water shunting concessions for the production of electricity 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 inter-ministerial 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 inter-ministerial 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.

In September 2013 the European Commission began a fact-finding inquiry, concerning several member states, on the conditions for assigning, extending or renewing water concessions for hydroelectric use and sent the Italian Government a letter of formal notice which states that certain provisions recently introduced by the Italian parliament (with Italian Law 134/2012, converting the Italian "Development" Law Decree 83/2012), as well as certain parts of the legislation of the Autonomous Provinces of Trento and Bolzano are contrary to principles and rules of community law (freedom of establishment; Art. 12 of the "Bolkestein" Directive 2006/123/EC). The Italian Government's reply to the European Commission's objections is being prepared. In the meantime, a discussion with the European Commission was begun by the main competitors, including Iren, in order to raise its awareness of the need to make the rules in each member state uniform.
The Regional Executive Decree of the President of the Piemonte no. 2/R of 9 March 2015 approved the new regional regulation on public water shunting concessions which changes the rules on proceedings for issuing concessions for which the Province or the metropolitan city is responsible and introduces the possibility of overcoming the "*presumption of incompatibility owing to proximity*" producing specific documentation.

Integrated Water Service

The Integrated Water Service (IWS) reform process, which began with Italian Law no. 36/94 (the Galli Law), was revised with the approval of Italian Legislative Decree no. 152 of 3 April 2006, (this too the subject of periodic important amendments) and with the issue of art. 23-bis of Italian Law Decree no. 112 of 25 June 2008, converted with amendments into Italian Law no. 133 of 6 August 2008, related to "public services of economic significance".
Following the Referendum held on 12 and 13 June 2011 with the abrogation of art. 23 bis, the community legislation on the minimum competition rules on the subject of public tenders for the award of management of public services of economic significance came into immediate force. With article 19 of Italian Law no. 124 of 7 August 2015, the Government was delegated to draw up a consolidated law on local public services of general economic interest, but this measure, the draft of which had already been approved by the Cabinet, lapsed following Constitutional Court judgement no. 251/2016.

As mentioned above, to define the organisation of the water service, the provisions of the consolidated law must be coordinated with those on the subject of Italian Legislative Decree 152/2006 the Environmental Code (amended by Italian Law no. 164 of 11 November 2014, which converted, with amendments, Italian Law Decree no. 133 of 11 September 2014, known as the "Unblock Italy" law) and with the Resolutions issued by the Italian Authority for Electricity and Water services (AEEGSI).
The latter, in fact, following the introduction of Italian Law Decree 201/11 known as the 'Save-Italy' law, was given "the functions related to the regulation and control of the water services "previously entrusted to the National Agency for Regulation and Supervision on the Subject of Water. These functions, which the Authority performs with the same powers attributed by the law setting it up, Italian Law 481/1995, make reference to several aspects of the integrated water service: from definition of the admissible costs and the criteria for determining the tariffs to cover these costs, to the responsibilities on the subject of service quality, verification of the area plans and preparation of the standard agreements for the award of the service.

The Authority for Electricity, Gas and Water approved, among other things:

- resolution no. 664/2015/R/IDR of 28 December 2015, which governs the water tariff method for the second regulatory period 2016/2019;
- Resolution no. 656/2015/R/IDR of 23 December 2015 regarding the Standard Agreement for regulating relations between awarding bodies and operators of the Integrated Water Service - Rules on the essential minimum contents. Taking into account the observations received on the previous Consultation Documents 274/2015/R/idr and 542/2015/R/idr - the Authority adopted the Standard Agreement for regulating relations between awarding bodies and operators of the integrated water service, with which besides the operating agreements currently in force must be made compliant.
- AEEGSI Resolution no. 655/2015 on the contractual quality rules of the Integrated Water Service that is of each of the services that make it up in order to guarantee the distribution, availability and quality of the service to users in a uniform manner over the whole country, in particular:

a) to define the minimum quality levels and targets of the integrated water service that is of each of the single services that make it up;
b) to define specific and general quality levels of the services of distribution, metering and sale of water services and, to this end, to identify quality indicators of the said services, determining methods of recording the performance provided by operators at the request of users;
c) to ensure the uniformity and completeness of the methods of measuring the execution times of the services requested by users in order to guarantee adequate service quality and to introduce automatic compensation to be paid to users, in the event of non-observance of the specific quality levels, that take into account timeliness and punctuality in the execution of the said services;
d) to determine the obligations of automatic compensation in favour of users in the event of non-observance of the standards set.

On 30 September 2015 the Province of Savona approved Resolution no. 70/2015, with which it approved the Plans of the 3 sub-areas and defined the subjects to which they were to be assigned through an in-house procedure (and therefore excluding Acquedotto di Savona, the Savona water company, merged into IRETI with effect from 01 January 2016). The resolution was appealed by the Group and as of today the proceeding is still pending.

With judgement no. 7210 of 13 April 2016, the Court of Cassation specified that the payment due on the sewerage and purification tariff as a component of the Integrated Water Services fee is not automatically excluded in the case that the relative sewerage and purification plants were provided and operated by the local entity and that the failure to use the relevant services depends on the user's conduct that voluntarily decides not to become connected, and that it is up to the user to prove that its collection and purification systems for waste water originating from domestic premises are compatible with the overriding objectives of environmental protection and competition.

The integrated water service is also governed by Regional Laws 25/1999 and 10/2008 for the Emilia Romagna region.
As regards rules on the subject of ATOs (Optimal Territorial Areas), the Emilia Romagna Region with Regional Law no. 23 of 23-12-2011 set forth the "Rules for the territorial organisation of the functions related to local public environmental services", which lays down the rules relating to regulation of public environmental services and in particular to the territorial organisation of the integrated water service and the integrated urban waste management service in Emilia Romagna, and states that on the basis of the principles of subsidiarity, differentiation and adequacy, the entire regional territory constitutes the optimal territorial area in accordance with Articles 147 and 200 of Italian Legislative Decree no. 152 of 2006.

The Liguria Region, with Law no. 1 of 24 February 2014, attributed the functions on the subject of organisation and management of the Integrated Water Service and Integrated Waste Management.
As regards the IWS, the Law identified 5 ATOs:
- ATO West – Province of Imperia;
- ATO Centre/West 1 - Province of Savona;
- ATO Centre/West 2 - Province of Savona;
- ATO Centre/East – Province of Genoa;
- ATO East – Province of La Spezia.

It should be noted that article 10 paragraph 1 of the aforementioned law was declared unconstitutional by the Constitutional Court with judgement no. 31 of 10 February 2015.

Waste Management Service

Integrated Waste Management is understood as all the activities of transportation, treatment and disposal of waste, including street sweeping and the management of these operations.
The legislation of a general nature applicable to the Integrated Waste Management Services sector is contained at national level in the Environmental Code (Italian Legislative Decree 152/2006 amended most recently by the Ministerial Decree of 15 January 2014), Italian Law no. 68 of 22 May 2015 "Rules on the subject of crimes against the environment", in Italian Legislative Decree 36/2003 (landfills), in Italian Legislative Decree 133/2005 (incineration and co-incineration), in Presidential Decree no. 59 of 13 March 2013 (Single Environmental Authorisation), and at the regional level by Emilia Romagna Regional Laws no. 31/96, no. 25/99, no. 10/2008, no. 23/2011, and no. 13/2015 (reform of the system of regional and local government and rules on the metropolitan city of Bologna, Provinces, Municipalities and their unions) and no. 16/2015 (on the so-called "circular economy " amending Regional Law no. 31/96).

Given that the Territorial Area Authorities ceased to exist on 31 December 2012, the Emilia Romagna Region set up the Territorial Agency of Emilia Romagna (ATERSIR), according to the aforementioned law, for water and waste services in which all the Municipalities and provinces take part and which is responsible for the regulation functions for the entire regional territory, and determination of the urban waste disposal tariffs on the basis of the regional criteria, of the private and public plant engineering. This agency became operational in 2012.

The Piemonte Region adopted the Regional Waste Management Plan on 30 September 2009, completing a process launched in 2007. The Plan had a 2009–2015 time horizon.
At the same time as adopting the Plan, the establishment of 3 Optimal Territorial Areas, combining the 8 previous areas divided by Province, was provided for.
Regional Law 7/2012 further modified the structure of the Areas, providing for their division into 4. The 4 current Areas are made up as follows:

a) area 1: Novarese, Vercellese, Biellese and Verbano, Cusio, Ossola;
b) area 2: Astigiano and Alessandrino;
c) area 3: Cuneese;
d) area 4: Turinese.

The ATOs have a role of planning the activities and applying the provisions of the Regional Waste Management Plan, and planning the flows and disposal tariffs.
In turn the ATOs are divided into Catchment Area Consortia which have a significant role at the management level.
The Legislative Assembly of the Emilia-Romagna Region approved Regional Law 16/2015 for urban waste management, which promotes recycling and the prevention of waste production. Among the objectives to be achieved within five years, are: an increase in separate waste collection to 73%, a 25% reduction in per-capita waste production, recycling at 70%, limiting of landfills and regional self-sufficiency. Among the changes introduced by the new law: precise tariffs, that is payment on the basis of how much is conferred, incentives aimed at the most virtuous Municipalities and bonuses for companies that do better disposal. Incentives are provided for information and education activities, with the possibility for Municipalities that plan information and education initiatives to destine to these activities a proportion of the income deriving from applying the tariff.

The Emilia Romagna Region approved the following resolutions:

- Regional Executive Resolution no. 1238 of 1 August 2016, containing "Regional Information System: contents, frequencies and methods of populating the databases relating to municipal and special waste management of the Emilia Romagna region";
- Regional Executive Resolution no. 1239 of 1 August 2016 (New directive for application of Article 2 of Regional Law no. 26 of 17 December 2003, and subsequent amendments and additions containing "Provisions on the subject of dangers of significant accidents connected with certain hazardous substances"), aimed at defining the forms, presentation times, criteria and the procedure for the assessment of the Technical Schedule which shows that the dangers have been identified and their probability and seriousness have been assessed (Art. 6, para. 1, R.L. 26/2003), the procedures related to the inspection activities (Art. 15 R.L. 26/2003) and the methods of coordination among the various subjects responsible for them;

- Regional Executive Resolution no. 1240 of 1 August 2016 (“Guidelines for the operation of municipal centres for re-use”) which implements the provisions at the European level of Directive 2008/98/EC, which gives priority in the waste hierarchy to prevention through reducing the production of the same, and the provisions at the national level of Art. 180 bis of Italian Legislative Decree 152/2006, which calls on Municipalities to promote initiatives aimed at encouraging the re-use of products;
- Regional Executive Resolution no. 2267 of 21 December 2016, “Provisions on waste flows pursuant to the Regional Waste Management Plan approved with Legislative Assembly Resolution no. 67 of 03 May 2016”;
- Regional Executive Resolution no. 2260 of 21 December 2016 “Establishment of the regional list of by-products”;
- Regional Executive Resolution no. 2264 of 21 December 2016, R.L. 31/1996 - Determination of the taxable base of the special levy with reference to application of the tax related "to waste deriving from the processing of municipal waste".

With Director's Decision no. 217 of 22 December 2016 of the Director of the Territorial Agency of Emilia-Romagna for Water and Waste Services (Agenzia Territoriale dell'Emilia-Romagna per i Servizi Idrici e Rifiuti - ATERSIR), two tenders were approved for providing grants to the Municipalities of the Emilia-Romagna Region to be taken from the Area Fund for the Prevention and Reduction of Waste established at the Agency under the terms of R.L. 16/2015.
The Piemonte Region issued the following measures:

- C.R. Resolution no. 140-14161 of 19 April 2016, “Regional Plan for the Management of Municipal Waste and Water Treatment Sludge”;

The Liguria Region issued the following measures:

- R.L. no. 25 of 2 November 2016 “Amendments to Regional Law no. 27 of 29 December 2015 (Stability Law of the Liguria Region for Financial Year 2016) and to Regional Law no. 23 of 3 July 2007, (Rules on the Special Levy for Conferring Solid Waste to Landfills)”;
- R.L. no. 16 of 29 July 2016, “Amendments to *Regional Law no. 23 of 3 July 2007* (Rules on the Special Levy for Conferring Solid Waste to Landfills)”;
- R.L. no. 4 of 01 March 2016, “Amendment to *Regional Law no. 1 of 24 February 2014* (Rules on the Subject of Identifying Optimal Areas for Performance of the Functions related to the Integrated Water Service and to Integrated Waste Management)”.

We can also note that the SISTRI system came into force on 1 October 2013 for hazardous special waste operators and from 3 March 2014 for initial producers of hazardous special waste. The SISTRI sanctions, exclusively related to failure to register or pay the annual contribution, apply for a reduced amount of 50% starting from 1 April 2015 (following Italian Law 11/2015 converting the “Milleproroghe Decree” Italian Law Decree no. 192 of 31 December 2014). The SISTRI sanctions for all the other breaches apply from 01 January 2017. On 8 June, Ministerial Decree no. 78 of 30 March 2016 came into effect with the “Regulation containing the provisions relating to the functioning and optimisation of waste traceability system, implemented with article 188-bis, paragraph 4-bis of Legislative Decree no. 152 of 3 April 2006", which abrogates Ministerial Decree no. 52/2011.
The Ministerial Decreeof 1 July 2016 (in OJ no. 169 of 21 July 2016) set up the Technical Committee for monitoring and coordinating the SISTRI, under the terms of Art. 11, paragraph 13, of Italian Law Decree no. 101/2013. The Ministerial Decree in question also abrogates the Ministerial Decrees of 17 September 2013 and 13 December 2013.
Italian Law Decree no. 10 of 22 January 2016 “Amendment and abrogation of legal measures that provide for the adoption of non-legislative implementing measures, under the terms of Article 21 of Italian Law no. 124 of 7 August 2015”, in particular with Article 1, paragraph 9, provides for the suppression of the second sentence of Article 11, paragraph 2, of Italian Law Decree no. 101 of 31 August 2013, converted, with amendments, by Italian Law no. 125 of 30 October 2013. With this intervention the following rule is therefore abolished: “*A decree of the Ministry for the Environment and Protection of the Territory and the Sea, adopted within sixty days from the date of entry into force of the law converting the present decree, after consulting the Ministry of Economic Development and the Ministry of Infrastructures and Transport, shall govern the methods for a stage of experimentation for application of the SISTRI, starting from 30 June 2014, to entities or businesses that collect or transport hazardous urban waste professionally, including foreign carriers that carry out transports of hazardous urban waste in Italy or cross-border transports starting from this country, or that carry out operations to process, recover, dispose of, sell and*

intermediate hazardous urban waste, starting from the moment in which the said waste is conferred to municipal collection centres or ecological stations or other gathering or storage areas".
In force from 30 December 2016, Italian Law Decree no. 244 of 30 December 2016containing "*Extension and Definition of the Terms*" (the so-called "Milleproroghe Decree") extends the SISTRI from 31 December 2016 "*to the date on which the concessionaire identified with the procedures pursuant to paragraph 9-bis takes over management of the service, and in any case not later than 31 December 2017*". The extension is valid also in relation to the halving of the sanctions concerning failure to register with the SISTRI and to pay the contribution for the said registration.

In 2016 the European Investment Bank published an (online) guide to financial Instruments available to green projects – some together with the European Commission - dedicated to financing projects in the environmental field.
The "Sblocca Italia" (Unblock Italy) Decree converted by Italian Law 164/2014 states that within ninety days from entry into force of the conversion law, the Prime Minister must issue his or her implementing decree.
This implementing decree was published in the OJ of 5 October 2016 (Prime Minister's Decree of 10 August 2016), and identified:

- the current national processing capacity of plants for incinerating municipal and similar waste in operation (referred to November 2015);
- the potential national processing capacity of plants for incinerating municipal and similar waste authorised and not in operation (referred to November 2015);
- the plants for incinerating municipal and similar waste with energy recovery to be built or expanded to meet the remaining national requirement for processing of this waste, divided by macro-areas and by regions. The plants thus determined, presented in the attached tables (A, B and C), are considered "strategic infrastructures and facilities of pre-eminent national interest and create an integrated and modern system for managing municipal and similar waste, guaranteeing national security in the self-sufficiency of the cycle of integrated waste management, as required by art. 16 of Directive 2008/98/EC.

Eight new incineration plants were identified (in Marche, Umbria, Lazio, Campania, Abruzzo, Sardinia, Sicily) together with the expansion of a number of existing plants. The subsequent regional planning actions will define the precise location of the new plants.

All "energy recovery" (no longer "thermo-treatment") plants, both existing and to be built, must be authorised to saturation of the thermal load, but only in the event of a positive environmental compatibility assessment of the plant in operating mode (including observance of Italian Legislative Decree 155/2010 on air quality).
The plants in question must give priority to urban waste produced in the regional territory (and to those of other Regions, only for the availability remaining after the regional needs are met).
If these plants receive urban waste from other Regions, the operators of the plants must pay the Region a new contribution (max 20 euro per tonne) destined to finance a fund used to prevent waste, provide incentives for Separate Collection, for reclamation work and to limit tariffs. The law establishes that the expenses of this contribution "*may not be transferred into tariffs, charged to citizens*".
Only hazardous special waste with infection risk remains permitted, "*in a complementary manner*" and observing the principle of proximity, on condition that the plant is fitted with a dedicated loading system that "excludes also all contact between the personnel involved and the waste" (to this end the Integrated Environmental Authorisations - IEAs - are made compliant).
The prohibition on conferment in landfills of waste with LCV (Lower Calorific Value) of more than 13,000 Kj/kg was definitively eliminated by the "environmental annex" (Italian Law 221/2015).
Article 182 of the "Environmental Code" was amended, providing for the exclusion from the prohibition on extra-regional disposal of non-hazardous urban waste that the President of the Region considers necessary to send for disposal out of the Region "*to deal with emergency situations caused by natural calamities for which a state of emergency is declared*".
Italian Law no. 190 of 2014 has also been in force since the first of January. This states that in polluted sites not yet reclaimed the work required by the legislation on workplace safety and ordinary and extraordinary maintenance activity can be done, provided that it does not prejudice the reclamation activity and workers' health.
Regulation (EU) no. 1357/2014 of the European Commission came into force on 1 June 2015; this innovates the hazardous waste classification system.

On 1 June 2015 the Decision of the European Commission 2014/955/EC came into force. This introduces a new European List of Waste that modifies Decision 2000/532/EC, transposed at the national level by Annex D of part IV of Italian Legislative Decree 152/06.
Directive no. 2015/1127, which starting from 31 July 2015 made a number of changes to Annex II of Directive 2008/98/EC on waste (containing a non-exhaustive list of recovery operations), was rectified with a deed published in November 2015.

Italian Law 68/2015 of 22 May 2015 "Rules on the subject of crimes against the environment" has been in force since 29 May 2015. This introduces into the criminal code five new crimes against the environment, namely environmental pollution, environmental disaster, trafficking and abandoning highly radioactive material, impeding controls and failure to reclaim. The law in question also contains amendments to Italian Legislative Decree No. 231/2001, in particular to Art. 25-*undecies*, containing the predicate of environmental crimes. In its Report no. III/04/2015 of 29 May 2015 the Information Office [Ufficio del Massimario] of the Court of Cassation specified, with reference to Italian Law 68/2015, that the "abusive" situation is not created only by cases involving lack of authorisation, but also by cases in which the authorisations have expired.

On 17 June 2015 the Ministry of the Environment published Circular no. 12422, containing "Further criteria on the methods of applying the rules on integrated prevention and reduction of pollution in the light of the amendments introduced by Italian Legislative Decree no. 46 of 4 March 2014".
The Prime Ministerial Decree of 27 March 2015 establishes the methodological notes and standard needs for Municipalities of ordinary-statute Regions in the fields of roads, transport, management of the territory and the environment (including waste).

At the end of 2015 the 2016 Stability Law (Italian Law no. 208 of 28 December 2015) was published, and it has been in force since 01 January 2016. There were several changes in the Environmental sector.

At the end of 2015 the Draft Law known as "*Green Economy*": "*Rules on the environment to promote green economy measures and to limit the excessive use of natural resources*"

At the end of September 2015 the Ministerial Decree of 24 June 2015 came into force. This contains "Amendments to the Ministerial Decree of 27 September 2010, related to definition of the criteria of admissibility of waste in landfills". The significant amendments regard in particular Arts 3, 5, 6, 7, 8 and the entire Annex 3, on the Sampling and analysis of waste.

Since 02 February Italian Law no. 221 of 28 December 2015, that is the so-called "Environmental Annex", has been in force. This makes changes to the Consolidated Law on the Environment (amending articles 183, 187, 188, 190, 193), and introduces new and important amendments on the subject of WEEE, Compost, Mixing, Landfills, etc.

On 18 May 2016, the Prosecutor General at the Appeal Court of Bologna, the General Manager of ARPAE, representatives from all the territorial Public Prosecutors' offices and the senior commanders of the Carabinieri NOE, the State Forestry Corps and the Ravenna Port Authority signed a Memorandum of Understanding aimed at ensuring that the regulations on eco-crimes (Law no. 68/2015) would be uniformly applied throughout the Emilia Romagna region.
The document specifically states as its final objective: "the uniform application of the regulations on environmental crimes throughout the district territory, with special reference to the procedure for discharging offences under Part VI-bis of Legislative Decree no. 152 of 03 April 2006".
Ministerial Decree no. 88 of 24 February 2016 came into effect, with the "Regulation concerning the requirements for those handling waste impounded in ports and airports pursuant to article 259 or article 260 of Legislative Decree no. 152 of 03 April 2006".
The Prime Minister's Decree came into effect on 7 March 2016 referring to the "Measures to implement an adequate and integrated management system for the organic fraction of urban waste, a study of the existing offer and identifying the remaining requirement pertaining to plants for the recovery of the organic fraction of urban waste from separate waste collection, divided according to regions". The aims of the provision are the reduction of the negative impact on the environment caused by managing this waste, achieving the objectives set by the European Union on recycling and reduction of conferring bio-degradable waste to landfills.

On 14 June 2016, the Senate's Environmental Commission approved the resolution (Doc. XVIII, no. 134) on the Community Acts subject to subsidiarity opinions, making up the so-called "circular economy package", presented to the European Commission in December 2015, which contained the revision proposals for the EU Directives on waste, landfills, end-of-life vehicles, batteries and accumulators, Waste Electrical and Electronic Equipment (WEEE).
With a Communication published in OJ no. 228 of 29 September 2016, the Ministry of the Environment made known that the Supervisory and Control Committee on the management of WEEE and on the management of batteries, had determined the market shares for the year 2015, on the basis of the data collected, in relation to the products put on the market, which the producers have communicated to the national Register.
With Decree no. 275 of 12 October 2016, the Ministry of the Environment approved the statute of the WEEE Coordination Centre.
Italian Legislative Decree no. 222 of 25 November 2016 (the so-called SCIA 2 Decree) has been in force since 11 December 2016. This identifies proceedings subject to certified start-of-work reporting or tacit consent, and those for which explicit authorisation is necessary or prior communication is sufficient. The decree implements the provisions of art. 5 of Italian Law 124/2015 on the reform of the P.A. and the principles in force at the European level, intervening in particular on the subject of construction –with attention also to plants powered by renewable sources – and providing for several amendments to the relevant Consolidated Law (Italian Presidential Decree 380/2001) aimed at administrative simplification.
Ministerial Decreeno. 200 of 29 September 2016 has been in force since 18 November. This governs the ways of consulting the population on the subject of preparation, revision and updating of the external emergency plan aimed at limiting the damaging effects deriving from significant incidents, under the terms of article 21, paragraph 10, of Italian Legislative Decree no. 105 of 26 June 2015.
Italian Presidential Decreeno. 194 of 12 September 2016"Regulation containing rules for the simplification and acceleration of administrative proceedings, in accordance with article 4 of Italian Law no. 124 of 7 August 2015", was published in Official Journal no. 252 of 27 October 2016.

The Decree issued by the Ministry of Agricultural and Forestry Policies on 25 February 2016 has come into effect; this identifies the criteria and general technical rules for the regional governance of the agricultural use of livestock effluents (Title II) and waste water (Title III), as well as the production and agricultural use of digestate (Title IV).

On 13 April 2016, the WEEE Coordination Centre, Assoraee, Assorecuperi and Assoformet signed a new Programme Agreement on the treatment of WEEE, to ensure adequate and uniform treatment levels and the qualification of companies in the sector.

The Ministerial Decree of 26 May 2016, containing specific "Guidelines for calculating the separate waste collection percentage for municipal waste" pursuant to Art. 205, paragraph 3-quater of Italian Legislative Decree no. 152/2006, was published in the Official Journal of 24 June 2016.

The Board of Directors of CONAI, after obtaining the opinion of the Coreve Consortium, resolved to reduce the Environmental Contribution for glass packaging. The reduction will take effect from 1 July 2017.This change will have no effect on flat-rate procedures. The contribution for glass will go down from the current 17.30 €/ton to 16.30 €/ton.

Italian Law Decree no. 113 of 24 June 2016 (containing "Urgent financial measures for territorial entities and the territory", in Official Journal no. 146 of 24 June 2016, in force since 25 June) was approved. This provided for specific finance to carry out the work on implementing the judgement handed down by the EU Court of Justice on 2 December 2014, relating to EU infringement procedure no. 2003/2007.
Italian Law no. 132 of 28 June 2016 is currently in force. This set up the National Network System for Environmental Protection (Sistema Nazionale a rete per la Protezione dell'Ambiente - SNPA) and contains the regulations for the Higher Institute for Environmental Protection and Research (Istituto Superiore per la Protezione e la Ricerca Ambientale - ISPRA).

Ministerial Decree no. 134 of 19 May 2016 has come into force. This contains "Regulations concerning application of the Climate Correction Factor (CCF) to the formula for the efficiency of waste energy recovery in incineration plants". The measure, in force since 21 July 2016, intervenes on the one hand amending Note (4) of Annex C to Part IV of Italian Legislative Decree 152/2006, on the other abrogating the Ministerial Decree of 7 August 2013 containing “Application of the formula for calculating the energy efficiency of incineration plants in relation to the climate conditions” published in OJ 193 of 19 August 2013. Adjustment of the Italian legislation became necessary following the identification, by Dir. 2015/1127, of a different climate correction factor from that adopted in the Ministerial Decree of 7 August 2013.

Italian Law no. 122 of 7 July 2016 has been published. This regards “Provisions for fulfilment of the obligations deriving from Italy’s membership of the European Union” (European Law 2015–2016), and contains abrogations of and amendments to national laws in order to make them comply with the European rules.

Ministerial Decree no. 121 of 31 May 2016 is in force. This is entitled “Regulation containing simplified methods for performing the activities of free withdrawal by distributors of very small Waste Electrical and Electronic Equipment (WEEE), and the technical requisites for making the deposit prior to the collection at the distributors and for the transport, under the terms of Article 11, paragraphs 3 and 4, of Italian Legislative Decree no. 49 of 14 March 2014”.
On the subject of WEEE the Ministerial Decree of 25 July 2016 is also in force. This contains “Measures aimed at promoting the development of new technologies for the processing and recycling of waste electrical and electronic equipment”, and provides for measures that attribute economic contributions to public and private subjects aimed at financing development projects for new technologies which, for example, maximise the quantity of recoverable or recyclable material or optimise the energy consumption of the WEEE recovery, recycling and processing processes.
The Ministerial Decree of 17 June 2016 is in force. This contains “Tariffs for covering the expenses deriving from the system of managing waste electrical and electronic equipment”.
On the basis of the respective market share, WEEE producers are obliged to pay an annual fixed fee and a variable fee to be paid by 30 September of each year.

On 25 August 2016 Italian Law no. 154 of 28 July 2016 came into force. This contains “Powers delegated to the Government and further provisions on the subject in simplification, rationalisation and competitiveness of the agricultural and food industries, and sanctions on the subject of illegal fishing”. This law (the so-called Agricultural Annex), was published in OJ no. 186 of 10 August 2016. We can note, in particular, Art. 10, regarding the contribution to the National Consortium for the collection and processing of used vegetable and animal oils and greases; Art. 11, on registration with the consortia and the waste collection systems provided for in Italian Legislative Decree 152/2006; Art. 12, on the subject of exercising the activity of maintenance of green areas; Art. 22, concerning the development of products coming from short supply chains, organic farming or at least with reduced environmental impact; lastly Art. 41, which makes a change to Art. 185 of Italian Legislative Decree 152/2006, on the subject of exclusion from waste management. Specifically, letter f) is replaced, with effects on the rules on cutting and pruning.

For installations subject to the IEA: Decree no. 141 of 26 May 2016 came into force. This implements the provisions of Art. 29-sexies, para. 9-septies, of Italian Legislative Decree 152/2006. The measure, made up of eight articles, establishes, in fact, the criteria that the competent Authority must take into account in determining the amount of the financial guarantees that operators of installations subject to the IEA must give as regards the reclamation of the site once the activities have ceased, if these may entail a contamination of the soil or waters.
Italian Law no. 170 of 12 August 2016, has been in force since 16 September 2016. This contains “Power delegated to the Government for the transposition of European directives and implementation of other acts of the European Union” (this is the so-called 2015 European Delegation Law).
The law delegates to the Government the power to adopt legislative decrees to implement the directives listed in Annexes A and B of the Law (Art. 1), and provisions laying down criminal or administrative sanctions for breaches of the obligation contained in European directives implemented in regulations or administratively, for which no criminal or administrative sanctions are already provided for (Art. 2).

Ministerial Decree no. 228 17 October 2016 (in OJ no. 292 of 15 December 2016) approved the “Regulation containing the definition of the minimum contents and the formats of ascertainment, charging and notification reports related to the proceedings pursuant to article 29-*quattuordecies* of Italian Legislative Decree no. 152 of 3 April 2006”.

With Resolution no. 5 of 03 November 2016 (in force since 01 February 2017) the National Committee of the Register of Environmental Managers identified criteria and requisites for registration, with the ordinary procedure, in categories 1 (municipal waste collection and transport), 4 (special non-hazardous waste collection and transport) and 5 (special hazardous waste collection and transport).
The National Committee of the Register with its Circular no. 1201 of 12 December 2016, establishes that the Consortia that carry on direct business activity can register in categories 9 (site reclamation) and 10 (reclamation of assets containing asbestos) of the Register of Environmental Managers proving the exclusive availability of the equipment owned by the consortium members.

Directive EU 2016/2309 of the Commission of 16 December 2016, which amends Directive 2008/68/EC of the European Parliament and of the Council relating to the internal transport of hazardous goods, was published in EU OJ 345 of 20 December 2016.

Reg. (EC) 1907/2006 (known as the REACH Regulation) was amended by two European Regulations:

- Reg. (EU) 2016/1005 of the Commission, dated 22 June 2016, which amends Annex XVII, item 6, column 2, paragraph 1 of the REACH Regulation with reference to asbestos fibres (chrysotile);
- Reg. (EU) 2016/1017 of the Commission, dated 23 June 2016, which amends Annex XVII of the REACH Regulation adding an item specific to inorganic ammonium salts.

The Opinion has been published on the subject of the "Communication of the Commission to the European Parliament, to the Council, to the European Economic and Social Committee and to the Committee of the Regions – The missing link – European Union Action Plan for the circular economy", of the "Draft directive of the European Parliament and of the Council which amends Directive 94/62/EC on packaging and packaging waste", of the "Draft directive of the European Parliament and of the Council which amends Directive 2008/98/EC on waste", of the "Draft directive of the European Parliament and of the Council which amends Directive 1999/31/EC on the landfill of waste" and of the "Draft directive of the European Parliament and of the Council which amends Directives 2000/53/EC on end-of life vehicles, 2006/66/EC on batteries and accumulators and waste batteries and accumulators and 2012/19/EU on waste electrical and electronic equipment".

Commission Regulation (EU) 2016/1179 of 19 July 2016 is in force. This amends Regulation (EC) no. 1272/2008 (the so-called CLP Regulation) on classification, labelling and packaging of substances and mixtures.

Ministerial Decree no. 245 of 25 October 2016 came into force on 17 January 2017. This contains the regulation which determines the economic expenses chargeable to proposers to cover the costs incurred by the competent state authority for the organisation and performance of enquiry, monitoring and control activities on Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) procedures.
The Ministry of the Environment has published on its website the measure signed by the General Management for the Environmental Assessments and Authorisations, containing the criteria on the methods of applying the rules on the subject of integrated prevention and reduction of pollution in the light of the changes introduced by Italian Legislative Decree 46/2014 (Implementation of Directive 2010/75/UE related to industrial emissions).

With the Decree of 7 December 2016 the Ministry of the Environment approved the template of the by-laws of the National Consortium for the Management, Collection and Processing of Used Mineral Oils.

The Corrigendum to Regulation (EC) no. 1272/2008 of the European Parliament and of the Council, of 16 December 2008 was published in EU OJ no. 349 of 22 December 2016. This relates to the classification, labelling and packaging of substances and mixtures, amending and repealing Directives 67/548/EEC and 1999/45/EC, and amending Regulation (EC) No 1907/2006 .

On the subject of the SEA, we can note judgement no. C-144/15 of the EU Court of Justice which acknowledged that the administrative Authorities of the various member states have a discretionary power of environmental assessment in the context of the SEA, if it is necessary to analyse plans or programmes that affect "small zones at the local level".

The Resolution of the European Parliament of 10 December 2013 was published in EU OJ C468/33 of 15 December 2016. With this the Parliament opposes to adoption of the proposed regulation of the Council on the definition of criteria useful for determining when recovered paper ceases to be considered waste under the terms of article 6, paragraph 1, of Directive 2008/98/EC on waste.

Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 has been in force since 31 December 2016. This concerns the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC.

Finally, the Corrigendum to Regulation (EC) no. 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste (regarding Annex IX, arts 12 and 24) was published in the Official Journal of the European Union of 1 November 2016.

Tariff system for waste management services

The 2014 Stability Law established from 01 January 2014 the IUC tax (Imposta Unica Comunale - single municipal tax) comprising: a 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.
The possibility is reconfirmed for Municipalities to assign the ascertainment and collection, as an exception to Article 52 of Italian Legislative Decree no. 446 of 15 December 1997, to entities that at the date of 30 December 2013 "performed the service of waste management or TARES ascertainment and collection".

Italian Law Decree no. 78 of 19 June 2015, Urgent provisions on territorial entities, was published in the O.J. on 19 June 2015. In particular, among the rules laid down by the Law Decree we can note Art. 7, paragraphs 4 (on extension also to the TARES of the option to entrust controls to the operator of the waste service), 7 (extension of terms on local collection at 31 December 2015), 8 (extension to the consortia of the fiscal benefits already provided for in the case of winding-up of municipal companies) and 9 which adds to Italian Law no. 147 of 27 December 2013 (2014 Stability Law) paragraph 654-*bis*, which states that any lack of revenue from receivables that turn out to be unenforceable, with reference to the environmental health tariff, the integrated environmental tariff, and the municipal tax on waste and services (TARES) should also be considered among the cost components of the TARI.

Post-Green Certificates Incentive, Renewable Electricity Source Incentives, Energy Efficiency Certificates and the ETS

Post-Green Certificates Incentive
As established by the Ministerial Decree of 6 July 2012, starting from 2016 the incentive mechanism using Green Certificates has been replaced by a new form of incentive. The subjects that have gained the right to Green Certificates (owners of plants with IAFR – Impianto Alimentato da Fonti Rinnovabili - Plant Powered by Renewable Sources qualification) conserve the benefit up to the end of the subsidy period, but in a different form.
The new mechanism, in fact, instead of being based on the issue of tradeable certificates, guarantees on electricity production the payment by the GSE of an additional tariff in euro with respect to the revenue deriving from selling the energy. For the transition to the new incentive mechanism, owners of IAFR plants that have gained the right to make use of Green Certificates, must sign an Agreement with the GSE to benefit from the tariff incentive for the remaining period of the right.

Non-PV RES incentives
On 30 June 2016, following the publication on 29 June 2016 in the Official Journal, the Ministerial Decree of 23 June 2016 came into force. This updates the rules on incentive mechanisms for plants using renewable sources, other than photovoltaic, introduced by the Ministerial Decree of 6 July 2012.

The measure remained in force until 31 December 2016 – with the exception of plants that have direct access to the incentive mechanisms pursuant to the Decree, for which the same will cease to be effective on 31 December 2017 – and substantially followed the incentive methods pursuant to the previous Renewables Decree (direct access, registers and auctions). A single tender for the registers and a single auction were held.

Energy efficiency certificates (EECs)
Italian Legislative Decree no. 79/99 and Italian Legislative Decree no. 164/00 introduced the obligation for electricity and gas distributors (with at least 100,000 customers at year end 2001) to increase the energy efficiency of end users of energy.
Provision was made for the transfer to Società Gestore dei Servizi Energetici S.p.A. of energy saving evaluation and certification management activities relating to projects presented under the energy efficiency certificate mechanism.
On 30 July 2015 the Ministry of Economic Development published the Public Consultation Document "Proposals for expansion and qualification of the White Certificates mechanism", the deadline for observations on which was 30 September 2015.
On 30/09/2015 the Authority for Electricity, Gas and Water (AEEGSI) published memo no. 450/2015/I/efr, on the "Affair on updating of the guidelines on the subject of white certificates" (Deed no. 611): his memo contains considerations of a general nature on the current operation of energy efficiency certificates and on developments hoped for over the next few years.
The MED is expected to publish shortly the decree on the new Guidelines for obtaining EECs.

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 defined a trading system for the greenhouse gas emission quotas within the European Union, i.e. the "Emission Trading System" (ETS). The Italian law transposing 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.
Italian Legislative Decree no. 30 of 13 March 2013 transposed Directive 2009/29/EC into Italian law. This directive introduces new rules for the European ETS for trading greenhouse gas emission quotas and new activities subject to application of the regulations in the period 2013-2020.
The decree amends the field of application by defining it more precisely as regards combustion plants and extending the system to gases other than CO2. It also envisages the option of excluding small plants, introduced the possibility 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.
With the Ministerial Decree of 21 February 2014, the Ministry of Economic Development defined the methods for reimbursing credits payable to operators for ETS quotas due to new-entrant plants for the period 2008–2012 but not released owing to exhaustion of the stock.
In October 2015 Decision 2015/1814 of the European Parliament and of the Council was published in the OJ of the European Union. This concerned the establishment and operation of a market stability reserve for the greenhouse gas emission trading scheme– ETS, which will come into operation in 2018. This reserve aims at reducing the surplus of emission permits destined for the market in order to boost their price.

District heating

With Resolution 411/2014/R/com of 7 August 2014, the Authority for Electricity, Gas and Water (AEEGSI) launched the procedure for adopting the measures on the subject of regulation and control in the sector of district heating and district cooling, for the purpose of implementing the provisions of Italian Legislative Decree No. 102 of 4 July 2014, which transposed Directive 2012/27/EU on energy efficiency, that is (Art.10, paragraph 17):

In particular, the Authority, with one or more measures to be adopted within twenty-four months from the date on which the present decree comes into force and on the bases of guidance formulated by the Ministry of Economic Development, in order to promote the development of district heating and district cooling and of competition:

a) defines the standards of continuity, quality and security of the district heating and district cooling service, including plants supplying heat and the related accounting systems;
b) establishes the criteria for determining the tariffs and connection of users to the district heating network and the methods for exercising the right to disconnect;
c) subject to the provisions under letter e), identifies methods with which the network operators make public the prices for supplying heat, connection and disconnection, the ancillary equipment, for the purpose of cost-benefit analyses on the diffusion of district heating made under the terms of the present article;
d) identifies reference conditions for connection to the district heating and district cooling networks, in order to encourage the integration of new heat generation units and the recovery of the useful heat available in the local area, in coordination with the measures defined to implement paragraph 5 for exploitation of the economically exploitable potential;
e) establishes the heat sale tariffs, exclusively in cases of new district heating networks if there is an obligation to connect to the district heating network, imposed by Municipalities or Regions.

Again in Resolution 411, the AEEGSI set up an interdepartmental Work Group with the task of performing a first reconnaissance of the actual situation of the sector in question.

Following the reconnaissance made by the Work group and taking into account the observations received from the operators in the sector, with Resolution no. 19/2015/R/tlr, the AEEGSI defined the priorities to take into consideration in order to regulate the new sector of district heating, in keeping with the results of the fact-finding investigation on the sector carried out.

On 09 July 2015 the AEEGSI published Res. no. 339/2015/R/TLR which establishes disclosure obligations for subjects operating in the sectors of district heating and district cooling, with particular reference to the obligation to register in the Operator Database and the obligation to provide information and data on the related district heating and district cooling infrastructures.

With Resolution 578/2015/R/tlr of 26 November 2015, the Energy Authority launched a collection of data and information on the methods of determining and updating the prices in the district heating and district cooling sector.

With Consultation Document no. 252/2016/R/tlr the Authority illustrated its orientations on the subject of metering and individual accounting of consumption for air conditioning and sanitary hot water (SHW) in the District Heating and District Cooling sectors.

In November 2016 the AEEGSI continued its fact-finding activity on the district heating sector with the publication of surveys on costs for connections/disconnections, metering and service quality and distribution of invoicing costs.

Energy efficiency

Italian Legislative Decree 102/2014 transposed the New European Directive on Energy Efficiency 2012/27. The decree:

- establishes a framework of measures for the promotion and improvement of energy efficiency which combine to achieve the national energy saving target;
- lays down rules aimed at removing obstacles on the energy market and at overcoming market shortcomings that hold back efficiency in the supply and final uses of energy.

The following articles are particularly significant:

- Article 5. Improvement of the energy performance of properties belonging to the Government (starting from 2014 and up to 2020, energy requalification work will be done on buildings owned by the central Government and occupied by it for at least 3 per cent annually of the usable covered area air conditioned, with 30 million euro of dedicated financing in the period 2014-2020);
- Article 8. Energy diagnosis and energy management systems (Obligation for large companies to carry out energy diagnosis at sites located in Italy by 5 December 2015 and subsequently every 4 years);
- Article 9. Measurement and invoicing of energy consumption (the AEEGSI will, among other things, have to define the criteria concerning the technical and economic feasibility of supplying individual meters for Electricity, Gas and district heating users and identify the methods with which the measurement operators provide to final customers “intelligent” individual meters);
- Article 10. Promoting efficiency for heating and cooling;
- Article 11. Energy transformation, transmission and distribution (aimed at maximising the energy efficiency of energy transformation, transmission and distribution);
- Article 12. Availability of qualification, accreditation and certification systems (UNI-CEI, in collaboration with CTI and ENEA, prepares technical standards on the subject of energy diagnosis for the residential, industrial, tertiary and transport sectors).

On 15 July 2015 three decrees implementing European directives on the subject of energy efficiency in buildings were published in the Official Journal. Starting from 01 January 2021 new buildings and those being significantly restored must be built in such a way as to reduce energy consumption to a minimum covering it mostly with the use of renewable sources. For public buildings this deadline is brought forward to 01 January 2019.

Italian Legislative Decree no. 141 of 18 July 2016, supplements and corrects Italian Legislative Decree no. 102 of 4 July 2014 and came into force this past 26 July. The correction was made necessary to remedy the infringement procedure on energy efficiency launched by the European Commission in relation to Italy in February 2015.

2014 ENERGY EFFICIENCY ACTION PLAN (EEAP)

In June 2014 the 2014 EEAP (Energy Efficiency Action Plan) was approved definitively by the Cabinet, after public consultation.
The document, prepared by the ENEA, contains the energy efficiency targets set by Italy to 2020 and the policy measures activated to achieve them. In particular the Plan proposes to strengthen the already existing measures and instruments and to introduce new mechanisms to overcome the difficulties encountered, in particular in certain sectors.
Particular attention is paid to describing the new measures introduced with Italian Legislative Decree 102/2014 which transposed Directive 2012/27/EU.
In July 2015 publication of the EEAP was followed by the publication, again by the ENEA, of the EEAR, the 4th Energy Efficiency Annual Report, which summarises the results produced by the implementation at the various levels of the efficiency policies.

Commission Communication on heating and cooling

The Commission, with the Heating and Cooling (H&C) Strategy provides a framework for integrating the efficiency of heating and cooling into the EU energy policies, through interventions aimed at eliminating the energy dispersion of buildings, maximising the efficiency and sustainability of H&C systems, boosting energy efficiency in industry and seizing the benefits of integrating heating and cooling into the electricity system.
To achieve the decarbonisation targets set by the EU it is necessary to decarbonise buildings and to proceed in the same direction in the industrial sector. In this sense, the EC Strategy highlights:

- The various challenges for the future (i.e. Energy restructuring of buildings; loans; etc.);
- the synergies present in the energy system;
- tools and solutions aimed at removing the obstacles and making heating and cooling more efficient and sustainable.

Milleproroghe Decree 2017
This came into force on 30 December 2016 and establishes, among other things, the following extensions:

- to 30 June 2017 the term for installing temperature regulation and heat accounting systems by condominium unit owners;
- to 31 December 2017 the term for calculating the subsidised levy reserved for cogeneration: the method of calculation established by Resolution 16/98 will continue to apply, with a 12% reduction of the parameters.

CONCESSIONS AND ASSIGNMENTS

The Iren Group executes services under concessions/assignments in the following sectors:

- Distribution of natural gas
- Electricity/District Heating
- Integrated Water Service
- Environmental service management
- Other Services to municipalities

Distribution of natural gas

Genoa area
The natural gas distribution service in the Municipality of Genoa and the neighbouring Municipalities is carried out by IRETI S.p.A. (companies deriving from, among other things, the merger by incorporation of Genova Reti Gas, the previous Operator and of the latter's Parent Company Iren Acqua Gas into Iren Emilia S.p.A.). We can note that the concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadline for launching which is specified in the paragraph above "Gas distribution".

Emilia Romagna area
The natural gas distribution service in the Emilia provinces is managed by IRETI (formerly 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. These concessions are currently operating under the extended regime pending the launch of public invitations to tender.
The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (in which a 21.32% stake is held by the G.P.O. Consortium, which IRETI controls with 62.35%): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC) assignment expired on 31 December 2010 and in *prorogatio*;

- Municipality of Vercelli - Atena S.p.A. (which IRETI controls with 60%): award of 1999 expired on 31 December 2010 and in *prorogatio*;
- Province of Livorno - ASA S.p.A. (40% owned by IRETI): Municipalities of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittimo and San Vincenzo – award expired on 31 December 2010 and in *prorogatio*;

Natural gas sales
In accordance with the provisions of the “Letta” Decree on the subject of unbundling, the IREN Group carries on the business of selling natural gas mainly through Iren Mercato - which also sells electricity.
This activity is also carried out through direct or indirect investment in vendor 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 Marcie area;
- Atena Trading S.r.l. for the Vercelli area.

Electricity

IRETI (using the assets previously owned by AEM Torino Distribuzione, incorporated from 01 January 2016) manages in the city of Turin the public electricity distribution service on the basis of a ministerial concession. This concession expires on 31 December 2030. IRETI also distributes electricity in the municipality of Parma, with the same expiry date.
Through its local business combinations, the Iren Group distributes Electricity in the following main areas:
- Vercelli area, with Atena S.p.A.
- Marche area, with ASTEA S.p.A.;

District heating

The district heating distribution service in the municipalities of Turin and Moncalieri, from 1 July 2014 has been managed by Iren Energia as a result of the spin-off of the heat distribution unit of the city of Turin of AES Torino.
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. The company, 100% controlled by the Group, was merged by incorporation into Iren Energia with effect from 1 October 2015.

Besides the existing assignment of the distribution of district heating in the city of Turin on the basis of the Framework Agreement signed with the municipality, and in the town of Nichelino following what was described above, Iren Energia acquired an equity investment in the company Asti Energia e Calore, incorporated on 18 May 2015, to which the district heating service in the city of Asti is assigned in sub-concession.
In the public session of 22 December 2016, the Municipality of Beinasco declared that Iren Energia had won the award of the concession for use of the municipal soil and subsoil for developing the district heating network.

Integrated Water Service

Genoa area
IRETI S.p.A. (company deriving from the merger by incorporation, among others, of Iren Acqua Gas into Iren Emilia) 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 integrated water service in the territory of the Municipalities of the Province of Genoa is managed by IRETI through the safeguarded operators. The authorised and/or safeguarded companies of the Iren

Group that perform the function of operator are Mediterranea delle Acque S.p.A. (60% controlled by IRETI), IdroTigullio S.p.A. (66.55% controlled by Mediterranea delle Acque S.p.A.) and AMTER S.p.A. (49% owned by Mediterranea delle Acque S.p.A.).
On 23 April 2015 the business unit made up of the set of assets and the related legal relationships regarding the drinking water distribution activity in the Municipalities of Camogli, Rapallo, Coreglia and Zoagli in the Genoese ATO and the integrated water service in the municipality of Bolano in the Province of La Spezia was sold, with effect from 1 July 2015, by Acque Potabili S.p.A. to Iren Acqua Gas S.p.A., today IRETI S.p.A.
At the same time, with a deed dated 19 June 2015 effective from 1 July 2015 the company Acque Potabili S.p.A. Sold to Iren Acqua Gas S.p.A. (today IRETI S.p.A.) the equity interest held in the company Acquedotto di Savona S.p.A. representing 100% of the share capital of the same. The company was merged by incorporation into IRETI with effect from 01 January 2016.

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 Integrated Water Services in the Parma, Piacenza and Reggio Emilia ATOs are managed by the companies of the IRETI Group.
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	SIGNING DATE	EXPIRY DATE
Genoa area	ATO/operator agreement	16 April 2004/ 5 October 2009.	31 December 2032
Reggio Emilia	ATO/operator agreement	30 June 2003	31 December 2011 (*)
Parma	ATO/operator agreement	27 December 2004	30 June 2025
Piacenza	ATO/operator agreement	20 December 2004	31 December 2011 (*)

(*) Service extended until new agreements are defined

On 19 April 2016, ATERSIR Emilia Romagna published the tender based on a restricted procedure in the EU Official Journal for the assignment in concession of the IWS for the Province of Piacenza, including the instrumental works. IRETI submitted its bid on 10 June 2016.
In the Province of Reggio Emilia ATERSIR with Resolution CLRE/2015/7 of 17 December 2015 approved the “Proposed assignment to publicly- and privately-owned companies, with an operating private industrial partner chosen through a competitive public tender procedure”.

Other geographical areas
The Iren Group also operates in the Integrated Water Service sector in other parts of Italy through assignments or concessions given to mixed capital companies in which it has a direct or indirect investment. The main assignments and concessions are:
- Tuscany Coast ATO – ASA S.p.A. (40% owned by IRETI) integrated water service in the municipality of Livorno and other municipalities in the Province;
- Central Marcie Territorial Area, Macerata (ATO3) - ASTEA S.p.A. (21.32% owned by Consorzio GPO which is in turn 62.35% controlled by IRETI) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati;
- Biella-Casale-Vercelli ATO: ATENA S.p.A. (subsidiary of IRETI) for the Vercelli area;

- Municipality of Ventimiglia: AIGA S.p.A. (49% owned by IRETI);
- Municipality of Imperia: AMAT S.p.A. (48% owned by IRETI);
- Alessandria ATO: ACOS S.p.A. (25% owned by IRETI) for the municipality of Novi Ligure;
- Cuneo ATO: Mondo Acqua S.p.A. (38.5% owned by IRETI) – manages the municipality of Mondovì and 7 other municipalities in the Cuneo area.

Environmental service management

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	SIGNING 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 (*)
Turin	ATO/operator agreement	21 December 2012	30 April 2033 (*)

(*) Service extended until new agreements are defined
(**) the term is 20 years running from the end of provisional operation of the Waste-to-energy plant of TRM S.p.A.

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. (the stake is currently 80% following a further acquisition of 31% from the municipality of Turin at the end of 2014).
Two SPVs were set up for the purchase of investments (TRM V and AMIAT V). The company TLR V. (merged by incorporation into Iren Energia starting from 01 January 2016) was also set up, for the creation of the infrastructural and commercial district heating system between the waste-to-energy plant and the district heating operators of the municipality of Grugliasco and Beinasco.
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 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 a resolution of 3 November 2010, the Turin City Council 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. The assignments were extended up to 31 December 2020 with a resolution of the Turin Municipal Executive Committee of 27 November 2012.
Following the merger by incorporation of Iren Servizi e Innovazione into Iren Energia, with a deed of 27 December 2016, starting from 01 January 2017 Iren Energia took over the above Agreement and the above service contracts.

FINANCIAL INCOME AND EXPENSE

General framework

During 2016 the downward trend of interest rates continued, bringing interest rates to record lows and with a further decline following the “Brexit” event.
In the last quarter of the year there was however a turnaround, in particular over the medium/long term.
After a period of stability that lasted for the whole of 2015, the European Central Bank intervened with a further cut in the base rate which from March 2016 came down to 0%.
Examining the trend in the six-month Euribor rate we can note that the parameter continued on the trend of slow but progressive decline, in negative-rate territory since November 2015 and now at -0.24%. The quotation of fixed rates, reflected in the 5- and 10-year IRS figures, after recording new record lows, came back almost to the levels of the beginning of the year.

Activities performed

During 2016, 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, the investments, the trend in 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 2016, we can note that a new medium/long-term bank loan was finalised and used for a total of 20 million euro.
With reference to loans from the European Investment Bank (EIB) in December a portion of 50 million euro was used of the EIB Idro loan of 150 million euro entered into in December 2014 and a 30 million euro increase in the same line was finalised.
As of 31 December 2016 80 million euro of the EIB Idro loan for a total of 180 million euro was therefore available; this must be added to the 130 million euro of the EIB Waste and TLR loan which has not yet been used.
With the EIB the activity of consolidating the loans in support of the investment programme continued: a technical enquiry was in fact launched in December for a new line of 75 million euro valid for investments on the electricity distribution grid; in the first quarter of 2017 the loan contract is expected to be signed.
With reference to the Group’s operations on the capital market the BoD resolved on 18 October 2016 to renew, with an increase to 1.5 billion euro, the EMTN Programme for bond issues. In November, as part of this Programme, the placing of a new issue in Public Placement format for 500 million euro and duration 8 years (Fitch rating BBB) was completed successfully.
All 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.

In order to optimise the Group's financial structure, liability management activities were carried out with a view to taking advantage of favourable market opportunities. In particular, at the same time as the new Bond was issued a Tender Offer was launched on all the securities maturing from 2019 to 2022, which ended with redemption in advance of a total of 150 million euro. Taking into account the availability of funds for refinancing operations at convenient prices, it was also decided to proceed, at the maturity of the interest instalment of September 2017, with the voluntary advance redemption of the Puttable Bonds in the portfolio, with consequent accounting in the short term for a total amount of 179 million euro. Bank loans for 200 million euro were also repaid in advance.

In the context of the Group, new mainly medium-long term debt positions fell into the consolidation scope, following the acquisition of control of TRM S.p.A. in January 2016, for a total of 325 million euro (310 million euro at 31 December 2016) with an equivalent interest rate swap position, and another 4 million euro with the acquisition of control of the Atena Group.

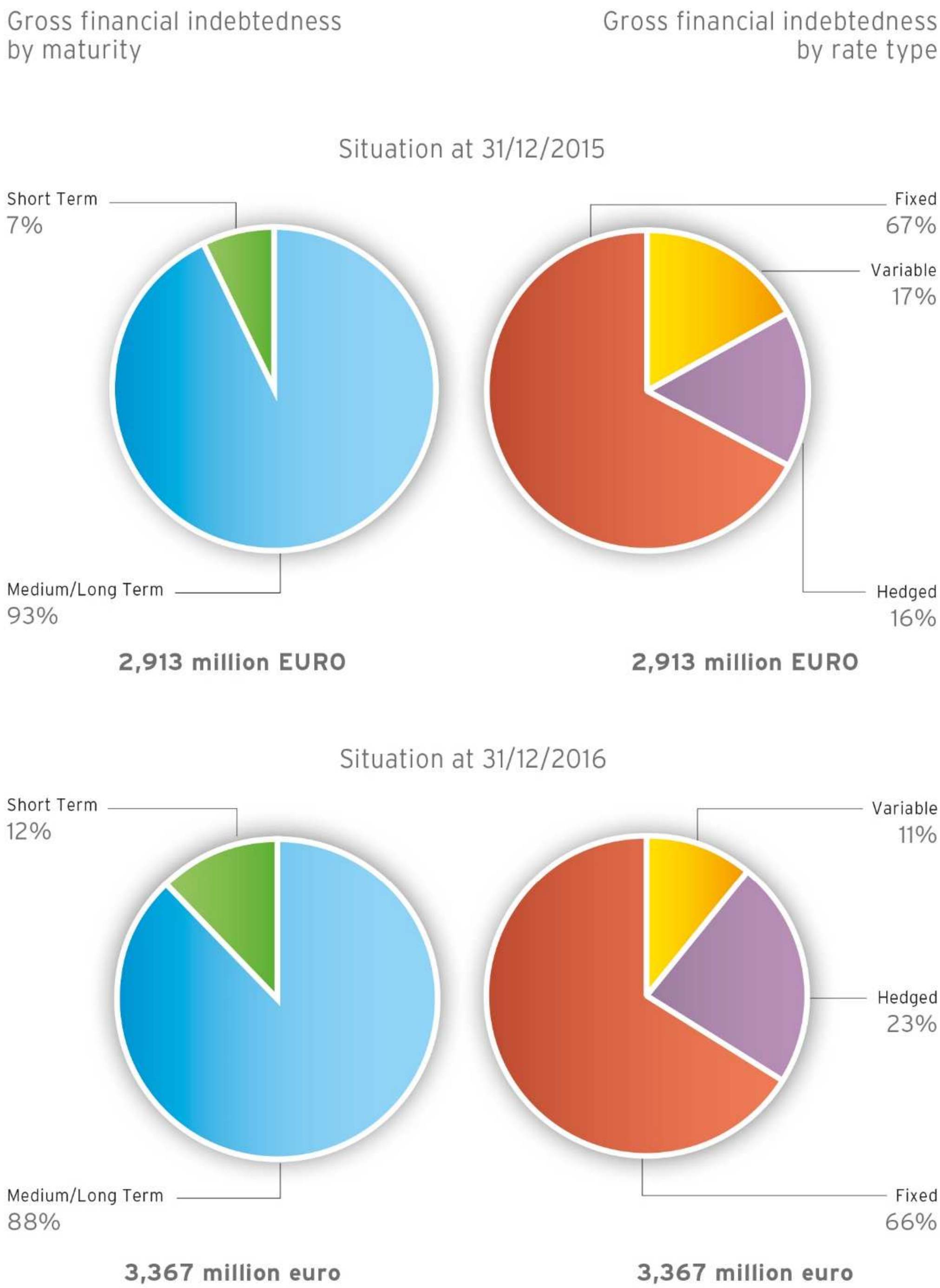
Financial indebtedness at the end of the period is made up 54% of loans and 46% of bonds.

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 in the chapter “Group Financial Risk Management” in the Notes to the Financial Statements.

In 2016 four new Interest Rate Swap contracts were signed hedging a total of 190 million euro of debt, with maturity at 2027/2028 and effects starting from December 2017/2018.

In addition, some of the new loan operations in the year were contractualised at fixed rate.

At 31 December 2016, the portion of floating-rate debt not hedged by exchange-rate derivatives was 11% of consolidated gross financial indebtedness, in line with the objective of the Iren Group which is to maintain a balance between positions at floating rate and at fixed rate or in any case protected from significant increases in interest rates.



Rating

In December 2016 the Fitch agency confirmed for the Iren Group a BBB- rating, with a stable outlook. The reasons for the "Investment Grade" rating are mainly associated with the balanced mix of its business portfolio between regulated and semi-regulated activities, the liquidity profile, the solid nature of its shareholding structure and the Group's strategy confirmed in the latest business plan oriented to greater efficiency, integration and debt reduction, as well as the positive result reported in the last 12-18 months. In support of the liquidity risk indicators, in addition to the available lines for medium/long term funding referred to above, three-year committed credit lines were negotiated, which at 31 December 2016 amounted to 140 million euro.

TRANSACTIONS WITH RELATED PARTIES

On 13 March 2015 the Board of Directors of Iren, with the opinion in favour of the Transactions with Related Parties Committee (entirely made up of Independent Directors), adopted a new version of the *"Internal Regulation on Transactions with Related Parties"*, already approved on 30 November 2010 and amended on 06 February and 03 December 2013 ("TRP Internal Regulation"), in implementation:

- of the provisions relating to transactions with related parties pursuant to Article 2391-*bis* of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of Italian Legislative Decree no. 58 of 24 February 1998 (the "Testo Unico della Finanza" - Consolidated Law on Finance or CLF);
- the Regulation containing provisions on transactions with related parties, adopted by CONSOB with its Resolution no. 17221 of 12 March 2010 and subsequently amended with Resolution no. 17389 of 23 June 2010 (the "CONSOB Regulation").

On 15 March 2016, after an enquiry carried out by the Transactions with Related Parties Committee, the Board of Directors of Iren adopted an Operating Procedure for the management of Transactions with Related Parties, which supplements and details the provisions of the aforesaid Internal Regulation on the subject of transactions with related parties.

Iren and its subsidiaries carry out transactions with related parties in accordance with the principles of transparency and fairness. Most of these transactions concern services provided to the customers in general (gas, water, electricity, heat, etc.) and are governed by contracts normally applicable to these situations.

Where the services provided are not current, the transactions 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 financial and economic transactions with related parties is included in the Notes to the Consolidated Financial Statements in chapter "VI. Information on transactions with related parties", and in paragraph "XII. Annexes to the consolidated financial statements", as an integral part of the same.

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 (liquidity, interest rate, exchange rate);
- Credit Risk
- Energy Risks, attributable to the procurement of gas for thermoelectric generation and to the sale of electricity and gas, and to the hedging derivative markets;
- 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 the 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 the financial, credit and energy risks.
As the Iren Group pays particular attention also to maintaining trust and a positive image of the Group, the Enterprise Risk Management model manages also “reputational risks”, which relate to the impacts on stakeholders of any malpractices.
The “Risk Management” department, reporting to the Deputy Chairperson, was set up within the Holding. This department is formally entrusted with the following activities:

- coordinating the process for integrated management of the Group’s risks;
- assessing the Group’s insurance needs, designing programmes, signing and managing policies, with the collaboration of the Legal Unit.

A periodic assessment process is also in place with regard to adverse events in the various sectors and across all the Group’s areas in order to circumstantiate their causes and implement the most suitable methods for preventing and/or limiting the impacts of the events.

Details of the active management methods within the Group are provided below for the different types of risk.

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 procurement of financial resources was centralised in order to optimise their use. In particular, centralised management of cash flows in Iren makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense.
A number of investees have an independent financial management structure in compliance with the guidelines provided by the Parent Company.

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 the end of the period short-term bank credit facilities used by the Parent Company totalled zero.
Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suited to its needs, and the best market conditions. During the period, the Iren Group took out new medium/long-term loans totalling 570 million euro, entirely for the Parent.
Financial indebtedness at the end of the period is made up 54% of loans and 46% of bonds.
Details of the activities carried out in this area and of the individual transactions are shown in the chapter Financial Income and Expenses.

b) Exchange rate risk
Except as indicated under the section on energy risk, the Iren Group is not significantly exposed to exchange rate 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. The Iren Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.
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 financial counterparties of high credit standing, for the sole purpose of hedging. At the end of the period, all the contracts entered into meet the requisite of limiting the exposure to the risk of oscillation of interest rates and, except for a few positions with insignificant impacts, they also meet the formal requirements for the application of hedge accounting.
The hedging contracts entered into, together with fixed-rate loans, hedge approximately 89% of gross financial indebtedness against interest rate risk, in line with the Iren Group target of maintaining a balance between loans at floating rate and at fixed rate or in any case protected against significant increases in the interest rate.

Compliance with the limits imposed by the policy are verified during the Financial Risk Committee meetings with regard to the main metrics, together with analysis of the market situation, interest rate trends, the value of hedges and confirmation that the conditions established in covenants have been met.

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of water and environmental services. The receivables show no particular concentration since the exposure is spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public entities).
In carrying on its business, the Group is exposed to the risk that the receivables may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in receivables subject to arrangement procedures or unenforceable. This risk reflects the current unfavourable economic and financial situation.
To limit exposure to credit risk, a number of tools have been introduced and identified. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes.
The receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and types of service provided.
Credit risk is hedged, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing.
An interest-bearing guarantee deposit is paid for some types of services (water, natural gas, "protected customer" electricity sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.

The payment terms generally applied to customers are related to the legislation or regulations in force or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation.
Provisions set aside for impairment of receivables accurately reflect the effective credit risk through assessments based on analysis of the individual receivable items recorded in the databases, specifically taking into account ageing, as well as comparison with historical losses on receivables and determination of the average non-payment rate.

In view of the continuing unfavourable economic situation, the control over credit risks has been improved by strengthening the monitoring and reporting procedures, in order to promptly identify possible countermeasures.

In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data on trade receivables of the Group companies, in terms of customers, business chain and ageing band. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

3. ENERGY RISK

The Iren Group is exposed to price risk, on the energy commodities traded, these being electricity, natural gas, environmental emission certificates, etc., as both purchases and sales are impacted by fluctuations in the price of such commodities directly or through indexing formulae. Exposure to exchange rate risk, typical of oil-based commodities, is present, but is attenuated thanks to the development of the European organised markets that trade the gas commodity in the euro currency and no longer indexed to oil products.
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 the production of its plants and purchases and energy and natural gas sales, in relation to both volumes and price formulae. The objective is to obtain a sufficient stability in the margins through:

- for the electricity supply chain, the opportune balancing of internal production and energy from the futures market with respect to the demand coming from the Group's customers, with adequate recourse to the spot market;
- for the natural gas supply chain the priority of alignment of the indexing of the commodity in purchase and sale.

4. OPERATIONAL RISKS

This category includes all the risks which, in addition to those already noted in the previous paragraphs, may influence achievement of the targets, i.e. relating to the effectiveness and efficiency of business transactions, levels of performance, profitability and protection of the resources against losses.
The Group's Enterprise Risk Management model has as its objective the integrated and synergistic management of risks.
The process of managing the Group's risks entails that, for each business line and operating area, the activities performed are analysed and the main risk factors connected with achievement of the objectives are identified. Following the identification activity, the risks are assessed qualitatively and quantitatively (in terms of magnitude and probability of occurrence), thus making it possible to identify the most significant risks. The analysis also involves an assessment of the current and prospective level of control of the risk, monitored by means of specific key risk indicators.
The above stages make it possible to structure specific treatment plans for each risk factor.
Along all the management phases, each risk is subjected on a continuous basis to a process of control and monitoring, which checks whether the treatment activities approved and planned have been correctly and effectively implemented, and whether any new operational risks have arisen. The process of managing operational risks is associated with a comprehensive and structured reporting system for presenting the results of the risk measurement and management activity.

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.
The risk reporting is sent to the top management and to the risk owners, who are involved in the management activity. The risk analysis also supports the preparation of planning tools.

Of particular note are:

a. Legislative and regulatory risks

The legislative and regulatory framework is subject to possible future changes, and therefore is a potential risk. In this regard a Department has been set up, reporting directly to the Chief Executive Officer, and dedicated to continual monitoring of the relevant legislation and regulations in order to assess their implications, guaranteeing their correct application in the Group.

b. Plant-related risks

As regards the amount of the Group's production assets, plant-related risks are managed with the approach described above 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 consequent preventive action.
The risk is also hedged by insurance policies designed considering the situation of the single plants.

c. IT Risks

The operational risks regarding information technology are closely related to the business of the Iren Group, which operates network infrastructures and plants, including through remote control, accounting operational management and invoicing systems and energy commodity trading platforms. The Iren Group 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. At the same time, problems related to supervision and data acquisition on physical systems could cause plant shutdowns and collateral and even serious damage.
A breakdown of invoicing systems could also determine delays in issuing bills and the related collections, as well as damage to reputation.
To mitigate such risks, specific measures have been adopted, such as redundancies, highly-reliable systems and appropriate emergency procedures, which are periodically subject to simulations, to ensure their effectiveness.
The Iren Group is also exposed to the risk of cyber attacks aimed both at acquiring sensitive data and at stopping operations, causing damage to plants and networks and compromising service continuity. Measures are being prepared to improve the cyber security management system through renewal of the perimeter security technologies, construction of a process for detecting and managing security events and incidents and preparation of a vulnerability management system.

The operational risk management process also aims at optimising the Group's insurance programmes.

5. STRATEGIC RISKS

The Iren Group has adopted a Business Plan with a time horizon at 2021 which defines its strategic orientations. It is articulated according to the following macro-drivers which determine its targets for economic, capital and financial figures:

- making the Group's organisation and processes more efficient;
- development;
- consolidation of the regulated sectors (renewal of concessions: hydroelectric, gas distribution, integrated water cycle and environmental sector);
- non-recurring operations.

In application of the Group's policies, the said Plan was subjected to a risk assessment carried out by the Risk Management Department and to the related stress tests, which have shown the substantial resistance including in the face of adverse events characterised by specific sensitivities.

Finally, in the light of the outcome of the referendum on Great Britain remaining in the European Union held on 23 June 2016, it is considered opportune to report that, as far as can be seen and analysed up to now, the "Brexit" event has not substantially changed the context of exposure to risks of a financial, operational and strategic nature to which the Iren Group is exposed; we think we can assume in addition that the direct and indirect effects of Brexit will not change significantly, at least in the short term, the Group's economic and financial performance and capital structure.
These considerations derive, on the one hand, from the nature of the business in which the Group operates, in which the component of local public services and regulated or semi-regulated activities is significant and, on the other, from a macroeconomic context in which interest rates (in particular medium/long-term rates) remain at minimum levels and the prices of energy commodities, in particular gas, have been affected in the last few periods essentially by demand and supply trends independent of the Brexit effect.

ORGANISATION AND IT SYSTEMS

Organisation

From 01 January 2016, after the corporate operations carried out during 2015, the Iren Group is made up of four sub-holding Companies, 100% controlled by the Parent Company Iren SpA, which head up the corresponding Business Units:

1. WASTE MANAGEMENT Business Unit (sub-holding: Iren Ambiente SpA): this coordinates and manages the activities of sweeping, collection and management of collection centres, management of waste processing and disposal plants and the related heat and electricity production plants;
2. ENERGY Business Unit (sub-holding: Iren Energia SpA): this coordinates and manages the electricity production/energy-heat cogeneration plants, the heat distribution (so-called district heating) plants and networks and the activities related to "indoor" technological services (electrical systems and heating systems, technological global service);
3. MARKET Business Unit (sub-holding: Iren Mercato SpA): this coordinates and manages the commercial services to Customers (electricity, heat and gas, etc.), and the marketing activities for development on the reference markets;
4. NETWORKS Business Unit (sub-holding: IRETI SpA): this coordinates and manages the integrated water services and the gas and electricity plants and distribution networks.

During 2016 work continued on reorganising the Group; this is aimed at strengthening the unitary nature of governance and accelerating the integration process, making operations more efficient and focusing on the business in keeping with the provisions of the strategic guidelines of the 2015-2020 Business Plan approved by the Board of Directors of IREN S.p.A. on 16 June 2015, and repeated in the Business Plan to 2021 approved on 19 October 2016.
The numerous projects in progress for pursuing savings included in the Business Plan are both for corporate rationalisation, and for business process re-engineering and performance improvement and involve both the corporate staff Departments and the Business Units.

Information Technology

During 2015 the first stage of the project to revise and integrate the systems in support of the processes of the administrative-accounting area and of management control was completed, launching the new transactional environment common to the main Group companies, the single treasury management system enabling the single treasury model centralised under Iren SpA, and the new Enterprise Performance Management (EPM) platform for managing the Planning, Budgeting, Forecasting and Final Consolidation processes.
The overall programme, entitled *IrenOne*, continued with a second "go–live" moment for the new transactional environment at 01 January 2016, and during the first quarter of 2016 was completed with the post-launch activities; in this second stage the activities were carried out harmonising the action areas of the Programme with the evolutions linked to the Group's "overall" corporate and organisational rationalisation Project (the so-called "100% Operations" Project). The second stage of Iren One included the roll-out of the group payroll system on AMIAT and the "porting" onto the Iren One platform of the new companies that have come within the Group's consolidation scope.

In particular in 2016 the project for integration of TRM and Atena was launched, with the objective for these latter of adopting the Group systems operating in the Administration, Finance and Control, Procurement and Logistics areas.
For TRM the porting was completed in July 2016; for the ATENA group integration into the Group's systems was completed during the last quarter of 2016.
Again in the last quarter of 2016 the projects were completed in relation to the extraordinary operations planned with effect from 31 December 2016 (REI acquisition) and 01 January 2017 (Iren Gestioni Energetiche and Iren Servizi e Innovazione mergers and acquisition of the remaining water unit from Acque Potabili).

In the CORPORATE area in the second half of the year the tender was held for award of the Personnel Administrative Management Processes, and the process of porting the current Payroll managed internally

onto an external platform was launched with release into production in good time for the production of the Payslips of January 2017.
During 2016 the other development activities continued. One of these was the project for Rationalisation of the Material Databases, based on the use of one of the leading market platforms. The project for the Adoption of the eProcurement Platform was completed, in support of the qualification and electronic tender processes. The work needed to enable more stringent accounting closing times (Fast Closing project) was also completed.
Two strategic projects were also launched relating to the Revision of the Payments Cycle Processes and the Design and Creation of the Group's Management Reporting System. The aim of the first project is to harmonise the administrative management processes for the payments cycle, laying the foundations for digitalising processes in the administrative and works areas. The project completed the activities of analysing and implementing the first stage work, launching the training and testing activities with the user population involved.
The aim of the Group Integrated Reporting project is to create a reporting system capable of monitoring the economic, capital, financial, industrial, operating and commercial performance through a structured KPI system for use by the top management, the Departments and the operating structures. After completion of the planning stage, which led to the identification of a total of approximately 1,500 indicators for all the Group's Business Units and Central Departments, the project moved into the implementation stage, with release of the system for the "Pilot" component and completion of the tender to assign implementation of the rest of the project to the system integrator.

In relation to the ENERGY BU, as part of the "Torino In Luce" (Turin in Light) project, the project was completed to create the App for the reporting by residents of any poor services of public lighting and to manage the consequent maintenance actions. Project work is under way
for management of maintenance interventions, including the adoption (first application for the Group) of an automatic scheduling platform for maintenance notices and work orders. All the relevant functions will have mobile access to ensure the highest level of operational efficiency possible.
A study to assess the adoption of a specific system has been undertaken for the heat supply chain. The platform in question is the reference product on the district heating and heat service management market, and has already been adopted or is under assessment by all the major Italian groups operating in the sector. Based on the availability of a series of active licences with Atena, it has been decided to conduct a pilot experiment during the 2016-17 thermal season. Testing on the system in production will be done for approximately 100-200 plants, distributed between Turin and Genoa, in terms of both technical and commercial processes, using the same installation as the Atena Group. This will take advantage of significant synergies, without having to incur the costs for buying servers and licences. By the end of the year, a final decision will be taken as to whether to adopt the system or not.
The WFM TLR and TLR Work Portal project has also been completed.

On the front of the WASTE MANAGEMENT BU the project was completed to revise the system for calculating the precise tariff for the municipality of Reggio Emilia and the first stage of the GEOSAI project, relating to the creation of the data warehouse prototype for analysing the collection and sweeping services. During its initial stage of usage, the latter made it possible to support the data analysis under way to prepare for the upcoming Parma tender to assign urban hygiene services.
The second stage of the project, which began in June and was completed in the last quarter of the year, aimed to complete the set of operating indicators used to monitor the performance of waste collection and road sweeping services, and automate the supply of data collected by the devices installed on board vehicles.
In the context of the Revision of the Payments Cycle project it is worth mentioning the test, for the Waste Management BU, of the work on automating the final figures for these services and the related accounting registrations, in order to make the administrative process in support of the management of these services much more efficient.

For the MARKET BU, after the first quarter projects were completed (Bill 2.0 and managing instalment packages for LEDs), the important Switch project went into production, making it possible to automate back-office sales processes linked to the processing of electricity contracts until they are loaded into the commercial systems. The project is characterised by high levels of automation, thanks to real-time integration (application to application) with Iren Mercato's management systems and the Single Buyer's Integrated Information System.

In the third quarter of the year, besides the conclusion of work on post go-live arrangement of the Switch project and of the RAI licence fee, the implementation stages of further regulatory actions (RCU on conditions and gas Transfers) were launched.
The project for Accrual Calculation and the Analysis of Gas Revenue, after an initial development stage, is now at an advanced user testing stage and the stage of detailed analysis of the analogous project for electricity revenue has been completed.
In the same way the projects are continuing in the work programme on Credit Processes.
During the last quarter of 2016 the tender documentation was prepared for the award of the Project Implementation services in relation to the new Strategic CRM, in the context of the Iren Mercato Systems Transformation plan, aimed at identifying and creating the target IT platform for managing the entire chain of Customer Operations processes.

In relation to the projects of the NETWORKS BU supply chain, the SITECO project to unify the technical-commercial system of the gas supply chain and the commercial quality project of the integrated water cycle are proceeding.

In the field of Territorial Information Technology Systems the planning stage of the new architecture of the single group system has been completed. In the second quarter the GEOIREN project was launched; this will lead to the unification of the SIT systems, both in respect of the consultation portion (envisaged for the first quarter of 2017), and the updating portion (envisaged for 2018).

In the Remote Control area, the Iren Energia project to extend the District Heating Remote Management system in the Emilia area was launched. This project will be completed during 2018. In the context of Remote Reading/Remote Management of meters a study for choosing technology in the field was completed in July and installation in 4 sample municipalities will be completed at the beginning of January.

The initiatives relating to consolidation and rationalisation continue on the infrastructure front, in particular:

- Data Center consolidation project:
  - the moving of the Turin DC was completed;
  - the migration of the transactional system onto the Linux platform was completed;
  - the planning for the moving of the Parma DC was launched; this will happen in March 2017.
- The new Geographical data network consisting of a Turin-Genoa-Parma highly-reliable geographical ring was implemented;
- In the Security field the new technology for checking corporate mail came into operation. The tool for assessing vulnerability was identified and will be implemented by the middle of 2017.
- In July the system for monitoring the costs of mobile phones and land lines was launched.
- In the Distributed area the specifications for choosing the new Group Service Desk tool are being drawn up.

RESEARCH AND DEVELOPMENT

In the Iren Group technological innovation is central in strategic decisions and in defining the products and services offered by the Group.
The Business Plan to 2021, approved by the Board of Directors of IREN S.p.A. on 19 October 2016, confirms the centrality of innovation in the IREN Group's Vision which will be expressed over the period of the plan in the development of all the sectors in which it operates with the objective of making Iren an example of excellence and innovation and the multi-utility sector.

The main research, development and innovation lines on which the Iren Group is investing regard:
- diffusion of "customer empowering" tools and increasing the awareness of users on the impact of consumption and on energy savings;
- energy efficiency divided into several levels and assets (customer, building, urban agglomerate, energy assets of the Group);
- study of new systems for the recovery of energy losses and an increase in the efficiency of the plants;
- advanced remote management, remote reading, smart metering and multi-metering systems;
- thermal and electrical storage systems;
- systems for the processing, purification and re-use of waste from sludge, waste water and other waste treatment processes;
- Internet of Things ("IoT") and domotics;
- "data intelligence" ICT tools;
- development of platforms for the creation of a single urban register of sub-services;
- optimised management of the integrated water cycle (districtualisation, identification and reduction of network losses);
- electrical mobility.

Iren intends to manage the innovation processes through an open innovation model and in keeping with this model it has begun fruitful collaborations with Universities, Research Centres, Innovation Hubs and innovative Start-ups. In addition it takes an active part in working groups and associations on specific research and development and promotes events such as conferences, workshops and hackathons.

2016 was characterised by the continued technical and development activities relating to the various projects co-financed by the Group, and in some cases in partnership with innovative start ups, and internal technology projects, for example on the issues of user engagement and user empowerment.
The research on innovative start-ups also continued during 2016, with partnership agreements signed and experimental projects launched.
The main projects under way are presented below.

FINANCED RESEARCH PROJECTS IN PROGRESS

Water Services

BlueSCities (Horizon 2020)

Since February 2015 Iren has taken part in the BlueSCities project financed under H2020; this involves defining a “practical guide” to be applied in the efficient management of the integrated water cycle and of waste in urban areas. The project intends to develop a method of managing the water and waste segments, identifying the possible synergies and integrating the use of technological hubs used in the smart management of other priority areas such as energy, transport and ICT.

Partners: IREN SpA, Fundacio CTM Centre Tecnologic, KWR Water B.V., Joint Research Centre, VTT teknologia Tutkimuskeskus, Redinn srl, De Montfort University, University of Istanbul, Strane Innovation, Easton Consult, TICASS, University of Athens.

Status: the project completed its second year, during which IREN carried out its development of a practical guide to be used by all stakeholders involved to implement methodologies and best practices applicable to the integrated management of water and environmental services. In January 2017 the final meeting with the partners of the project will be held as well as a meeting with a group of engineering students, to discuss the subject of performance indicators in the integrated water service in Genoa.

GeoSmartCity (FP7)

The objective of the GeoSmartCity project is to develop a platform for the rational management of subsoil data from various sources, capable of integrating different operating protocols and current standards, namely the services of the Open Geospatial Consortium (OGC), the rules for implementing the INSPIRE Directive (2007/2/EC) and linked-data technologies.

Partners: IREN SpA, Gisig, Sinergis srl, Intergraph CS SRO, Asplan Viak Internet AS, Epsilon Italia, Trabajos Catasrales S.A., Municipality of Genoa, Ticass, Turun Ammattikorkeakoulu, Epsilon International, Vlaamse Milieumaatschappij, Geobid SP Zoo, Universitat de Girona, Municipality of Reggio Emilia, Municipia Oeiras, Urban Data Management Society.

Status: the project, after passing the second Review meeting with the Commission in April 2016, is moving into the concluding stages.

Most of the system functions have been developed and a pilot development is now planned in Genoa in which the municipality will tackle the subject of interoperability of its land register, while IREN will handle operations in the field by carrying out surveys with a total station with automatic error correction returning the figure acquired to the corporate information system and an operating procedure for the integration of this data. In the last stage of the project (which will end in 2017) the tests of the pilots and of the entire system will be carried out, together with an analysis of the register of the services with the aim of making them interoperable with the other databases of users of the subsoil, a survey of the cartographic updates with the Trimble total station which will supplement the corporate GIS, as well as the dissemination activities.

SmartWaterTech (MEUR - Ministry of Education, Universities and Research)

The project arises from the merger of two project ideas WATERTECH and SMART WATER presented under the MEUR Smart Cities tender with a view to offering a more robust analysis of the integrated water service, aiming both to manage problems related to water distribution networks, and to apply innovative models and technologies for treating waste water.

Partners: IRETI, Mediterranea delle Acque, ABC, Acquedotto Pugliese, ASTER, CAE, Digimat, Fast, Foxbit, Icampus, International University College, University of Bologna, University of Naples Federico II, University of Palermo, University of Trento, Irea-CNR.

Status: Work has begun with an intense search for water leaks in the Rapallo area, where the aqueduct networks are being divided into ten districts, which manage pressure and monitor water leaks in real time, by analysing the minimum night-time outflow. Similar activities involving the drainage system and monitoring of water parasites have been introduced in a district of the city of Parma.

The next stages of the project will be to define the application models for optimised management of the water distribution, sewer and treatment plant networks, to implement expert systems in support of the decision-maker in asset management and the creation and application of innovative technological nuclei (smart objects) in Parma and in the province of Genoa.

Waste Management

Biometh-ER (Life+)

The aim of this project is to create the first plants for the production and distribution of biomethane to end users in Italy. The plants will be designed, managed and maintained around innovative, state-of-the-art technologies; the entire system will be monitored for the duration of the project and the operating results of the pilot plants will then be examined and disclosed to the project partners involved. These plants represent a departure point for assessment of the expansion capacity of this experiment to all of the Emilia Romagna Region and for the creation of the regional biomethane distribution network.

Partners: Iren Rinnovabili, Centro Ricerche Produzioni Animali - C.R.P.A. S.p.A., Hera Ambiente S.p.A., SOL S.p.A.

Status: IRETI and IREN S.p.A. Were introduced as effective partners in the project. The documentation required to install the Roncocesi purification system was finalised and delivered and on-site work began in December 2016.

The next activities will involve preparing and installing the pipeline connecting the purification plant to the gas distribution network, preparing the application for connection to this network (verifying the technical and regulatory conditions) and ascertaining on the subject of problems related to gas carriage and signing agreements to make use of the biomethane at fuel distributors.

ReQPro (Life+)

The project is closely linked to the implementation of the tertiary treatment section at the Mancasale (RE) purification plant: the works have already been financed with a contribution from the Region of Emilia Romagna, and include sand filters for filtering and final disinfection using UV rays and oxygenated water, to make the water leaving the plant compliant with the requirements as per Ministerial Decree 185/2003 regarding the re-utilisation of water for irrigation purposes. The objective of the project, coordinated by the C.R.P.A., is to assess the effect of treated water at the Mancasale purification plant on certain crops identified in conjunction with the Consorzio di Bonifica dell'Emilia Centrale and Po Valley Authorities.

Partners: Centro Ricerche Produzioni Animali - C.R.P.A. S.p.A., IRETI, Consorzio di Bonifica dell'Emilia Centrale and Po Valley Authorities

Status: The treatment plant was completed in the first quarter of 2016; the calibration and development phase is under way together with the installer; running parallel to this, laboratory tests are being conducted on the water to be reused in order to check compliance with the relevant legislation. The project will end in March 2017.

Energy

CELSIUS (FP7)

The project pursues increasing energy efficiency in high-density urban areas by recovering the heat produced by various emission sources.
Each partner city of the project has been given the task of producing a pilot plant to create and verify a particular method of obtaining increased energy efficiency. Specifically the demonstrator for which Iren is responsible, through IRETI, aims at achieving energy recovery using the pressure jump of the natural gas distribution network to produce electricity and heat for a small district heating network.

Partners: 20 organisations in 5 European partner cities (London, Gothenburg, Cologne, Rotterdam, Genoa).

Status: the project has a duration of 57 months and ends in December 2017. The construction and commissioning activities have been completed. The next activities will involve operating and monitoring the demonstrator with parallel definition and a metering and monitoring protocol, defining a list of KPIs and developing and continually improving the CELSIUS Toolbox.

DIMMER – District Information Modelling and Management for Energy Reduction (FP7)

The DIMMER project consists of developing effective web interfaces that provide real-time feedback on the energy impact of user behaviour at district level. In particular the Italian demonstrator will be located in Turin (Polytechnic district) and will be focused on software systems capable of optimising heat supply for district heating and assessing in real time the efficiency of heat exchangers.

Partners: Iren S.p.A., Iren Energia, Iren Servizi ed Innovazione, Turin Polytechnic, CSI, Turin University, Manchester University, sponsored by the municipality of Turin, Italian and European SMEs.

Status: IREN carried out experiments aimed at optimising the management of thermal demand for the buildings related to the districts indicated in the project during the second half of the 2016 heating season: in view of the final review of the project produced, the preliminary analysis of the results showed tangible benefits in terms of peak shaving and peak shifting. The project was completed on 30 September 2016:

EMPOWERING (Intelligent Energy Europe programme)

The project intended to provide effective and easily-consultable tools to end users for energy saving; in particular additional information will be proposed to 2,000 electricity users and 1,100 district heating users (in Turin and Reggio Emilia) through an "intelligent bill" and an on-line tool on the websites of the participating Utilities.

Partners: Iren S.p.A., IRETI, Iren Rinnovabili, Turin Polytechnic, municipality of Reggio Emilia, Danish, French and Spanish utility providers, Italian and European SMEs.

Status: The project ended on 31 March 2016: Iren, together with the other partners in the project, presented the results of the experiments during an international Forum in Brussels, in the presence of the Officer and of representatives of the EU.

FABRIC - FeAsiBility analysis and development of on-Road charging solutions for future electric vehicles (FP7)

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 provides for 3 demonstration sites, of which one in the Province of Turin in the SITAF area of the Turin-Bardonecchia motorway.

Partners: Iren S.p.A., IRETI, Turin Polytechnic, FIAT Research Centre, Pininfarina, Energrid and Scania Nissan, other international industrial partners, Italian and European SMEs.

Status: the project is in the stage of technical implementation of the induction recharging systems in the different pilot sites. IREN will continue to support the partner tasked with developing the Italian demonstrator for all the questions associated with validation of the site and with the impact of the solution on the electricity grid, as well as assessing the results of the project and supporting the dissemination activities.

NEMO- Hyper-Network for electroMobility (Horizon 2020)

The NeMo project aims to develop an e-roaming platform applied to different electricity mobility systems (recharging infrastructure and motor vehicles). The main objective is to create a “Hyper network”, namely an upper ICT infrastructure that can standardise data originating from various stakeholders and generate innovative services and applications on different verticals.

IREN’s role will consist of defining the use-cases, with special reference to the distributors’ and electricity vendors’ requirements, providing technical and regulatory expertise to identify their requirements/constraints and assessing the results and developments of the project.

Partners: Iren S.p.A., IRETI, Fiat Research Centre, TecnoSitaf, ICOOR, Renault, Verbund, TomTom, other foreign industrial partners, Italian and European SMEs.

Status: In October 2016 the official KickOff of the project took place. The next activities will involve defining the players and use cases related to the e-roaming electrical recharging infrastructure. In addition IREN will provided support in defining the architecture of the system and the requirements for Utilities and distributors, and in defining the data flow with particular reference to the impact on the electricity network.

FLEXMETER (Horizon 2020)

The idea of the project is to analyse the possibility of a system of multi-service smart meters (with focus on electricity meters) underpinning a single platform for collecting and transmitting data (in analogy with what was requested by the AEEG in Resolution 393/2013). The project will also analyse the possibilities offered by the NIALM methodologies on analyses of disaggregated electricity consumption.

Partners: Iren S.p.A., Iren Energia, IRETI, Turin Polytechnic, E-On, University of Grenoble, Siveco, University of Bucharest, Telecom Italia, University of Bologna, ST Microelectronics.

Status: The technology for the devices to install in the field has been finalised, as has, above all, the design of the user-interfaces to display consumption in near real time, to disaggregate consumption, and for user engagement and gamification. Over the next few months the work on preparing test sites will be completed as will the release of the ClickIREN[più] App, with energy empowerment tools for customers. In addition, the results of the project will be analysed and IREN will provide support for the dissemination activities.

Store&Go – (Horizon 2020)

The STORE&GO project will demonstrate 3 innovative Power to Gas (PtG) systems located in Germany, Switzerland and Italy, in order to identify and overcome the technical, economic, social and legal barriers. The project has the ambition of assessing the possibility of integrating the PtG storage system into leading-edge energy production and distribution systems. Iren's role will involve the study of the technical/economic possibilities of integrating PtG technology into thermoelectric production systems.

Partners: Iren S.p.A. and Iren Energia, Turin Polytechnic, HST, Atmostat, Climeworks; Studio BFP, DWGV, HSR, other university and industrial partners.

Status: Working in conjunction with the Polytechnic of Turin, Iren has begun technical and economic testing regarding the possible use of the PtG systems to support the flexibilisation and dispatching of electricity produced in large electricity generation plants.
Next year the theoretical application model for PtG combined with thermoelectric production will be completed.

HOLIDES - Holistic Human Factors and System Design of Adaptive Cooperative Human-Machine Systems (ARTEMIS)

The project assumed the objective of developing a technological platform which would make it possible to take into consideration human factors, that is the way in which people interact with complex technologies, right from the first stages of design and development of adaptive cooperative systems at different levels of automation. The platform will be tested through the development of applications in 4 different domains industrial (Avionics, Medical, Control Rooms and Automobiles), which are characterised by a high level of complexity from the point of view of safety.

Partners: 31 project partners from 7 different European countries, including: IRETI, Fiat Research Centre, Lufthansa Flight Training – CST Gmb, HATOS, Philips, Honeywell International s.r.o., EADS Innovation Works France, University of Turin, Brno University of Technology, OFFIS e.V.

Status: The software application has been developed, with the aim of assisting the IREN control room in the management of emergency calls, and the tests have been done. The project was completed in September 2016:

PROBIS – Procurement of Building Innovative Solutions (Framework Programme for Competitiveness and Innovation – CIP)

The PROBIS project is concerned with redefining all the stages of an innovation contract, from identifying the requirements and needs (on the basis of what will be the pilot to be created), to dialogue with the market, to the functional performance specifications, to the reward criteria, up to the purely legal and legislative aspects and preparation of the related documentation and contractual forms.

Partners: Iren Servizi e Innovazione, Turin Environment Park, Agencia Andalusa de l'Energia, Institut Andaluzo de Technologia, SP Technical Research Institute of Sweden, Lombardy Region, The European House Ambrosetti Spl, Nemzeti Innovacios Hivital, Miskolk Holding Önkormányzati Vagyonkezelö Zártkörüen Müködö Részvénytársasá, Borlänge Kommun.

Status: The contract tender documentation has been completed, and in line with the project objectives, an innovative tender scheme has been proposed, which provides for an initial design phase aimed at introducing innovative energy efficiency solutions, and a second phase to carry out the works. The project was completed in November 2016.

WATERSPY – High performance, compact, portable photonic device for pervasive water quality analysis (H2020)

The WATERSPY project intends to develop and define a method for detecting the presence of heterotrophic bacteria in aqueous matrices such as eColi, pseudomonas aeruginosa and salmonella. The instrument, to be developed at the prototype level for use in the field at water service supply sources (artificial lakes) and in the distribution network, provides for a stage of pre-concentration which enables the bio-sensor to bind the bacteria onto a surface which then be analysed with laser technology. The development of an instrument which works in the range indicated could open up many possibilities in pervasive monitoring of water quality.

Partners: IREN (with IRETI and Iren Laboratori), CyRIC Ltd, Consiglio Nazionale delle Ricerche (National Research Council), Alpes Lasers SA, National Technical University of Athens, ID Quantique SA, AUG Signals Hellas, Cyprus/Italy end-users.

Status: The project, which began in November 2016, will have as its next activities the development of a prototype for detecting the presence of heterotrophic bacteria using laser technology. In the stages of validating the ATR – Attenuated Total Reflectance spectroscopy – technique used will begin, identifying selected bacteria with high sensitivity and without needing a pre-incubation stage. The instrument will be installed at the sections of a water supply system managed by IRETI.

OTHER INNOVATION ACTIVITIES

Water Services

During 2016 IREN continued to take part in the WssTP (Water Supply and Sanitation Technology Platform) project, launched by the European Commission in order to oversee the research in the water sector, participating also in the TICASS (Tecnologie Innovative per il Controllo Ambientale e lo Sviluppo Sostenibile - Innovative Technologies for Environmental Control and Sustainable Development) Consortium, a technological innovation hub of the Liguria region. In this regard, Iren is part of the WssTP working groups on the issues of Emerging Compounds, Water&ICT and Urban Water Pollution, which involve the preparation of road maps and planning and consultation documents that will be submitted to the European Commission. In addition numerous project proposals have been submitted which also aim to finance research grants relating to the subject of water quality. Some of the project proposals submitted referred to applying circular economy methodologies in the integrated water cycle sector, based on recovery techniques for phosphorous derivatives (H2020), as well as the purification of biogas using membrane technology.

More specifically, the research projects launched and completed concerned:

Water demonstrator

In 2016 IREN began the work on studying and creating a water demonstrator as part of which “low cost” hydrophones and high-resolution pressure sensors will be studied and tested; these will be integrated into Iren’s ICT architecture for the monitoring of water leaks. Specifically, an initial feasibility study was carried out during the year, relating to a synchroniser module for leak detector applications. The system makes it possible to synchronise to under a millisecond, and uses a GPS signal as the appropriate tool to achieve this level of synchronisation. This will make it possible to have available an innovative technological nucleus to be integrated into the context of future pilot sites to be developed on a wider scale possibly financed by EU tenders (i.e. IoT).

Initiatives in the context of TICASS, innovation hub for energy and the environment of the Liguria Region

The Iren Group has taken part in the TICASS Innovation Hub since its beginning in the field of studies and projects related to managing and safeguarding water, energy and environmental resources. In this context Iren studies in depth the questions it is interested in, participating in specific work groups devoted to studying subjects such as environmental monitoring, purification processes, reclamations and recovery of contaminated sites, analysis and assessment of environmental risks, prevention and reduction of chemical risks, management and use of waste, the recovery, recycling and re-use of materials, the development of new technologies applied to sustainable processes, the production of energy from renewable sources, the use of water resources, the management and production of high-quality drinking water, the processing of industrial and civil waste water, the integral recycling of water, the production and storage of energy.

Projects included in the Amga Foundation’s research programme

Iren is working on a number or projects included in the AMGA Foundation’s programme for 2016; these projects refer to economic regulatory issues and technical-scientific questions associated with the quality of water resources. Among these, we can note the research on the *circulation of viral pathogenic micro-organisms in sewerage liquids*, the *standard cost of capital in the regulation of public utilities*, the *new TOTEX TOTal EXpenditure regulatory approach.* Additional research refers to three macro-subjects relating to developing the remote control of the third millennium, optimising purification and drinking water processes, specialist laboratory analyses, on-line measurement systems and innovative sensors.

Energy

Turin LED Project

A project is in progress to replace in the city of Turin approximately 54,000 lighting points fitted with discharge lamps with new LED lamps. The project is completely financed by Iren on an ESCo basis; more than 50,600 lamps have been replaced from the start of the project to 31 December 2016. In energy terms, when the project is completed, the saving will be approximately 19.6 GWh per year, with lower emissions of approximately 3,600 TOE.

Remote control of district heating plants

The project for the remote control of district heating systems aims at providing the tools for effective management of consumption control, the configuration of the operating parameters, and the technical maintenance and management of the SST (heat exchange substation) alarms in order to improve the services to 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.

Installation of storage systems on the district heating network

In the city of Turin, Iren is continuing with the work to create two heat storage systems serving the district heating network at the BIT integration centre, which, added to the currently existing 15,000 m^3, will increase the current total capacity.
At the same time, design work is continuing on three further storage systems, aimed at optimising the network and maximising the heat produced in cogeneration, reducing the use of supplementary and reserve boilers.

Flexibilisation of combined cycle plants

Iren is proceeding with work on flexiblising its combined cycle plants, to respond better to the ever-increasing needs of the electrical system and to become increasingly competitive in offering services on the auxiliary services market. These activities involve improvements on gas turbines, steam turbines, steam generators with recovery and control systems, with the purpose of keeping the plant hot, reducing the start-up and shut-down times and increasing the intake/load reduction ramps.

Dam seismic research contract

During 2016 research activities continued on seismic testing of dams. Similar activities were carried out during 2015, on the Ceresole Reale dam, with a research contract with the Department of Structural, Building and Geotechnical Engineering of the Turin Polytechnic, in relation to developing methods for seismic testing of dams and the related accessory works, in the current scenario of the changing legislative context on the subject.
In 2016 a research contract was signed to develop analogous activities on the dam made of loose material in Contrada Sabetta, serving the Bussento (SA) plant.

Monitoring of the Ciardoney glacier

In the early months of 2016 research activities continued on the behaviour of the Valle Orco glaciers, through monitoring of the Ciardoney glacier in the Gran Paradiso National Park. This is an initiative launched at the beginning of the 1990s in collaboration with the Italian Meteorological Society which has continued regularly through annual campaigns to check the mass balance of the glacier. The research is oriented to monitoring the reduction of glaciers in the Alps supporting the planning of the production of hydroelectric plants in Valle Orco. The June 2016 campaign recorded snow cover varying between 425 to 230 cm, for an equivalent average for the entire glacier of around 1300 mm, slightly up on the average for the entire 1992-2016 observation period.

#OpenIren 2016

The “#OpenIren 2016 Energy that innovates” call was officially launched on 27 May, which aims to find three innovation scouts, namely digital talents that support the identification and valuation of innovative projects, products or services that could service the business within the Iren Group, which is promoting the project together with the Turin Talent Garden.
After an initial training and brainstorming session with Iren, the three selected talents will need to select and analyse between three and six innovative solutions in the domotics and metering, big data, and marketplace & customer services sectors, taking into consideration possible repercussions on the Group’s business.
The call subjects range from intelligent management systems, the automation and simplifying of domestic control operations, through to the structured analysis of plant data, networks and sensors used to

introduce new operational management systems, including the sale of services/devices and innovation in customer relationship processes.
The call and research by these talents will extend over 6 months.

National Award for Innovation (NAI)

The 14th Edition of the National Award for Innovation (NAI) was held in Modena on 1 and 2 December 2016, with the collaboration of the University of Modena and Reggio Emilia. The event is made up of two stages: the first, at the regional level, in which universities, partner incubators and authorities organise local Business Plan Competitions (Start Cups); the second, at the national level, where the winning projects of the various regional Start Cups compete for the NAI.
There are four award categories and two special mentions. Iren sponsors the Cleantech & Energy award of the NAI, for innovative products and/or services oriented to improving environmental sustainability, with the objective of stimulating innovation and new ideas applicable to its business.
In addition, Iren sponsors the second prize in the Emilia Romagna Start Cup and gives an award for the most interesting idea at the level of its business in the Liguria Smart Cup.

Collaboration agreement with RSE

At the end of 2016, Iren S.p.A. and RSE S.p.A. signed a collaboration agreement with the objective of studying, analysing and testing efficient processes and technologies in the field of energy systems. Some of the main themes that will be tackled are:

- Electricity distribution: benchmarks in the smart grid field, testing of innovative solutions, analysing systems for protecting distribution networks;
- making water networks more efficient: analysing best practices, identifying methods for reducing energy consumption, defining application guidelines for energy optimisation in managing networks;
- district heating: studying innovative heat storage systems;
- biogas: analysing technologies for refining the biogas obtained from by-products and waste, for producing biomethane.

In addition, scouting of third-party financing tenders will be launched together, to fund development, research and innovation projects.

PERSONNEL AND TRAINING

Personnel

At 31 December 2016 the Iren Group had 6,226 employees; compared to 31 December 2015 there was an increase compared to the previous 6,132 employees. The table below provides a breakdown of personnel at 31 December 2016, divided into Holding and first-level companies (with related subsidiaries), compared with the figure at 31 December 2015.

Company	Workforce at 31/12/2016	Workforce at 31/12/2015
Iren S.p.A.	927	821
IRETI and subsidiaries	1,921	-
Iren Acqua Gas and subsidiaries	-	865
Iren Emilia and subsidiaries	-	794
Iren Ambiente and subsidiaries	2,276	2,257
Iren Energia and subsidiaries	617	915
Iren Mercato and subsidiaries	485	480
Total	**6,226**	**6,132**

The change in the workforce compared to 31 December 2015 is due to:

- continuation of the plan to reorganise the Iren Group subsidiaries, implementing the Business Plan adopted, which starting from 01 January 2016, besides transferring a number of business units, entailed the incorporation into Iren Emilia S.p.A. (the company name of which changed on the same date to IRETI S.p.A.) of the following Companies operating in the sectors of electricity, gas distribution and integrated water service: Genova Reti Gas, AEM Torino Distribuzione (up to then controlled by Iren Energia), Iren Acqua Gas, Acquedotto di Savona, Enìatel and AGA;
- the inclusion of TRM S.p.A. in the Group, at the beginning of the year, within the scope of Waste Management Business Unit (57 resources) and with effect from 01 May 2016, the companies Atena S.p.A. and Atena Trading S.r.l. in the scope of the Networks Business Unit (238 resources);
- the continuation of the process to revise the Business Units that the Group's different segments fall under, with the objective of simplifying the corporate structure mainly with the transfer of the following business units on 1 April 2016, from Iren Mercato S.p.A. to Iren Energia S.p.A. ("Power Management" unit), from Iren Mercato S.p.A. to Iren Ambiente S.p.A. ("Commercial waste" unit), from Ireti S.p.A. to Iren S.p.A. ("Staff Corporate and Storage" unit) and from Iren Energia S.p.A. to Iren S.p.A. ("Storage" unit).
- continuation of the voluntary retirement incentive process, pursuant to Art. 4 of Italian Law 92/2012, which, with the objective of creating a generational change in the context of the Iren Group, will in any case take into account the organisational need to guarantee maintenance of the policy on the subject of limiting workforces.

Training

For the Iren Group human resources are a key factor for success and growth and attention to people, to developing their skills and their professional careers and to creating a collaborative working environment must be at the centre of managerial action.
To make human resources grow and enhance them in keeping with the Group's strategies and operating and development needs, training constitutes a tool of primary importance, also in order to respond to the need for innovation and cultural change that the market requires to be competitive.
During 2016 the Iren Group's employees were provided with a total of approximately 97,500 hours of training with more than 5,200 employees – 84% of the workforce - who took part in at least one training initiative, with an average of 15.7 hours per capita.
The proportion of training on the subject of safety, quality and the environment, with respect to the total hours, was 43.1%, with a per capita average unchanged compared to the previous year, at 6.7 hours. The trend of the previous years in the proportion of specialist training (including specialist IT) was confirmed, at 54%.
Over the years the percentage of training hours planned and managed by the Training unit has increased constantly, making use of both internal trainers and external consultants (the so-called internal training); in 2016 this represented 90% of total hours, while only 10% is purchased from a catalogue and provided at external bodies (external training).

QUALITY, ENVIRONMENT AND SAFETY

As expressed in its corporate mission, the Iren Group provides integrated services that target safeguarding the environment and personnel safety. As customer needs and expectations are evolving constantly, strongly backed by market competitiveness, calling for flexible organisational models and streamlined management systems and requiring monitoring of efficiency in terms of expected results, the Group has developed an Integrated System (Quality, Environment and Safety) as a means to achieve the predefined objectives. The Integrated System is structured in such a way as to envisage adequate control of all operating processes affecting service quality, adopting an approach based increasingly on customers, workers' safety and environmental protection.
The core principles of the Integrated System policy are:

- customer satisfaction;
- attention to the social and environmental aspects;
- safety for personnel;
- efficiency in performing the service;
- supply and contract quality;
- constant improvement;
- compliance with the Code of Ethics.

The Integrated System policy is adopted by all Group personnel and has created strong synergies between the operating structures.
The Parent Company, all first-level companies, AMIAT and the main investees have systems that are certified in accordance with international ISO 9001 (Quality) standards.
The Parent Company, the first-level companies Iren Energia, Ireti and Iren Ambiente, AMIAT and the main investees are certified in accordance with the international ISO 14001 (Environment) standards.
The Parent Company, IRETI, Iren Energia, Iren Mercato and their main subsidiaries and AMIAT are in possession of the Certification under the terms of the OHSAS 18001 (Safety) standard.

During 2016 the
audit for Quality, Environment and Safety Certification of IRETI was carried out and the planned audits to keep/renew certification for Iren S.p.A. and the Group companies were carried out regularly, giving positive results and therefore confirming the existing certifications.

An audit was also carried out for the acquisition of Multi-Site Accreditation by the Group company Iren Laboratori.

The projects were implemented for revision of the processes of Iren S.p.A., Ireti and Iren Mercato in relation to the corporate and organisational changes that have occurred, with the objective of using the certified systems as an effective instrument for improvement.
In this logic, besides numerous projects for expansion of the certifications mentioned, activities were carried out aimed at maintaining or acquiring:

- accreditation under the terms of UNI EN ISO/IEC 17025 and Accredia for the chemical-biological analysis laboratories;
- certification according to Reg. EC no. 303/2008 - FGAS for Iren Gestioni Energetiche, operating in the heat management sector, for the service provided on devices containing fluorinated greenhouse gases;
- certification for the sales of electricity produced solely from renewable sources, in compliance with the Certiquality Technical Document no. 66, by Iren Mercato;
- UNI 11352 certification by Iren Gestioni Energetiche and Iren Servizi e Innovazione.

IREN AND SUSTAINABILITY

The Iren Group promotes policies in keeping with the principles of environmental, social and financial sustainability: respect for and protection of the territory, professional development of employees, customer satisfaction, constant dialogue with the community and the Public Administration, careful management of the supply chain, and transparent communications with shareholders and lenders. The Business Plan to 2021 defines a development process for the Group which is based on continual innovation, on rationalising internal processes and making them more efficient, on selecting investments for profitability and on attention to customers' new needs, besides providing for a new strategic orientation to Corporate Social Responsibility.

In this context, the following are of particular note among the Group's main sustainability initiatives carried out in 2016:

Sustainability Report

The Sustainability Report contains full details of the Group's economic, environmental and social sustainability performance, represents a tool for operational orientation and constitutes a document for constant and participated dialogue with the community and all stakeholders.
As regards the 2016 Sustainability Report a materiality analysis was also carried out, involving the corporate management that the stakeholders through the Local Committees, in order to identify the significant issues that represent the focus in preparing the Sustainability Report. An analysis was also performed on the indicators the adjusting the scope to the Consolidated Financial Statements and to the new companies acquired by the Group and approximately 470 "indicator records" were prepared for entering the data in the collection system.
The 2016 Sustainability Report was approved on 16 March 2017 and will be available on the website.

Presentation of the Sustainability Performance

In order to increase discussions with the stakeholders on the issues related to sustainability, during 2016 the Iren Group organised five events for presenting and discussing its environmental, economic and social performance. The events, which were attended by the Chairperson and the Deputy Chairperson, were an occasion for contributing to the diffusion of greater awareness of the Group's commitment to protecting the environment and to the communities. In addition the website devoted to the Sustainability Report (http://irensostenibilita.it) was updated. This is available in Italian and English, and specific informative brochures were produced in the two languages.

Local Committees

In January 2016, the Local Committee for Genoa was established, which is added to the previously established Committees in Piacenza, Reggio Emilia, Parma and Turin. Local Committees were introduced to ensure a greater presence within the local community, based on participatory planning and consultation on issues such as environmental and social sustainability, innovation and the quality of services provided. In order to extend involvement, the Committees makes use of the on-line platform www.irencollabora.it. This is a first at national level, where residents can participate directly, making proposals and suggestions on the issues relevant to the Committees, with the objective of generating concrete and tangible projects.
Each Committee comprises specific working groups that develop projects submitted within scope of the Committee or on the platform Irencollabora.it. During 2016 79 meetings of the Committees and work groups were held and 9 projects "incubated" in the Committees were implemented.
At 31 December 2016, there were 718 registered profiles, 565 registered users, 31 projects and 23 proposals.

CDP *(Carbon Disclosure Project)*

The Iren Group participated for the fifth consecutive year, in the Carbon Disclosure Project survey "CDP Climate Change Report 2016". Iren stands out at the world level for its environmental performance: this is what emerges from the report of the Carbon Disclosure Project (CDP), the independent non-profit organisation which at the global level collects, analyses and distributes data on the environmental performance of companies, cities, regions and countries.

Iren in fact received the highest recognition (level A) for the actions and strategies brought into play to reduce emissions and mitigate climate change.
More than 5,500 organisations take part in the annual survey of their greenhouse gas emissions and analyse the risks and opportunities associated with climate change, through the CDP which, operating at the request of 827 investors with assets of 100 billion dollars, holds the largest international database on the climate change management policies implemented by the most important global organisations.
On the basis of the scores assigned by the CDP, Iren was among the 9% of companies that obtained a level A for environmental performance to mitigate climate change.

“Italian Resilience Award”
The Iren Group was awarded the “Italian Resilience Award” for the “Tomorrow the sun shines” project, part of “Ecoincentriamoci” the green forum of study and debate on subjects linked to environmental sustainability. The Italian Resilience Award is organised by the website Econewsweb.it, in collaboration with the Kyoto Club and the green company Primaprint, with the patronage of the Ministry of the Environment, ANCI, Local Agenda 21 Coordination and Borghi Autentici d’Italia (Authentic Villages of Italy). The award is given to Municipalities and companies that have shown how the ability to share can facilitate the achievement of planning objectives and improve the quality of actions, encouraging eco-compatible development models, which take into account the climate changes in progress.
The project “Domani splende il sole” (Tomorrow the Sun Shines), organised by Iren Rinnovabili for the diffusion of clean energies in the province of Reggio Emilia through the installation of 100 photovoltaic plants on 100 public buildings, was recognised as a valuable multi-stakeholder planning model which united Municipalities, local companies and the Iren Group. The project combined the industrial and productive strategies with the intention to promote energy savings and the use of alternative energy sources and is proposed as a reference model replicable in other areas.

Sodalitas Social Award
Iren took part in the 2016 edition of the Sodalitas Social Award, an award for Business Sustainability in Italy, candidating 8 projects, and won the 2016 Sodalitas Social Award, the most authoritative recognition of Business Sustainability in Italy, in the category Sustainable Innovation and Production Processes for the “Tomorrow the Sun Shines” project.

Top Utility Analysis
The Technology & Innovation Award is organised by Top Utility, the think tank that rewards Italian excellences in the public utility services: electricity, gas, water and waste. This award is given to the business that has invested most in research and development aimed at innovation. In this context, the Iren Group was given the award for the number and importance of innovative projects launched over the last few years and for its ability to cooperate with other subjects in the research and development activities. Top Utility recognises that Iren has the ability to develop projects transversal to the various businesses, including through an open innovation approach, the efforts and investments made to bring innovation into the processes and services offered. Innovation is one of the pillars of the business plan on which the Group has founded its growth process.

Top Utility Analysis - MUtilities
The Chief Executive Officer of Iren Massimiliano Bianco was given the award “Utility Manager of the Year 2016” by the journal “Management delle Utilities e delle infrastrutture” (Management of Utilities and Infrastructures) the leading publication in Italy in the sector of public utility services. The motivation for the candidature and the Award derives “from the articulated project to relaunch Iren with a view to sustainable development attentive to the needs of the local areas”. The award was assigned by the members of the Scientific and Honourable Committees of the Journal “Management delle Utilities”, who include very authoritative professors and protagonists of the sector.

Edu.Iren
The “Edu.Iren” project continued. This is the programme of training courses (lessons for students and teachers, organised visits to plants and laboratories, educational games and other educational initiatives) made available to schools free of charge, based on the many years of experience of the Iren Group in sustainability education projects. The Edu.Iren catalogue (educational offers for 2016–2017) presents significant changes with respect to the previous editions, which arise from the many relationships forged among Iren, teachers, associations, museums and institutions.

Asylum seekers and refugees involved in cleaning Turin

Around twenty asylum seekers and refugees became involved during April, working for free as waste collectors in the city of Turin. Based on a memorandum of understanding signed by the City of Turin and AMIAT, refugees with the status of beneficiaries of international protection hosted by the city, were able to give something back thanks to the migrant projects associated with the local community.

New public park in Vallette, Turin

During May 2016, the new park located in the Vallette district of Turin was inaugurated. This originates from the redevelopment of an industrial area that previously housed the Iren cogeneration plant of the same name built during the eighties. The redevelopment work began in the summer of 2014 and once completed, recovered almost 13 thousand square metres for the city, creating a recreational area for children and adults in the neighbourhood.

Children and colleagues in the plants

With adoption of the national initiative “Children in the office with mum and dad”, Iren opened the doors of a number of plants to the Group’s personnel and their family members.

Street furniture work in Parma

At the end of 2016 a series of works began, agreed with the Parma City Council, to complete the ancillary work related to the extension of the city’s district heating network. These are important and demanding urban improvement projects, which will be completed in 2017, and which Iren is implementing as a sign of its closeness to the area, to the city and its inhabitants.

Raising awareness on separate waste collection and recovery

In the Group’s various territories of reference numerous initiatives were organised to raise awareness about separate waste collection, recycling and the recovery of waste that is difficult to recycle (mobile phones, small household appliances, medicine, batteries, spectacles), with teaching laboratories, meetings with families, foreign communities, schools and refugees, and plays.

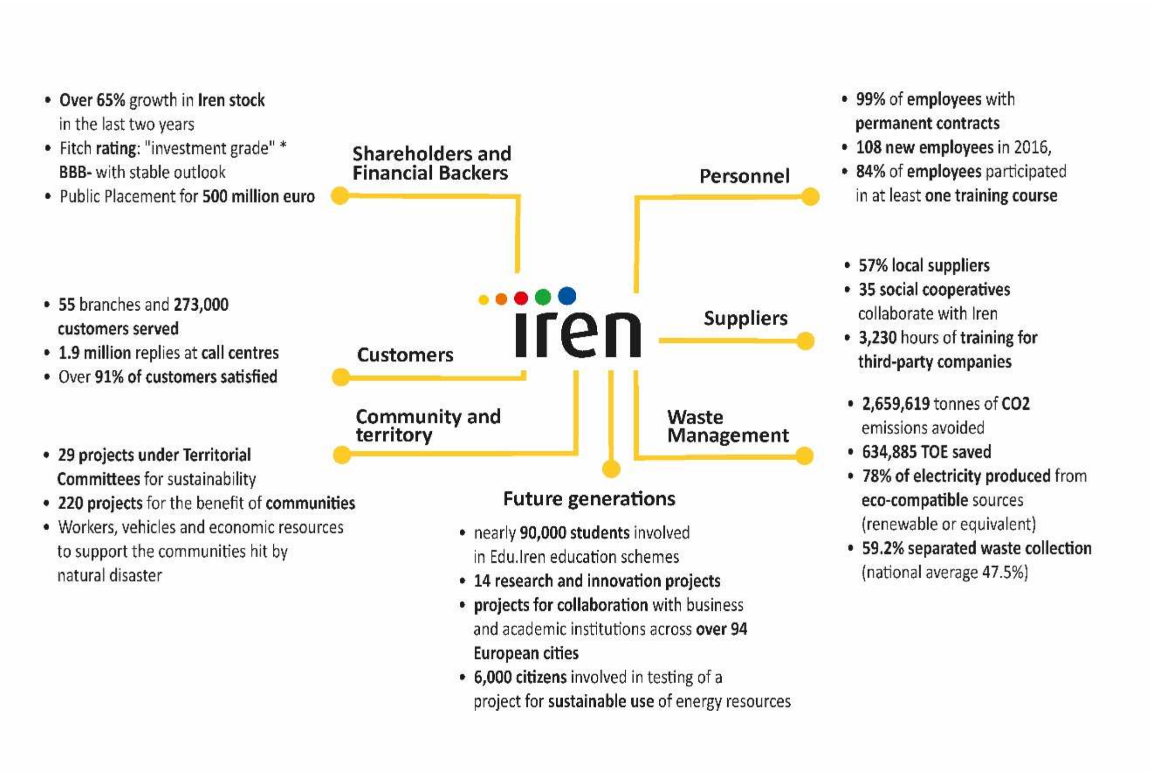
Rebuild

The Rebuild project, promoted by Iren Rinnovabili, Iren Energia and the municipality of Reggio Emilia, which encourages the energy requalification of private buildings, was explained to the Ministry of Economic Development on 23 June during the presentation of the ENEA 5th Annual Report on Energy Efficiency.

We can also note participation in conferences, events and initiatives aimed at sensitising on CSR-related issues (UniToGo, CSR Manager Network, Climathon etc.) and specific forums and work groups:

- CSR Exhibition in Milan;
- “Benchmarking Sustainability” promoted by Utilitatis to create a benchmarking system for sustainability in the main Italian utilities;
- discussion forums established by Assonime and Utilitalia on the issues of sustainability and social responsibility in relation to the transposition of EU Directive 95/2014 on the disclosure of non-financial information (integrated reporting).

HIGHLIGHTS 2016



OTHER INFORMATION

Personal data protection code

In application of the provisions of Italian Legislative Decree 196/03, entitled the "Personal Data Protection Code", a Group Privacy System Management Project was launched in past years, in Iren S.p.A. and in the main group companies. This provides for a process of updating and implementation of the Privacy documentation in order to comply with the requirements of the legislation on the subject.

As regards IREN S.p.A. And the main subsidiaries, this Project led during 2016 to the preparation of a data processing management and security system compliant with the legislation and in line with the organisational evolution that involved the Group.

The Management System was structured and will be developed during 2017 in order to be able to comply, by 28 May 2018, with the rules of the new European Regulation on Privacy, the text of which was recently definitively approved.

With reference to the other Group Companies activities needed to assess the system for protecting the information subject to this legislation were carried out and the Group Privacy Management System is being implemented.

Certifications pursuant to Art. 2.6.2 of the Stock Exchange Regulations

With regard to the certifications required by Art. 2.6.2 paragraph 15 of the Stock Exchange Regulation relating to compliance with the conditions set forth under Art. 36 et seq. of the CONSOB Market Regulation, the Company does not control companies established in and governed by the laws of countries which are not members of the European Union and which are of a significant interest pursuant to the provisions of section VI, para. II of the regulation adopted by CONSOB with Resolution No. 11971/1999, as amended. Therefore the provisions contained in paragraph 1 of Art. 36 of the CONSOB Market Regulation do not apply. With regard to the conditions set forth in Art. 37 of the said Market Regulation, the company is not subject to management and coordination by any other company.

Report on Corporate Governance and Ownership Structures and Remuneration Report

The Report on Corporate Governance and Ownership Structures and the Remuneration Report, approved by the Board of Directors and published with the Directors' Report, include information not mentioned in the following section *Information on Iren's Corporate Governance*, as envisaged in art. 123-*bis* and art. 123-*ter* of Italian Legislative Decree no. 58 of 24 February 1998, and subsequent amendments and additions.

INFORMATION ON IREN'S CORPORATE GOVERNANCE

Introduction

IREN S.p.A. (hereinafter "IREN") is the result of the merger of Enìa S.p.A. into IRIDE S.p.A. which took effect on 1 July 2010.
The merger between IRIDE and Enìa was promoted by the controlling shareholders of the same – respectively FSU S.r.l. (controlled equally by the Municipalities of Turin and Genoa) and the Municipalities of Reggio Emilia, Parma, Piacenza and other Municipalities of the Emilia area that had signed *ad hoc* shareholders' agreements – with the objective of creating a new entity capable of developing industrial synergies and being a hub for further aggregations on the national market.

At the date of the present report two Shareholders' Agreements are in force between the public shareholders of IREN. These are listed below:

- FSU – so-called Emilian Parties Agreement – in effect from 09 May 2016.
  This agreement – which definitively superseded the previous agreement signed on 28 April 2010, as modified on 23 May 2013 (hereinafter also "First Agreement") – is attributable to a block of shareholders and votes with the aim of guaranteeing the development of the Company, its investees and its activities, and of ensuring to the same unity and stable guidance, and in particular: (i) determining methods of consultation and joint decision-making regarding certain resolutions of the Company's Shareholders' Meeting; and (ii) setting certain limits on the circulation of the shares contributed.
  The FSU-Emilian Parties Agreement is also aimed at redefining the structures and balances determined among the signatory shareholders on the basis of the First Agreement in the light of the provisions contained in the By-laws approved by the Shareholders' Meeting of 09 May 2016, with reference to the possibility for Shareholders to benefit from the extra votes under the terms of art. 127-*quinquies* of the CLF and of the related implementing provisions.
  The FSU-Emilian Parties Agreement will have a duration of 3 years and will be tacitly renewed, subject to the option to withdraw with the methods and in the terms pursuant to the Agreement, for a further two years; subsequently, any further renewal must be agreed in advance in writing.
- Emilian PartiesSub-Agreement in effect from 09 May 2016.
  This agreement – which definitively superseded the previous sub-agreement signed on 28 April 2010, as modified on 23 May 2013 (hereinafter also "First Sub-Agreement") – intends, among other things, to determine the respective rights and obligations, in order to (i) ensure unity of conduct and rules on decisions that must be taken by the Emilian signatories in the context of the provisions of the FSU-Emilian Parties Agreement; (ii) attribute a right of pre-emption in favour of the signatories in the event of sale of the Company's shares other than the shares subject to the Shareholders' Block under the terms of the Agreement; and (iii) confer on the Municipality of Reggio Emilia an irrevocable mandate to exercise on behalf of the signatories the rights attributed to these latter under the terms of the Agreement.
  The Emilian Parties Sub-Agreement will have a duration of 3 years and will be tacitly renewed, subject to the option to withdraw with the methods and in the terms pursuant to the said Sub-Agreement, for a further two years; subsequently, any further renewal must be agreed in advance in writing.

During the period 09 May 2016 – 31 December 2016 the Municipalities of Baiso, Campegine, Poviglio and Scandiano made sales, on the market, of shares of the Company brought to the FSU-Emilian Parties Agreement and to the Emilian Parties Sub-Agreement.

IREN acts as an industrial holding company operating in the business sectors of the merged companies, through a complex Group of First-Level Companies heading the respective Business Units (Energy, Market, Networks and Waste Management), specialised in management of the various business lines, which operate directly, and through their investees, in their specific segments.
This structure aims to enhance the complementary nature of the two founding Groups and to strengthen both their local presence and the integration of the various business segments.

More specifically, in line with the objectives of the Group's 2015-2020 Business Plan (approved by the Parent Company's Board of Directors at the meeting on 16 June 2015), as reaffirmed in the Group's 2016-

2021 Business Plan (approved by the Board of Directors at the meeting on 18 October 2016), also in 2016 the Plan to reorganise the Group's subsidiaries, launched in 2015, continued. The Plan determined a reduction in the number of companies, through the integration and unification of activities with uniform operating characteristics and optimisation of the structure in four Business Units (Energy Business Unit, Networks Business Unit, Market Business Unit and Waste Management Business Unit), coinciding with four First-Level Companies (sub-holdings of the Parent Company) operating in the respective market segments.
The reorganisation was aimed, as well as at quantitative simplification of the number of companies,
also and above all at bring together better, within each of the Business Units identified, activities and assets characteristic of each business line.

The Company adopts a traditional corporate governance system, compliant with the principles of the Corporate Governance Code for Listed Companies issued by Borsa Italiana – July 2015 edition (hereinafter the "Code").
The Board of Directors has the broadest range of powers for the ordinary and extraordinary administration of the company and, in particular, the power to take all action deemed appropriate to implement and achieve the corporate purpose, also organising the company and the Group into business segments, whether in the form of companies or operating divisions, with the sole exclusion of powers which by law or by the Articles of Association are the responsibility of the shareholders' meeting.
Under the terms of the Articles of Association (the current version of which was approved by the Shareholders' Meeting – extraordinary session held on 09 May 2016), the Board of Directors delegates its powers to one or more of its members and can also assign powers to the Chairperson, Deputy Chairperson and Chief Executive Officer provided they do not conflict with each other.

With approval of the financial statements at 31 December 2015 the term of the administrative body of IREN in office in the years 2013/2014/2015 expired.
On 09 May 2016 the IREN Shareholders' Meeting, called *inter alia* to approve the financial statements at 31 December 2015, also proceeded to appoint the Company's Board of Directors for the three years 2016-2018, with expiry on the date of approval of the financial statements at 31 December 2018.
The Board of Directors of IREN, at the meeting held on the same date: (i) acknowledged the appointment by the shareholders' meeting of the Chairperson of the Board of Directors, Paolo Peveraro, (ii) appointed the Deputy Chairperson, in the person of Prof. Ettore Rocchi (already Deputy Chairperson in the previous mandate, starting from 4 June 2015) and of the Chief Executive Officer, in the person of Massimiliano Bianco (already Chief Executive Officer in the previous mandate, starting from 1 December 2014) and (iii) conferred their powers on the Chairperson, the Deputy Chairperson and the Chief Executive Officer in accordance with the Articles of Association.

With a resolution of the Board of Directors meeting of 09 May 2016, the Chairperson just appointed, Paolo Peveraro, was given powers, delegated powers and responsibilities in relation to institutional relations, external relations, communication, relations with Regions and local authorities, relations with Regulators, merger & acquisition operations.
The Deputy Chairperson, Ettore Rocchi, was given powers, delegated powers and responsibilities in relation to corporate affairs, corporate compliance, committees (both Committees within the Board set up in accordance with the provisions pursuant to the Code, and Local Committees), risk management, internal auditing, corporate social responsibility.
The Chief Executive Officer, Massimiliano Bianco, was given powers, delegated powers and responsibilities in relation to administration, finance and control; personnel, organisation and information systems; procurement, logistics and services; legal affairs; Energy, Market, Networks and Energy business units, as well as wide delegated powers and powers of representation.

In compliance with the provisions of the Code, with a resolution passed at the meeting on 12 May 2016, the Board of Directors also appointed:
- a Remuneration and Appointments Committee (hereinafter also "RAC");
- a Control and Risk Committee, to which, during the meeting on 20 December 2016, it also attributed duties of consultation and proposal in relation to the Board of Directors on the subject of sustainability. In relation to these extra duties, the said Committee was renamed the Control, Risk and Sustainability Committee (hereinafter also "CRSC").

In accordance with the provisions of the CONSOB Regulation and of the specific Internal TRP Regulation, with a resolution passed at the meeting on 12 May 2016, the Board of Directors also appointed the Independent Directors' Committee for dealing with Transactions with Related Parties, named the Committee for Transactions with Related Parties (hereinafter also "CTRP").

The company's Articles of Association establish the composition and appointment methods for the Board of Statutory Auditors and the independent auditors. Duties and functions are governed by current regulations.

BOARD OF DIRECTORS

With approval of the financial statements at 31 December 2015 the term of the administrative body of IREN in office in the years 2013/2014/2015 expired.
On 09 May 2016, the Shareholders' Meeting appointed the current Board of Directors, made up of thirteen members, in office for the years 2016/2017/2018 (until approval of the separate financial statements at 31 December 2018).

The members of the Board of Directors in office up to 09 May 2016 are listed below:

Office	Name and Surname	Place of birth	Date of birth
Chairperson of the Board of Directors	Francesco Profumo (*)	Savona	03 May 1953
Deputy Chairperson	Ettore Rocchi (**)	Reggio Emilia	20 November 1964
Chief Executive Officer and Central Operations and Strategy Manager	Massimiliano Bianco (***)	Gioia del Colle (BA)	30 August 1971
Director	Lorenzo Bagnacani (*)	Reggio Emilia	17 November 1970
Director	Roberto Bazzano (*)	Cairo Montenotte (SV)	01 February 1944
Director	Moris Ferretti (****)	Reggio Emilia	28 May 1972
Director	Franco Amato (*)	Siracusa	19 April 1962
Director	Tommaso Dealessandri (*)	Cercenasco (TO)	18 September 1949
Director	Alessandro Ghibellini (*)	Genoa	15 October 1947
Director	Augusto Buscaglia (*****)	Turin	30 November 1948
Director	Anna Ferrero (*)	Turin	10 August 1952
Director	Fabiola Mascardi (*)	Genoa	04 December 1962
Director	Barbara Zanardi (*)	Piacenza	03 March 1977

(*) Appointed for three years (2013/2014/2015) by the Shareholders' Meeting held on 27 June 2013.
(**) Appointed Deputy Chairperson by the Board of Directors at the meeting on 4 June 2015, a position held until 30 April 2015 by Andrea Viero (who resigned on that date).
(***) Coopted by the Board of Directors on 1 December 2014 to replace Mr Nicola De Sanctis, who had resigned, and at the same meeting appointed Chief Executive Officer with conferment of the related powers. On 03 December 2014 the Board of Directors resolved to proceed to employ Mr Bianco with a temporary managerial employment contract in the position of Central Operations and Strategy Manager starting from 01 January 2015 and with expiry on 31 December 2019. Confirmed in the position of Director up to the expiry of the administrative body (and, more precisely, up to the approval of the Company's Financial Statements at 31 December 2015) by the Shareholders' Meeting held on 28 April 2015, and confirmed in the position of Chief Executive Officer of the Company (with conferment of the related powers) by the Company's Board of Directors at its meeting on 28 April 2015.
(****) Co-opted onto the Board of Directors at the meeting on 4 June 2015 to replace Mr Andrea Viero, who had resigned.
(*****) Appointed until the expiry of the administrative body (and, more precisely, until approval of the Company's Financial Statements at 31 December 2015) by the Shareholders' Meeting held on 18 June 2014 to replace Mr Roberto Walter Firpo, co-opted by the Board of Directors at its meeting on 17 September 2013.

The members of the current Board of Directors are listed below [(*)]:

Office	Name and Surname	Place of birth	Date of birth
Chairperson of the Board of Directors	Paolo Peveraro	Castel San Giovanni (PC)	05 July 1956
Deputy Chairperson	Ettore Rocchi	Reggio Emilia	20 November 1964
Chief Executive Officer and Central Operations and Strategy Manager	Massimiliano Bianco	Gioia del Colle (BA)	30 August 1971
Director	Moris Ferretti	Reggio Emilia	28 May 1972
Director	Lorenza Franca Franzino	Turin	05 April 1955
Director	Alessandro Ghibellini	Genoa	15 October 1947
Director	Fabiola Mascardi	Genoa	04 December 1962
Director	Marco Mezzalama	Turin	17 September 1948
Director	Paolo Pietrogrande	Rome	19 June 1957
Director	Marta Rocco	Genoa	03 November 1969
Director	Licia Soncini	Rome	24 April 1961
Director	Isabella Tagliavini	Parma	20 October 1958
Director	Barbara Zanardi	Piacenza	03 March 1977

[(*)] Appointed for three years (2016/2017/2018) by the Shareholders' Meeting held on 09 May 2016.

In accordance with art. 25 of the Articles of Association, resolutions of the IREN Board of Directors are carried by a vote in favour of the absolute majority of Directors in office.
For the matters indicated in Art. 25.5 of the Articles of Association ("Significant Matters"), resolutions of the IREN Board of Directors are carried by the vote in favour of at least 10 Directors.
Articles 18, 19 and 20 of the Articles of Association govern the appointment, methods and criteria for the presentation of lists for the appointment of Directors, which adopts the list voting system.
During financial year 2016 the Board of Directors of IREN held 19 meetings, of which 14 were held after 09 May 2016.
In the Board of Directors, made up of 13 directors, eight of them possess the requisites of independence both under the terms of the combined provisions of arts 147-*ter*, paragraph 4, and 148, paragraph 3, of the Consolidated Law on Finance, and under the terms of the Code.

The Board of Directors assesses the independence of its members with regard to the principle of substance over form. The independence of directors is assessed by the Board of Directors on appointment, and thereafter on an annual basis, or when significant circumstances occur for the purposes of independence. The outcome of the Board's assessments is disclosed to the market, with the methods identified in the Code.
The annual meeting of the Independent Directors, under the terms of Application Criterion 3.C.6. of the current Code, was held on 20 December 2016.

The Company has established a short-term bonus system (MBO) for the Chief Executive Officer of the Parent Company and the Group's Key Management Personnel: the targets are set respectively by the Company's Board of Directors and the Chief Executive Officer – on the proposal of the Company's Remuneration and Appointments Committee – on an annual basis and, if achieved, for the amount established at the end of an enquiry carried out by the Committee, give the right to receive the related bonus (after a resolution of the Board of Directors, as regards the figure of the Chief Executive Officer).
During its meeting on 22 December 2015, the Company's Board of Directors, on the basis of the enquiry carried out by the Remuneration and Appointments Committee, approved the 2015-2018 Long-Term Monetary Incentive Plan for the Company's Chief Executive Officer, the Group's Key Management Personnel and other resources (the so-called "Key Resources") who can contribute in a significant way to achieving the targets in the Business Plan (as approved by the Board of Directors in June 2015).

For more information on the remuneration policy, please see the Remuneration Report for financial year 2016 made available to the shareholders, in observance of the terms provided for in the current legislation, before the Shareholders' Meeting called to approve the Financial Statements at 31 December 2016.
As envisaged in the Italian Civil Code, directors with an interest in a given transaction must report such interest beforehand. In particular, on 13 March 2015 the Board of Directors approved the current text of the "Internal Regulations on Transactions with Related Parties".

REMUNERATION AND APPOINTMENTS COMMITTEE

The Board of Directors set up within it a Remuneration and Appointments Committee composed of non-executive directors, most of whom independent, from among whom the Chairperson is chosen.
The Committee has the functions pursuant to Principle 6.P.4. and Application Criterion 6.C.5 of the Code – on the subject of remunerations – and pursuant to Application Criteria 5.C.1. and 5.C.2 – on the subject of appointments, listed below:

a) to assess periodically the adequacy, overall consistency and actual application of the policy on remuneration of directors and key managers, by availing itself, in this last regard, of the information provided by the executive officers;
b) to formulate the relevant proposals to the Board of Directors;
c) to present proposals or express opinions to the Board of Directors on the remuneration of executive directors and other directors who hold special positions and establishing performance objectives relating to the variable component of said remuneration;
d) to monitor the application of the decisions adopted by said Board by verifying, in particular, the actual achievement of the performance targets;
e) to handle the enquiries for the preparation of the remuneration policy for the Group's executive directors and key management personnel, functional to the adoption of the measures for which the Company's Board of Directors is responsible.
f) to formulate opinions to the Board of Directors as regards the size and composition of the same and to express recommendations on the subject of professional figures the presence of which on the Board is considered opportune;
g) to express recommendations to the Board of Directors as regards the maximum number of appointments as Director or Statutory Auditor in other listed companies in regulated markets (including abroad), in financial, banking and insurance companies or in large companies, compatible with an effective fulfilment of the appointment as Director of Iren, taking into consideration the participation of the Directors in the Committees set up within the Board, and as regards the exceptions to the prohibition on competition provided for in Art. 2390 of the Italian Civil Code;
h) to propose to the Board of Directors candidates for this position of Director in the cases of co-option pursuant to Art. 2386 paragraph 1 of the Italian Civil Code, if it is necessary to replace Independent Directors, ensuring observance of the prescriptions on the minimum number of independent directors and on the quotas reserved for the less represented gender;
i) to carry out the enquiry on preparation of the plan for the succession of the Executive Directors, if the Board of Directors decides to adopt this plan;

The Remuneration and Appointments Committee has also been given the task of supporting the Board of Directors in the annual self-assessment activity of the Board and of its Committees under the terms of Application Criterion 1.C.1 lett. g) of the Code.

The Remuneration and Appointments Committee also has the task of examining preliminarily – with respect to the decisions for which the Board of Directors is responsible – the annual Remuneration Report pursuant to art. 123-*ter* of the CLF, to be made available to the public with a view to the annual shareholders' meeting to approve the financial statements.

The discussion and adoption of resolutions on the subject of remuneration of Directors by the Remuneration and Appointments Committee occurs in the absence of the people directly involved.

The Committee also performs the functions of Independent Directors' Committee, limited to cases its composition meets the minimum requirements set by CONSOB Regulations, in that it is composed of independent and unrelated directors, in cases where transactions regard the remuneration of the Company's Directors and Key Management Personnel pursuant to Art. 7.1-*bis*, of the applicable Internal Regulations governing related party transactions.

Up to 09 May 2016, the following directors were members of the Remuneration and Appointments Committee:

- Fabiola Mascardi, with the role of Chairperson;
- Augusto Buscaglia;
- Moris Ferretti.

On 12 May 2016, IREN's Board of Directors appointed the following directors as members of the Remuneration and Appointments Committee:

- Moris Ferretti, recognising that he possessed adequate knowledge and experience on financial matters and remuneration policies;
- Marta Rocco;
- Isabella Tagliavini.

On 24 May 2016 the Committee appointed as its Chairperson Marta Rocco, in possession of the requisites of independence under the terms of arts 147-*ter*, paragraph 4, and 148, paragraph 3, CLF and under the terms of art. 3 of the Code.

In financial year 2016 the Remuneration and Appointments Committee met 14 times (of which 8 after 12 May 2016), preparing proposals recorded in the minutes of the Committee meetings.
As per the indications of the Code, all the meetings of the Committee were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated by him.

For further details reference should be made to the Report on Corporate Governance and Ownership Structures available on the website www.gruppoiren.it.

CONTROL AND RISK COMMITTEE (CONTROL, RISK AND SUSTAINABILITY COMMITTEE, FROM 20 DECEMBER 2016)

In accordance with the Code the Board of Directors has set up a Control and Risk Committee.
The Committee is composed of three non-executive directors, most of whom independent, from whom the Chairperson is chosen.
The Control and Risk Committee performs the general task of supporting, through adequate preliminary activities, the assessments and decisions of the Board of Directors relating to the internal control and risk management system, as well as those concerning approval of the periodic financial reports.
The functions pursuant to Application Criterion 7.C.1 of the Code were attributed to the Committee (namely expressing preliminary opinions with respect to resolutions of the Board of Directors on a series of questions, including the appointment / revocation and remuneration of the Manager of the Internal Audit Unit) as were those pursuant to Application Criterion 7.C.2., listed below:

- to assess, together with the Financial Reporting Manager, and after consulting the independent auditors and the Board of Statutory Auditors, the proper use of accounting policies, and in the case of groups, their uniformity for the purpose of drafting the Consolidated Financial Statements;
- to express opinions on specific aspects related to identifying the main business risks (in particular, on specific aspects related to the Risk Policies, identifying the main business risks and the Audit Plan, and on guidelines for the internal control and risk management system);
- to examine the periodic reports, concerning the evaluation of the internal control and risk management system, and those of particular significance drafted by the Internal Audit Unit;
- to monitor the autonomy, adequacy, effectiveness and efficiency of the Internal Audit Unit;
- to ask the Internal Audit Unit to perform checks on specific areas of operations, providing simultaneous communication to the Chairperson of the Board of Statutory Auditors;

- to report to the Board, at least every six months, on the occasion of approval of the annual and interim financial report, on its activity and on the adequacy of the internal control and risk management system;
- to support, with adequate enquiries, the assessments and decisions of the Board of Directors in relation to the management of risks deriving from detrimental events of which the Board of Directors has become aware.

In performing its duties, the Committee has the right to accede to the information and corporate units necessary for it to carry out its tasks, and to avail itself of external consultants, under the terms laid down by the Board of Directors.

Up to 09 May 2016, the following directors were members of what was then the Control and Risk Committee:
- Franco Amato, with the role of Chairperson;
- Alessandro Ghibellini;
- Barbara Zanardi

On 12 May 2016, IREN's Board of Directors appointed the following directors as members of the Control and Risk Committee:
- Alessandro Ghibellini;
- Marco Mezzalama;
- Paolo Pietrogrande;

considering that, on the basis of the respective professional *curricula* , all the members possessed, with their own specific skills, adequate experience in the field of risk management.

On 18 May 2016 the Committee appointed as its Chairperson Paolo Pietrogrande, in possession of the requisites of independence under the terms of arts 147-*ter*, paragraph 4, and 148, paragraph 3, CLF and under the terms of art. 3 of the Code.

With a resolution passed on 20 December 2016 the IREN's Board of Directors attributed duties of consultation and proposal in relation to the Board of Directors on the subject of sustainability to the Control and Risk Committee, which, starting from that date, took on the name Control, Risk and Sustainability Committee.
On 14 February 2017, the Company's Board of Directors detailed these duties, establishing that the Control, Risk and Sustainability Committee, in assisting the administrative body:
- supervises the "sustainability" policies and observance of any principles of conduct adopted on the subject by the Company and its subsidiaries;
- examines the guidelines of the sustainability plan and supervises the implementation methods;
- assesses, together with the competent Group Unit and after consulting the independent auditors, the proper use of the standards adopted for the purposes of preparing the non-financial disclosures provided for in the current legislation;
- supervises the system for assessing and improving the environmental, economic and social impacts deriving from the business activities in the local areas;
- Examines the periodic reports on the implementation of the structured methods of discussion with stakeholders in the local areas in which the Group operates, in particular through the Local Committees, and those on the consistency with the CSR questions of the Group's cultural and image promotion activities.

During financial year 2016 IREN's Control, Risk and Sustainability Committee held 8 meetings (of which 6 after 12 May 2016).
As per the indications of the Code, all the meetings of the Committee were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated by him.

For further details reference should be made to the Report on Corporate Governance and Ownership Structures available on the website www.gruppoiren.it.

COMMITTEE FOR TRANSACTIONS WITH RELATED PARTIES

On 3 December 2013, following approval of the new Internal Regulation on Transactions with Related Parties and in compliance with this regulation, the Board of Directors established a special Committee for Transactions with Related Parties.
The Committee is made up of three Directors in possession of the requisites of independence provided for in Arts 147-ter paragraph 4 and 148, paragraph 3 of the Consolidated Law on Finance and of the further requisites provided for in art. 3 of the current Code. In order to guarantee the dual requirement of independence and non-relatedness in a given transaction, the CTRP is expanded to include other independent directors, *"unrelated to the transaction under review"* who are members of the Company's Board of Directors, attributing to the CTRP Chairperson the task of identifying a sub-committee (the so-called "Designated Members") composed of three independent directors unrelated to the individual related-party transaction under review.
In reference to transactions of minor significance, pursuant to the Regulation, if none of the CTRP members are independent and unrelated, and if there are no other directors on the Board of Directors with the necessary requisites for integrating the CTRP membership, the non-binding fairness opinion must be provided by an independent expert appointed by the Committee Chairperson, after consulting the Chairperson of the Board of Statutory Auditors.

For transactions of greater significance, identified as such in the Regulation, unless there are at least three independent, unrelated directors among the committee members, the Committee Chairperson appoints one, or if possible two, independent unrelated directors. If there are no independent and unrelated directors whatsoever, these activities are performed by the Board of Statutory Auditors or by an independent expert appointed by the Committee Chairperson after consulting the Chairperson of the Board of Statutory Auditors.
The CTRP expresses its opinion on the execution of transactions of major and minor significance with related parties and, in general, also perform all other duties assigned on transactions with related parties pursuant to Consob's Regulation on Related Party Transactions.

Up to 09 May 2016, the following directors were members of the Committee for Transactions with Related Parties:

- Barbara Zanardi, with the role of Chairperson;
- Franco Amato;
- Fabiola Mascardi.

On 12 May 2016, IREN's Board of Directors appointed the following directors as members of the Committee for Transactions with Related Parties:

- Lorenza Franca Franzino;
- Licia Soncini;
- Barbara Zanardi;

all in possession of the requisites of independence under the terms of the provisions of the CLF, and under the terms of art. 3 of the Code.

On 24 May 2016 the Committee appointed Barbara Zanardi as its Chairperson.

In financial year 2016 the CTRP met 21 times (of which 16 after 12 May 2016), preparing among other things opinions which are recorded in the minutes of the Committee meetings.

For further details reference should be made to the Report on Corporate Governance and Ownership Structures available on the website www.gruppoiren.it.

MEMBERSHIP OF THE COMMITTEES

Remuneration and Appointments Committee up to 09 May 2016	Control and Risk Committee up to 09 May 2016	Committee for Transactions with Related Parties up to 09 May 2016
Fabiola Mascardi (Chairperson)	Franco Amato (Chairperson)	Barbara Zanardi (Chairperson)
Augusto Buscaglia (*)	Alessandro Ghibellini	Fabiola Mascardi
Moris Ferretti (**)	Barbara Zanardi	Franco Amato

(*) Appointed a member of the Remuneration and Appointments Committee on 4 July 2014 to replace Mr Firpo.
(**) Appointed a member of the Remuneration and Appointments Committee on 4 June 2015 to replace Prof. Rocchi.

Remuneration and Appointments Committee starting from 09 May 2016	Control and Risk Committee(***) starting from 09 May 2016	Committee for Transactions with Related Parties starting from 09 May 2016
Marta Rocco (Chairperson)	Paolo Pietrogrande (Chairperson)	Barbara Zanardi (Chairperson)
Moris Ferretti	Alessandro Ghibellini	Lorenza Franca Franzino
Isabella Tagliavini	Marco Mezzalama	Licia Soncini

(***) From 20 December 2016, following the addition to its duties on the subject of sustainability, as per the resolution of IREN's Board of Directors, the Control and Risk Committee took on the name Control, Risk and Sustainability Committee.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is composed of three standing auditors and two substitute auditors, with a three-year term of office expiring on the date of the shareholders' meeting called to approve the financial statements in their last year of office, and they can be re-elected.

The shareholders' meeting of 28 April 2015 appointed the members of the auditing body, which will remain in office for the years 2015/2016/2017 (until approval of the separate financial statements related to financial year 2017).

The membership of the Board of Statutory Auditors appointed for a 3-year term of office by the Shareholders' Meeting of 28 April 2015 is as follows:

Office	Name and Surname	Place of birth	Date of birth
Chairperson	Michele Rutigliano	Milan	06 October 1953
Standing Auditor	Anna Maria Fellegara	Borgonovo Val Tidone (PC)	18 January 1958
Standing Auditor	Emilio Gatto	Genoa	01 October 1969
Substitute Auditor	Giordano Mingori	Brescello (RE)	09 November 1947
Substitute Auditor	Giorgio Mosci	Genoa	17 May 1958

Arts 27 et seq. of the Articles of Association, to which reference should be made, establish list voting as the method for appointing the Board of Statutory Auditors.
The members of the Board of Statutory Auditors attend the shareholders' meetings and meetings of the Board of Directors. The presence of at least one member of the Board of Statutory Auditors at Board of Directors' meetings ensures that the Board of Statutory Auditors remains informed of activities conducted by the company and on the transactions of greatest economic, financial and equity significance performed by the company and its subsidiaries, particularly transactions in which the directors have an interest.
The Board of Statutory Auditors supervised the independence of the independent auditors and, in conducting its own activities liaised with the Internal Audit Unit and the Control and Risk Committee, attending their respective meetings.

In 2016 the Board of Statutory Auditors held 13 meetings.

For further details reference should be made to the Report on Corporate Governance and Ownership Structures available on the website www.gruppoiren.it.

Financial Reporting Manager
Mr Massimo Levrino (Manager of the Administration, Finance and Control Department)

Independent Auditors
PricewaterhouseCoopers S.p.A. - Appointment conferred by the Shareholders' Meeting on 14 May 2012 for nine-year period 2012-2020.

Declaration on observance of the laws on the subject of corporate governance

IREN's corporate governance system is in line with the provisions of the Consolidated Law on Finance and of the Corporate Governance Code of Listed Companies.
On 20 December 2016 IREN's Board of Directors formally resolved to endorse the recommendations of the Corporate Governance Code of Listed Companies (July 2015 edition), the substantial transposition of which had already begun during 2016, as specified in the annual Report on Corporate Governance and Ownership Structures referred to financial year 2015.
The Board of Directors also approved a document which highlights the governance solutions adopted by the Company with reference to the provisions of the Code, a document which will be published on the IREN Group's website, in the Section "Investor Relations – Corporate Governance – Other corporate documents".
The Articles of Association are in keeping with the rules of the Consolidated Law and the other provisions of laws or regulations applicable to listed companies.
In particular the Articles of Association state, among other things, that:

- the directors must be in possession of the requisites provided for by law and by the regulations on the subject (art. 147-*quinquies* of the Consolidated Law on Finance);
- at least two members of the Board of Directors must possess the requisites of independence established by the applicable legislation (art. 147–*ter*, paragraph 4, and art. 148, paragraph 3, CLF);
- the members of the entire Board of Directors are appointed on the basis of lists (art. 147–*ter*, paragraph one, of the CLF);
- the non-controlling shareholders have the right to appoint at least two Directors (art. 147–*ter*, paragraph 3 of the CLF);
- balanced representation between the genders must be observed in the composition of the corporate bodies (Italian Law No. 120 of 12 July 2011 on parity of access to the administration and control bodies of listed companies);
- one standing and one alternate member of the Board of Statutory Auditors must be elected from the list presented by the minority (art. 148, paragraph 2 of the CLF);
- the Chairperson of the Board of Statutory Auditors and one alternate auditor must be appointed on the basis of the list presented by the minority (art. 148, paragraph 2-*bis* of the CLF);
- a person responsible for corporate financial reporting must be appointed, setting the requisites of professionalism and the powers and tasks attributed to the same (art. 154–*bis* of the Consolidated Law).

Maximum number of positions held in other companies

According to the Corporate Governance Code of Listed Companies - which IREN has endorsed - the directors accept the position when they believe they can devote the necessary time to diligent performance of their tasks, also taking into account the commitment associated with their working and professional activities, the number of positions of director or statutory auditor held by them in other companies listed in regulated markets (including abroad), in financial, banking and insurance companies or in large companies .

In addition, on the basis of the commitment required from the directors to perform their duties in IREN, the Board of Directors may express its orientation as regards the maximum number of positions of director or statutory auditor in the companies pursuant to the previous paragraph that can be considered compatible with fulfilment of this commitment, taking into account the participation of Directors in the Committees set up within the Board. To this end it may propose to the Shareholders to introduce into the Articles of Association particular rules aimed at regulating consistently the appointment of directors.
In the current context, the Remuneration and Appointments Committee and the Company's Board of Directors decided not to implement the provision, judging that the number of appointments currently held by the board members in other companies is compatible with performance of the duties of Director of IREN S.p.A.

Director responsible for the internal control and risk management system

Under the terms of Principle 7.P.3. of the Code, the Board of Directors identified within it a Director responsible for the internal control and risk management system (hereinafter the "ICRMS Director").

Starting from 04 June 2015, in relation to his appointment as Deputy Chairperson of IREN (appointment confirmed after renewal of the administrative body by the Shareholders' Meeting of 09 May 2016), the Board of Directors chose Prof. Ettore Rocchi as ICRMS Director, having considered also the delegated powers attributed to him.

As well as formulating proposals to the Control, Risk and Sustainability Committee and to the Board of Directors on certain matters (for example, on the subject of appointment / revocation and remuneration of the Manager of the Internal Audit Unit), Director responsible for the internal control and risk management system has been given the duties listed below, in accordance with Application Criterion 7.C.4 of the Code:

- to identify the main business risks, taking into account the characteristics of the activities performed by Iren S.p.A. and by its subsidiaries and check that the same are submitted periodically to examination by the Board of Directors; in IREN's governance system, the ICRMS Director also submits to examination by the Board of Directors the Risk Policies and the Audit Plan;
- to put into practice the guidelines defined by the Board of Directors, dealing with the planning, creation and management of the internal control and risk management system and checking constantly its adequacy and effectiveness;
- to adapt this system to changes in the operating conditions and the legislative and regulatory framework;
- to ask the Internal Audit Unit to perform audits on specific operating areas and on compliance with the internal rules and procedures in the execution of business operations, communicating this at the same time to the Chairperson of the Board of Directors, to the Chairperson of the Control and Risks Committee and to the Chairperson of the Board of Statutory Auditors;
- to report promptly to the Control and Risk Committee (or to the Board of Directors) on the problems and critical issues that have emerged in performance of his or her work or which he or she has in any case been informed, so that the Committee (or the Board) may take the opportune initiatives.

Requisites of directors

All members of the Company's Board of Directors possess the requisites of integrity, pursuant to Article 147-*quinquies* of the CLF.
The Directors Moris Ferretti, Lorenza Franca Franzino, Fabiola Mascardi, Marco Mezzalama, Paolo Pietrogrande, Marta Rocco, Licia Soncini and Barbara Zanardi also possess the requisites of independence provided for in both the provisions of the CLF (cf. arts 147-*ter*, paragraph 4, and 148, paragraph 3, CLF) and art. 3 of the current Corporate Governance Code of Listed Companies.

Organisational model under the terms of Italian Legislative Decree 231/2001

IREN and the main Group companies have adopted organisation, management and control models under the terms of Italian Legislative Decree No. 231/2001 with the objective of creating a structured and organic system of procedures and control activities aimed at preventing, as far as possible, conduct that can entail committing the crimes contemplated by Italian Legislative Decree 231/2001.

Alongside the Organisation, Management and Control Model, Iren S.p.A. has adopted, with a resolution of the Board of Directors of 10 December 2010, also the Code of Ethics. This document was updated and approved with a resolution of the Board of Directors on 17 September 2013.

During 2016 the Holding and the main Group Companies implemented a Project for substantial revision and updating of their Organisation, Management and Control Models in order to guarantee constant consistency of the 231 Models with the organisational changes that had occurred and with the introduction by parliament of new crimes, so that they maintain over time their effective ability to prevent 231 crimes from being committed.

The updated 231 Models were then submitted to the Oversight Committees, presented to the Boards of Directors of each Company for their approval and published in a full version on the Companies' Intranet sites.

IREN and the main Group Companies set up, with resolutions of the Boards of Directors, an Oversight Committee under the terms of art. 6 of Italian Legislative Decree 231/2001, with the task of overseeing the operation and observance of the model and updating it.

In 2016 the Board of Directors of Iren S.p.A. confirmed the collegial composition of its Oversight Committee appointing three external professionals with legal, corporate governance, organisational, economic and financial skills, with the objective of meeting the requisites of autonomy, independence and professionalism required by the law.

The Board of Directors also appointed a Contact Person within the OC in order to ensure the coordination and continuity of action of the Committee itself and the constant identification of a reference in the Company.

IREN S.p.A.'s Oversight Committee, availing itself of the competent corporate units, performs checks on areas of activity considered at risk under the terms of Italian Legislative Decree 231/2001 and reports twice a year to the Board of Directors on the activities carried out and the results that have emerged. If it is considered necessary, the Oversight Committee expresses suggestions aimed at improving the system for controlling the activities and monitors its implementation.

Both the general part of the Model and the Code of Ethics are available on the Company's website www.gruppoiren.it in the section investor relations/corporate governance/other corporate documents.

Transactions with related parties

On 13 March 2015 the Board of Directors of IREN, with the opinion in favour of the Transactions with Related Parties Committee, adopted a new version of the Internal TRP Regulation (already approved on 30 November 2010 and amended on 06 February and 03 December 2013) in implementation:

- of the provisions relating to transactions with related parties pursuant to Article 2391-*bis* of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of the CLF;
- of the CONSOB Regulation.

The current internal TRP Regulation is published on the IREN website (www.gruppoiren.it) and, in brief, it provides for:

a) identification of the perimeter of related parties;
b) definition of a transaction with a related party;
c) identification of so-called transactions for small amounts;
d) less important transactions and the related procedure;
e) more important transactions and the related procedure;
f) identification of cases of exclusion;
g) establishment of the Committee for Transactions with Related Parties;
h) transactions for which the Shareholders' Meeting is responsible;
i) amendments to the Articles of Association to be submitted to Iren's Extraordinary Shareholders' Meeting;
j) forms of disclosure.

The Regulation was defined in coordination with the provisions of the administrative and accounting procedures pursuant to Art. 154-*bis* of the CLF.

The Regulation was issued in application of current legislation on transactions with related parties and its purpose is, in particular:

(i) to regulate the performance of transactions with related parties by IREN, directly or through subsidiaries, identifying internal procedures and rules capable of ensuring the substantial and procedural transparency and correctness of such transactions, and

(ii) to establish the methods of fulfilling the related disclosure obligations, including those provided for in the legal and regulatory measures in force and applicable.

The Company and the Companies controlled by it apply to relations with related parties the principles of transparency and correctness, made known in the Report on Operations (in accordance with Art. 2391-*bis* of the Italian Civil Code). Most of these transactions concern services provided to the customers in general (gas, water, electricity, heat, etc.) and are governed by contracts normally applicable to these situations.
Where the services provided are not current, the transactions 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.

During the meetings held in 2016, the Committee for Transactions with Related Parties was asked to examine transactions classified as transactions with related parties carried out between IREN or companies controlled by it, directly or indirectly, and related parties.
In particular:

- in January, May and July 2016, following an enquiry, the TRPC expressed a positive opinion on the transactions, classified as "of minor significance" in virtue of the significance indices calculated with reference to each of them, regarding participation, by IREN Servizi e Innovazione, in procedures for the award of energy efficiency projects in the Municipalities of Turin (requalification of the heating plants of Council buildings), Parma (award of a energy yield contract for public lighting systems of the City), Genoa (energy efficiency projects involving the public lighting systems of the Municipality and of buildings belonging to the so-called Tursino Hub of the City) and Reggio Emilia (energy efficiency project involving the public lighting systems of the Municipality);
- In July 2016, after an enquiry into the subject, the TRPC expressed a positive opinion on the transactions, classified as "of minor significance" regarding the formalisation of intra-group service contracts between IREN and IREN Ambiente, on the one hand, and TRM (an Iren Group company controlled indirectly by IREN Ambiente, with an 80% stake in the share capital, and in which the Municipality of Turin has non-controlling interest of 18.36% of the share capital); in particular, in relation to the said transactions, the exclusion pursuant to art. 6 of the internal TRP Regulation was not applicable, even though these were transactions carried out "with (…) subsidiaries" as so-called significant interests of the related party Municipality of Turin, as defined by para. 21 of CONSOB Communication no.DEM/10078683 of 24 September 2010 (hereinafter the "CONSOB Communication") had been noted;
- in November 2016, following an enquiry, the TRPC expressed a positive opinion on the transaction, classified as "of minor significance" in virtue of the significance indices, regarding the acquisition, by IRETI (wholly controlled by IREN) of the business unit consisting of the concessions for the integrated water service located mainly in the North West, owned by Acque Potabili S.p.A., a company in which the IREN Group, through IRETI, holds 44.92% of the share capital.

In addition to the above, in October and November 2016, the TRPC was asked to examine the transaction, classified as "of minor significance" in relation to the related significance index, regarding the supply of financial resources, by IREN to TRM, for the purpose of early repayment of the Project Financing in being between the latter company and a pool of banks originally for a maximum of 413 million euro and with remaining debt at 31 December 2016 of 309.5 million euro, and the participation, by TRM, in the Parent Company's centralised treasury system.
The transaction outlined above constituted a transaction with a related party of major significance under the terms and for the purposes of article 5 of the CONSOB Regulation, as it was not covered by the exemption provided for in article 6 of the Internal TRP Regulation, involving TRM, a company in which the Municipality of Turin (a related party of IREN S.p.A.) has a significant interest as defined by the CONSOB Communication.

The voluntary early repayment of the said Project Financing was subject to the condition precedent associated with receiving, by 15 December 2016, a declaration from the banking counterparty in the existing derivative, waiving the exercise of any right and/or option to withdraw from or terminate the said derivative or to demand, in the event of voluntary early repayment of the loan, the payment of any sum. The signing of the definitive intra-group loan contract by IREN and TRM was conditional on the same circumstance.
As per the press release made available to the public on the Company's website, we can specify that, as this event did not occur within the deadline provided for in the condition itself, the application for early repayment of the aforementioned project financing to the lending banks never became effective and can never become effective as the deadline within which this condition should have been fulfilled has passed. On the basis of the above, therefore, the aforementioned application for early repayment of the project financing must be understood, in other words, as if it were never presented.

Under the terms of art. 5, paragraphs 8 and 9, of the CONSOB Regulation, you are referred to the information contained in the Disclosure Document prepared and made available to the public under the terms and for the purposes of the said Regulation (available on the website www.gruppoiren.it, in the section "Corporate Governance - Transactions with Related Parties").

In accordance with the provisions of the text of the current internal TRP Regulation, during 2016 an update was provided to the TRPC, by the management of the companies involved each time, on the execution of some of the transactions examined during the previous year, after a copy of the relevant documentation was received.

During financial year 2016, transactions regarding the remuneration of the Group's Directors and Key Management Personnel were submitted to the examination of the Remuneration and Appointments Committee of IREN 2; neither of these are subject to application of the Internal TRP Regulation because they are beneficiaries of reasons for exclusion pursuant to art. 5 of the same.

PROPOSALS OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING

PROPOSALS RELATING TO THE AGENDA ITEM "Financial Statements at 31 December 2016 and the Directors' Report: inherent and consequent resolutions."

Dear Shareholders,

in relation to the above, we propose that you:
- approve the financial statements at 31 December 2016 which closed with a profit of 88,256,759.48 euro.
- approve the following proposal for the allocation of profit for the year:

Iren S.p.A. profit for the year	88,256,759.48 euro
To the legal reserve 5% of profit for the year	4,412,837.97 euro

To the shareholders, a unit dividend of 0.0625 euro for the 1,195,727,663 ordinary shares and the 80,498,014 savings shares of a nominal amount of 1 euro to be paid starting from 21 June 2017 with coupon date of 19 June 2017 and record date of 20 June 2017, for a total of 79,764,104.81 euro.

To the Extraordinary Reserve	4,079,816.70 euro

Reggio Emilia, 16 March 2016

On behalf of the Board of Directors
The Chairperson
Paolo Peveraro

Iren S.p.A.
Via Nubi di Magellano, 30 - 42123 Reggio Emilia - Italy
Capitale Sociale i.v. Euro 1.276.225.677,00
Registro Imprese di Reggio Emilia n. 07129470014
Codice Fiscale e Partita IVA n. 07129470014

Financial Statements and Notes to Financial Statements

at 31 december **2016**

STATEMENT OF FINANCIAL POSITION

thousands of euro

	Notes	31/12/2016	of which related parties	31/12/2015	of which related parties
ASSETS					
Property, plant and equipment	(1)	3,470,706		2,907,076	
Investment property	(2)	13,483		14,148	
Intangible assets with a finite useful life	(3)	1,448,826		1,363,451	
Goodwill	(4)	131,779		126,723	
Investments accounted for using the equity method	(5)	148,473		219,246	
Other equity investments	(6)	7,171		17,821	
Non-current trade receivables	(7)	76,302		73,788	
Non-current financial assets	(8)	49,950	32,940	53,012	51,377
Other non-current assets	(9)	54,954	11,434	43,298	9,217
Deferred tax assets	(10)	265,065		252,812	
Total non-current assets		**5,666,709**	**44,374**	**5,071,375**	**60,594**
Inventories	(11)	94,952		96,337	
Trade receivables	(12)	935,805	147,247	841,022	154,045
Current tax assets	(13)	21,242		19,991	
Other receivables and other current assets	(14)	215,155	15	163,366	4,285
Current financial assets	(15)	606,561	552,530	551,302	549,104
Cash and cash equivalents	(16)	253,684		139,576	3,487
Total current assets		**2,127,399**	**699,792**	**1,811,594**	**710,921**
Assets held for sale	(17)	2,498		5,420	
TOTAL ASSETS		**7,796,606**	**744,166**	**6,888,389**	**771,515**

thousands of euro

	Notes	31/12/2016	of which related parties	31/12/2015	of which related parties
SHAREHOLDERS' EQUITY					
Equity attributable to owners of the Parent					
Share capital		1,276,226		1,276,226	
Reserves and retained Profits (Losses)		507,580		429,444	
Net profit/(loss) for the period		173,980		118,193	
Total equity attributable to owners of the Parent		**1,957,786**		**1,823,863**	
Non-controlling interests		330,311		237,803	
TOTAL EQUITY	**(18)**	**2,288,097**		**2,061,666**	
LIABILITIES					
Non-current financial liabilities	(19)	2,967,471		2,698,648	78,152
Employee benefits	(20)	132,927		135,092	
Provisions for risks and charges	(21)	313,040		292,302	
Deferred tax liabilities	(22)	203,653		141,840	
Other payables and other non-current liabilities	(23)	203,467		205,209	
Total non-current liabilities		**3,820,558**	**-**	**3,473,091**	**78,152**
Current financial liabilities	(24)	399,831	881	214,611	40,416
Trade payables	(25)	849,520	37,149	798,696	63,137
Other payables and other current liabilities	(26)	270,900	955	220,233	315
Current tax liabilities	(27)	32,695		21,687	
Provisions for risks and charges - current portion	(28)	135,005		98,405	
Total current liabilities		**1,687,951**	**38,985**	**1,353,632**	**103,868**
Liabilities related to assets held for sale	(29)	-		-	
TOTAL LIABILITIES		**5,508,509**	**38,985**	**4,826,723**	**182,020**
TOTAL EQUITY AND LIABILITIES		**7,796,606**	**38,985**	**6,888,389**	**182,020**

INCOME STATEMENT

thousands of euro

	Notes	Financial year 2016	of which related parties	Financial year 2015	of which related parties
Revenue					
Revenue from goods and services	(30)	3,042,735	313,977	2,849,677	363,109
Change in work in progress	(31)	14,174		8,576	8,648
Other income	(32)	226,106	5,064	235,859	16,164
Total revenue		**3,283,015**	**319,041**	**3,094,112**	**387,921**
Operating expense					
Raw materials, consumables, supplies and goods	(33)	(997,328)	(55,341)	(1,023,964)	(103,138)
Services and use of third-party assets	(34)	(1,043,889)	(28,428)	(946,466)	(62,640)
Other operating expenses	(35)	(89,999)	(7,075)	(111,067)	(6,060)
Capitalised expenses for internal work	(36)	22,328		22,870	
Personnel expenses	(37)	(359,956)		(357,722)	
Total operating expense		**(2,468,844)**	**(90,844)**	**(2,416,349)**	**(171,838)**
GROSS OPERATING PROFIT (EBITDA)		**814,171**	**228,197**	**677,763**	**216,083**
Amortisation, depreciation, provisions and impairment losses					
Depreciation and amortisation	(38)	(304,435)		(267,609)	
Provisions and impairment losses	(39)	(82,910)		(63,334)	
Total amortisation, depreciation, provisions and impairment losses		**(387,345)**		**(330,943)**	
OPERATING PROFIT/(LOSS) (EBIT)		**426,826**	**228,197**	**346,820**	**216,083**
Financial income and expense	**(40)**				
Financial income		40,087	20,531	31,977	20,831
Financial expenses		(177,000)	(24)	(126,808)	(4,230)
Total financial income and expense		**(136,913)**	**20,507**	**(94,831)**	**16,601**
Share of Profit (loss) of associates accounted for using the equity method	(41)	3,639		(6,254)	
Value adjustments on equity investments	(42)	9,857		-	
Profit (loss) before tax		**303,409**	**248,704**	**245,735**	**232,684**
Income tax expense	(43)	(118,153)		(105,662)	
Net profit (loss) from continuing operations		**185,256**		**140,073**	
Net profit (loss) from discontinued operations	(44)	-		-	
Net profit (loss) for the period		**185,256**		**140,073**	
attributable to:					
- Profit (loss) - Group		173,980		118,193	
- Profit (loss) - non-controlling interests	(45)	11,276		21,880	
Earnings per ordinary and savings share	**(46)**				
- basic (euro)		0.14		0.09	
- diluted (euro)		0.14		0.09	

STATEMENT OF OTHER COMPREHENSIVE INCOME

		thousands of euro
	Financial year 2016	**Financial year 2015**
Profit (loss) for the period - Owners of the parent and non-controlling interests (A)	**185,256**	**140,073**
Other comprehensive income to be subsequently reclassified to the Income Statement		
- effective portion of changes in fair value of cash flow hedges	33,531	(1,298)
- changes in fair value of available-for-sale financial assets	-	-
- portion of other profits/(losses) of companies accounted for using the equity method	4,715	3,471
Tax effect of other comprehensive income	(9,835)	868
Total other comprehensive income to be subsequently reclassified to the Income Statement, net of tax effect (B1)	**28,411**	**3,041**
Other comprehensive income that will not be subsequently reclassified to the Income Statement		
- actuarial gains/(losses) on employee defined benefit plans (IAS 19)	(1,210)	9,017
- portion of other profits/(losses) of companies accounted for using the equity method related to employee defined benefit plans (IAS 19)	(276)	(37)
Tax effect of other comprehensive income	337	(2,292)
Total other comprehensive income that will not be subsequently reclassified to the Income Statement, net of tax effect (B2)	**(1,149)**	**6,688**
Total comprehensive income (expense) (A)+(B1)+(B2)	**212,518**	**149,802**
attributable to:		
- Profit (loss) - Group	201,049	127,686
- Profit (loss) - non-controlling interests	11,469	22,116

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2014	**1,276,226**	**105,102**	**36,855**
Legal reserve			2,505
Dividends to shareholders			
Retained earnings			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
31/12/2015	**1,276,226**	**105,102**	**39,360**
Legal reserve			6,225
Dividends to shareholders			
Retained earnings			
Changes in consolidation scope			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
31/12/2016	**1,276,226**	**105,102**	**45,585**

thousands of euro

Hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
(39,695)	**298,936**	**401,198**	**85,795**	**1,763,219**	**230,330**	**1,993,549**
		2,505	(2,505)	-		-
			(66,747)	(66,747)	(14,670)	(81,417)
	16,543	16,543	(16,543)	-		-
	511	511		511		511
	(806)	(806)		(806)	27	(779)
3,041	6,452	9,493	118,193	127,686	22,116	149,802
			118,193	118,193	21,880	140,073
3,041	6,452	9,493		9,493	236	9,729
(36,654)	**321,636**	**429,444**	**118,193**	**1,823,863**	**237,803**	**2,061,666**
		6,225	(6,225)	-		-
		-	(70,192)	(70,192)	(16,906)	(87,098)
	41,776	41,776	(41,776)	-		-
	3,760	3,760		3,760	97,945	101,705
	(354)	(354)		(354)		(354)
	(341)	(341)		(341)	1	(340)
28,233	(1,163)	27,070	173,980	201,050	11,468	212,518
			173,980	173,980	11,276	185,256
28,233	(1,163)	27,070		27,070	192	27,262
(8,421)	**365,314**	**507,580**	**173,980**	**1,957,786**	**330,311**	**2,288,097**

STATEMENT OF CASH FLOWS

thousands of euro

	Financial year 2016	Financial year 2015
A. Opening cash and cash equivalents	**139,576**	**51,601**
Cash flows from operating activities		
Profit (loss) for the period	185,256	140,073
Adjustments:		
Income tax expense for the period	118,153	105,662
Share of profit (loss) of associates and joint ventures	(13,496)	6,254
Net financial expense (income)	136,913	94,831
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	304,435	267,609
Net impairment losses (reversals of impairment losses) on assets	11,633	5,088
Net provisions for risk and other charges	100,421	92,668
Capital (gains) losses	2,704	(3,644)
Utilisations of employee benefits	(10,096)	(13,336)
Utilisations of provisions for risks and other charges	(25,011)	(31,475)
Change in other non-current assets and liabilities	(17,240)	4,827
Other financial changes	(17,235)	(16,029)
Taxes paid	(100,694)	(91,731)
B. Cash flows from operating activities before changes in NWC	**675,743**	**560,797**
Change in inventories	1,686	(16,408)
Change in trade receivables	(77,954)	80,040
Change in tax assets and other current assets	(26,465)	70,743
Change in trade payables	(4,115)	(84,643)
Change in tax liabilities and other current liabilities	36,918	(34,496)
C. Cash flows from changes in NWC	**(69,930)**	**15,236**
D. Cash flows from /(used in) operating activities (B+C)	**605,813**	**576,033**
Cash flows from /(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(269,983)	(267,562)
Investments in financial assets	(4,823)	(7,650)
Proceeds from the sale of investments and changes in assets held for sale	9,993	4,777
Changes in consolidation scope	(454,957)	(25,469)
Dividends received	7,840	7,435
E. Total cash flows from /(used in) investing activities	**(711,930)**	**(288,469)**
F. Free cash flow (D+E)	**(106,117)**	**287,564**
Cash flows from /(used in) financing activities		
Dividends paid	(87,098)	(81,417)
New non-current loans	570,000	800,000
Repayment of non-current loans	(519,647)	(354,379)
Change in financial liabilities	408,447	(415,348)
Change in financial assets	(30,110)	(55,006)
Interest paid	(137,074)	(110,959)
Interest received	15,707	17,520
G. Total cash flows from /(used in) financing activities	**220,225**	**(199,589)**
H. Cash flows for the period (F+G)	**114,108**	**87,975**
I. Closing cash and cash equivalents (A+H)	**253,684**	**139,576**

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Iren S.p.A. is an Italian multi-utility company, listed on the Italian Stock Exchange (Borsa Italiana), created on 01 July 2010 through the merger of IRIDE and ENÌA.

The Group is structured according to a model which provides for an industrial holding company, with registered office in Reggio Emilia, and four companies responsible for the single business lines operating in the main operating bases of Genoa, Parma, Piacenza, Reggio Emilia and Turin.

The segments in which the Group operates are:
- Energy (Hydroelectric Production, Combined Heat and Power, District Heating Networks, Thermoelectric Production)
- Market (Sale of electricity, gas, heat)
- Networks (Electricity Distribution Networks, Gas Distribution Networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Other services (Public Lighting, Global Services and other minor services).

Paragraph XI, Segment reporting, includes the information required by IFRS 8.

The company's consolidated financial statements for the year to 31 December 2016 include those of the Company and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities") and the Group's equity interest in jointly-controlled companies and in associates.

I. CONTENT AND STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Iren Group at 31 December 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as with the provisions set forth in implementation of Art. 9 of Italian Legislative Decree No. 38/2005. The "IFRSs" also include all the revised international accounting standards ("IASs/IFRSs") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRC"), previously known as the Standing Interpretations Committee ("SIC").

In drawing up these consolidated financial statements, the same accounting principles were applied as those adopted for the previous year's statements, with the exception of certain amendments to the IFRSs, presented in the section "Accounting standards, amendments and interpretations effective from 01 January 2016", which however did not entail significant impacts on the Iren Group's financial statements.

In the statement of financial position, assets and liabilities are classified as "current/non-current". Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the Group's ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the Group's ordinary operating cycle or during the twelve months following year end.
The Income Statement is classified on the basis of the nature of costs. In addition to the Operating Profit/(Loss), the Income Statement also shows the Gross Operating Profit/(Loss) obtained by deducting total operating expense from total revenue.
The indirect method is used in the cash flow statement. The cash configuration analysed in the cash flow statement includes cash on hand and cash in bank current accounts. In order to improve the financial information provided, more analysis on cash flows was included, specifically on those produced from operating and financial activities. In order to provide consistency, the period of comparison was prepared on a like-to-like basis with respect to financial year 2016.

The financial statements have been drawn up on the basis of the historical cost principle, except for certain financial instruments measured at fair value.
The 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. Estimates have been used to measure property, plant and equipment and intangible assets subject to impairment, as well as to recognise 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.

II. CONSOLIDATION POLICIES

The subsidiaries, joint ventures and associates are consolidated.

Subsidiaries
Entities controlled by the Group are considered subsidiaries, as defined by IFRS 10 - *Consolidated Financial Statements*.
Control exists when the Parent has at the same time:
- decision-making power over the investee, that is the power to direct the relevant activities of the investee, that is activities that have a significant influence on the results of the said investee;
- the right to variable (positive or negative) returns from its involvement with the entity;
- the ability to use its decision-making power to determine the amount of the returns coming from its involvement with the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
Equity and portion of profit/loss attributable to non-controlling interests are identified separately in the consolidated statement of financial position and income statement.
Subsidiaries are consolidated on a line-by-line basis. intra-group balances, transactions, unrealised income and expenses are eliminated in full. We can note also that: a) all changes in the equity interest that do not constitute a loss of control are treated as equity transactions and therefore have a contra entry in equity; b) when a parent company transfers control to one of its investees, but continues all the same to hold an interest in the company, it measures the equity investment retained in the financial statements at fair value and recognises any gains or losses deriving from loss of control in the income statement.

Joint ventures
These are companies over whose activity the Group has joint control, in virtue of contractual agreements. Joint control, as defined by IFRS 11 – *Joint Arrangements, is the "contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control".*
With reference to entities jointly owned by mixed public and private ventures, given the objective possibility for the public shareholder to influence the company not only by means of governance agreements, but also owing to its nature as a public entity, the existence of joint control is judged on the basis of contractual agreements, assessing the actual possibility for the private partner to jointly control strategic decisions regarding the joint venture.
Joint arrangements are divided into 2 types:
- a Joint Venture (JV) is an arrangement whereby the parties have rights to the net assets of the arrangement. Joint ventures are measured using the equity method;
- a Joint Operation (JO) is an arrangement whereby the parties are not limited exclusively to participating in the company's net profit or loss, but have rights to its assets and obligations for its liabilities. In this case, the assets/revenues on which the joint operator exercises such rights and the liabilities/costs of which the joint operator assumes the obligations are fully consolidated.

Associates (accounted for using the equity method)
An associate is a company over which the Group has significant influence, but not control or joint control over its financial and operating policies. The consolidated financial statements include the Group's share of the associate's profit or loss recognised using the equity method from the date that significant influence commences until the date that significant influence ceases. If the Group's share of losses of an associate equals or exceeds the carrying amount of its interest in the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations.

Transactions eliminated on consolidation
Intra-group balances and significant transactions and any unrealised gains and losses arising from intra-group transactions are all eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. The related tax effect is calculated for all consolidation adjustments.

III. CONSOLIDATION SCOPE

The consolidation scope includes the companies directly or indirectly controlled by the Parent Company, plus joint ventures and associates.

On 01 January 2016, a series of business combinations among the subsidiaries of the Parent Company Iren S.p.A. came into effect. These occurred as part of the Group's "overall" Corporate Rationalisation and Organisational Project (the so-called "100% Operations" Project), aimed at simplifying the equity investment structure and reducing the number of business Companies held wholly, directly or indirectly, by the Parent Company and at integrating/optimising the business processes/activities with uniform operating characteristics.
These operations did not entail a change in the consolidation scope, but in any case had effects on the Group's structure.
Specifically, the operations involved were the following:

- Merger by incorporation into Iren Emilia (which at the same time took on the name IRETI) of the companies AGA, Enìatel, Iren Acqua Gas, Acquedotto di Savona, Genova Reti Gas and AEM Torino Distribuzione;
- Merger by incorporation into Iren Ambiente of the companies Iren Ambiente Holding and Tecnoborgo;
- Merger by incorporation into Iren Energia of TLR V.;
- Merger by incorporation into Iren Gestioni Energetiche of O.C. Clim.

<u>*Parent Company:*</u>
Iren S.p.A.

<u>*Companies consolidated on a line-by-line basis*</u>
The four companies responsible for the single business lines and their direct and indirect subsidiaries are consolidated on a line-by-line basis

1) Iren Ambiente and its subsidiaries:
   - Amiat V and the subsidiary:
     - AMIAT
   - Bonifica Autocisterne
   - Montequerce
   - Ricupero Ecologici Industriali
   - TRM Holding
   - TRM V
   - TRM

2) Iren Energia and its subsidiary:
   - Iren Servizi e Innovazione

3) Iren Mercato and its subsidiaries:
   - Iren Gestioni Energetiche
   - GEA Commerciale

4) IRETI and its subsidiaries:
   - Atena and its subsidiary:
     - Atena Trading
   - Consorzio GPO
   - Iren Laboratori
   - Mediterranea delle Acque and its subsidiaries:
     - Idrotigullio
     - Immobiliare delle Fabbriche

The Parent holds the majority of votes at ordinary shareholders' meetings of these companies, either directly or through its direct and indirect subsidiaries.

For details of the subsidiaries, joint ventures and associates please see the lists included among the Annexes.

CHANGES IN FULL CONSOLIDATION SCOPE

The changes in consolidation scope during financial year 2016 were due to:

- the purchase in January by Iren Ambiente S.p.A. of a 100% stake in the company F2i Ambiente S.p.A. (now TRM Holding S.p.A.), which holds as its only equity investment 51% of TRM V S.p.A.
  TRM V S.p.A., in which the Iren Group already held 49% of the share capital, is therefore also 51% owned by TRM Holding S.p.A.
  TRM V S.p.A. holds 80% of the share capital of TRM S.p.A., the company which owns the waste-to-energy plant using municipal and similar waste serving the province of Turin.
  As a result of the operation described above, TRM Holding S.p.A., TRM V S.p.A., carried at equity up to 31 December 2015, and TRM S.p.A. come into the full consolidation scope.
  Under the terms of IFRS 3 - Business Combinations the cost of the business combination was allocated, at the acquisition date, to the assets, liabilities and contingent liabilities of the entities acquired.
  The acquisition of control over TRM Holding S.p.A., TRM V S.p.A and TRM S.p.A. was achieved in four stages:
  - in December 2012, the company TRM V was set up; this is the vehicle in which the Iren Group had a 25% and F2i Ambiente a 75% stake;
  - again in December 2012 TRM V acquired 80% of the share capital of TRM S.p.A.;
  - in May 2014, the Iren Group exercised the option to purchase 24% of the TRM V share capital, thus coming to hold a 49% stake in TRM V.;
  - in January 2016, the Iren Group acquired 100% of F2i Ambiente (now TRM Holding S.p.A.).

  The fair value of the price transferred in the business combination, of 176,193 thousand euro, includes the fair value, at the acquisition date, of the interests in the companies acquired previously possessed by the Iren Group.
  The fair value, at the acquisition date, of the identifiable assets acquired and the identifiable liabilities assumed was substantially in line with the fair value of the price transferred and, therefore, in the accounting for the business combination no goodwill or gain deriving from purchase at a favourable price was recognised.
  The positive difference between the price transferred, set out above, and the corresponding portion of net equity purchased, equal to 160,449 thousand euro, was allocated, also on the basis of a study carried out by an independent external consultant, as an increase in the value of the waste-to-energy plant owned by TRM S.p.A. for 279,332 thousand euro, gross of corresponding deferred tax liabilities equal to 78,771 thousand euro and the quota for third-party shareholders equal to 40,112 thousand euro.
- the acquisition of control in May of Atena S.p.A. with IRETI subscribing to a share capital increase of 50 million euro, which the Shareholders' Meeting of Atena S.p.A. had resolved on 21 December 2015 (at the same time that the extraordinary Shareholders' Meetings of Atena S.p.A. and Atena Patrimonio resolved the merger between the two entities) and the purchase by IRETI from the municipality of Vercelli of 1,918,265 Atena S.p.A. shares corresponding to 7.9% of the post-merger company's share capital.
  Atena S.p.A. holds 100% of the share capital of Atena Trading.

As a result of the operation described above, Atena S.p.A., carried at equity up to 30 April 2016, and Atena Trading S.r.l. come into the full consolidation scope.
While awaiting the assessment to be carried out under the terms of IFRS 3 - Business Combinations, the negative difference calculated on a provisional basis, between the purchase price and the provisional fair value, at the acquisition date, of the identifiable assets acquired and the identifiable liabilities assumed was recognised in the income statement.

- the acquisition, in December, by IREN Ambiente S.p.A. of 100% of the share capital of Ricupero Ecologici Industriali. The company owns and manages a landfill site for waste, including stable hazardous waste, with the exclusion of municipal waste, located in the Municipality of Collegno (TO), with an area of approximately 59,000 m^2.
While awaiting the assessment to be carried out under the terms of IFRS 3 - Business Combinations, the positive difference between the purchase price and the carrying amount of the net assets acquired in continuity of values, was provisionally allocated to goodwill.

IV. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The criteria adopted in drawing up these Consolidated Financial Statements at 31 December 2016 of the Iren Group are indicated below; the accounting standards described were applied consistently by all the Group entities and have not changed with respect to those adopted at 31 December 2015, with the exception of what is indicated in the section "Accounting standards, amendments and interpretations applied from 1 January 2016".

Property, plant and equipment

- Property, plant and equipment owned

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all directly attributable costs necessary to make the asset available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and reclaiming the site on which it is located), net of trade discounts and rebates.
Financial expense related to the purchase or internal construction of items of property, plant and equipment is capitalised for the part of the cost of the asset until it becomes operative.
When significant components of property, plant and equipment have different useful lives, they are accounted for separately.
In particular, under this policy, land and buildings located on the land are to be recognised separately; only the buildings are depreciated, while the carrying amount of land is impaired, as described in the following section "Impairment losses".
Ordinary maintenance expenditure is expensed in full in the income statement. Expenditure that increases the carrying amount of the asset is charged to the asset to which it relates and depreciated over its estimated useful life, in compliance with IAS 16. Such expenditure includes expenditure that reasonably leads to an increase in future economic benefits, such as the lengthening of useful life, increase in production capacity, improvement in product quality and adoption of production processes that entail a significant reduction in production costs.
Assets under construction include expenditure related to the construction of plants incurred until the reporting date. These investments are depreciated once the asset becomes operative.
Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives. Landfills are depreciated based on the filling percentage.
Transferable assets are depreciated according to the expiry term of the related concession decrees. Continuing the action of 2015, once again in 2016 depreciation was suspended for transferable assets of the hydroelectric plants in Valle Orco (except San Lorenzo) and San Mauro, following the entry into force of Italian Law No. 134 of 07 August 2012 and the related implementing decree of 28 March 2013.

These measures change the current regulations regarding the large shunt concessions for hydroelectric purposes ("hydroelectric concessions"). The new regulations establish that the outgoing operator is entitled to an amount for "wet assets" (collection, regulation works, penstocks, drain pipes included in the business unit of the outgoing operator, the "transferable assets"), calculated on the basis of the revalued historical cost, net of public capital grants, also revalued, received by the operator for the construction of these works, less normal wear. As a result of these measures, starting from 2012, for transferable assets related to expired hydroelectric concessions with a residual carrying amount lower than the estimated value to be granted to the outgoing operator (calculated on the basis of the above provisions), their depreciation has been suspended.
The rates applied are set out in the following table:

	Min. rate	Max. rate
Buildings	1.25%	10.61%
Lightweight constructions	2.00%	10.00%
Vehicles	10.00%	25.00%
Sundry equipment	6.67%	25.00%
Furniture and office machines	6.00%	20.00%
Hardware	10.00%	50.00%
Facilities	1.25%	50.00%

The changes in rates compared to 2015 are due to the new companies that came into the full consolidation scope, the updating of the economic and technical useful lives of individual assets, the result of verification performed on these by technicians responsible for the plants and as a consequence of upgrading plans in progress.

Grants related to assets are recognised as deferred revenue and taken to the income statement over the depreciation period of the related item of property, plant and equipment.

- Leased assets

Assets held under finance leases are recognised as property, plant and equipment using the financial method with a balancing entry under payables of the same amount, as provided for by IAS 17 which, while reflecting the economic substance of operations, assimilates these operations to purchase and financing agreements. Based on the above-mentioned method, property, plant and equipment are recognised at the capital value upon subscription of the finance lease. The amounts due to the lessor are also recognised under financial payables. This liability is decreased over time in line with repayment of the lease principal. Interest on payables is recognised in the income statement based on the repayment plan, in addition to depreciation of the asset based on the expected useful life.
Conversely, under the financial method, leased out assets are not included in property, plant and equipment. The related financial asset is recognised in the Statement of financial position. It decreases over time in line with collection of the relevant principal. Interest income on receivables is recognised in the income statement based on the repayment plan.

Property investments

Investment property is initially measured at purchase or construction cost. Such cost includes the purchase price and any directly attributable expenditure. The related transaction costs are recognised among the property costs, when purchase is recognised. Real estate investments are measured at cost in the following evaluation.
Expenses incurred after the purchase or completion of a property intended as an investment property increase the initial cost of the asset, if the company is likely to obtain higher future benefits than those previously estimated, thanks to these expenses. Otherwise, such costs are charged to the income statement.

Investment property is depreciated systematically annually on a straight-line basis using rates held to represent the residual useful life of the relevant asset.

Intangible assets

Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Intangible assets with finite useful lives are amortised on a systematic basis over their useful lives so that the carrying amount at year end matches their residual life or recoverable amount based on the company's plans to develop production. Amortisation begins when the asset is available for use.

Development costs are capitalised if all of the following features can be demonstrated:
- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If even one of these requirements is not met, the cost is fully recognised in the period in which it is incurred.
Amortisation of intangible assets is calculated on a straight-line basis over the following useful lives:

	Years	
	from	**to**
Industrial patents and similar rights	1	7
Concessions, licences, trademarks and similar rights	1	99
Software	1	7
Other intangible assets with finite useful life	1	45

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation expires on the later of either the date on which the asset is classified as held for sale (or included in a disposal group classified as held for sale), pursuant to IFRS 5, or the date on which the asset is derecognised.

Assets under development and payments on account relate to internal and external costs referring to intangible assets for which the company has not yet acquired the right and has not started to use in production. These investments are amortised from the date they begin to be used in production.
Under IAS 36, assets under development are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

Goodwill

Goodwill is initially recognised at cost. It represents the difference between the cost of the acquisition and the value of non-controlling interests and the fair value of the identifiable assets, liabilities and contingent liabilities related to the complex acquired. If, after this restatement, the value of current and contingent assets and liabilities exceeds the acquisition cost, the difference is recognised immediately in the income statement.

Any goodwill deriving from the acquisition of an associate or joint venture is included in the carrying amount of the investment.

On first adoption of the IFRSs, the Group chose not to apply IFRS 3 – Business Combinations retroactively to acquisitions of companies that occurred before 1 January 2004; as a consequence, the goodwill generated on acquisitions prior to the date of transition to the IFRSs was kept at the previous figure determined according to the Italian accounting standards, after verification and recognition of any impairment losses.

Goodwill is allocated to one or more cash-generating units and is not amortised, but is annually tested for impairment or more frequently if specific events or changes in circumstances indicate that impairment may have taken place (see section on "Impairment losses").

Non-current assets held for sale - Discontinued operations

A non-current asset (or group of assets and liabilities held for disposal) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to initial classification of the asset (or disposal group) as available for sale, the carrying amounts of the assets are measured in accordance with Group accounting policies. The asset (or disposal group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with Group accounting policies. Impairment losses on the initial classification of an asset as held for sale compared to subsequent measurements are recognised in the income statement. Positive changes are recognised only to the extent of any accumulated impairment loss.

Discontinued operations represent a part of the group that has been discontinued or classified as held for sale, and:

a. represents an important business unit or geographical area of operations;
b. forms part of a single coordinated disposal plan or an important autonomous business unit or geographical area of operations;
c. is a subsidiary acquired solely with a view to resale.

If a single non-current asset is involved (e.g. a property or an investment in an associate), the recognition of profit or loss from the disposal or valuation depends on the nature of the asset.

If it is a discontinued operation and is a material component of the item "Net profit/loss from discontinued operations", a single amount is recorded represented by the total of:

i) profit or loss on the discontinued operation, net of tax effects; and
ii) the capital gain or loss, net of tax effects, recognised after the fair value measurement, net of costs to sell or actual disposal of the asset.

The income statement of the comparative period is restated in order to guarantee consistent comparison.

If the asset is immaterial, revenue and costs from the discontinued operation continue to be recognised on a line-by-line basis under the related income statement items, whilst the profit/loss from discontinued operations includes only the capital gain or loss referred to under point ii) above.

Service concession arrangements

Starting from 1 January 2010, the Iren Group applies IFRIC 12, endorsed by the European Union on 25 March 2009. This standard defines the recognition and measurement criteria to be adopted in agreements between public and private sectors related to development, financing, management and maintenance of infrastructures under licence agreement. In particular, should the grantor control the infrastructure by regulating and controlling the characteristics of the services supplied and the applicable prices, as well as by maintaining a residual interest in the activity, the operator will purchase either the right to use said infrastructure, or the financial asset, or both, based on the agreements made. Therefore, the operators that are included in the above cases cannot recognise the assets dedicated to the supply of the service as property, plant and equipment in the statement of financial position under assets, regardless of the acknowledgement of ownership in favour of the same operators included in the service concession arrangements.

In particular, the operator purchases a financial asset to the extent that it has an unconditioned contractual right to payment or another financial asset from, or upon instruction of, the grantor with reference to the building services. The purchased financial asset is subject to provisions set forth in IAS 32, IAS 39 and IFRS 7.

The operator purchases an intangible asset to the extent that it has a right (licence) to receive payment from users of the public utility. The right to receive payments from users is not an unconditional right to receive payments as the amounts depend on how much the utility is used. The intangible asset recognised is subject to the provisions of IAS 38.

If the operator is paid for the building services partly with a financial asset and partly with an intangible asset, the two amounts composing the payment to the operator shall be recognised separately. The payment received or to be received for both items is initially recognised at the fair value of the amount received or to be received and disclosed in the relevant revenue item.

With reference to the grants received on non-current assets, included in the application of IFRIC 12, these grants are classified under Other liabilities, divided between current and non-current, while the related disbursement is included in Other revenue.

Impairment losses

The IASs/IFRSs require a company to assess whether there are any specific indications of impairment. The company performs an impairment test, which consists of estimating the recoverable amount of the asset and comparing it to its net carrying amount.

The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit, inclusive of taxes, by applying a discount rate, before taxes, represented by the current market assessments of the time value of money and risks specific to the asset.

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior periods no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased to the estimated new recoverable amount. The latter amount shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately in the income statement.

The value in use is generally defined by discounting the cash flows expected from use of the asset or Cash Generating Units and from the value expected from its disposal at the end of its useful life.

The Cash Generating Units were identified in keeping with the Group's organisational and business structure, as assets that generate independent incoming cash flows deriving from continuous use of the same.

Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Financial instruments

All financial instruments, including derivatives, are recognised in the statement of financial position when the company becomes a party to the agreement and therefore acquires a right to payment or an obligation to pay.

Financial instruments can be classified in the following categories:

- instruments measured at fair value through profit or loss (FVTPL). They are:
  - financial assets/liabilities held for trading (i.e. acquired or contracted mainly for the purpose of selling or repurchasing them in the short term);
  - non-hedging derivatives;
  - financial instruments that, when initially recognised, were designated as FVTPL.
- loans and receivables (L&R). These are financial assets/liabilities (other than derivatives) which feature fixed or determinable prices and are not quoted on active markets.
- held-to-maturity investments (HTM). These are financial assets/liabilities, other than derivatives, with fixed prices or prices determinable with a fixed maturity term that the company intends or is able to hold to maturity (e.g. bonds).
- available-for-sale financial assets (AFS). This residual category includes all financial assets not classified in the above-mentioned categories (e.g. equity investments lower than 20% in companies over which the Group does not exercise significant influence).

- Equity investments carried at equity

These are equity investments in associates or joint ventures, measured using the equity method, that is by recognising an amount equal to the investor's share of equity as per the most recent financial statements available, adjusted to account for the difference between the price paid and equity at the acquisition date and any intra-group transactions, if relevant.

The investor's share of profit or loss arising from application of the equity method is recognised as a "Share of profit or loss of associates and joint ventures measured using the equity method", while the share of other comprehensive income is recognised in the statement of comprehensive income.

The difference between the purchase cost and the value, pertaining to owners of the Parent, of the identifiable current and potential assets and liabilities of the associate or joint venture at the acquisition date, is recognised as goodwill, included in the carrying amount of the investment, and tested for impairment using the same procedures described in the section above.

The risk deriving from losses which exceed the investor's share of equity is provided for in provisions for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.

- Other equity investments

Investments in other companies, classified as available for sale (AFS), are measured at fair value. Gains and losses deriving from changes in fair value are recognised directly in other comprehensive income up to the moment in which they are sold or have suffered an impairment loss; in this case, the total loss is reversed from other comprehensive income and recognised in the income statement for an amount equal to the difference between the acquisition cost and current fair value. If the fair value cannot be reliably determined, investments are measured at cost adjusted for impairment losses, the effect of which is recognised in the income statement.

The risk deriving from losses which exceed the carrying amount of the investment is recognised in provisions for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.

- Financial assets held for trading

Upon initial recognition, financial assets held for trading are measured at purchase cost, i.e. at the fair value of the consideration paid: the transaction costs, as they are ancillary, are included in the purchase cost.

Subsequent to initial recognition, they are measured at fair value, without deducting any transaction costs that may be incurred upon sale or disposal. Changes in fair value are taken directly to the income statement.

If fair value cannot be determined reliably, such assets are measured at cost.

- Financial assets available for sale

Upon initial recognition, available-for-sale financial assets are measured at the fair value of the consideration paid (acquisition cost, including related costs).

Subsequent to initial recognition, they are measured at fair value, without deducting any transaction costs that may be incurred upon sale or disposal. Changes in fair value are recognised in other components of the statement of comprehensive income and transferred to the income statement only when the available-for-sale assets are derecognised or have undergone an impairment loss.

If the fair value of investments in instruments representing equity cannot be determined reliably, such assets are measured at cost.

- Hedging instruments

The Group uses derivative financial instruments solely to hedge its exposure to currency, interest rate and commodity risks.

A hedging relationship qualifies for hedge accounting, under IAS 39, if all of the following conditions are met:

– at the inception of the hedge, or first-time adoption for instruments existing at 01 January 2005, there is formal designation and documentation of the hedging relationship and the company's risk management objective and strategy for undertaking the hedge;
– the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
– for cash flow hedges, an expected future transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;
– the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
– the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are measured at fair value, calculated in accordance with IFRS 13. The fair value is determined by using adequate measurement models for each type of financial instrument by using, where available, the market forward curve, both regulated and not regulated (intrinsic value). For option contracts, fair value is supplemented with the time value, which is based on their residual life and the volatility of the underlying.

Taking into account the provisions of IFRS 7 on the fair value hierarchy, as extended by IFRS 13, for each category of financial instrument measured at fair value the fair value hierarchy is as follows:

- Level 1: Prices listed (not adjusted) on active markets for identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of 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).

Hedging instruments are tested for effectiveness at each reporting date to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting.

If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, fair value gains or losses on the hedging instrument are recognised in the statement of comprehensive income for the effective portion of the hedge (intrinsic value), and in the income statement for the time value portion and any ineffective portion (over-hedging);
- for fair value hedges, fair value changes on both the hedging instrument and hedged item are recognised in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the gains or losses deriving from the measurement at fair value of the hedging instrument are fully recognised in the income statement.

- Other financial assets and liabilities
Loans and receivables are initially recognised at fair value, adjusted by any directly attributable transaction costs. They are subsequently measured at amortised cost.
Securities held to maturity are initially recognised at cost, increased by transaction costs incurred for acquisition of the financial asset. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, net of impairment losses.
At each reporting date, or whenever impairment indicators arise, all financial assets, except for FVTPL assets, are tested for impairment in order to determine whether there is objective evidence (such as breaches of contractual agreements, possible bankruptcy or financial difficulties of the debtor, etc.) that the value of the asset might not be entirely recoverable.

- Trade Receivables and Payables
Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement, and are recognised at fair value (equal to their nominal amount). After initial recognition, they are measured at amortised cost. Trade receivables are presented net of provisions for impairment of receivables set aside to cover estimated losses.

- Cash and cash equivalents
Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.
Cash and cash equivalents, including ancillary charges, are measured at fair value.
Cash on hand and revenue stamps are measured at their nominal amount.

Inventories

Inventories, mainly made up of materials and supplies for the maintenance and construction of plants, raw materials, i.e. fuel oil, diesel and gas with respect to trading, are measured at the lower of cost (purchase cost, transformation and other costs incurred to bring the inventories to their current place and condition) and their expected net realisable or replacement value.

Cost is determined using the weighted average cost method.
If the cost of inventories cannot be recovered because they are damaged, have become entirely or partly obsolete or their sales prices have decreased, they are written down to their net realisable value. If the circumstances leading to the write-down no longer exist, the write-down is reversed.

Inventories pertaining to contract work in progress are measured using the percentage of completion method, net of advances invoiced to customers. Orders for which a loss is expected at the level of direct costs are subject to a specific write-down which is charged to the income statement in the period in which the loss is recorded.

Shareholders' equity

Share capital, including the various categories of shares, is stated at its nominal amount less share capital proceeds to be received.
The purchase cost of treasury shares is recognised as a reduction in equity.
Costs directly attributable to share capital transactions of the parent are offset against equity.
Dividends are recognised as payables when they are approved by the Shareholders.

Employee benefits

On 6 June 2012, the amendment to the international accounting standard IAS 19 "Employee Benefits" was endorsed. This amendment is applicable starting from 01 January 2013, although its application is on a voluntary basis for financial statements at 31 December 2012. As from 01 January 2012, the amendment to the international accounting standard IAS 19 "Employee Benefits", endorsed on 06 June 2012, was applied in advance. The changes made in the amendment can be classified in three categories: measurement and recognition, additional disclosures and further amendments.
The first category of amendments involves defined benefit plans. In particular, the corridor approach is no longer used in recognizing actuarial gains and losses (the Iren Group was no longer using this method) and instructions are now given to immediately recognise the components connected to "revaluations" (e.g. actuarial gains and losses) in Other comprehensive income.
As regards presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:
1) operating (service cost), personnel expenses;
2) financial (finance cost), net interest income/expense;
3) measuring (remeasurement cost), actuarial gains/losses.

As regards disclosures, information is given on the characteristics of the plans and related amounts entered in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of oscillations in demographic risk.

Post-employment benefits are defined according to plans which, based on their characteristics, are separated into "defined contribution" and "defined benefit" plans.
In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For the Group these are included under post-employment benefits accrued since 01 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the share paid to the additional pension funds.
The liability relating to defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For the Group, included in this category are post-employment benefits accrued until 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the tariff discounts for employees and former employees, additional monthly salaries (Art. 47, national labour agreement for the sector), the loyalty bonus paid to employees and contributions paid to the Premungas fund.
The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, taking into account economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured.

For post-employment benefits accrued at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the proportional basis is not applied because at the reporting date the benefits can be considered accrued in full.
The demographic, economic and financial variables are validated annually by an independent actuary.
Gains and losses deriving from actuarial calculations regarding post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in the Income statement.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover liabilities of uncertain amount or due date that are recognised when, and only when, the following conditions are met:
- the company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the financial statements, and no provision is made.
No additional information is provided for events that are remote, i.e. where it is very unlikely they will arise, and no provision is made.
The provisions are recognised at the amount representing the best estimate of the total that the company would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.
On discounting, the time-related increase in the provision is recognised as financial expense.
Provisions for landfill post-closure are discounted to the present on the basis of the cash flows indicated in the report drawn up by an independent expert.
The provisions for the renewal of transferable assets was set up so as not to recognise costs for maintenance, replacements and similar work, which do not increase the carrying amount of the asset, only in the periods in which they were incurred but to distribute them among the different periods of use of those assets.

Revenue

Revenue is measured at fair value with respect to the amount received or due, taking account of any commercial discounts and reductions connected with quantity.
Revenue from the sale of goods is recognised when:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither the ownership rights nor effective control over the goods sold by the seller;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from services is recognised when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the reporting date can be measured reliably;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When an uncertainty arises about the collectability of an amount already recognised, the non-collectable amount must be recognised as an expense, rather than as an adjustment of the income originally recognised.

Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically taken as income to the income statement over the useful life of the asset to which they refer. The deferred revenue related to the grants is recognised in the Statement of Financial Position, under Other liabilities, with suitably separated current and non-current amounts.
Grants related to income are recognised in the income statement when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Other income

Other revenue and income include all types of revenue which are not included in the above-mentioned cases and do not feature a financial nature. They are recognised in accordance with the above-mentioned methods for revenue from goods and services.

Costs for the purchase of goods and services

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. The costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

Financial income and expense

Income arising from the use by others of company assets yielding interest and dividends is recognised when:

- it is probable that the economic benefits associated with the transaction will flow to the company;
- the amount of revenue can be measured reliably.

Income is recognised on the following basis:

- interest is recognised on an accrual basis that takes into account the effective yield on the asset;
- receivables from dividends on investments are recognised when the shareholder’s right to receive payment is established. This usually coincides with the resolution passed by the related meeting.

When uncertainty arises about the collectability of an amount already recognised, the non-collectable amount is recognised as an expense rather than as an adjustment to the income originally recognised.

Financial expense is recognised in the year in which it is incurred; expense that is directly attributable to the acquisition, construction or production of a plant is capitalised as part of the cost of that asset when:

- it is likely that it will result in future economic benefits for the company
- it can be reliably measured.

Income tax expense

Income taxes comprise all the taxes calculated on the Group’s taxable income.
Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable.
Deferred tax liabilities are calculated at the tax rates that are expected to apply for the year in which the differences are reversed.

The option for the Group tax consolidation scheme was exercised pursuant to Art. 118 of the new Consolidated Income Tax Act. It requires that the consolidated companies transfer their IRES receivables/payables to the parent Iren S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying “tax settlements” to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.

Translation criteria

The functional and presentation currency adopted by the Group is the Euro. When transactions in foreign currency are made, they are initially recognised at the exchange rate in effect on the transaction date. Except for non-current assets, assets and liabilities in foreign currency are recognised at the closing rate and the related exchange rate gains and losses are taken to the income statement. Any net gain is allocated to a special reserve unavailable until realisation.

Emission Trading Scheme

The Emission Trading Scheme, which came into force in the European Union on 01 January 2005, is one of the ’flexible mechanisms’ permitted under the Kyoto Protocol in order to reach greenhouse gas emission targets. The target for Italy was a 6.5% reduction in CO_2 emissions by 2012 compared with 1990.
Italian Legislative Decree No. 30 of 13 March 2013 transposed Directive 2009/29/EC into Italian law. This directive introduced new rules for trading greenhouse gas emissions and new activities subject to application of the regulations in the period 2013-2020.
The Group actively participates in the emissions trading scheme to reduce greenhouse gas emissions and contribute to reaching the Group’s targets with respect to the domestic reduction plan.
Emission quotas held in the context of activities associated with achieving these targets, be they purchased or received free of charge, are accounted for as intangible assets. These quotas are initially measured at fair value, represented by the market value in the allocation period or by the actual purchase price. The two amounts are substantially similar. Emission quotas are not amortised, but eventually written down if impairment testing shows that their fair value decreases below the carrying amount. As regards emissions made during the year (measured at fair value represented by the market price) an amount is allocated to provisions for risks, which will be used when the related rights are cancelled.
In the event of sale of emission quotas, together with the reduction in intangible assets, any capital gain/loss deriving from the selling price is recognised.
Any emission quotas held for trading which are still unsold at year end are recognised in the statement of financial position under the item Inventories. These quotas are measured at the lower of cost and market value.

Other energy certificates

Some energy certificates closely related to the activities performed were assigned to the Group. These are strictly connected with the performance of specific activities aimed at energy-saving and at injection into the electricity system of energy produced by renewable sources. In particular, the Group received:
- tradeable certificates from the Energy Services Operator (GSE) certifying the production, on an annual basis and up to 2015 inclusive, of electricity from renewable sources (“Green Certificates”). The Group has the right to these certificates owing to the production of electricity through hydroelectric plants, waste to energy plants and biogas plants;
- from the GSE an ex-green certificate incentivising tariff, as established by the Ministerial Decree of 6 July 2012, valid for the 2016 production of plants that already benefited from green certificates;
- from the GSE, tradeable certificates that certify that energy-saving work has been performed (Energy Efficiency Certificates – “EECs”- the so-called “white certificates”).

For accounting purposes, these energy certificates are considered as follows:

- the incentivising tariff (ex-green certificates) deriving from the annual production of electricity from renewable sources is recognised on the basis of the accruals concept when the right matures;
- White Certificates are accounted for in a slightly different way according to whether the company is bound or not bound to return the EECs. Entities that are bound to return the EECs recognise both the grant related to the obligation for the year and the cost of the EECs purchased to meet this obligation in the year of accrual. If the EECs purchased exceed the compulsory amount, the cost of the exceeding purchased certificates is discounted; conversely, if the certificates purchased are not enough to meet obligations, the cost of certificates to be purchased will be allocated to meet the compulsory amount for the year.
  Entities that are not obliged to return the EECs:
  - if they operate in trading activities, recognise revenue and costs of the certificates bought and sold and suspend among inventories any unsold certificates, measured at the weighted average cost.
  - if white certificates mature in the context of energy efficiency and energy saving activities, the related revenue is recognised as it accrues.

Earnings per share

- Basic earnings per share

Basic earnings per share are calculated based on the profit or loss attributable to ordinary shareholders of the parent. They are calculated by dividing profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

- Diluted earnings per share

Diluted earnings per share are calculated based on the profit or loss attributable to ordinary shareholders of the parent.
For the purposes of calculating diluted earnings per share, the number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares that could be issued on conversion to shares of all potential ordinary shares with dilutive effects. This conversion takes place at the beginning of the year or at the date of issue of the potential ordinary shares.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 01 JANUARY 2016

As of 01 January 2016, the following accounting standards and amendments to account standards, issued by the IASB and endorsed by the European Union, are obligatorily applicable:

- Amendments to IAS 19 - Employee Benefits: Defined Benefit Plans: Employee Contributions (Regulation 29/2015). The objective of the amendments is to simplify recognition of contributions that are independent of the number of years of service for employees, for example contributions from employees that are calculated on the basis of a fixed percentage of their salary.
- Amendments to IFRS 11 - Joint Arrangements: Acquisitions of Interests in Joint Operations (Regulation 2173/2015). Amendments issued by the IASB on 06 May 2014, applicable as of financial years starting on 01 July 2016, with early application allowed. The document establishes that the standards contained in IFRS 3 - Business Combinations in relation to the recognition of the effects of a business combination must be applied to recognise the acquisition of an interest in a joint operation, whose activity is represented by a business.
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Regulation 2231/2015). Amendments issued by the IASB on 12 May 2014, applicable as of financial years starting on 01 January 2016. The document specifies that the use of a revenue-based method for calculating depreciation or amortisation of property, plant and equipment and intangible assets is not appropriate, because revenue generated by an asset which entails the use of property, plant and equipment and intangible assets generally reflects factors other than deterioration of the economic benefits inherent in the assets themselves.
- Amendments to IAS 27 - Separate Financial Statements (Regulation 2441/2015). Document issued by the IASB on 12 August 2014. The amendments, applicable for financial years starting on 01 January 2016, allow use of the shareholders’ equity method for recognising equity investments in subsidiaries,

associates and joint ventures in the separate financial statements. The objective is to reduce the complexity of management and the related costs for companies that operate under jurisdictions in which the IFRS standards also apply to separate financial statements.

On 25 September 2014, the International Accounting Standards Board (IASB) published the document "Improvements to the International Financial Reporting Standards (2012–2014 Cycle)", subsequently adopted by the European Union with Regulation 2343/2015. These improvements, applicable as of financial years starting on 01 January 2016 or later, include amendments to the main international accounting standards:

- Improvement to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations: changes in methods of disposal. The amendment establishes the guidelines to follow in cases in which an entity reclassifies an asset (or disposal group) from the held for sale category to the held for distribution category (or vice versa), or when the requirements for classifying an asset as held for distribution no longer exist.
- Improvement to IFRS 7 - Financial Instruments: Disclosures. The document governs the introduction of additional guidelines to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required. In addition, as regards offsetting financial assets and liabilities, the document clarifies that this disclosure is not explicitly required for all interim financial statements.
  Nonetheless, the disclosure could be necessary to comply with the requirements provided for in IAS 34, if it is significant information.
- Improvement to IAS 19 - Employee Benefits: discount rate issues. The document introduces amendments to IAS 19 in order to clarify that high-quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendments specify that the depth of the market for high-quality corporate bonds should be assessed at currency level.
- Improvement to IAS 34 - Interim Financial Reporting: placement of additional disclosures. The document introduces amendments to clarify the requirements when the required disclosure is presented in the interim report, but outside of the financial statement sections. The amendment specifies that this disclosure is included through cross-references made between the two documents, provided that they are available to readers of the financial statements with the same method and at the same time.

Amendments to IAS 1 – Presentation of Financial Statements (Regulation 2406/2015). Document issued by the IASB on 18 December 2014. The amendments, which apply as of financial years which start on 01 January 2016, have the goal of making financial statements clearer and more intelligible. The amendments introduced involve:

- materiality and aggregation - it is clarified that information must not be obscured by aggregation or disaggregation and that the concept of materiality applies to the accounting statements, the notes to the statements and the specific disclosure requirements provided for in the individual IFRSs. It is clarified that disclosures specifically required in the IFRSs need to be provided only if the information is material;
- statement of financial position and statement of comprehensive income - it is clarified that the list of items specified in IAS 1 for these statements can be disaggregated and aggregated as necessary. In addition, guidelines are provided on the use of subtotals within the statements;
- presentation of other components in the statement of comprehensive income (OCI: Other Comprehensive Income) - it is clarified that the portion of OCI for associates and joint ventures consolidated with the equity method must be presented in aggregate in a single item, distinguished on the basis of whether they are components that could be reclassified to the income statement in the future or not;
- notes to the statements - it is clarified that entities can be flexible in defining the structure of the notes to the statements, and guidelines are provided on how to develop the structure of the notes.

No significant effects were seen on the Group's financial statements following application of the amendments introduced.

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

As of 01 January 2018, the following accounting standards and amendments to account standards are obligatorily applicable, as they have completed the EU endorsement process.

IAS 9 – Financial Instruments. In July 2014, the IASB published the standard IFRS 9 "Financial Instruments", then endorsed in Regulation (EU) 2067/2016 of 22 November 2016. The standard is the result of a process that began in 2008 following the economic and financial crisis, with the aim of completely rewriting the accounting rules for recognition and measurement of financial instruments provided for in IAS 39. In brief the rules of IFRS 9 regard:

- the criteria for classification and measurement of financial assets and liabilities. In particular, as regards financial assets, the new standard uses a single approach based on management models of financial instruments and characteristics of contractual cash flows of financial assets, with the aim of determining the measurement criteria, replacing the various rules set forth in IAS 39. As regards financial liabilities, the main amendment is instead related to accounting for fair value changes of a financial liability designated as carried at fair value through profit or loss, in the event that these are due to a change in the credit risk of the liability itself. According to the new standard, these changes should be recognised under Other comprehensive gains/(losses) and will no longer be entered in the income statement;
- impairment of financial assets. The standard establishes that the entity must recognise the expected losses on its financial assets, where "loss" means the present value of all future lost revenue, and provide adequate information on the estimation criteria used;
- hedging operations (hedge accounting). IFRS 9 introduces a number of significant changes that mainly regard the effectiveness test, as the 80-125% threshold is abolished and replaced by an objective test that verifies the economic relationship between the hedged instrument and the hedging instrument, accounting only for the cost of the hedge, and extending the hedged elements and the disclosure required.

IFRS 15 – Revenue from Contracts with Customers. The standard was published by the IASB on 28 May 2014 and endorsed by the European Union on 22 September 2016 in Regulation 1905/2016, replacing IAS 18 - Revenue, IAS 11 - Construction Contracts, and interpretations SIC 31, IFRIC 13 and IFRIC 15. The new standard applies to all contracts with customers, with the exception of contracts that fall under the scope of IAS 17 - Leases, of insurance contracts and of financial instruments. The purpose of the new standard is to establish the criteria to be adopted in order to provide users of financial statements with information about the nature, amount and uncertainties associated with revenue and cash flows deriving from existing contracts with customers. The standard in question applies if all the following conditions are met:

i. the parties have approved the contract and have undertaken to perform their respective obligations;
ii. each party's rights in relation to the goods or services to be transferred and the payment terms have been identified;
iii. the contract signed has commercial substance (the risks, timing or amount of the future cash flows of the entity can change as a result of the contract);
iv. it is probable that the amounts associated with performance of the contract will be collected and paid.

The new standard will be applicable starting from 01 January 2018.
This standard underwent further change on 12 April 2016: the amendment, which has not yet been endorsed and which also becomes applicable from 01 January 2018, aims to clarify the guidelines for identifying an obligation to sell an asset or provide one or more services, in addition to providing indications on the recognition of licences relating to intellectual property.

As regards the new standards applicable starting from subsequent financial years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress. In particular, with reference to IFRS 15 the activities to identify the Group companies in scope have been launched and the assessment activities referred to contracts with customers, to business processes and to the application systems involved have been planned. A reliable evaluation of the quantitative effects of the application of IFRS 15 will be possible only when such activities are completed.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

Endorsement by the relevant bodies of the European Union is currently in progress for the following standards, updates and amendments to the IFRSs (already approved by the IASB), as well as the following interpretations (already approved by the IFRIC).

Amendments to IFRS 10, IFRS 11, and IAS 28 - Investment Entities: Applying the Consolidation Exception. The document, published by the IASB on 18 December 2014, introduces the following amendments:

- exemption from preparing consolidated financial statements for an intermediate parent entity is available also to a parent entity that is a subsidiary of an investment entity;
- a subsidiary providing services that relate to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity;
- when applying the equity method to an associate or a joint venture that is an investment entity, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries;
- an investment entity measuring all of its subsidiaries at fair value must provide the disclosures relating to investment entities required by IFRS 12.

IFRS 16 – Leases. Standard published by the IASB on 13 January 2016, intended to replace IAS 17 - Leases, as well as the interpretations IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases - Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The new standard provides a new definition of lease and introduces criteria based on the right of use for an asset to distinguish leasing contracts from services contracts, identifying as discriminating factors: identification of the asset, the right to replace the same, the right to obtain substantially all economic benefits deriving from the use of the asset and the right to control the use of the asset underlying the contract. It will be applied as of 01 January 2019. Early application is allowed for entities that apply IFRS 15.
In the coming months, detailed analysis will be done to assess the effects the introduction of IFRS 16 will have on the Group.

Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses. Document issued by the IASB on 19 January 2016. The amendments, which apply for financial years starting on 01 January 2017, clarify how to recognise a deferred tax asset related to a financial liability measured at fair value. Early application is allowed.

Amendments to IAS 7 - Disclosure Initiative. Document issued by the IASB on 29 January 2016. The amendments, which apply to financial years starting on 01 January 2017, require entities to provide information about changes in their financial liabilities, in order to enable users to better assess the reasons underlying changes in the entity's debt.

Amendments to IFRS 2 - "Share-based Payments". Document issued by the IASB on 20 June 2016. The amendments, which apply for financial years starting on 01 January 2018 with the option of being applied in advance, clarify the recognition of specific types of share-based payment transactions. In particular, the amendments refer to:

- the impact of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions;
- the recognition of share-based payment transactions that require withholding tax to be applied;
- the reclassification of transactions from cash-settled to equity-settled due to modifications of the terms and conditions of the transaction.

On 08 December 2016, the IASB published the document Annual Improvements to IFRS Standards 2014-2016 Cycle, which amends IFRS 1 (entry into force 01 January 2018), IFRS 12 (entry into force 01 January 2017) and IAS 28 (entry into force 01 January 2018).

IFRIC 22 Foreign Currency Transactions and Advance Consideration, document issued by the IASB on 08 December 2016 and which comes into force on 01 January 2018. The interpretation provides clarifications on which exchange rates to use in financial statements in a foreign currency when the payment is made or received in advance.

Amendment to IAS 40 *Investment Property* which comes into force on 01 January 2018. The amendment entails a clarification on the application of paragraph 57 of IAS 40 providing guidelines on changes that can lead to classifying an asset which was not an investment property as such or vice versa. The amendment clarifies that a change in the management's intentions for the use of a property by itself does not constitute evidence of a change in use.

As regards the new standards applicable starting from financial year 2017 or subsequent years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.

V. GROUP FINANCIAL RISK MANAGEMENT

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

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 procurement of financial resources was centralised in order to optimise their use. In particular, centralised management of cash flows in Iren makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense. A number of investees have an independent financial management structure in compliance with the guidelines provided by the Parent Company.
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 the end of the period short-term bank credit facilities used by the Parent Company totalled zero.
The table below illustrates the nominal cash flows required to settle financial liabilities:

thousands of euro

	Carrying amount	Contractual cash flows	within one year	1-5 years	Over 5 years
Loans and bond payables (*)	3,213,362	(3,588,635)	(446,563)	(1,460,079)	(1,681,993)
Hedging of interest rate risk(**)	116,188	(116,188)	(25,111)	(66,716)	(24,361)

(*) The carrying amount of "Loans and bond payables" includes both current and non-current portions.
(**) The carrying amount of "Hedging of interest rate risk" includes the positive and negative fair value of the hedging contracts.

Cash flows required to settle other financial liabilities, other than those to lenders, do not differ significantly from the recognised carrying amount.

Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suited to its needs, and the best market conditions. During the period, the Iren Group took out new medium/long-term loans totalling 570 million euro, entirely for the Parent. Details of the activities carried out in this area and of the individual transactions are shown in the chapter Financial Income and Expenses of the Directors' Report.

At 31 December 2016, 69% of the residual amount payable for loans was contractualised at a fixed interest rate and 31% at a floating rate.
With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default and covenant risk), we can note that the clauses in Iren's loan agreements are being observed. In particular, for certain medium/long-term loan agreements Iren is committed to observing financial covenants (such as Debt/EBITDA, EBITDA/Financial expense ratios) with annual verification. Moreover, other covenants have been provided for. One is the Change of Control clause, which states that the Iren Group should be kept under direct and indirect control by Local Authorities. In addition, there are Negative Pledge clauses, 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 companies which contribute to the Group's Net Financial Position, in particular the Project Finance contract with TRM that was fully consolidated from January 2016, also envisage the observance of financial indices which have been satisfied.

b) Exchange rate risk
Except as indicated under the section on energy risk, the Iren Group is not significantly exposed to exchange rate 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. The Iren Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.
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 financial counterparties of high credit standing, for the sole purpose of hedging. At the end of the period, all the contracts entered into meet the requisite of limiting the exposure to the risk of oscillation of interest rates and, except for a few positions with insignificant impacts, they also meet the formal requirements for the application of hedge accounting.
The total fair value of the aforementioned interest rate hedges was a negative 116,188 thousand euro at 31 December 2016.
The hedging contracts entered into, together with fixed-rate loans, hedge approximately 89% of gross financial indebtedness against interest rate risk, in line with the Iren Group target of maintaining a balance between loans at floating rate and at fixed rate or in any case protected against significant increases in the interest rate.
For a more complete understanding of the interest rate risks to which the Group is subject, stress testing was performed on the sensitivity of net financial expense and evaluation components in derivatives contracts to changes in interest rates.
As regards financial charges, this analysis was performed on the basis of reasonable assumptions as follows:

- a theoretical increase and decrease of 100 basis points in the Euribor interest rates over the year was applied to net financial debt;
- in any existing hedge, interest rate shock was applied to both the debt position and related hedging derivative with an extremely limited net effect on the income statement;
- the change in interest rates was also applied on the portion of interest expense capitalised during the year;

With regard to hedging derivatives existing at year end, a 100 basis points theoretical upward and downward change was applied to the forward curve of interest rates used to measure the fair value of the hedges.

The following table illustrates the results of the above sensitivity analysis performed with reference to 31 December 2016.

thousands of euro

	increase of 100 bps	decrease of 100 bps
Increase (decrease) in net financial charges	2,025	(2,103)
Increase (decrease) in derivative fair value charges	4,110	(4,320)
Increase (decrease) in hedging reserve	44,501	(49,303)

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of water and environmental services. The receivables show no particular concentration since the exposure is spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public entities).

In carrying on its business, the Group is exposed to the risk that the receivables may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in receivables subject to arrangement procedures or unenforceable. This risk reflects the current unfavourable economic and financial situation.

To limit exposure to credit risk, a number of tools have been introduced and identified. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes.

The receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and types of service provided.

Credit risk is hedged, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing.

An interest-bearing guarantee deposit is paid for some types of services (water, natural gas, "protected customer" electricity sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.

The payment terms generally applied to customers are related to the legislation or regulations in force or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation.

Provisions set aside for impairment of receivables accurately reflect the effective credit risk through assessments based on analysis of the individual receivable items recorded in the databases, specifically taking into account ageing, as well as comparison with historical losses on receivables and determination of the average non-payment rate.

In view of the continuing unfavourable economic situation, the control over credit risks has been improved by strengthening the monitoring and reporting procedures, in order to promptly identify possible countermeasures.

In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data on trade receivables of the Group companies, in terms of customers, business chain and ageing band. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

With reference to credit concentration we can note the relations between the subsidiaries Iren Servizi e Innovazione and Amiat and the municipality of Turin. For further details see in particular Note 8 “Non-current financial assets” of the consolidated financial statements.

3. ENERGY RISK

The Iren Group is exposed to price risk, on the energy commodities traded, these being electricity, natural gas, environmental emission certificates, etc., as both purchases and sales are impacted by fluctuation in the price of the said energy commodities directly or through indexing formulae. Exposure to exchange rate risk, typical of oil-based commodities, is present, but is attenuated thanks to the development of the European organised markets that trade the gas commodity in the euro currency and no longer indexed to oil products.

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 the production of its plants and purchases and energy and natural gas sales, in relation to both volumes and price formulae.

The objective is to obtain a sufficient stability in the margins through:

- for the electricity supply chain, the opportune balancing of internal production and energy from the futures market with respect to the demand coming from the Group’s customers, with adequate recourse to the spot market;
- for the natural gas supply chain the priority of alignment of the indexing of the commodity in purchase and sale.

From September to December 2015, commodity derivative contracts (Commodity swaps on TTF, PSV and P for indices) were entered into as an energy portfolio hedge for 2016, for a total notional amount of 5.1 TWh. In 2016, additional commodity derivative contracts (Commodity swaps on TTF and PSV indices) were entered into for 1.7 TWh, once again to hedge the energy portfolio for 2016, and for 7 TWh as a hedge for the 2017 portfolio.

The fair value of agreements still in force on 31 December 2016 was a positive total of 11,934 thousand euro.

Iren Mercato trading operations involve negotiating physical and financial contracts on the electricity and gas market and financial contracts directly on the underlying commodities. These contracts may refer to various indexes (PUN, ITEC, gas indexes, etc.) and to trading on Platforms. At 31 December 2016, no financial contracts were in place that originate from such assets and are 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 interest 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 in their fair values is recognised directly in the income statement;
- cash flow hedging transactions: the derivative is recognised at fair value with a contra entry in a specific equity reserve for the effective component of the hedge and in the income statement for the ineffective component; when the hedged item arises, the amount suspended in equity is reversed to the income statement.

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; in the case of commodity derivatives, this amount is accounted for in the gross operating margin, while in the case of interest rate risk hedges in financial income and expenses.

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, while the portion determined from measuring the derivative at the end of the period is classified under other expense or other income;
- in the case of interest rate risk hedges, in financial income or expenses.

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 asset and liability class 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 reporting date.

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

thousands of euro

	31/12/2016		31/12/2015	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets for hedging derivatives	1,439	1,439	-	-
Bonds due at more than 12 months	(1,377,398)	(1,454,755)	(1,186,552)	(1,299,492)
Bonds due within 12 months (*)	(178,554)	(186,021)		
Loans - non-current portion	(1,458,486)	(1,563,351)	(1,477,052)	(1,592,369)
Loans - current portion	(198,924)	(231,554)	(152,865)	(191,569)
Liabilities for hedging derivatives	(117,627)	(117,627)	(32,369)	(32,369)
Total	**(3,329,550)**	**(3,551,869)**	**(2,848,838)**	**(3,115,799)**

(*) At 31 December 2016, the negative fair value of the Put Bond was 186,021 thousand euro (189,926 thousand euro at 31 December 2015)

The amounts related to assets and liabilities for hedging derivatives in the table refer exclusively to derivatives hedging interest rate risk

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

FAIR VALUE HIERARCHY

The following table shows 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 identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of 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

31/12/2016	Level 1	Level 2	Level 3	Total
Financial assets available for sale	88			88
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets		13,374		13,374
Total assets	**88**	**13,374**	**-**	**13,462**
Derivative financial liabilities		(117,627)		(117,627)
Grand total	**88**	**(104,253)**	**-**	**(104,165)**

thousands of euro

31/12/2015	Level 1	Level 2	Level 3	Total
Financial assets available for sale	388			388
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets				-
Total assets	**388**	**-**	**-**	**388**
Derivative financial liabilities		(45,372)		(45,372)
Grand total	**388**	**(45,372)**	**-**	**(44,984)**

All the Group's hedging instruments have 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 the price of the financial instrument, or in any case that do not require a significant adjustment based on data which cannot be observed on the market.

We can also note that no transfers occurred amongst the various Levels of the fair value hierarchy.

CAPITAL MANAGEMENT

The capital management policies of the Board of Directors involve maintaining a high level of capital to uphold relations of trust with investors, creditors and the market, and also allowing future business development.

The Board of Directors monitors the return on capital and the level of dividends for distribution to shareholders, and aims to maintain a balance between achieving extra yield by recourse to indebtedness and the benefits and security offered by a solid equity position.

VI. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

As indicated in the Directors' Report the information on financial and economic transactions with related parties is provided below.

Transactions with related-party shareholder Municipalities

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 corporate services, in accordance with specific agreements that provide for consideration for these services.
It is important to note, furthermore, the relations with local authorities on whose territory Iren also operates through its subsidiaries.
The Iren Group, through Iren Servizi e Innovazione S.p.A. (incorporated into Iren Energia S.p.A. with effect from 01 January 2017), manages services awarded by the Municipality of Turin, namely public street lighting and traffic light services, management of heating and electrical systems of municipal buildings or buildings used to provide services to the community.
The services rendered by the former Iren Servizi e Innovazione S.p.A. are governed by specific long-term agreements.
It should be remembered that there is an agreement in place, signed during 2012, with the municipality of Turin, which provides for the progressive 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 the former Iren Servizi e Innovazione S.p.A. and the Municipality of Turin. With *Addenda* signed in 2013, 2014 and 2015 (the last of which not yet completely in force) details on the execution of the aforementioned Agreement were outlined.

Up to 31 December 2016 Iren Gestioni Energetiche S.p.A. (incorporated into Iren Mercato S.p.A. from 01 January 2017), provided services relating to the management of air conditioning systems in public buildings and technological systems at sports and public service facilities to the Municipality of Genoa, on the basis of long-term contracts. Starting from 01 January 2017 (date of effectiveness of the merger by incorporation of Iren Gestioni Energetiche into Iren Mercato), the above services were transferred to Iren Energia, on the basis of the operation to acquire the business unit from Iren Mercato, the effectiveness of which was subordinated to the said merger operation.
The Iren Group, through Iren Mercato supplies the Municipalities of Genoa, Reggio Emilia, Parma and Piacenza with electricity and gas to the Municipalities of Genoa, Reggio Emilia and Parma, at the conditions normally applied to all other customers.

Mediterranea delle Acque S.p.A. (subsidiary of IRETI) 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 all other customers.

The Group, through AMIAT provides the municipality of Turin with environmental health and snow clearing services, and performs post-operative management of the "Basse di Stura" landfill site in accordance with the Service Contract in being since 01 January 2013, awarded through a public tender procedure, which provides for conditions substantially similar to those applied to all other customers. In this regard we can note that, with effect from 01 January 2015, a current account contract is in place between the City of Turin and AMIAT S.p.A. for management of the past-due receivables related to the above activities.

IRETI and Iren Ambiente provide:
- the Municipalities of Reggio Emilia, Parma and Piacenza with urban waste collection and disposal services at the conditions normally applied to all other customers;
- the municipality of Piacenza with drinking water and sewerage services based on supply contracts similar to those signed with all other customers;
- the municipality of Parma with public street lighting services;
- the municipality of Reggio Emilia with public park maintenance and snow clearing services;
- the municipality of Piacenza with public park maintenance, snow clearing and cemetery services.

It is worth recalling that a settlement agreement between IRETI and the Municipality of Parma is in force to settle the credit/debit position with a number of Iren Group companies.

The section "Information on Iren's Corporate Governance" in the Directors' Report describes the transactions that have as counterparties the said entities which were submitted to the attention of IREN's Committee for Transactions with Related Parties during 2016.

Transactions with joint ventures and associates

Among transactions carried out by the Iren Group with joint ventures and associates, it is necessary to mention:

- the loan granted to OLT Offshore LNG Toscana in relation to the Livorno regasification plant;
- the financial transactions with the Iren Rinnovabili Group, mostly involving loans to Iren Rinnovabili and Enìa Solaris to support investments related to the creation of renewable energy plants and development initiatives of the two companies in the energy field;
- the commercial supplies of electricity, natural gas and district heating to the company Global Service Parma;
- the sales of water and the work related to the integrated water service provided to Amter;
- the procurement of natural gas from Sinergie Italiane;
- the services, including back office, call center, reading, printing and postal shipment services, provided by So.Sel to the Group.

Transactions with other related parties

On the basis of the Internal Regulations on Transactions with Related Parties, the companies controlled, directly or indirectly, by one of the following Provincial Capitals have been identified as related parties: Municipalities of Parma, Piacenza and Reggio Emilia, as signatory Municipalities of the current Voting and Block Shareholders' Agreement between FSU (in which the Municipality of Turin and the Municipality of Genoa have equal stakes) and the so-called "Emilian Parties", and the Municipalities of Turin and Genoa.
The relations with such parties are mainly of a commercial nature and related to services provided to all other customers.
In particular, we can note that in order to supply the integrated water service in the provinces of Parma, Piacenza and Reggio Emilia, the company IRETI, 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.

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

Lastly, with regard to directors, we can note that other than regarding their offices held within the Group companies there have been no transactions with the directors.
If the related conditions are fulfilled, transactions that consist of assigning remunerations and economic benefits, in any form, to members of the administration and control bodies and to key management personnel are also subject to the provisions of the Internal Regulation on transactions with related parties.

VII. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions
During 2016, the Group did not carry out significant non-recurrent events and/or transactions, as defined in the Communication, that is to say events or transactions the occurrence of which is non-recurring or transactions or events which are not repeated frequently in the normal performance of the business.

Positions or transactions deriving from atypical and/or unusual operations
We can specify that during financial year 2016 the Group did not engage in any atypical and/or unusual operations, as defined in the Communication. Atypical and/or unusual operations are operations which owing to their significance/relevance, nature of the counterparties, subject of the transaction, the method by which the sales price is calculated and the timescale of the event (nearness to reporting date) may give rise to doubts with regard to the correctness/completeness of the information given in the financial statements, conflict of interest and safeguarding of the company's equity or protection of minority shareholders.

Publication of the Financial Statements
The Financial Statements were approved for publication by Iren S.p.A.'s Board of Directors at its meeting of 16 March 2017. The Board of Directors authorised the Chairperson, and the Chief Executive Officer to make such changes to the financial statements as necessary or adequate to improve them until the date of approval by the Shareholders.
The shareholders' meeting to be called to approve the separate financial statements of the Parent has the right to request amendments to the aforementioned consolidated financial statements.

VIII. 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 31/12/2016	Accumulated depreciation at 31/12/2016	Carrying amount at 31/12/2016	Cost at 31/12/2015	Accumulated depreciation at 31/12/2015	Carrying amount at 31/12/2015
Land	101,298	(1,551)	99,747	93,731	(1,551)	92,180
Buildings	526,138	(165,780)	360,358	424,815	(134,197)	290,618
Plant and machinery	4,922,147	(2,020,829)	2,901,318	4,203,496	(1,777,653)	2,425,843
Industrial and commercial equipment	106,188	(81,455)	24,733	103,566	(77,738)	25,828
Other assets	152,836	(116,492)	36,344	159,709	(127,685)	32,024
Assets under construction and payments on account	48,206	-	48,206	40,583	-	40,583
Total	**5,856,813**	**(2,386,107)**	**3,470,706**	**5,025,900**	**(2,118,824)**	**2,907,076**

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

thousands of euro

	Opening balance	Increases	Decreases	Changes in consolidation scope	Reclassifications	Impairment losses for the period	Closing balance
Land	93,731	173	(462)	7,856	-	-	101,298
Buildings	424,815	2,053	(1,764)	100,052	982	-	526,138
Plant and machinery	4,203,496	94,228	(46,931)	660,426	15,715	(4,787)	4,922,147
Industrial and commercial equipment	103,566	4,951	(4,262)	1,084	849	-	106,188
Other assets	159,709	10,726	(17,484)	2,648	(2,763)	-	152,836
Assets under construction and payments on account	40,583	22,870	(1,397)	3,179	(14,783)	(2,246)	48,206
Total	**5,025,900**	**135,001**	**(72,300)**	**775,245**	**-**	**(7,033)**	**5,856,813**

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

thousands of euro

	Opening balance	Depreciation for the period	Decreases	Changes in consolidation scope	Reclassifications	Closing balance
Accumulated depreciation, land	(1,551)	-	-	-	-	(1,551)
Accumulated depreciation, buildings	(134,197)	(18,834)	270	(11,721)	(1,298)	(165,780)
Acc. depreciation, plant and machinery	(1,777,653)	(180,025)	27,267	(85,293)	(5,125)	(2,020,829)
Acc. depreciation, ind. and comm. equipment	(77,738)	(6,283)	4,024	(812)	(646)	(81,455)
Accumulated depreciation of other assets	(127,685)	(8,312)	14,062	(1,626)	7,069	(116,492)
Total	**(2,118,824)**	**(213,454)**	**45,623**	**(99,452)**	**-**	**(2,386,107)**

The column "Changes in consolidation scope" refers to the balances acquired during the year relating to the companies TRM S.p.A., Atena S.p.A. and Ricupero Ecologici Industriali s.r.l.

Land and buildings
This item primarily includes industrial buildings connected with Group plants and related land.

Plant and machinery
This item refers to costs for electricity production plants, heat production plants, electricity 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 electricity production plants.
As already indicated in the section "Changes in full consolidation scope", an amount of 279,332 thousand euro relative to the surplus from the acquisition of the subsidiary TRM S.p.A. was allocated as an increase in the value of the waste-to-energy plant held by the company.

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

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

Assets under construction and payments on account
The item assets under construction includes all expenses incurred for investments in progress and not yet in operation.

Increases
The increases in the period, of 135,001 thousand euro, mainly refer to:
- development of the district-heating network and new connections to the network, including heat exchange substations, meters and remote reading appliances, for 30,763 thousand euro;
- investments in the electricity distribution grids of 27,436 thousand euro;
- investments in the gas networks not in a concession arrangement in accordance with the provisions of IFRIC 12 of 13,459 thousand euro;
- investments in thermoelectric and hydroelectric plants of 27,904 thousand euro;
- investments for the purchase of vehicles of 8,795 thousand euro.

Depreciation

Ordinary depreciation for financial year 2016, totalling 213,454 thousand euro, was calculated on the basis of the rates indicated in paragraph "IV Accounting standards and measurement criteria" and considered representative of the residual useful life of the assets.

It is worth noting that in accordance with current regulations regarding the large shunt concessions for hydroelectric purposes ("hydroelectric concessions"), the outgoing operator is paid an amount, calculated as follows:

- as regards "wet assets" (collection, regulation works, penstocks, drain pipes included in the business branch of the outgoing operator, the "transferable assets"), based on the revalued historical cost, net of public capital grants, revalued, received by the operator for the construction of these assets, less normal wear;
- as regards "dry assets" (property, plant and equipment included in the business unit 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 this legislation, starting from 2012, for transferable assets related to expired hydroelectric concessions with a residual carrying amount lower than the estimated amount payable to the outgoing operator (calculated based on the above provisions), the related depreciation has been suspended.

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 31/12/2016	Accumulated depreciation at 31/12/2016	Carrying amount at 31/12/2016	Cost at 31/12/2015	Accumulated depreciation at 31/12/2015	Carrying amount at 31/12/2015
Land	2,859	-	2,859	2,568	-	2,568
Buildings	13,103	(2,479)	10,624	13,955	(2,375)	11,580
Total	**15,962**	**(2,479)**	**13,483**	**16,523**	**(2,375)**	**14,148**

The item consists mainly of properties acquired from the company Sportingenova against the settlement of part 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

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

thousands of euro

	Cost at 31/12/2016	Accumulated amortisation at 31/12/2016	Carrying amount at 31/12/2016	Cost at 31/12/2015	Accumulated amortisation at 31/12/2015	Carrying amount at 31/12/2015
Development costs	677	(671)	6	751	(745)	6
Industrial patents and similar rights	61,636	(19,520)	42,116	35,052	(10,486)	24,566
Concessions, licences, trademarks and similar rights	1,979,264	(770,374)	1,208,890	1,821,712	(681,900)	1,139,812
Other intangible assets	124,524	(64,324)	60,200	101,162	(48,413)	52,749
Assets under construction and payments on account	137,614	-	137,614	146,318	-	146,318
Total	**2,303,715**	**(854,889)**	**1,448,826**	**2,104,995**	**(741,544)**	**1,363,451**

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

thousands of euro

	Opening balance	Increases	Decreases	Changes in consolidation scope	Reclassifications	Impairment losses for the period	Closing balance
Development costs	751	-	(149)	75	-	-	677
Industrial patents and similar rights	35,052	11,967	(1,363)	589	15,391	-	61,636
Concessions, licences, trademarks and similar rights	1,821,712	57,706	(4,263)	59,093	45,017	-	1,979,265
Other intangible assets	101,162	31,372	(10,294)	6,373	510	(4,599)	124,524
Assets under construction and payments on account	146,318	52,165	(495)	544	(60,918)	-	137,614
Total	**2,104,995**	**153,210**	**(16,564)**	**66,674**	**-**	**(4,599)**	**2,303,716**

Changes in accumulated amortisation of intangible assets are shown in the following table:

thousands of euro

	Opening balance	Amortisation for the period	Decreases	Changes in consolidation scope	Closing balance
Acc. amort., development costs	(745)	(66)	149	(9)	(671)
Acc. amort. of ind. patents and similar rights	(10,486)	(10,084)	1,123	(73)	(19,520)
Acc. amortisation of licences, trademarks and similar rights	(681,900)	(68,162)	4,242	(24,554)	(770,374)
Acc. amortisation of other intangible assets	(48,413)	(12,323)	1,032	(4,620)	(64,324)
Total	**(741,544)**	**(90,635)**	**6,546**	**(29,256)**	**(854,889)**

The column "Changes in consolidation scope" refers to the balances acquired during the year relating to the companies TRM S.p.A., TRM Holding, TRM V, Atena S.p.A. and Atena Trading.
The breakdown of the items that make up intangible assets is presented below.

Industrial patents and intellectual property use rights
This item mainly relates to the total costs borne for the purchase and internal production 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.

Concessions, 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:
- expense for the ordinary maintenance of electrical systems and special installations of the municipality of Turin, 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

Goodwill, of 131,779 thousand euro (126,723 thousand euro at 31 December 2015), during financial year 2016 increased by 5,465 thousand euro following the acquisition of control over Ricupero Ecologici Industriali (REI), and decreased by 409 thousand euro as a result of the definitive accounting for the business combination related to acquisition of control over the company Acquedotto di Savona which occurred during financial year 2015.

Goodwill is considered 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. Since goodwill does not generate independent cash flows and cannot be sold on its own, the impairment test on the goodwill recognised in the financial statements is carried out making reference to the Cash Generating Unit to which the same can be allocated. The Cash Generating Units are identified with the single Business Units and correspond to the business segments presented in the foreword to these notes. They are based on the Group's management structure and internal reporting system.
This method allows for a more effective disclosure of goodwill and future investment plans and supplies a homogeneous analysis of information communicated to the market.
The table below shows the allocation of the item goodwill to the Cash Generating Units.

thousands of euro

	31/12/2016
Waste Management	5,471
Energy	-
Market	33,251
Networks	93,057
Total	**131,779**

The impairment test procedure at 31 December 2016 was carried out in methodological continuity with that adopted at 31 December 2015.
The impairment test consists of verifying that the carrying amount of an asset recognised in the financial statements is not more than the recoverable amount of the said asset.
The recoverable amount of an asset is the higher between fair value, less costs to sell, and the value in use.The fair value is defined as the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, less costs to sell.
The value in use is the present value of the estimate of future outgoing and incoming cash flows that will derive from continuous use of the asset and from its final disposal. To measure the value in use, assessments were made by using pre-tax operating cash flows, which derive from the economic and financial projections based on the medium-term Business Plan approved by the Iren Board of Directors on 19 October 2016, with an explicit horizon up to 2021, as well as the pre-tax terminal value, calculated using the perpetual yield method, if applicable, based on going concern assumptions for all businesses. It can be noted that the investments contained in the economic flows of the plan include investments for maintaining the plants and infrastructures, in keeping with the going concern assumption. The average of the perpetual yield and net invested capital was used as the control method. This is based on the reasonable assumption that, if the business is discontinued, the recovery value will be at least equal to the value of the net invested capital.
The discount rate, defined by the pre-tax weighted average cost of capital (WACC), is calculated specifically for each CGU and is included in the 5.10%-8.40% range, according to the specific business line concerned.

The table below shows the goodwill attributed to the single Cash Generating Units, specifying for each of them the discount rate (WACC) used.
The recoverable value of the goodwill attributed to the Cash Generating Units was determined making reference to the value in use of the same.

	Amount at 31/12/2016	WACC 2016
Waste Management	5,471	5.30%
Market	33,251	8.40%
Networks	93,057	5.10%-5.60% (1)
Total	**131,779**	

(1) Range between 5.10% and 5.60% according to whether they are Electricity Networks, Gas Networks or Water Networks

In general, and prudentially, the "g" growth rate was used to calculate the terminal value equal to zero at real values. In the event of standalone plans used at nominal values, the "g" growth rate used was equal to programmed inflation (1.5%).

Waste Management Cash Generating Unit
The value of goodwill, 5,471 thousand euro, refers substantially to acquisition of control over Ricupero Ecologici Industriali (REI), in which, while awaiting the assessment to be carried out under the terms of IFRS 3 - Business Combinations, the positive difference between the purchase price and the carrying amount of the net assets acquired in continuity of values, was provisionally allocated to goodwill

No loss of value was detected when the impairment test was performed, because the recoverable value of the Waste Management CGU is more than the net invested capital of the same including the value of goodwill recognised.

Market Cash Generating Unit
The value of goodwill, of 33,251 thousand euro, derives mainly from:
- the equity interest in Enìa Energia (now merged into Iren Mercato), acquired from Sat Finanziaria S.p.A. and Edison, for an amount of 16,761 thousand euro;
- the business unit purchased from ENEL at the end of 2000 and referred to electricity users of the city of Parma, for an amount of 7,421 thousand euro;

- acquisition of the business unit from ERG Power & Gas related to the marketing and sale of electricity for an amount of 3,401 thousand euro.

No loss of value was detected when the impairment test was performed, because the recoverable value of the Market CGU is more than the net invested capital of the same including the value of goodwill recognised.

Networks Cash Generating Unit

The value of goodwill, of 93,057 thousand euro, derives mainly from:

- acquisition from ENEL of the 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 the fair value of acquired and identifiable assets and liabilities was recognised as goodwill for 64,608 thousand euro;
- acquisition of control over Acqua Italia S.p.A. (now Mediterranea delle Acque S.p.A.), where the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill of 23,202 thousand euro;
- the business unit purchased from ENEL at the end of 2000 and referred to electricity users of the city of Parma, for an amount of 3,023 thousand euro;

No loss of value was detected when the impairment test was performed, because the recoverable value of the Networks CGU is more than the net invested capital of the same including the value of goodwill recognised.

In the light of the considerations presented above the recoverable value is higher than the carrying amount of the net invested capital for all the Cash Generating Units. This difference is particularly sensitive to changes in the pre-tax weighted average cost of capital (WACC) and the definition of the Terminal Value. The definition of these two variables follows a prudential approach in terms of construction logic and absolute value. Appropriate stress tests were therefore performed on the sensitivity of the recoverable value as the two variables deteriorate, without any significant problems emerging.

In the light of the current volatility of markets and the uncertain economic prospects for the future, the company considers it opportune to point out that the regulated businesses are subject to a specific sectoral legislation which governs margins. These businesses, therefore, have more stable and more easily foreseeable margins also in turbulent market periods.

We can note that the results of the aforementioned procedures were the subject of specific approval by the Board of Directors of Iren S.p.A., as recommended in the rules issued by CONSOB, the Bank of Italy and IVASS.

NOTE 5_INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Equity investments accounted for using the equity method are equity investments in companies in which the Group has joint control or exercises a significant influence.

The Group companies measured using the equity method at 31 December 2016 are shown in an annex.

Changes for the year are shown in the following tables:

Equity investments in joint ventures

thousands of euro

	31/12/2015	Write-backs-write-downs for equity	Measurements with direct effect on equity	Other changes	31/12/2016
Acque Potabili	20,984	(392)	-	-	20,592
Iren Rinnovabili	16,347	(1,681)	(28)	(1,287)	13,351
OLT Offshore LNG	18,773	(2,179)	6	-	16,600
TOTAL	**56,104**	**(4,252)**	**(22)**	**(1,287)**	**50,543**

Other changes refer mainly to the effects on the Iren Rinnovabili Group's Shareholders' equity subsequent to the payments made as capital grants to the investee STU Reggiane.

In relation to OLT Offshore LNG we can note that in the Iren Group's impairment procedure the recoverable value of the equity investment recognised in the financial statements was tested. From the results of the impairment test carried out, for which use was made also of the collaboration of external independent experts in order to support the main basic assumptions, it emerged that the discounted estimated future cash flows of the company make it possible to recover the value of the assets in relation to the investee.

Equity investments in associates

thousands of euro

	31/12/2015	Increases - Decreases	Changes in consolida-tion scope/ Reclassifica tions	Write-backs-write-downs for equity	Measure-ments with direct effect on equity / Dividends	Write-downs/Write -backs	Other changes	31/12/2016
A2A Alfa	445	-	-	(14)	-	(431)	-	-
Acos	8,522	-	-	659	-	-	-	9,181
Acos Energia	1,169	-	-	53	(350)	-	-	872
Acquaenna	-	-	-	-	-	-	-	-
Aguas de San Pedro	6,260	1,214	-	1,246	(311)	-	1,387	9,796
Aiga	215	-	-	(51)	-	(164)	-	-
Amat	3,099	-	-	(3)	-	(800)	-	2,296
Amter	642	-	-	119	-	-	-	761
Asa	29,727	-	-	968	(350)	-	-	30,345
Astea	20,825	-	-	436	(181)	-	(89)	20,991
Asti Energia Calore	-	30	-	(6)	-	-	-	24
Atena	6,497	-	(8,028)	778	-	753		-
Domus Acqua	112	-	-	(29)	-	-	-	83
Ecoprogetto Tortona	2,200	-	(2,200)	-	-	-	-	-
Fingas	5,808	-	-	(106)	-	-	-	5,702
Global Service Parma	6	-	-	-	-	-	-	6
Il tempio	108	(159)	-	51	-	-	-	-
Iniziative Ambientali	488	-	-	(32)	-	-	-	456
Mestni Plinovodi	4,859	-	-	-	-	-	-	4,859
Mondo Acqua	568	-	-	122	-	-	-	690
Nord Ovest Servizi	4,375	-	-	-	-	-	-	4,375
Recos S.p.A.	-	3,579	-	-	-	-	-	3,579
Rio Riazzone	224	-	-	-	-	-	-	224
Salerno Energia Vendite	2,254	-	-	738	(822)	-	-	2,170
Sinergie Italiane	-	-	-	-	-	-	-	-
Sosel	949	-	-	70	(55)	-	-	964
Tirana Acque	-	-	-	-	-	-	-	-
TRM V	63,244	-	(81,718)	2,882	5,093	10,499		-
Valle Dora Energia Srl	546	-	-	10	-	-	-	556
TOTAL	**163,142**	**4,664**	**(91,946)**	**7,891**	**3,024**	**9,857**	**1,298**	**97,930**

During the year 25.5% of the company Recos S.p.A. was acquired; this company manages the municipal waste processing plants serving the province of La Spezia and part of the Tigullio valley.

As regards the equity investment in the company Aguas de San Pedro we can note that during the year the stake was increased from 30% to 39.34% with an investment of 1,214 thousand euro.
During the year, the entire stake held in the company Il Tempio was sold.

The change in the consolidation scope refers to the acquisition of control over and consequent full consolidation of the companies Atena S.p.A. and TRM V.
The equity investment in Ecoprogetto Tortona was reclassified among assets held for sale because as the conditions precedent provided for at the second closing - aimed at the purchase of the remaining interest representing 60% of the company's share capital - had not been fulfilled, the purchase contract for the shares in the company Ecoprogetto Tortona S.r.l. signed on 13 November 2015 must be understood as terminated and ineffective. Therefore, under the terms of the purchase contract, the IREN Group must return the 40% equity interest in the company Ecoprogetto Tortona S.r.l. to the Ladurner Group at the price originally paid of 2,200 thousand euro.

The measurements with a direct effect on equity refer to ASA for the change in the year in the hedge accounting reserve and to TRM V for recognition in the income statement of the amounts recorded in previous financial years in other comprehensive income items and relating to the hedge accounting reserve.

The revaluation for the period for TRM V refers for 10,499 thousand euro to the restatement at fair value, at the date the controlling stake was acquired of the minority interest held at 31 December 2015, and for 2,882 thousand euro to the recognition of the pro-quota on the results accrued by the TRM V Group at 31 December 2015 that had not been recognised in the previous period because the data was provisional at the time the Iren Group's financial statements were approved.

The revaluation in the period of Atena (753 thousand euro) refers to the positive difference between the net assets acquired and the purchase cost. The amount, compared to what was accounted for at 30 June 2016, was rectified because at 31 December 2016 new information was acquired for determining the fair value, at the acquisition date, of the identifiable assets acquired and the identifiable liabilities assumed. The amount accounted for was determined provisionally because the assessments for definitive determination of the fair value of the net assets acquired are still in progress and will be completed during the first half of 2017.

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

NOTE 6_OTHER EQUITY INVESTMENTS

This item relates to equity investments in companies over which the Group has neither control, nor joint 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 equity investments at 31 December 2016 is shown in an annex.
Changes for the year are shown in the following table:

thousands of euro

	31/12/2015	Decreases	Changes in consolidation scope	31/12/2016
ATO2Acque Scarl	-	-	7	7
Acque Potabili Siciliane	-	-	-	-
Astea Energia	7	-	-	7
Atena Patrimonio	10,645	-	(10,645)	-
Autostrade Centro Padane	1,248	-	-	1,248
BT Enia	2,110	-	-	2,110
C.R.P.A.	52	-	-	52
CIDIU	2,294	-	-	2,294
Consorzio Italiano Compostatori	3	-	-	3
Consorzio Leap	10	-	-	10
Consorzio Topix	5	-	-	5
Cosme	2	(2)	-	-
CSP Innovazione nelle ICT	28	-	-	28
Environment Park	1,243	-	-	1,243
Fondo Core MultiUtilities	100	-	-	100
Italeko AD.	11	-	-	11
RE Innovazione	12	-	-	12
Rupe	10	(10)	-	-
SDB Società di biotecnologie	10	-	-	10
Stadio di Albaro	27	-	-	27
T.I.C.A.S.S.	4	-	-	4
TOTAL	**17,821**	**(12)**	**(10,638)**	**7,171**

Changes in consolidation scope refer to the merger during the first half of the year of Atena Patrimonio into Atena S.p.A., and the subsequent acquisition of control over the latter.

NOTE 7_NON-CURRENT TRADE RECEIVABLES

The item amounted to 76,302 thousand euro (73,788 thousand euro at 31 December 2015) and refers:
- to the receivables of the integrated water service for lower volumes supplied with respect to the constraint of revenue due to the operator; the current tariff method provides generally (unless the fee growth limit is reached) for their recovery in the fee after two years;
- to the receivables of the electricity transmission, distribution, and metering services deriving from the rules issued in AEEGSI Resolution no. 654/2015 on the subject of tariff regulation for the period 2016-2023 which entailed the recognition of revenue from electricity transport and of the related receivables.

NOTE 8_NON-CURRENT FINANCIAL ASSETS

This item, 49,950 thousand euro (31 December 2015: 53,012 thousand euro), refers to securities other than equity investments, financial receivables and the fair value of derivatives.

Securities other than equity investments

The item in question includes securities considered, on the basis of the provisions of IAS 39 – *Financial Instruments: Recognition and Measurement*, as held for sale or as investments held to maturity.
Specifically, they amount to 36 thousand euro (unchanged compared to 31 December 2015) and refer to securities given as collateral to authorities, classified as held-to-maturity investments, and are measured at amortised cost.

Non-current financial receivables and fair value of derivatives

thousands of euro

	31/12/2016	31/12/2015
Non-current financial receivables from joint ventures	29,030	30,236
Non-current financial receivables from associates	3,687	1,043
Non-current financial receivables from related-party shareholders	223	20,098
Non-current financial receivables from others	14,925	1,599
Non-current accrued financial income and prepaid expenses	610	-
Fair value of derivatives – non-current share	1,439	-
Total	**49,914**	**52,976**

Non-current financial receivables from joint ventures regard receivables from Iren Rinnovabili (5,000 thousand euro) and from its subsidiaries Enia Solaris (18,000 thousand euro), Greensource (3,548 thousand euro), Millenaria (1,344 thousand euro) and Varsi (1,138 thousand euro).

Financial receivables from associates refer to receivables from the companies Recos (2,083 thousand euro), Asti Energia Calore (899 thousand euro), Aiga (429 thousand euro) and Acquaenna (276 thousand euro).

Receivables from related-party shareholders refer to amounts due from the Municipality of Turin for 223 thousand euro. For details of the overall receivable position of the Iren Group in relation to the Municipality of Turin please see note 15 Current financial assets.

The increase in non-current financial receivables from others refer mainly to the long-term portion of the receivable for the disposal of the business unit comprising the telecommunications network (TLC) in Emilia-Romagna which took place during 2016.

The fair value of derivatives refers to instruments in the portfolio for hedging the risk of changes in interest rates.

NOTE 9_OTHER NON-CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2016	31/12/2015
Guarantee deposits	9,985	11,291
Tax assets after 12 months	35,211	17,722
Other non-current assets	1,238	3,281
Non-current accrued income and prepaid expenses	8,520	11,004
Total	**54,954**	**43,298**

Receivables for guarantee deposits refer mainly to amounts paid by Iren Mercato to the investee Sinergie Italiane in relation to the natural gas supply contract signed by the parties.

Tax assets after 12 months comprise mainly:
- credits related to the rebate recognised in 2016 of the amounts paid to the Revenues Agency as interest at the moment of recovery of State Aid. On the subject of interest on State Aid the Supreme Court rejected the grounds for the appeal by the Revenues Agency, which maintained that the interest calculation should have been done recalculating the tax on a five-year rather than annual basis. The Court therefore ruled that the interest rate had to be recalculated at annual intervals, on the basis of European Regulation 794/2004, as amended by Regulation 271/2008.
- credits related to payment of the demands served following entry in the list concerning 2/3 of the tax ascertained relating to the dispute over the contribution of two business units, made at the end of 1999 in favour of the company Genova Acque S.p.A. (today incorporated into Mediterranea delle Acque S.p.A.), by the former parent company Amga S.p.A. The payments made were accounted for among other non-current assets, on the basis of considerations of recoverability of the same in the event of possible outcomes favourable to the company in the dispute in progress.
- credits accrued following the application to deduct IRAP from IRES art. 2 paragraph 1 *quater* Italian Law Decree no. 201 of 6 December 2011;
- credits for IRPEF advances on post-employment benefits that were paid as set out by with Italian Law no. 140/1997. In accordance with relevant legislation, this amount has been recovered since 01 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 Iren Gestioni Energetiche S.p.A.

NOTE 10_DEFERRED TAX ASSETS

These totalled 265,065 thousand euro (252,812 thousand euro at 31 December 2015) and refer to deferred tax assets deriving from revenue elements deductible in future years. They also include the tax effect on adjustments made on IFRS first-time adoption.
The increase compared to 31 December 2015 is mainly attributable to the full consolidation of TRM S.p.A.
For further details reference should be made to the income statement, Note 43 “Income tax expense” and to the statement in the annex.

CURRENT ASSETS

NOTE 11_INVENTORIES

Inventories, measured at weighted average cost, primarily comprise natural gas and consumables intended for maintenance and construction of the Group plants.
The summary of changes occurring over the period is as follows:

thousands of euro

	31/12/2016	31/12/2015
Raw materials	114,274	128,440
Inventory write-down provision	(43,124)	(41,731)
Carrying amount	**71,150**	**86,709**
Contract work in progress	23,802	9,628
Total	**94,952**	**96,337**

The decrease in inventories of raw materials in the period was essentially due to the reduction in gas storage.
The increase of contract work in progress was mainly due to progress on the Turin Led Public Illumination project.
The inventory write-down provision was set aside and is used to take into consideration inventories that are technically obsolete and slow-moving.

At 31 December 2016, no inventories were pledged against liabilities.

NOTE 12_TRADE RECEIVABLES

These are detailed in the following table:

thousands of euro

	31/12/2016	31/12/2015
Receivables from customers	936,402	840,544
Provisions for impairment of receivables	(147,844)	(153,566)
Net receivables from customers	**788,558**	**686,978**
Trade receivables from joint ventures	7,636	7,469
Trade receivables from associates	23,606	23,857
Trade receivables from related-party shareholders	98,569	102,899
Trade receivables from other related parties	23,601	31,118
Provisions for impairment of receivables from related-party shareholders	(6,165)	(11,299)
Total	**935,805**	**841,022**

We can note that at 31 December 2016 factoring transactions were completed with derecognition of the receivables for a total of 67,675 thousand euro (61,746 thousand euro at 31 december 2015).
Trade receivables, gross of provisions for impairment of receivables, are broken down by maturity as follows:

thousands of euro

	31/12/2016	31/12/2015
Not past due	752,730	585,063
Past due from 0 to 3 months	84,159	115,029
Past due from 3 to 12 months	75,834	80,460
Past due for more than one year	177,091	225,335
Total	**1,089,814**	**1,005,887**

Receivables from customers

These mainly relate to receivables due for electricity, gas, water and heat supplies, environmental services and sundry services. The net balance takes into account the provisions for impairment of receivables, illustrated below, for 147,844 thousand euro (153,566 thousand euro at 31 December 2015).

Receivables from joint ventures

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

Receivables from related-party shareholders

Receivables from related-party shareholders refer to trading transactions performed at arm's length with territorial authorities (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and, marginally, with the company FSU. The balance takes into account provisions for impairment of receivables of 6,165 thousand euro (11,299 thousand euro at 31 December 2015). For further details, please see the table of transactions with related parties shown in the annex.

Receivables from other related parties

These regard receivables from the companies controlled by the territorial body owners (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and refer to normal commercial transactions carried out at arm's length.

The provisions for impairment feature the movements shown in the following table:

thousands of euro

	31/12/2015	Release	Reclassifications	Changes in consolidation scope	Provisions in the period	Utilisations	31/12/2016
Provisions for impairment of receivables	153,566	(1,131)	(424)	4,224	52,129	(60,520)	147,844
Provisions for impairment of receivables from related-party shareholders	11,299	(2,302)	(2,743)	-	12	(101)	6,165
Total	**164,865**	**(3,433)**	**(3,167)**	**4,224**	**52,141**	**(60,621)**	**154,009**

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

The reduction in provisions for impairment of receivables from related-party shareholders refers mainly to the separate indication of the portion of provisions set aside to cover non-current financial receivables from the Municipality of Turin as described in note 8 Non-current financial assets.

NOTE 13_CURRENT TAX ASSETS

These amounted to 21,242 thousand euro (19,991 thousand euro at 31 December 2015) and include receivables from the tax authority for IRES and IRAP.

NOTE 14_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2016	31/12/2015
Receivables for revenue tax/UTIF	547	1,700
VAT credit	14,968	13,859
Other tax assets	8,388	5,609
Tax assets due within one year	**23,903**	**21,168**
Receivables from Cassa Servizi Energetici e Ambientali (CSEA)	119,569	72,780
Green certificate receivables	36,957	20,387
Advances to suppliers	9,219	9,564
Other current assets	17,101	18,211
Other current assets	**182,846**	**120,942**
Accruals and deferrals	8,406	21,256
Total	**215,155**	**163,366**

We can note that at 31 December 2016 factoring transactions were completed with derecognition of receivables for energy-efficiency certificates and for Emission Trading for a total of 15,898 thousand euro (45,915 thousand euro at 31 dicembre 2015).
In terms of procedures, for 2016, 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 take part in the Group settlement procedure are the Parent Company Iren S.p.A. and the following companies: Iren Energia, Iren Servizi e Innovazione, IRETI, Iren Mercato, Iren Gestioni Energetiche, Iren Ambiente, AMIAT, Idrotigullio, Mediterranea delle Acque, Immobiliare delle fabbriche, Iren Laboratori, Iren Rinnovabili, Enìa Solaris, Greensource, Millenaria Fotovoltaico and Varsi Fotovoltaico
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 compared to 31 December 2015 is mainly attributable to the assets pertaining to energy efficiency certificates.
The increase in receivables for green certificates is mainly a result of the full consolidation of TRM.

NOTE 15_CURRENT FINANCIAL ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2016	31/12/2015
Financial receivables from joint ventures	444,234	444,202
Financial receivables from associates	1,913	386
Financial receivables from Municipalities shareholders-related parties	106,383	102,643
Other financial receivables	42,097	4,071
Derivative receivables - current	11,934	-
Total	**606,561**	**551,302**

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.

Financial receivables from joint ventures
These mainly refer to receivables from the joint venture OLT Offshore relating to the renewal of the loan granted by the Group for 439,000 thousand euro (unchanged compared to 31 December 2015), receivables from the joint venture Acque Potabili S.p.A. For 2,621 thousand euro (2,384 thousand euro at 31 December 2015) and receivables from the Iren Rinnovabili Group for 2,613 thousand euro (2,818 thousand euro at 31 December 2015).

Financial receivables from associates
The item refers to receivables from associates for single non-significant amounts. They refer mainly to receivables for dividends to be received. For further details please see the schedule of transactions with related parties shown in the annex.

Financial receivables from shareholders - related parties
These regard receivables from the Municipality of Turin on which interest accrues for the Group and they amounted to 106,383 thousand euro (102,643 thousand euro at 31 December 2015). They refer to the short-term balance of the current account, which governs transactions between the subsidiaries Iren Servizi e Innovazione S.p.A. and AMIAT S.p.A. and the Municipality of Turin. The accounting treatment of the aforementioned current account agreement determines a reduction of trade receivables represented as a generation of operating cash flows, and a corresponding increase in financial receivables, represented as a cash absorption in cash flows from financing activities.

These receivables form part of an overall position, totalling 182,058 thousand euro, and are divided among various accounting items according to their classification by type and maturity: Non-current financial assets (Note 8), Trade receivables (Note 12) and Current financial assets (Note 15) as shown in the table presented below.

thousands of euro

	31/12/2016	31/12/2015
Trade receivables for services on invoices issued	62,312	50,595
Trade receivables for services on invoices to be issued	7,222	5,918
Trade receivables for electricity and other supplies	8,555	8,256
Provisions for impairment of trade receivables	(2,637)	(7,770)
Total trade receivables	**75,452**	**56,999**
Non-current portion of financial receivables in current account	2,167	19,614
Non-current portion of financial receivables for interest	1,223	-
Provisions for impairment of financial receivables	(3,167)	-
Total non-current financial receivables	**223**	**19,614**
Current portion of financial receivables in current account	99,859	99,899
Current portion of financial receivables for interest	6,524	2,744
Total current financial receivables	**106,383**	**102,643**
Total	**182,058**	**179,256**

Provisions for impairment of financial receivables are generated by the reclassification of some of the amounts recognised as provisions for impairment of trade receivables.

Other financial receivables

These refer for 40,462 thousand euro to tied bank deposits of the subsidiary TRM S.p.A. deriving from the loan contract which specifies to bound the amounts relative to the instalment due, to the costs regarding environmental compensations and extraordinary maintenance. The remainder refers to receivables for dividends to be collected, accrued income and prepaid expenses of financial nature, sundry financial receivables and government bonds classified as available for sale.

Derivative receivables - current

These relate to the positive fair value of derivative contracts on commodities entered into by Iren Mercato.

NOTE 16_CASH AND CASH EQUIVALENTS

The item “Cash and cash equivalents” is made up as follows:

thousands of euro

	31/12/2016	31/12/2015
Bank and postal deposits	253,105	137,948
Cash and valuables in hand	579	1,628
Total	**253,684**	**139,576**

Cash and cash equivalents are represented by existing liquidity on bank and postal deposits. The Group does not hold cash equivalents, intended as 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 17_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 2,498 thousand euro (5,420 thousand euro at 31 December 2015).

For 2,200 thousand euro they refer to the equity investment in Ecoprogetto Tortona, classified among Assets held for sale because as the conditions precedent provided for at the second closing - aimed at the purchase of the remaining interest representing 60% of the company's share capital - had not been fulfilled, the purchase contract for the shares in the company Ecoprogetto Tortona S.r.l. signed on 13 November 2015 must be understood as terminated and ineffective. Therefore under the terms of the purchase contract, the IREN Group must return the 40% equity interest in the company Ecoprogetto Tortona S.r.l. to the Ladurner Group at the price originally paid of 2,200 thousand euro. At 31 December 2015, the investment was classified among equity investments in associates.

For 140 thousand euro (4,940 thousand euro at 31 December 2015) they refer to the equity investment in Plurigas in liquidation. The investment was classified among assets held for sale because during 2014 the company ceased to do business. In the absence of a reliable and comparable market reference, and therefore assuming a fair value equal to the portion of equity held by the Group (30%), the carrying amount of the equity investment is based on the value of the dividends distributed to Iren in financial year 2016 (4,800 thousand euro).

158 thousand euro (unchanged from 31 December 2015) refers to the associate Piana Ambiente.

In addition, assets held for sale include the investment in Fata Morgana which had been completely written down in previous periods.

Al 31 December 2015 322 thousand euro referred to the equity investment in SMAG was also present. This investment was sold in 2016.

LIABILITIES

NOTE 18_EQUITY

Equity may be analysed as follows:

thousands of euro

	31/12/2016	31/12/2015
Share capital	1,276,226	1,276,226
Reserves and retained Profits (Losses)	507,580	429,444
Net profit/(loss) for the period	173,980	118,193
Total equity attributable to owners of the Parent	**1,957,786**	**1,823,863**
Share capital and reserves attributable to non-controlling interests	319,035	215,923
Profit (loss) - non-controlling interests	11,276	21,880
Total consolidated equity	**2,288,097**	**2,061,666**

Share capital

The share capital amounts to 1,276,225,677 euro (unchanged compared to 31 December 2015), fully paid up, and consists of 1,181,725,677 ordinary shares with a face value of 1 euro each and 94,500,000 savings shares without voting rights with a face value of 1 euro each.

The 94,500,000 Iren savings shares, 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 rules 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

	31/12/2016	31/12/2015
Share premium reserve	105,102	105,102
Legal reserve	45,585	39,360
Hedging reserve	(8,421)	(36,665)
Other reserves and retained earnings (losses)	365,314	321,647
Total reserves	**507,580**	**429,444**

<u>Hedging reserve</u>

With the adoption of IAS 39, changes in the fair value of effective hedging derivatives are recognised with a contra-entry 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 electricity and gas purchase contracts.

<u>Other reserves and retained earnings (losses)</u>

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 2016, this item increased mainly as a result of the retained earnings from 2015. For further details, reference should be made to the statement of changes in equity.

NON-CURRENT LIABILITIES

NOTE 19_NON-CURRENT FINANCIAL LIABILITIES

They amounted to a total of 2,967,471 thousand euro (2,698,648 thousand euro at 31 December 2015).

Bonds

They amounted to 1,377,398 thousand euro (1,186,551 thousand euro at 31 December 2015). At 31 December 2016, the item consisted entirely of positions of the Parent Company referred to Private Placement and Public Bond issues (1,031,240 thousand euro at 31 December 2015).

Private Placement: a) Notes maturity 2020, coupon 4.37%, amount of issue 260 million euro, currently in issue for 185,120 million euro following the buy-back (tender offer) carried out in December 2015 and 2016; b) Notes maturity 2019, coupon 3%, amount of issue 100 million euro, currently in issue for 89.1 million following the tender offer as above.

Public Bond: a) Notes maturity 2021, coupon 3%, amount of issue 300 million, currently in issue for 186,273 million euro following repurchases as above; b) Notes maturity 2022, coupon 2.75%, amount of issue 500 million euro, currently in issue for 430,126 million following the tender offer of 2016; c) Notes maturity 2024, coupon 0.875%, amount 500 million euro, second issue in November 2016, as part of the EMTN programme increased to a total of 1.5 billion euro.

The bond loans were subscribed by Italian and foreign institutional investors and are listed on the Irish Stock Exchange; the Public Bonds were given a Fitch rating. The carrying amount refers to the amortised cost, in accordance with the IASs/IFRSs.

At 31 December 2015 the item also included for 155,311 thousand euro the two non-convertible bond loans (Puttable Bonds), issued in 2008, with original maturity 2021 which at 31 December 2016 were classified among Current Financial Liabilities because during December 2016, in line with the liability management strategy resolved by the Board of Directors of Iren S.p.A. at the meeting held on 18 October 2016, the directors of the Group decided to proceed with voluntary early repayment of the two non-convertible bond loans, to be carried out in September 2017 at the moment of the maturities of the related interest instalments.

Non-current bank loans

Medium/long-term loans relate exclusively to the non-current portion of bank loans and amount to 1,458,486 thousand euro (1,477,052 thousand euro at 31 December 2015).

Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and maturity date, as shown in the following table:

thousands of euro

	fixed rate	floating rate	TOTAL
min/max interest rate	2.79% - 5.249%	0.00% - 2.579%	
maturity	2018-2027	2018-2030	
2018	62,499	186,759	249,258
2019	58,845	220,029	278,874
2020	61,085	82,143	143,228
2021	63,412	50,343	113,755
subsequent	305,538	367,833	673,371
Total payables at 31/12/2016	**551,379**	**907,107**	**1,458,486**
Total payables at 31/12/2015	**660,699**	**816,353**	**1,477,052**

All loans are denominated in euro.

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

thousands of euro

	31/12/2015 Total payables	Increases	Changes in consolidation scope	Repayments	Change to amortised cost	31/12/2016 Total payables
- fixed rate	**660,699**	-	1,559	(111,059)	179	**551,379**
- floating-rate	**816,353**	70,000	327,823	(304,646)	(2,422)	**907,107**
TOTAL	**1,477,052**	**70,000**	**329,382**	**(415,705)**	**(2,243)**	**1,458,486**

Total non-current loans at 31 December 2016 decreased compared to 31 December 2015 due to the following variations:

- increases of 70 million euro, owing to disbursement to the Parent Company of new loans: 20 million euro from Banca di Piacenza and 50 million euro from the EIB, as part of the ceiling on the Genoa and Parma water services project;
- inclusion in the consolidation scope from 2016 of TRM S.p.A., with the related medium-long term debt position for 325,680 euro thousand (project financing) and of Atena S.p.A., with the related loan positions for a total of 3,702 thousand euro;
- reduction of a total of 415,705 thousand euro, owing both to early repayment of loans (200 million euro at floating rate of the Parent Company from Cassa Depositi e Prestiti, Banca Regionale Europea and Unicredit), and to the classification to short term of the portions of loans maturing within the next 12 months;
- changes in amortised cost for the purpose of IAS accounting of loans.

Other financial liabilities

These amount to 131,587 thousand euro (31 December 2015: 35,045 thousand euro), and refer:

- for 117,627 thousand euro (32,369 thousand euro at 31 December 2015) to the fair value of derivative contracts entered into to hedge exposure to interest rate risk on floating rate loans, the increase in which is due for 89,857 thousand euro to the consolidation of TRM S.p.A. from January 2016 (for comments see the paragraph "Group financial risk management");
- for 10,277 thousand euro (not present at 31 December 2015) to the long-term portion of the debt resulting from the operation to acquire the right to use 25% of the total capacity of the TLC network sold to BT Enia, which occurred during the year;
- for 3,683 thousand euro (31 December 2015: 2,676 thousand euro) to sundry financial payables.

NOTE 20_EMPLOYEE BENEFITS

Changes in this item in 2016 were as follows:

thousands of euro

Amount at 31/12/2015	**135,092**
Current service costs	539
Financial expenses	1,991
Disbursements of the period	(10,096)
Actuarial (gains)/losses	1,226
Changes in consolidation scope	5,074
Other changes	(899)
Amount at 31/12/2016	**132,927**

The item “Changes in consolidation scope” refers to the balances acquired during the first half of the year relating to the companies TRM S.p.A., Atena S.p.A. Atena Trading and REI.

Liabilities for employee benefits consist of:

Post-employment benefits
Post-employment benefits underwent the following movements during 2016:

thousands of euro

Amount at 31/12/2015	**96,546**
Current service costs	224
Financial expenses	1,330
Disbursements of the period	(8,355)
Actuarial (gains)/losses	2,409
Changes in consolidation scope	4,552
Other changes	(529)
Amount at 31/12/2016	**96,177**

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

<u>Additional months' salaries (long-service bonus)</u>

thousands of euro

Amount at 31/12/2015	**3,176**
Current service costs	109
Financial expenses	43
Disbursements of the period	(12)
Actuarial (gains)/losses	158
Other changes	18
Amount at 31/12/2016	**3,492**

<u>Loyalty bonus</u>

thousands of euro

Amount at 31/12/2015	**3,132**
Current service costs	102
Financial expenses	64
Disbursements of the period	(183)
Actuarial (gains)/losses	(4)
Other changes	(4)
Amount at 31/12/2016	**3,107**

Tariff discounts

	thousands of euro
Amount at 31/12/2015	**26,862**
Current service costs	104
Financial expenses	483
Disbursements of the period	(1,064)
Actuarial (gains)/losses	(650)
Changes in consolidation scope	522
Other changes	(384)
Amount at 31/12/2016	**25,873**

Premungas fund

	thousands of euro
Amount at 31/12/2015	**5,376**
Financial expenses	71
Disbursements of the period	(482)
Actuarial (gains)/losses	(687)
Amount at 31/12/2016	**4,278**

Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries.

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 electricity 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	0.39% - 1.31%
Annual inflation rate	1.50%
Annual rate of electricity price increase	2.00%
Annual increase rate of post-employment benefits	2.63%

Pursuant to IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the following year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the following table.

	Change in liabilities according to changes in discount rate		Service cost 2017	Duration of the plan
	+0.25%	-0.25%		
Post-employment benefits	(1,965)	2,229	291	9.5
Additional monthly salaries	(88)	83	274	7.8
Loyalty bonus	-	-	136	8.1
Tariff discounts	(813)	854	207	14.8
Premungas	(84)	87	-	8.4

NOTE 21_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	Provisions in the period	Utilisations	Decr-eases	(Income) expense from discounting	Reclassifica-tions	Changes in consolidation scope	Closing balance	Current portion
Provisions for restoration of third-party assets	134,642	12,390	(1,770)	-	907	-	-	146,169	1,895
Provisions for landfill post-closure	31,705	1,352	(2,815)	(4,736)	1,271	-	-	26,777	5,420
Provisions for dismantling and reclaiming sites	27,673	88	(704)	-	2,539	-	9,246	38,842	1,946
Provisions for CIG/CIGS	11,598	744	(192)	(264)	-	-	-	11,886	-
Provisions for early retirement expenses	31,940	11,475	(14,534)	(2,571)	-	-	-	26,310	10,176
Provisions for risks on investments	10,651	-	(506)	(145)	-	-	65	10,065	10,065
Other provisions for risks and charges	142,498	68,023	(25,401)	(16,345)	646	(2,970)	21,545	187,996	105,503
Total	**390,707**	**94,072**	**(45,922)**	**(24,061)**	**5,363**	**(2,970)**	**30,856**	**448,045**	**135,005**

If the effect of discounting the value of money is significant, the provisions are discounted using a pre-tax discount rate which, on the basis of the time period envisaged for the future cash flows, does not exceed 2.80%.

The column "Changes in consolidation scope" refers to the balances acquired during the year relating to the companies TRM S.p.A. and Atena S.p.A. Specifically, the item "Provisions for risks and charges" refers for 19,350 thousand euro to charges for TRM S.p.A. environmental offsets; these are classified under the current portion of the provision (Note 28).

Provisions for restoration of third-party assets

These provisions refer mainly to liabilities which, if the 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 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 aside the aforementioned provisions. The remainder of the provisions represents an estimate of the expense necessary to return assets in concession of the hydroelectric sector in perfect working order.

<u>"Post mortem" provisions</u>

These are mainly provisions for future expense for environmental recovery of controlled burial plants which also include costs for post-operating management until the sites involved have been completely converted 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 31 December 2016. Decreases also refer to the utilisation of the provision to cover costs incurred over the period (related to closed lots of plants still active), 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.

<u>Provisions for dismantling and reclaiming sites</u>

The "Provision for dismantling and reclaiming sites" represents the estimate of expense associated with the future dismantling of the Group's waste-to-energy plants and the estimate of charges to be incurred in relation to the future reclamation of former AMNU land on which an incinerator was located.

<u>Provisions for CIG/CIGS</u>

The provisions 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. The Directors consequently decided to arrange regular payment of the redundancy payment CIG (and CIGS and mobility) contributions from 2014. These provisions continue to include the prudential estimate of potential additional amounts and collection charges for a total of 11,886 thousand euro.

<u>Provisions for early retirement expenses</u>

The provisions refer to expenses associated with early retirement of some employees and arises from the results of agreements between the Iren Group and the Trade Unions that provide for incentives for accompaniment to retirement of some employees, through acceptances on a voluntary basis among the Group's workers potentially interested. The operation must be seen in the wider context of professional and demographic rebalancing of the Iren Group's personnel, in view of a plan to recruit young people.
The incentive, completely chargeable to the Iren Group (in application of Art. 4 of Italian Law 92/2012), will enable the personnel in possession of the legal requisites to retire in advance with respect to the date of eligibility, making up in part for the delay in terminating the employment determined after the reform of the pensions system.
The provisions represent the estimated payment to the employees involved in the Plan, through the INPS, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules (isopension) with payment to the INPS of the contribution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.

<u>Provisions for risks on equity investments</u>

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

<u>Other provisions for risks and charges</u>

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, the estimate on charges related to the return of emissions quotas, charges for environmental offsets, liabilities for tax

disputes, including that of the subsidiary Mediterranea delle Acque, and probable charges for various disputes. For more details on the liability for the tax dispute of the subsidiary Mediterranea delle Acque please see note 43 Income tax expense.
The decreases of other funds for risks and charges mainly relate to the elimination of risks concerning the realization and management of industrial plants as well as other risks of various kinds.
The current portion referring to the provisions described above was presented under "provisions, current portion" (Note 28).

NOTE 22_DEFERRED TAX LIABILITIES

Deferred tax liabilities of 203,653 thousand euro (141,840 thousand euro at 31 December 2015) 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.
The increase compared to 31 December 2015 is mainly attributable to the full consolidation of TRM and includes 78,771 thousand euro for the component relative to the allocation of the surplus from the acquisition of TRM S.p.A., already noted in the section "Changes in full consolidation scope".
For further details reference should be made to the income statement, Note 43 "Income tax expense" and to the statement in the annex.

NOTE 23_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

thousands of euro

	31/12/2016	31/12/2015
Payables after one year	33,719	35,548
Deferred income for grants related to plants – non current	166,882	165,639
Non-current accrued expenses and deferred income	2,866	4,022
Total	**203,467**	**205,209**

The item "Payables after 12 months" refers to advances paid by users to guarantee water supply, to amounts related to previous years to be paid for the redundancy fund (CIG), for the extraordinary redundancy fund (CIGS) and for mobility and tax payables for substitutive taxes to be paid at more than 12 months from the reporting date.

CURRENT LIABILITIES

NOTE 24_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

	31/12/2016	31/12/2015
Bank loans	388,892	171,216
Financial payables to joint ventures	-	1,369
Financial payables to associates	155	107
Financial payables to related-party shareholders	726	
Financial payables to others	10,058	28,915
Current liabilities for derivatives	-	13,004
Total	**399,831**	**214,611**

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

thousands of euro

	31/12/2016	31/12/2015
Bonds	178,554	-
Loans - current portion	198,924	152,865
Other current payables to banks	76	6,329
Accrued financial expenses and deferred financial income	11,338	12,022
Total	**388,892**	**171,216**

During December 2016, in line with the liability management strategy resolved by the Board of Directors of Iren S.p.A. at its meeting on 18 October 2016, the directors of the Group decided to proceed with voluntary early repayment of the two non-convertible bond loans (the so-called Puttable Bonds), to be carried out in September 2017 at the moment of the maturities of the related interest instalments.
In consideration of the above the Company redetermined the value of the financial liability at 31 December 2016, on the basis of the provisions of IAS39 pAG8, according to which *if an entity revises its estimates of payments or receipts, it must recalculate the gross carrying amount of the financial asset or financial liability to reflect the revised effective estimated future cash flows*. In particular, the carrying amount is determined calculating the present value of the estimated future cash flows at the original effective interest rate of the financial instrument and any adjustment is recognised as income or expense in the income statement.
In the case in question, as a result of the redetermination described above, in the financial statements at 31 December 2016 a financial liability was recognised for an amount of 178,554 thousand euro and a corresponding financial expense of 23,243 thousand euro.

Financial payables to joint ventures
Zero at 31 December 2016. At 31 December 2015, these related to amounts due to the Iren Rinnovabili Group.

Financial payables to associates

This item relates to amounts due to the company Valle Dora Energia for the centralised treasury relationship with Iren S.p.A.

Financial payables to related-party shareholders

This item relates to dividends of the company TRM S.p.A. still to be paid to the shareholder Municipality of Turin.

Financial payables to others

These regard mainly payables to factoring companies for the portions collected from customers and to be paid to the factor and payables for dividends to be paid. The decrease compared to 31 December 2015 is due mainly to the reduction in the exposure to factoring companies.

Current liabilities for derivatives

At 31 December 2015, these related to the negative fair value of derivative contracts on commodities entered into by Iren Mercato. Not present at 31 December 2016 because the fair value is positive.

NOTE 25_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

	31/12/2016	31/12/2015
Trade payables	784,332	667,139
Trade payables to joint ventures	629	217
Trade payables to associates	15,194	36,368
Trade payables to related-party shareholders	18,390	18,362
Trade payables to other related parties	2,936	8,191
Advances due within one year	12,391	45,979
Guarantee deposits due within one year	14,256	21,048
Charges to be reimbursed within one year	1,392	1,392
Total	**849,520**	**798,696**

The increase in trade payables is mainly due to the full consolidation of Atena, Atena Trading and TRM S.p.A ..

NOTE 26_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

	31/12/2016	31/12/2015
VAT payable	2,624	8,384
Revenue tax/UTIF payable	8,572	-
IRPEF payable	586	9,279
Other tax liabilities	22,098	11,526
Tax liabilities due within one year	**33,880**	**29,189**
Payables to employees	39,170	33,672
Payables to Cassa Servizi Energetici e Ambientali (CSEA)	64,822	58,132
Accounts payable to social security institutions within one year	23,030	17,208
Other current liabilities	94,581	69,281
Other payables due within one year	**221,603**	**178,293**
Accrued expenses and deferred income	15,417	12,751
Total	**270,900**	**220,233**

The increase in payables for income taxes is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.

The other current liabilities include, among other things, the cost estimates for environmental expenses (passive green certificates), for the obligations related to energy efficiency certificates and payables for purification fees.

NOTE 27_CURRENT TAX LIABILITIES

Current tax liabilities amounting to 32,695 thousand euro (21,687 thousand euro at 31 December 2015) consist of IRES and IRAP payables, and was determined on the basis of the estimate of taxes for the year.

NOTE 28_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounted to 135,005 thousand euro (98,405 thousand euro at 31 December 2015) and refers to the short-term portion of the provisions, divided as follows:

- provisions for risks of 69,871 thousand euro;
- provisions for environmental offset charges of 19,350 thousand euro;
- provisions for charges related to the obligation to return emission quotas of 16,282 thousand euro;
- provisions for equity investment risks of 10,065 thousand euro, mainly related to the associate Sinergie Italiane,
- provisions for charges related to voluntary retirement of personnel of 10,176 thousand euro;
- provisions for restoration of third-party assets of 1,895 thousand euro;
- provisions for dismantling and reclaiming sites and post-closure provisions of 7,366 thousand euro, which are expected to be used within the next 12 months.

For further details on the breakdown of and changes in provisions for risks and charges see Note 21.

NOTE 29_LIABILITIES RELATED TO ASSETS HELD FOR SALE

There were liabilities related to assets held for sale at 31 December 2016.

FINANCIAL POSITION

The net financial debt, 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

	31/12/2016	31/12/2015
Non-current financial assets	(49,950)	(53,012)
Non-current financial indebtedness	2,967,471	2,698,648
Non-current financial debt	**2,917,521**	**2,645,636**
Current financial assets	(860,245)	(690,878)
Current financial debt	399,831	214,611
Current net financial debt	**(460,414)**	**(476,267)**
Net financial debt	**2,457,107**	**2,169,369**

Detail of Net Financial Position regarding related parties

Non-current financial assets relate for 223 thousand euro to receivables from the Municipality of Turin, for 29,030 thousand euro to receivables from the joint ventures of the Iren Rinnovabili Group and for 3,687 thousand euro to receivables from associates.

Current financial assets relate for 106,383 thousand euro to the short-term balance of the current account and the related interest between the subsidiaries Iren Servizi e Innovazione and AMIAT and the municipality of Turin, for 439,000 thousand euro to receivables from the joint venture OLT Offshore, for 2,621 thousand euro to receivables from the joint venture Acque Potabili, for 2,613 thousand euro to receivables from the joint venture Iren Rinnovabili and its subsidiaries and for 1,913 thousand euro to receivables from associates.

Current financial liabilities relate for 155 thousand euro to payables to the subsidiary Valle Dora Energia.

Below is the net financial position in the format proposed by the CESR recommendation of 10 February 2005 transposed with CONSOB Communication of 28 July 2006, which does not include non-current financial assets.

thousands of euro

	31/12/2016	31/12/2015
A. Cash in hand	(253,684)	(139,576)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**(253,684)**	**(139,576)**
E. Current financial receivables	**(606,561)**	**(551,302)**
F. Current bank debt	189,968	18,351
G. Current portion of non-current debt	198,924	152,865
H. Other current financial debt	10,939	43,395
I. Current financial debt (F)+(G)+(H)	**399,831**	**214,611**
J. Net current financial debt (I) – (E) – (D)	**(460,414)**	**(476,267)**
K. Non-current bank debt	1,458,486	1,477,052
L. Bonds issued	1,377,398	1,186,552
M. Other non-current debt	131,587	35,045
N. Non-current financial debt (K) + (L) + (M)	**2,967,471**	**2,698,649**
O. Net financial debt (J) + (N)	**2,507,057**	**2,222,382**

IX. NOTES TO THE INCOME STATEMENT

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

The Group's consolidated income statement includes the financial figures of the subsidiaries TRM Holding S.p.A., TRM V. S.p.A. and TRM S.p.A. as from 01 January 2016 and the subsidiaries Atena S.p.A. and Atena Trading S.r.l. as from 01 May 2016; the economic results of financial year 2016 are therefore affected by the inclusion of these entities in the consolidation scope.
We can also note that the income statement items of financial year 2015 include the results of the "Ramo Ligure" business unit acquired from Acque Potabili S.p.A. Starting from 1 July 2015, the date of effectiveness of the operation.

REVENUE

NOTE 30_REVENUE FROM GOODS AND SERVICES

This item amounted to 3,042,735 thousand euro (2,849,677 thousand euro in financial year 2015). For further details on the trend in revenues by business segments see the tables in paragraph XI Segment Reporting.

NOTE 31_CHANGE IN WORK IN PROGRESS

The item, positive, amounted to 14,174 thousand euro (8,576 thousand euro in financial year 2015) and refers mainly to accounting for the work in progress on the Turin LED Project for 9,066 thousand euro and the progress on the project to make the municipal heating plants more energy efficient for 5,078 thousand euro.

NOTE 32_OTHER INCOME

Other income totalled 226,106 thousand euro (235,859 thousand euro in financial year 2015) and refers to contributions, revenue for energy certificates and sundry income. The tables below show the details of the single items.

Contributions

thousands of euro

	Financial year 2016	Financial year 2015
Grants related to plant	8,288	8,505
Connection contributions	7,732	8,448
Other grants	1,050	949
Total	**17,070**	**17,902**

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

	Financial year 2016	Financial year 2015
Revenue from Emission Trading	1,312	2,538
Revenue from ex-Green Certificates incentive	83,856	82,787
Revenue from White Certificates	61,352	28,599
Total	**146,520**	**113,924**

We can note that, as established by the Ministerial Decree of 6 July 2012, starting from 2016 the incentive mechanism using Green Certificates has been replaced by a new form of incentive. The subjects that have gained the right to Green Certificates (owners of plants with IAFR – Impianto Alimentato da Fonti Rinnovabili - Plant Powered by Renewable Sources qualification) conserve the benefit up to the end of the subsidy period, but in a different form. The new mechanism, in fact, instead of being based on the issue of tradeable certificates, guarantees on electricity production the payment by the GSE of an additional tariff in euro with respect to the revenue deriving from selling the energy.
Revenue for the ex-Green Certificates incentive during financial year 2016 includes, inter alia, the accrual of the incentive relating to the TRM waste-to-energy plant.
The increase in revenue for white certificates was the result essentially of rising trends in the prices recorded in financial year 2016.

Other income

thousands of euro

	Financial year 2016	Financial year 2015
Revenue from service contracts	3,548	11,323
Revenue from rental income and leases	1,387	1,552
Capital gains on goods disposal	922	3,113
Insurance reimbursement	8,076	565
Sundry repayments	6,665	7,416
Other revenue and income	41,918	80,064
Total	**62,516**	**104,033**

The item “insurance reimbursement” consists mainly of compensation for damage to water plants due to flooding.
The item “Other revenue and income” includes, inter alia, income relating to the energy system of previous years. The figure for the comparative period includes adjustments to previous estimates on payables to suppliers and electricity equalisation.

COSTS

NOTE 33_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

thousands of euro

	Financial year 2016	Financial year 2015
Purchase of electricity	292,969	232,949
Purchase of gas	556,943	669,630
Purchase of heat	106	78
Purchase of other fuels	171	1,154
Purchase of water	1,849	720
Other raw materials and inventory materials	60,886	75,233
Emission Trading	16,210	20,278
Green certificates	57	10,665
White certificates	50,328	19,487
Change in inventories	17,809	(6,230)
Total	**997,328**	**1,023,964**

The costs for raw materials, consumables, supplies and goods fell by approximately 27 million euro. The decrease is essentially the result of price trends of gas purchases recorded over the year, partially offset by the measurement of obligations for white certificates (given the rising trend of market prices in 2016), by greater purchases of electricity and by the change in inventories (mainly associated with the trend of gas storage).

NOTE 34_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services amounted to 1,002,828 thousand euro (899,126 thousand euro in 2015) and are detailed in the table below:

thousands of euro

	Financial year 2016	Financial year 2015
Electricity transport and electricity system expenses	531,868	389,770
Gas carriage	45,778	40,226
Third-party works, maintenance and industrial services	123,229	182,719
Collection and disposal, snow clearing, public parks	138,674	159,186
Expenses related to personnel (canteen, training, travel)	9,886	7,190
Technical, administrative and commercial consulting, and advertising expenses	57,541	30,004
Legal and notary fees	5,712	4,420
Insurance	15,906	15,482
Banking costs	7,264	8,467
Telephone costs	6,428	5,356
IT expenses	20,439	13,151
Reading and invoicing services	12,785	10,105
Fees of the Board of Statutory Auditors	917	1,183
Other costs for services	26,401	31,867
Total costs for services	**1,002,828**	**899,126**

The increase in “Costs for services” refers essentially to electricity transport costs, electricity system expenses and commercial promotion services to business and retail customers.
Costs for third-party works mainly relate to operating and maintenance costs of plants and networks.
“Other costs for services” consist of the remaining costs for internal consumption, transport and other services.
We can note that the comparative figure of the “costs of collection and disposal” included in 2015 the disposal costs related to the waste-to-energy plant of TRM, a company fully consolidated in financial year 2016.

Costs for the use of third-party assets amounted to 41,061 thousand euro (2015: 47,339 thousand euro). 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, land-crossing easements, operating lease rentals (including rents paid for the buildings in the Core MultiUtilities fund), hiring, IT fees and sundry rentals.

NOTE 35_OTHER OPERATING EXPENSE

Other operating expenses amounted to 90,011 thousand euro (111,067 thousand euro in 2015) and are detailed in the table below:

thousands of euro

	Financial year 2016	Financial year 2015
General expenses	17,822	9,620
Instalments and higher instalments for water shunting	15,951	15,624
Taxes and duties	20,252	25,057
Contingent liabilities	21,028	45,407
Capital losses on goods disposal	538	1,390
Other sundry operating expenses	14,408	13,969
Total	**89,999**	**111,067**

General expenses, which include among other things operating grants to various entities, increased owing to recognition in the year of penalties from service providers. The drop in “Taxes and duties” relates mainly to expenses for IMU (Council Tax) on the Group’s plants and buildings; the item also includes expenses for occupying and reclaiming public land. “Other operating expenses” refer mainly to the environmental indemnities payable by the Group, which rose due to the consolidation of TRM S.p.A. Contingent liabilities relate to closures of equalisation estimates and energy securities; they show a reduction with respect to the comparative period, which contained adjustments of electricity transport expenses of previous years.

NOTE 36_CAPITALISED EXPENSES FOR INTERNAL WORK

“Capitalised expenses for internal work” amounted to 22,328 thousand euro (22,870 thousand euro in 2015), and represent increases in balance sheet assets realised with resources and internal production factors.

thousands of euro

	Financial year 2016	Financial year 2015
Capitalised labour costs	(15,264)	(16,488)
Capitalised inventory materials	(7,064)	(6,382)
Total	**(22,328)**	**(22,870)**

NOTE 37_PERSONNEL EXPENSE

Personnel expense amounted to 359,956 thousand euro (357,722 thousand euro in 2015) and is detailed in the table below:

thousands of euro

	Financial year 2016	Financial year 2015
Gross remuneration	249,353	247,124
Social security contributions	80,253	84,003
Post-employment benefits	161	332
Other long-term employee benefits	339	529
Other personnel expense	28,379	24,320
Directors' fees	1,471	1,414
Total	**359,956**	**357,722**

As described in Note 36, 15,264 thousand euro of costs related to employees were capitalised.

Other personnel expenses include the social security and recreational contributions, 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. Other personnel expense also includes the adjustment of provisions set aside for expenses associated with early retirement incentives, to which the change in the item in the period is mainly attributable.
The increase in personnel expenses related to remuneration was essentially due to consolidation from an economic point of view of ATENA starting from 01 May 2016, and to a lesser extent, the consolidation of TRM S.p.A. from the start of the period.

The personnel composition is shown in the following table.

	Financial year 2016	Financial year 2015	Average for the period
Senior managers	95	82	95
Junior managers	251	238	246
White collar	2,877	2,859	2,880
Blue collar	3,003	2,953	3,001
Total	**6,226**	**6,132**	**6,222**

We can note that the number of employees at 31 December 2016 does not include employees of the company REI, 6 people, because the company was acquired at the end of financial year 2016 and does not contribute to determining the Group's personnel expenses.

NOTE 38_AMORTISATION/DEPRECIATION

Depreciation/amortisation of the period amounted to 304,435 thousand euro (267,609 thousand euro in 2015).

thousands of euro

	Financial year 2016	Financial year 2015
Property, plant and equipment and investment property	213,800	189,070
Intangible assets	90,635	78,539
Total	**304,435**	**267,609**

The change in this item compared to the previous year essentially refers to the inclusion of TRM S.p.A. and the ATENA group in the consolidation scope.
For further details on depreciation/amortisation, reference should be made to the tables of changes in property, plant and equipment and intangible assets.

NOTE 39_PROVISIONS AND IMPAIRMENT LOSSES

This item amounts to 82,910 thousand euro (63,334 thousand euro in 2015).

thousands of euro

	Financial year 2016	Financial year 2015
Provisions set aside for impairment of receivables	52,141	49,802
Provisions set aside for risks and restoration of third-party assets	41,321	34,250
Provision releases	(22,185)	(25,805)
Impairment losses	11,633	5,087
Total	**82,910**	**63,334**

The trend in provisions for risks refers mainly to disputes pertinent to industrial sites, whereas the provision releases for the period refer substantially to the risk associated with the Group's electricity generation plants not materialising.
Impairment losses for the period on the one hand originate from the downward adjustment of the market price of part of the stock of emission rights in the portfolio and, on the other, from the write-down of certain specific assets.
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".

NOTE 40_FINANCIAL OPERATIONS

Financial income
Financial income amounted to 40,087 thousand euro (31,977 thousand euro in 2015). The details are shown in the following table:

thousands of euro

	Financial year 2016	Financial year 2015
Dividends	1,614	1,304
Bank interest income	219	121
Interest income from receivables/loans	32,850	20,799
Interest income from customers	1,914	4,417
Fair value gains on derivatives	2,557	1,577
Gains made on derivatives	163	-
Gains on financial assets disposal	56	1,920
Exchange rate gains	27	249
Other financial income	687	1,590
Total	**40,087**	**31,977**

Interest income from receivables/loans refers to interest income from the joint venture OLT Offshore (14,958 thousand euro), interest on receivables accrued on the current accounts between the Group and the Municipality of Turin (3,773 thousand euro) and the income related to recognition of the right to return of the interest, paid in previous years, in relation to the favourable judgement on the recovery of state aid ("moratoria fiscale") for a total of 12,702 thousand euro.

The capital gain on the disposal of financial assets present in 2015 referred to the sale of the company VEA Energia e Ambiente.

Financial expenses

This item amounted to 177,000 thousand euro (126,808 thousand euro in 2015). The breakdown of financial expenses is provided in the following table:

thousands of euro

	Financial year 2016	Financial year 2015
Interest expense on loans	42,547	47,089
Interest expense on bonds	89,591	47,598
Interest expense on bank current accounts	113	800
Other interest expense	1,489	4,400
Capitalised financial expenses	-	(21)
Derivative fair value charges	3,850	4,122
Expenses paid on derivatives	26,343	11,729
Loss on financial assets disposal	118	2
Interest cost – Employee benefits	1,991	1,602
Exchange rate losses	4	4
Other financial expenses	10,954	9,483
Total	**177,000**	**126,808**

Interest on bonds of the period include expenses for liability management operations regarding bonds issued in previous years for 44,8 million euro. The amount of the items was affected also by interest, throughout the period, on the Public Bond issued in November 2015 and by interest on the Public Bond issued in November 2016.
Interest on loans and bonds includes the expenses relating to the measurement at amortised cost.
Derivative fair value expenses consist of changes in fair value and the reversal of a portion of the cash flow hedging reserve to the income statement relating to certain hedging positions that do not meet the formal requirements for the application of hedge accounting.
As from 01 January 2016, the derivative contracts expenses include the portion referring to the full consolidation of TRM S.p.A.
Reference should be made to the note to the statement of financial position on the item "Employee benefits" for details of financial expenses on employee benefits.
Other financial expenses mainly include financial expenses for the discounting of provisions.

NOTE 41_SHARE OF PROFIT OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

The profit of associates accounted for using the equity method amounted to 3,639 thousand euro (a loss of 6,254 thousand euro in 2015). The change between the periods in analysis (+9,893 thousand euro) was mainly due to the better result for the period of the investee OLT Offshore LNG Toscana, partially offset by the change in the results of other associates and joint ventures. In financial year 2015, this item included the pro-rata results for TRM V. and ATENA, which are now fully consolidated.
For more details please see Note 5 "Investments accounted for using the equity method".

NOTE 42_VALUE ADJUSTMENTS ON EQUITY INVESTMENTS

These amounted to 9,857 thousand euro (not present in 2015), and refer for 10,499 thousand euro to the restatement at fair value, at the date the controlling stake was acquired of the minority interest held at 31 December 2015, in TRM V., partially offset by some impairment losses of other smaller equity investments.

NOTE 43_INCOME TAX EXPENSE

The breakdown of taxes is provided in the following table:

thousands of euro

	Financial year 2016	Financial year 2015
Current taxes (IRES)	91,420	84,198
Current taxes (IRAP)	23,937	17,849
Current taxes (IRES and IRAP) previous years	10,665	843
Deferred tax assets	13,211	24,730
Deferred tax liabilities	(21,081)	(21,958)
Total	**118,152**	**105,662**

Income taxes for 2016 are estimated at 118,152 thousand euro (105,662 thousand euro in 2015).
The increase was mainly due to the risk of recovery of taxes for Mediterranea delle Acque, information on which in previous years was provided in the paragraph “Contingent liabilities”, partially offset with the recalculation of the taxes of previous years.

With reference to recovery of taxes for Mediterranea delle Acque, these relate to the dispute with the Revenues Agency, already described in detail in previous financial statements, concerning the assessment notices for the years 2003 - 2011 issued under the terms of art. 37 *bis* paragraph 4 DPR 600/73, related to the deduction made of depreciation concerning the contribution of the business unit on 23 December 1999 made by AMGA S.p.A. On 29 December 2016, the Liguria Regional Tax Commission, for the years from 2003 to 2006, filed the judgements with which it confirmed the verdicts of the first-level judgements and, therefore, ordered that the higher taxes assessed are payable confirming the non-application of the sanctions imposed.
With reference to the years 2007 and 2008, challenged by the Company on 6 November 2015, the date for a hearing in the Regional Tax Commission has not yet been set.
In the same way, a date has not yet been set for discussion of the appeal presented by the Revenues Agency challenging the judgement fully favourable to the Company at the first level related to tax year 2009, while, with a judgement filed on 30 August 2016, the Regional Tax Commission ruled in favour of the financial administration, limited to the tax, related to the years 2010 and 2011.
Although they have already been the subject of a tax audit carried out by the Liguria Regional Department, no notices of assessment have yet been served in relation to the tax periods 2012 and 2013.
In the light of the factual circumstances described above the need arose to re-examine the risk estimate, above all in consideration of the (partially) negative result of the second-level dispute related to the assessment notices issued with reference to the tax years from 2003 to 2006.
This result, in all probability, will condition the solution of the other tax disputes pending (for the tax years 2007 and following) before the court of merit.
As mentioned above, the company has obtained positive responses, in the context of the judgements challenged, only limited to the aspect of sanctions.
The Tax Commissions appealed to, in fact, decided that they had to proceed to revoke the sanctions imposed, in consideration of the conditions of objective uncertainty on the range and scope of the rules applied to the case examined (*cf.,* art. 8 of Italian Legislative Decree no. 546 of 1992). However, on the merit, although with debatable grounds, the said Commissions confirmed (with reference to the most important part of the assessment notices served) the recovery of taxation made by the Revenues Agency.

Only with regard to tax year 2009, the first-level Court decided to accept fully the appeal lodged.
Considering what has been said, therefore, the risk of losing the cases, with reference to the disputes currently pending can be estimated as:

- probable, for the part related to the taxes assessed;
- remote, for the part relating to the sanctions imposed.

It is necessary to note however that, on basis of the opinion issued by the legal consultants that assist the company, with respect to the aforementioned judgements filed, there should be margins for appealing them to the Court of Cassation. This, as is well-known, makes a judgement of constitutionality on the judgements issued by the court of merit and it seems the body most appropriate for examining the said questions which relate, evidently, to aspects of law and of correct interpretation of the tax legislation.
This said, at the moment we do not believe that conditions exist such as to lead us to consider necessary a change with respect to the tax treatment that has always been adopted by Mediterranea delle Acque S.p.A. However, taking into account what is provided for in the accounting standard if the risk of the liabilities becoming manifest is deemed probable, it has been considered opportune to make a provision for risks for the amount corresponding to the total at 31 December 2016 of the higher taxes of 17,306 thousand euro connected with this dispute, as well as the interest and collection expenses of 3,804 thousand euro allocated to the corresponding accounting items.

Current taxes are made up for 91 million euro of IRES (corporate income tax) and 24 million euro of IRAP (regional business tax). It should also be noted that income taxes reflected the effect on net deferred tax assets of the reduction in the IRES rate from 27.5% to 24% starting from 2017 (2016 Stability Law) which entailed higher taxes of approximately 7 million euro.

We can note that, starting from 2010, Iren S.p.A. adopted the tax consolidation scheme pursuant to Arts 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.
The tax consolidation scope for 2016 includes the following companies, in addition to the consolidating company Iren S.p.A.: IRETI (formerly Iren Emilia and acquiring company of Iren Acqua Gas, AEM Torino Distribuzione, Aga, Eniatel, Genova Reti Gas and Acquedotto di Savona), Iren Servizi e Innovazione, Iren Mercato, Iren Energia (acquiring company of TLR V), Iren Gestioni Energetiche, Mediterranea delle Acque, Immobiliare delle Fabbriche, Iren Ambiente (acquiring company of Iren Ambiente Holding and Tecnoborgo), Iren Rinnovabili, Green Source, Enìa Solaris, Varsi Fotovoltaico, Millenaria Fotovoltaico and AMIAT.
All financial and legal transactions between the parties are governed by the specific intra-group agreement between the companies involved and the parent, Iren S.p.A.

The table below shows the breakdown of the tax rate for financial year 2016 and for financial year 2015.

thousands of euro

	Financial year 2016		Financial year 2015	
Profit/(loss) before tax	303,409		245,735	
IRES tax	83,434	27.5%	67,577	27.5%
Permanent differences	3,453	1.1%	5,188	2.1%
Deferred tax asset and liability rate recalculations	1,610	0.5%	13,190	5.4%
IRAP	23,850	7.9%	17,849	7.3%
IRES surcharge	-	0.0%	-	0.0%
Previous years' taxes and other differences	5,806	1.9%	1,858	0.8%
Total taxes in the income statement	**118,153**	**38.9%**	**105,662**	**43.0%**

The adjusted tax rate, net of the extraordinary events of 2016 indicated above, is approximately 35%.

The following table shows deferred tax assets and liabilities and their impact.

thousands of euro

	Financial year 2016	Financial year 2015
Deferred tax assets		
Non-taxable provisions	105,134	125,079
Differences in value of fixed assets	116,170	114,425
Derivatives	26,419	10,960
Other	17,342	2,348
Total	**265,065**	**252,812**
Deferred tax liabilities		
Differences in value of fixed assets	193,891	128,969
Provisions for impairment of receivables	3,246	11,964
Other provisions	4,405	0
Other	2,111	907
Total	**203,653**	**141,840**
Total net deferred tax assets (liabilities)	**61,412**	**110,972**
Total change	**(49,560)**	
of which:		
Equity	(9,497)	
to the Income statement	7,869	
owing to changes in the consolidation scope	(47,932)	

NOTE 44_NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

Not present in financial year 2016 and in financial year 2015.

NOTE 45_PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests, which amounted to 11,276 thousand euro (21,880 thousand euro in 2015), relates to the share of profit of non-controlling interests in companies fully consolidated but not wholly owned by the Group. The change is essentially the result of the reduction in the profit of Mediterranea delle Acque.

NOTE 46_EARNINGS PER SHARE

In order to calculate the basic and diluted earnings per share, the number of ordinary shares for 2016 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.

	Financial year 2016	Financial year 2015
Net profit (loss) for the period (thousands of euro)	173,980	118,193
Weighted average number of shares outstanding over the year (thousand)	1,276,226	1,276,226
Basic earnings/(loss) per share (euro)	**0.14**	**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.

	Financial year 2016	**Financial year 2015**
Net profit (loss) for the period (thousands of euro)	173,980	118,193
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)	**0.14**	**0.09**

NOTE 47_OTHER COMPREHENSIVE INCOME

Other comprehensive income amounted to 27,262 thousand euro (9,729 thousand euro in 2015) and included other comprehensive income that will be subsequently reclassified to the Income Statement and other comprehensive income that will not be subsequently reclassified to the Income Statement.

Other comprehensive income to be subsequently reclassified to the Income Statement relates to:

- the effective portion of changes in the fair value of cash flow hedging instruments, a positive 33,531 thousand euro, which refers to derivatives hedging changes in interest rates and derivatives hedging changes in commodity prices (for the Group this is gas), and includes the movement pertinent to TRM S.p.A. during 2016.
- the share of other profits/(losses) of companies accounted for using the equity method, a positive 4,715 thousand euro, which refers to changes in the fair value of cash flow hedging instruments of associates.
- the tax effect of other comprehensive income for 9,835 thousand euro.

Other comprehensive income not to be subsequently reclassified to the Income Statement relates to:

- actuarial losses, related to defined benefit plans, for 1,210 thousand euro.
- the portion of other profits/(losses) of companies accounted for using the equity method related to employee defined benefit plans, for -276 thousand euro.
- the tax effect of other comprehensive income for 337 thousand euro.

X. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees relate to:

a) Sureties for own commitments of 373,113 thousand euro (346,530 thousand euro at 31 December 2015); the most significant items refer to sureties issued in favour of:
   - the Reggio Emilia Provincial Government for 61,756 thousand euro for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation (hereinafter A.I.A.);
   - the Turin Provincial Government, for 58,585 thousand euro for waste collection and post-closure management of plants subject to A.I.A.;
   - ATO-R, for 41,000 thousand euro, as definitive guarantees in the AMIAT/TRM tender procedure;
   - the City of Turin for 27,476 thousand euro as definitive guarantees in the AMIAT/TRM tender procedure;
   - the INPS for 24,038 thousand euro for the planned redundancy for employees of the group;
   - the Electricity Market Operator (GME) for 26,800 thousand euro to guarantee the market participation contract;
   - Terna, for 20,176 thousand euro to guarantee injection and withdrawal dispatching contracts and to guarantee the electricity transport service contract;
   - SNAM Rete Gas for 18,242 thousand euro, of which 942 thousand euro in the interest of OLT Offshore LNG Toscana in relation to the construction of a delivery point;
   - the Customs Authority, for 16,537 thousand euro to guarantee the regular payment of revenue taxes and additional local and provincial duties on electricity consumption and gas excise;
   - the Parma Provincial Government, for 11,327 thousand euro for waste collection and operating and post-closure management of plants subject to A.I.A.;
   - CONSIP for 14,008 thousand euro for electricity supply contracts;
   - the Ministry of the Environment, for 7,761 thousand euro;
   - the Piacenza Provincial Government, for 4,695 thousand euro for waste collection and post-closure management of plants subject to A.I.A.;
   - ACAM Spa for 4,668 thousand euro to guarantee agreements related to the equity investment in Recos;
   - the Municipality of Parma for 3,290 thousand euro to guarantee the Cornocchio plant and for maintenance contracts;
   - ATERSIR for 2,560 thousand euro for agreements with the Emilian areas S.I.I. and S.G.R.U.;
   - TRM SpA, for 3,011 thousand euro, as definitive guarantee in the AMIAT/TRM tender procedure;
   - REAM Sgr SpA, for 2,356 thousand euro, to guarantee future lease payments of properties transferred to the real estate fund called Fondo Core MultiUtilities;
   - Italgas for 2,264 thousand euro to guarantee the natural gas distribution contract;
   - FCT Holding, for 2,000 thousand euro, as definitive guarantee in the AMIAT/TRM tender procedure;

b) Guarantees provided on behalf of subsidiaries and associates for 311,512 thousand euro, primarily to guarantee credit facilities and sales/Parent Company Guarantee contracts on behalf of Iren Mercato SpA;

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane in liquidation (namely guarantees for credit facilities and letters of patronage for 26,666 thousand euro, down compared to 34,333 thousand euro at 31 December 2015). 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 shareholders or their subsidiaries, including Iren Mercato. Therefore, the company’s financial exposure is progressively lowering with the consequent decrease in shareholders’ guarantee obligations.
We can also note the sureties issued in favour of Banca Intesa for 3,334 thousand euro to guarantee the mortgage loan of the associate Mestni Plinovodi.

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 IRETI 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.

We can also note Iren S.p.A.'s commitment to Cariparma to retain control over Iren Ambiente and by Iren Ambiente 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.

XI. 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 performed by Group companies, a geographical segment analysis is not relevant.
It is noted that as from 01 January 2016, information is provided according to business segments as detailed below, and the comparison period has therefore been restated in line with the subdivision according to segment used as from 2016.

OPERATING SEGMENTS

The Iren Group operates in the following business segments:

- Energy (Hydroelectric Production, Combined Heat and Power, District Heating Networks, Thermoelectric Production)
- Market (Sale of electricity, gas, heat)
- Networks (Electricity Distribution Networks, Gas Distribution Networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Other services (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 economic results relating to individual businesses, 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 Italian north-west area, the following segment information does not include a breakdown by geographical area.

Net invested capital by business segment compared to the figures at 31 December 2015 and income statements (up to the operating profit/(loss)) by business segment are presented below, and include a comparison with the figures for financial year 2015.

Statement of financial position by business segment at 31 December 2016

millions of euro

	Energy	Market	Networks	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,876	67	2,141	959	21	156	5,220
Net Working Capital	25	(8)	114	8	31	-	171
Other non-current assets and liabilities	(90)	(2)	(387)	(151)	(16)	-	(646)
Net invested capital (NIC)	**1,811**	**57**	**1,868**	**816**	**36**	**156**	**4,745**
Shareholders' equity							2,288
Net financial position							2,457
Own funds and net financial indebtedness							**4,745**

Statement of financial position by business segment at 31 December 2015

millions of euro

	Energy	Market	Networks	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,940	74	1,973	400	24	237	**4,648**
Net Working Capital	91	(62)	125	(17)	17	-	**154**
Other non-current assets and liabilities	(94)	28	(408)	(99)	1	-	**(571)**
Net invested capital (NIC)	**1,937**	**40**	**1,690**	**285**	**42**	**237**	**4,231**
Shareholders' equity							**2,062**
Net financial position							**2,169**
Own funds and net financial indebtedness							**4,231**

Income Statement by business segment 2016

millions of euro

	Energy	Market	Networks	Waste Management	Other services	Netting and adjustments	Total
Total revenue and income	908	2,187	854	503	62	(1,230)	3,284
Total operating expense	(675)	(2,052)	(535)	(383)	(55)	1,230	(2,470)
Gross Operating Profit (EBITDA)	**234**	**135**	**319**	**120**	**7**	**-**	**814**
Net am./depr., provisions and impairment losses	(130)	(56)	(135)	(67)	-	-	(387)
Operating profit (EBIT)	**104**	**79**	**183**	**53**	**8**	**-**	**427**

Income Statement by business segment 2015

millions of euro

	Energy	Market	Networks	Waste Management	Other services	Netting and adjustments	Total
Total revenue and income	813	2,377	859	463	93	(1,511)	3,094
Total operating expense	(614)	(2,290)	(555)	(399)	(69)	1,511	(2,416)
Gross Operating Profit (EBITDA)	**199**	**87**	**304**	**65**	**24**	**-**	**678**
Net am./depr., provisions and impairment losses	(125)	(46)	(107)	(54)	1	-	(331)
Operating profit (EBIT)	**74**	**41**	**196**	**10**	**25**	**-**	**347**

XII. ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FULLY CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	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
IRETI S.p.A.	Tortona (AL)	Euro	196,832,103	100.00	Iren
Amiat S.p.A.	Turin	Euro	46,326,462	80.00	Amiat V
Amiat V. S.p.A.	Turin	Euro	1,000,000	93.06	Iren Ambiente
Atena S.p.A.	Vercelli	Euro	120,812,720	59.96	IRETI
Atena Trading s.r.l	Vercelli	Euro	556,000	100.00	Atena
Bonifica Autocisterne S.r.l.	Piacenza	Euro	595,000	51.00	Iren Ambiente
Consorzio GPO	Reggio Emilia	Euro	20,197,260	62.35	IRETI
GEA Commerciale S.p.A.	Grosseto	Euro	340,910	100.00	Iren Mercato
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 Gestioni Energetiche S.p.A.	Genoa	Euro	10,000,000	100.00	Iren Mercato
Iren Laboratori S.p.A.	Genoa	Euro	2,000,000	90.89	IRETI
Iren Servizi e Innovazione S.p.A.	Turin	Euro	52,242,791	100.00	Iren Energia
Mediterranea delle Acque S.p.A.	Genoa	Euro	19,203,420	60.00	IRETI
Monte Querce S.c.a.r.l.	Reggio Emilia	Euro	100,000	60.00	Iren Ambiente
R.E.I. S.r.l.	Pianezza (TO)	Euro	50,000	100.00	Iren Ambiente
TRM Holding S.p.A.	Turin	Euro	120,000	100.00	Iren Ambiente
TRM V. S.p.A.	Turin	Euro	1,000,000	49.00	Iren Ambiente
				51.00	TRM Holding
TRM S.p.A.	Turin	Euro	86,794,220	80.00	TRM V

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Joint ventures

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Acque Potabili S.p.A.	Turin	Euro	7,633,096	44.92	IRETI
Iren Rinnovabili	Reggio Emilia	Euro	285,721	70.00	Iren Ambiente
Olt Offshore Toscana LNG S.p.A.	Milan	Euro	40,489,544	46.79	Iren Mercato

Associates

Company	Registered office	Currency	Share capital	% interest	Shareholder company
A2A Alfa S.r.l.	Milan	Euro	100,000	30.00	Iren Mercato
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	IRETI
Acquaenna S.c.p.a.	Enna	Euro	3,000,000	46.00	IRETI
Aguas de San Pedro	S.Pedro Sula (Honduras)	Lempiras	159,900	39.34	IRETI
Aiga S.p.A.	Ventimiglia	Euro	104,000	49.00	IRETI
Amat S.p.A.	Imperia	Euro	5,435,372	48.00	IRETI
Amter S.p.A.	Cogoleto (GE)	Euro	404,263	49.00	Mediterranea delle Acque
ASA S.p.A.	Livorno	Euro	28,613,406	40.00	IRETI
ASTEA S.p.A.	Recanati	Euro	76,115,676	21.32	Consorzio GPO
Asti Energia e Calore S.p.A.	Asti	Euro	120,000	34.00	Iren Energia
Domus Acqua S.r.l.	Domusnovas	Euro	96,000	29.00	IRETI
Ecoprogetto Tortona S.r.l. (3)	Bolzano	Euro	1,000,000	40.00	Iren Ambiente
Fata Morgana S.p.A. (2)	Reggio Calabria	Euro	2,225,694	25.00	IRETI
Fin Gas srl	Milan	Euro	10,000	50.00	Iren Mercato
Global Service Parma	Parma	Euro	20,000	30.00	IRETI
Iniziative Ambientali S.r.l.	Novellara (RE)	Euro	100,000	40.00	Iren Ambiente
Mestni Plinovodi	Koper (Slovenia)	Euro	15,952,479	49.88	IRETI
Mondo Acqua	Mondovì (CN)	Euro	1,100,000	38.50	IRETI
Nord Ovest Servizi	Turin	Euro	7,800,000	10.00	IRETI
				15.00	AMIAT
Piana Ambiente S.p.A. (2)	Gioia Tauro	Euro	1,719,322	25.00	IRETI
Plurigas S.p.A. (2)	Milan	Euro	800,000	30.00	Iren
Recos S.p.A.	La Spezia	Euro	3,516,000	25.50	Iren Ambiente
Rio Riazzone S.p.A.	Castellarano (RE)	Euro	103,292	44.00	Iren Ambiente
Salerno Energia Vendite	Salerno	Euro	2,620,458	36.80	GEA Commerciale
Sinergie Italiane S.r.l. (1)	Milan	Euro	1,000,000	30.94	Iren Mercato
So. Sel. S.p.A.	Modena	Euro	240,240	24.00	IRETI
Tirana Acque (1)	Genoa	Euro	95,000	50.00	IRETI
Valle Dora Energia S.r.l.	Turin	Euro	537,582	49.00	Iren Energia

(1) Company in liquidation
(2) Company in liquidation classified among discontinuing operations
(3) Company classified among assets held for sale

EQUITY INVESTMENTS IN OTHER COMPANIES

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Acque Potabili Siciliane (1)	Palermo	Euro	5,000,000	9.83	Mediterranea delle Acque
Astea Energia	Osimo (AN)	Euro	120,000	5.95	Iren Mercato
ATO2ACQUE S.c.a.r.l.	Biella (BI)	Euro	48,000	16.67	Atena
Autostrade Centro Padane	Cremona	Euro	30,000,000	1.46	IRETI
BT ENIA Telecomunicazioni	Parma	Euro	4,226,000	12.01	IRETI
C.R.P.A.	Reggio Emilia	Euro	2,201,350	2.27	IRETI
CIDIU SPA	Collegno (TO)	Euro	4,335,314	4.82	AMIAT
CONSORZIO ITALIANO COMPOSTATORI CIC	Bologna	Euro	294,716	0.13	AMIAT
Consorzio L.E.A.P.	Piacenza	Euro	135,000	8.76	Iren Ambiente
Consorzio Topix	Turin	Euro	1,685,000	0.30	Iren Energia
CSP Innovazione nelle ICT S.c.r.l.	Turin	Euro	641,000	6.10	Iren Energia
Environment Park S.p.A.	Turin	Euro	11,406,780	3.39	Iren Energia
				7.41	AMIAT
Italeko AD (2)	Sofia (Bulgaria)	Lev	50,000	10.00	AMIAT
Reggio Emilia Innovazione	Reggio Emilia	Euro	871,956	0.99	Iren Ambiente
Società di Biotecnologie S.p.A.	Turin	Euro	536,000	1.00	Iren Servizi e Innovazione
Stadio Albaro (2)	Genoa	Euro	1,230,000	2.00	Iren Gestioni Energetiche
T.I.C.A.S.S.	Genoa	Euro	116,000	3.45	IRETI

(1) Company bankrupt as from 29.10.2013
(2) Company in liquidation

ACCOUNTING DATA OF THE MAIN COMPANIES CONSOLIDATED LINE-BY-LINE AND MEASURED AT EQUITY

Fully consolidated companies

Company	Currency	Total Assets	Shareholders' equity	Total revenue	Profit/loss
Iren Ambiente S.p.A.	Euro	616,666,716	250,375,915	255,560,596	9,062,048
Iren Energia S.p.A.	Euro	2,314,478,859	1,210,275,069	883,629,571	59,171,623
Iren Mercato S.p.A.	Euro	1,264,474,513	189,849,931	2,106,033,785	56,661,966
IRETI S.p.A.	Euro	2,436,628	1,142,549	588,507	96,722
AMIAT	Euro	255,945,971	98,545,058	191,646,491	15,763,144
Amiat V. S.p.A.	Euro	50,480,622	32,791,576	-	3,318,942
Atena S.p.A.	Euro	162,367,869	134,738,102	34,452,651	4,087,944
Atena Trading s.r.l	Euro	27,416,352	6,896,818	62,256,258	2,249,800
Bonifica Autocisterne	Euro	1,256,491	757,360	1,379,832	128,504
Consorzio GPO	Euro	22,626,699	22,578,805	-	408,396
GEA Commerciale S.p.A.	Euro	9,655,097	5,053,774	12,134,056	1,126,300
Idrotigullio S.p.A.	Euro	42,601,188	15,659,182	22,683,435	3,008,713
Immobiliare delle Fabbriche S.r.l.	Euro	10,250,868	10,188,314	63,555	(145,637)
Iren Gestioni Energetiche S.p.A.	Euro	37,920,011	19,339,244	23,631,351	(4,311,689)
Iren Laboratori S.p.A.	Euro	10,534,106	5,525,642	9,142,643	527,298
Iren Servizi e Innovazione S.p.A.	Euro	121,874,393	88,287,454	58,215,414	7,465,609
Mediterranea delle Acque S.p.A.	Euro	648,491,225	452,933,774	175,263,753	15,013,580
Monte Querce	Euro	723,758	100,000	34,652	-
R.E.I. S.r.l.	Euro	16,091,059	658,050	-	-
TRM Holding S.p.A.	Euro	69,707,434	69,621,235	20,801	(42,622)
TRM V. S.p.A.	Euro	135,771,548	135,631,970	-	3,065,509
TRM S.p.A.	Euro	475,430,377	19,708,935	79,971,490	850,219

Companies measured using the equity method

Joint ventures

Company	Currency	Total Assets	Shareholders' equity	Total revenue	Profit/loss
Iren Rinnovabili S.p.A.	Euro	38,236,211	19,964,527	2,595,676	(2,006,664)
Olt Offshore Toscana LNG S.p.A.	Euro	989,545,000	37,612,908	110,405,929	(4,624,790)
Acque Potabili S.p.A. (*)	Euro	119,923,000	46,183,000	21,264,000	7,810,000

(*) Accounting data at 31 December 2015

Associates

Company	Currency	Total Assets	Shareholders' equity	Total revenue	Profit/loss
A2A Alfa S.r.l. (*)	Euro	1,526,999	1,467,599	-	(35,725)
ACOS Energia S.p.A. (*)	Euro	14,457,839	4,287,147	21,196,091	1,136,621
ACOS S.p.A. (*)	Euro	111,569,398	34,981,387	52,513,908	3,244,144
Acquaenna S.c.p.a. (*)	Euro	93,539,691	5,604,950	23,787,182	1,852,181
Aguas de San Pedro (*)	Lempiras	46,007,220	24,900,116	30,870,635	3,168,250
AIGA S.p.A. (*)	Euro	4,988,887	325,168	2,885,232	19,087
AMAT S.p.A. (*)	Euro	34,497,082	6,342,513	9,403,811	23,140
AMTER S.p.A. (*)	Euro	7,060,814	1,552,965	4,626,721	242,564
ASA S.p.A. (*)	Euro	270,810,552	71,420,585	98,928,047	2,771,529
ASTEA (*)	Euro	160,676,839	89,962,386	90,041,538	3,881,588
Asti Energia e Calore S.p.A. (*)	Euro	1,872,235	88,708	4,434	(31,292)
Domus Acqua S.r.l. (*)	Euro	1,042,326	288,034	342,707	10,114
Ecoprogetto Tortona S.r.l.(*)	Euro	18,657,559	958,728	1,342,421	46,244
Fin Gas S.r.l.	Euro	11,966,607	11,878,637	-	(44,813)
Global Service Parma (*)	Euro	8,795,992	20,000	8,632,616	-
Iniziative Ambientali S.r.l. (**)	Euro	5,743,335	1,139,423	-	(80,409)
Mestni Plinovodi (*)	Euro	29,394,026	19,920,290	7,757,146	1,034,211
Mondo Acqua (*)	Euro	9,679,011	1,489,818	4,955,996	14,512
Nord Ovest Servizi (*)	Euro	18,033,966	17,924,507	64,480	212,390
Plurigas (in liquidation) (**)	Euro	5,556,360	3,428,344	129,698	(5,716)
Rio Riazzone S.p.A. (***)	Euro	669,978	508,140	122,628	1,583
Salerno Energia Vendite (*)	Euro	21,798,486	6,540,430	36,610,830	2,317,191
Sinergie Italiane (in liquidation) (**)	Euro	29,896,166	(12,184,357)	172,332,300	2,898,875
So. Sel. S.p.A.	Euro	13,806,595	3,643,557	15,941,030	292,094
Tirana Acque (in liquidation) (****)	Euro	297,871	(612,656)	-	(3,662)
Valle Dora Energia S.r.l.	Euro	778,792	656,954	221,453	20,769

(*) Accounting data at 31 December 2015
(**) Accounting data at 30 September 2016
(***) Accounting data at 30 September 2015
(****) Accounting data at 31 December 2014

RECONCILIATION OF IAS/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	3,470,706	Property, plant and equipment	3,470,706
Property investments	13,483	Property investments	13,483
Intangible assets	1,448,826	Intangible assets	1,448,826
Goodwill	131,779	Goodwill	131,779
Investments accounted for using the equity method	148,473	Investments accounted for using the equity method	148,473
Other equity investments	7,171	Other equity investments	7,171
Total (A)	**5,220,438**	**Non-Current Assets (A)**	**5,220,438**
Other non-current assets	54,954	Other non-current assets	54,954
Other payables and other non-current liabilities	(203,467)	Other payables and other non-current liabilities	(203,467)
Total (B)	**(148,513)**	**Other non-current assets (liabilities) (B)**	**(148,513)**
Inventories	94,952	Inventories	94,952
Non-current trade receivables	76,302	Non-current trade receivables	76,302
Trade receivables	935,805	Trade receivables	935,805
Current tax assets	21,242	Current tax assets	21,242
Other receivables and other current assets	215,155	Other receivables and other current assets	215,155
Trade payables	(849,520)	Trade payables	(849,520)
Other payables and other current liabilities	(270,900)	Other payables and other current liabilities	(290,250)
Current tax liabilities	(32,695)	Current tax liabilities	(32,695)
Total (C)	**190,341**	**Net working capital (C)**	**170,991**
Deferred tax assets	265,065	Deferred tax assets	265,065
Deferred tax liabilities	(203,653)	Deferred tax liabilities	(203,653)
Total (D)	**61,412**	**Deferred tax assets (liabilities) (D)**	**61,412**
Employee benefits	(132,927)	Employee benefits	(132,927)
Provisions for risks and charges	(313,040)	Provisions for risks and charges	(313,040)
Provisions for risks and charges - current portion	(135,005)	Provisions for risks and charges - current portion	(115,655)
Total (E)	**(580,972)**	**Provisions and employee benefits (E)**	**(561,622)**
Assets held for sale	2,498	Assets held for sale	2,498
Liabilities related to assets held for sale	-	Liabilities related to assets held for sale	-
Total (F)	**2,498**	**Assets (Liabilities) held for sale (F)**	**2,498**
		Net invested capital (G=A+B+C+D+E+F)	**4,745,204**
Equity (H)	**2,288,097**	**Equity (H)**	**2,288,097**
Non-current financial assets	(49,950)	Non-current financial assets	(49,950)
Non-current financial liabilities	2,967,471	Non-current financial liabilities	2,967,471
Total (I)	**2,917,521**	**Non-current financial debt (I)**	**2,917,521**
Current financial assets	(606,561)	Current financial assets	(606,561)
Cash and cash equivalents	(253,684)	Cash and cash equivalents	(253,684)
Current financial liabilities	399,831	Current financial liabilities	399,831
Total (L)	**(460,414)**	**Current financial debt (L)**	**(460,414)**
		Net financial debt (M=I+L)	**2,457,107**
		Own funds and net financial debt (H+M)	**4,745,204**

DEFERRED TAX ASSETS AND LIABILITIES FOR 2016

	initial	formation	differences Change consolid. scope	payment	remainder
Deferred tax assets					
Non-taxable provisions	484,500	95,384	16,681	160,688	435,877
Differences in value of fixed assets	606,739	62,796	10,269	51,835	627,969
Derivatives	35,727	929	91,031	21,609	106,079
Other	55,097	26,214	7,335	20,563	68,084
Total taxable base/deferred tax assets	**1,182,063**	**185,323**	**125,316**	**254,695**	**1,238,009**
Deferred tax liabilities					
Differences in value of fixed assets	672,353	61,437	279,338	336,526	676,602
Provisions for impairment of receivables	55,030	4,535	6	40,962	18,610
Other provisions	-	20,836	-	2,732	18,104
Other	2,326	9,633	-	3,271	8,688
Total taxable base/deferred tax liabilities	**729,709**	**96,441**	**279,344**	**383,491**	**722,004**
Net deferred tax assets (liabilities)	**452,354**	**88,882**	**(154,028)**	**(128,796)**	**516,005**

DEFERRED TAX ASSETS AND LIABILITIES FOR 2015

	differences initial	formation	payment	remainder
Deferred tax assets				
Non-taxable provisions	494,683	100,202	110,386	484,500
Differences in value of fixed assets	599,767	51,517	44,546	606,739
Derivatives	38,119	13,004	15,395	35,727
Tax losses carried forward indefinitely	3,419	-	3,419	-
Other	55,142	2,734	2,779	55,097
Total taxable base/deferred tax assets	**1,191,130**	**167,457**	**176,525**	**1,182,063**
Deferred tax liabilities				
Differences in value of fixed assets	646,943	49,345	23,935	672,353
Provisions for impairment of receivables	57,419	6,033	8,422	55,030
Other	7,950	908	6,532	2,326
Total taxable base/deferred tax liabilities	**712,312**	**56,286**	**38,889**	**729,709**
Net deferred tax assets (liabilities)	**478,818**	**111,171**	**137,636**	**452,354**

With reference to the change in deferred tax assets in liabilities, in addition to the amounts indicated in the table, we can note 168 thousand euro related to the consolidation of the Ramo Ligure (Ligurian Branch), including Acquedotto di Savona, as of 1 July 2015.

thousands of euro

Change consolid. scope	taxes to inc/stat	Taxes to equity	Taxes IRES (corporate income tax)	IRAP (regional income tax)	total
4,704	(25,026)	377	97,616	7,518	105,134
2,896	(1,151)	-	108,341	7,829	116,170
21,888	21	(6,450)	26,419	-	26,419
2,050	12,944	-	15,784	1,557	17,342
31,538	**(13,212)**	**(6,073)**	**248,160**	**16,904**	**265,065**
79,468	(14,546)	-	167,125	26,766	193,891
2	(8,759)	39	3,020	226	3,246
-	1,020	3,385	4,345	60	4,405
-	1,204	-	1,930	180	2,111
79,470	**(21,081)**	**3,424**	**176,420**	**27,232**	**203,653**
(47,932)	**7,869**	**(9,497)**	**71,740**	**(10,328)**	**61,412**

thousands of euro

taxes to IS	taxes to equity	taxes IRES (corporate income tax)	IRAP (regional income tax)	total
(24,724)	(1,538)	117,122	7,957	125,079
(1,102)	-	105,946	8,479	114,425
(166)	836	10,960	-	10,960
-	-	-	-	-
1,262	-	2,218	130	2,348
(24,730)	**(702)**	**236,246**	**16,566**	**252,812**
(17,988)	-	111,666	17,303	128,969
(1,995)	723	10,874	1,090	11,964
(1,976)	-	799	108	907
(21,959)	**723**	**123,339**	**18,501**	**141,840**
(2,771)	**(1,425)**	**112,907**	**(1,935)**	**110,972**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial Receivables	Other receivables	Trade Payables	Financial payables
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	993	-	-	8,321	-
Municipality of Parma	11,341	-	412	967	-
Municipality of Piacenza	2,003	-	-	2,098	-
Municipality of Reggio Emilia	2,596	-	540	1,263	-
Municipality of Turin	75,452	106,606	-	5,741	726
Finanziaria Sviluppo Utilities	19	-	2,954	-	-
JOINT VENTURES					
OLT Offshore LNG	201	439,000	-	-	-
Acque Potabili	5,826	2,622	-	215	-
Iren Rinnovabili	1,609	31,642	15	414	-
ASSOCIATES					
A2A Alfa	3	-	-	-	-
ACOS	19	328	-	-	-
ACOS Energia	9	-	-	3	-
Acquaenna	3,190	336	-	384	-
Aguas de San Pedro	-	253	-	-	-
AIGA	213	514	-	20	-
AMAT	74	-	-	3	-
AMTER	5,148	-	-	761	-
ASA	3,378	-	-	204	-
ASTEA	-	789	-	-	-
Asti Energia e Calore	1,223	899	-	-	-
Domus Acqua	160	-	-	-	-
Ecoprogetto Tortona	288	-	-	437	-
Global Service Parma	2,793	-	-	3,972	-
Iniziative Ambientali	5	-	-	-	-
Mestni Plinovodi	-	-	-	-	-
Mondo Acqua	467	-	-	-	-
Nord Ovest Servizi	-	20	-	-	-
Piana Ambiente in liquidation	70	-	-	-	-
Plurigas in liquidation	6	300	-	(259)	-
ReCos	2,252	2,083	-	-	-
Salerno Energia Vendite	4,296	-	-	61	-
Sinergie Italiane in liquidation	-	-	7,528	6,139	-
So. Sel.	7	78	-	3,368	-
Valle Dora Energia Srl	5	-	-	101	155
OTHER RELATED PARTIES					
Subsidiaries of municipality of Turin	9,462	-	-	1,029	-
Subsidiaries of municipality of Genoa	5,207	-	-	11	-
Subsidiaries of municipality of Parma	8,876	-	-	959	-
Subsidiaries of municipality of Piacenza	20	-	-	571	-
Subsidiaries of municipality of Reggio Emilia	36	-	-	366	-
Other	-	-	-	-	-
TOTAL	**147,247**	**585,470**	**11,449**	**37,149**	**881**

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expenses
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	-	3,066	3,869	-	-
Municipality of Parma	-	32,420	1,126	-	-
Municipality of Piacenza	-	18,028	1,717	-	-
Municipality of Reggio Emilia	-	30,898	106	-	-
Municipality of Turin	539	204,425	4,136	3,773	-
Finanziaria Sviluppo Utilities	-	41	-	-	-
JOINT VENTURES					
OLT Offshore LNG	-	97	-	14,958	-
Acque Potabili	-	409	2	-	-
Iren Rinnovabili S.p.A.	416	899	96	1,130	-
ASSOCIATES					
A2A Alfa	-	3	-	-	-
ACOS	-	55	-	164	-
ACOS Energia	-	10	15	-	-
Acquaenna	-	27	-	-	-
Aguas de San Pedro	-	-	-	-	-
AIGA	-	9	-	10	-
AMAT	-	96	10	-	-
AMTER	-	3,215	394	-	-
ASA	-	160	65	-	-
ASTEA	-	-	-	-	-
Asti Energia e Calore	-	1,442	-	22	-
Domus Acqua	-	7	-	-	-
Ecoprogetto Tortona	-	332	2,160	-	-
Global Service Parma	-	2,474	2,647	-	6
Iniziative Ambientali	-	3	-	-	-
Mestni Plinovodi	-	-	-	399	-
Mondo Acqua	-	346	-	-	-
Nord Ovest Servizi	-	-	-	20	-
Piana Ambiente in liquidation	-	-	-	-	-
Plurigas in liquidation	-	-	-	-	-
ReCos	-	964	-	-	-
Salerno Energia Vendite	-	3,643	65	-	-
Sinergie Italiane in liquidation	-	85	54,780	-	-
So. Sel.	-	11	6,320	55	-
Valle Dora Energia Srl	-	8	102	-	-
OTHER RELATED PARTIES					
Subsidiaries of municipality of Turin	-	1,564	2,365	-	18
Subsidiaries of municipality of Genoa	-	9,205	78	-	-
Subsidiaries of municipality of Parma	-	4,274	2,449	-	-
Subsidiaries of municipality of Piacenza	-	121	1,142	-	-
Subsidiaries of municipality of Reggio Emilia	-	694	7,200	-	-
Other	-	10	-	-	-
TOTAL	**955**	**319,041**	**90,844**	**20,531**	**24**

INDEPENDENT AUDITORS' FEES

Under the terms of Art. 149-*duodecies* of the Regulations implementing Italian Legislative Decree 58/1998, fees for the year due to PricewaterhouseCoopers S.p.A. can be summarised as follows:

thousands of euro

Service	Service provider	To	Fees
Audit	Parent auditor	Parent	158
Attestation services	Parent auditor	Parent	22
Tax consulting services	Parent auditor	Parent	-
Other services	i) Parent auditor	Parent	81
	ii) Parent auditor network	Parent	323
Audit	i) Parent auditor	i) Subsidiaries	638
	ii) Parent auditor network	ii) Subsidiaries	-
Attestation services	i) Parent auditor	i) Subsidiaries	250
	ii) Parent auditor network	ii) Subsidiaries	-
Tax consulting services	i) Parent auditor	i) Subsidiaries	-
	ii) Parent auditor network	ii) Subsidiaries	-
Other services	i) Parent auditor	i) Subsidiaries	-
	ii) Parent auditor network	ii) Subsidiaries	13
Total Independent Auditors' fees			**1,485**

STATEMENT REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-*TER* OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Massimiliano Bianco, Chief Executive Officer, and Massimo Levrino, Administration, Finance and Control Manager and Corporate Financial Reporting Manager of Iren S.p.A., hereby certify, also in view of the provisions of Art. 154-*bis*, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998:

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

   - the effective application during 2016 of the administrative and accounting procedures in preparing the consolidated financial statements.

2. It is also certified that:

   2.1 the consolidated financial statements:

   a) are prepared in compliance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;

   b) correspond to the results of the books and account records;

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

   2.2 the directors' report includes a reliable analysis of the operating performance and results, and of the issuer's situation and of all companies included in the consolidation, together with a description of the major risks and uncertainties to which they are exposed.

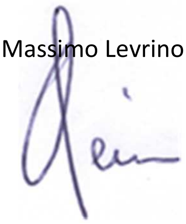
16 March 2017

The Chief Executive Officer

Massimiliano Bianco

Administration, Finance and Control Manager
and Financial Reporting Manager
appointed under Law 262/05

Massimo Levrino



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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
Iren SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Iren SpA and its subsidiaries ("Iren Group"), which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Iren SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers SpA

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Iren Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the directors' report and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the directors' report and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Iren SpA, with the consolidated financial statements of the Iren Group as of 31 December 2016. In our opinion, the directors' report and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Iren Group as of 31 December 2016.

Turin, 30 March 2017

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation.

Iren S.p.A.
Via Nubi di Magellano, 30 - 42123 Reggio Emilia - Italy
Capitale Sociale i.v. Euro 1.276.225.677,00
Registro Imprese di Reggio Emilia n. 07129470014
Codice Fiscale e Partita IVA n. 07129470014

Separate Financial Statements and Notes to Financial Statements

at 31 december **2016**

STATEMENT OF FINANCIAL POSITION

Amounts in euro

	Notes	31/12/2016	of which related parties	31/12/2015	of which related parties
ASSETS					
Property, plant and equipment	(1)	11,482,942		12,091,185	
Intangible assets with a finite useful life	(2)	35,004,993		23,888,405	
Investments in subsidiaries, associates and joint ventures	(3)	2,544,321,672		2,544,321,913	
Other equity investments	(4)	100,000		100,000	
Non-current financial assets	(5)	1,546,440,532	1,544,900,315	1,887,040,819	1,886,940,819
Other non-current assets	(6)	23,426,782	2,953,978	10,706,255	
Deferred tax assets	(7)	11,939,181		18,138,132	
Total non-current assets		**4,172,716,103**		**4,496,286,709**	
Trade receivables	(8)	51,172,290	50,966,915	98,586,589	98,007,932
Current tax assets	(9)	-		-	
Other receivables and other current assets	(10)	64,464,838	50,528,017	54,189,099	39,818,779
Current financial assets	(11)	463,065,247	462,686,762	23,085,272	23,074,989
Cash and cash equivalents	(12)	141,317,809		116,060,571	2,184,381
Total current assets		**720,020,184**		**291,921,531**	
Assets held for sale	(13)	240,000		240,000	
TOTAL ASSETS		**4,892,976,287**		**4,788,448,240**	

Amounts in euro

	Notes	31/12/2016	of which related parties	31/12/2015	of which related parties
SHAREHOLDERS' EQUITY					
Share capital		1,276,225,677		1,276,225,677	
Reserves and retained Profits (Losses)		240,453,045		181,992,516	
Net profit/(loss) for the period		88,256,759		124,500,783	
TOTAL EQUITY	**(14)**	**1,604,935,481**		**1,582,718,976**	
LIABILITIES					
Non-current financial liabilities	(15)	2,544,136,455		2,660,368,400	71,497,774
Employee benefits	(16)	22,665,797		19,286,029	
Provisions for risks and charges	(17)	24,716,122		19,432,387	
Deferred tax liabilities	(18)	425,907		1,284,051	
Other payables and other non-current liabilities	(19)	8,498,580	8,498,580	8,680,541	
Total non-current liabilities		**2,600,442,861**		**2,709,051,408**	
Current financial liabilities	(20)	584,341,008	220,057,103	376,090,228	258,064,258
Trade payables	(21)	56,975,822	11,011,634	61,116,393	23,822,512
Other payables and other current liabilities	(22)	30,936,563	9,263,020	39,460,310	17,737,861
Current tax liabilities	(23)	13,272,857		18,077,751	
Provisions for risks and charges - current portion	(24)	2,071,695		1,933,174	
Total current liabilities		**687,597,945**		**496,677,856**	
Liabilities related to assets held for sale				-	
TOTAL LIABILITIES		**3,288,040,806**		**3,205,729,264**	
TOTAL EQUITY AND LIABILITIES		**4,892,976,287**		**4,788,448,240**	

INCOME STATEMENT

Amounts in euro

	Notes	Financial Year 2016	of which related parties	Financial Year 2015	of which related parties
Revenue					
Revenue from goods and services	(25)	139,121,996	138,901,064	71,486,196	71,455,404
Other income	(26)	7,420,067	2,715,389	18,481,045	13,384,958
Total revenue		**146,542,063**		**89,967,241**	
Operating expense					
Raw materials, consumables, supplies and goods	(27)	(9,002,487)	(1,393,055)	(976,120)	(73,158)
Services and use of third-party assets	(28)	(87,150,090)	(10,866,064)	(51,467,962)	(17,338,354)
Other operating expenses	(29)	(6,522,368)	(113,198)	(3,609,586)	(205,995)
Capitalised expenses for internal work	(30)	9,563,449		2,892,640	
Personnel expenses	(31)	(71,042,180)		(44,620,228)	
- of which non-recurring					
Total operating expense		**(164,153,676)**		**(97,781,256)**	
GROSS OPERATING PROFIT (EBITDA)		**(17,611,613)**		**(7,814,015)**	
Amortisation, depreciation, provisions and impairment losses					
Depreciation and amortisation	(32)	(8,473,422)		(3,159,221)	
Provisions and impairment losses	(33)	(955,723)		(489,448)	
Total amortisation, depreciation, provisions and impairment losses		**(9,429,145)**		**(3,648,669)**	
OPERATING PROFIT/(LOSS) (EBIT)		**(27,040,758)**		**(11,462,684)**	
Financial income and expense	**(34)**				
Financial income		242,175,842	226,760,467	238,101,857	236,683,448
Financial expenses		(145,787,958)		(111,677,980)	3,335,618
Total financial income and expense		**96,387,884**		**126,423,877**	
Value adjustments on equity investments	(35)			-	
- of which non-recurring				-	
Profit/(loss) before tax		**69,347,126**		**114,961,193**	
Income tax expense	(36)	18,909,633		9,539,590	
Net profit/ (loss) from continuing operations		**88,256,759**		**124,500,783**	
Net profit/(loss) from discontinued operations					
Net profit/(loss) for the period		**88,256,759**		**124,500,783**	

STATEMENT OF OTHER COMPREHENSIVE INCOME

Amounts in euro

	Notes	Financial Year 2016	Financial Year 2015
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)		**88,256,759**	**124,500,783**
Other comprehensive income to be subsequently reclassified to the Income Statement	**(37)**		
- effective portion of changes in fair value of cash flow hedges		7,430,637	9,945,939
- changes in fair value of available-for-sale financial assets			
Tax effect of other comprehensive income		(2,025,072)	(2,738,213)
Total other comprehensive income, net of tax effect (B1)		**5,405,565**	**7,207,726**
Other comprehensive income which will not be subsequently reclassified to the Income Statement			
- actuarial gains/(losses) on employee defined benefit plans (IAS 19)		(1,592,614)	490,670
Tax effect of other comprehensive income		339,208	(117,761)
Total other comprehensive income, net of tax effect (B2)		**(1,253,406)**	**372,909**
Total comprehensive income/(expense) (A)+(B1)+(B2)		**92,408,918**	**132,081,418**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2013	**1,276,226**	**105,102**	**32,512**
Legal reserve			4,343
Dividends to shareholders			
Retained earnings			
Total profit (loss) for the period			
of which:			
- Net profit/(loss) for the period			
- Other comprehensive income			
31/12/2014	**1,276,226**	**105,102**	**36,855**
Legal reserve			2,505
Dividends to shareholders			
Retained earnings			
Other changes			
Total profit (loss) for the period			
of which:			
- Net profit/(loss) for the period			
- Other comprehensive income			
31/12/2015	**1,276,226**	**105,102**	**39,360**
Legal reserve			6,225
Dividends to shareholders			
Retained earnings			
Other changes			
Total profit (loss) for the period			
of which:			
- Net profit/(loss) for the period			
- Other comprehensive income			
31/12/2016	**1,276,226**	**105,102**	**45,585**

Hedging reserve	AFS reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Shareholders' equity
(24,584)	**-**	**60,662**	**173,692**	**86,859**	**1,536,777**
			4,343	(4,343)	-
			-	(66,747)	(66,747)
		15,769	15,769	(15,769)	-
(2,687)		(534)	(3,221)	50,097	46,876
					-
				50,097	50,097
(2,687)	-	(534)	(3,221)		(3,221)
(27,271)	**-**	**75,897**	**190,583**	**50,097**	**1,516,906**
			2,505	(2,505)	-
		(19,271)	(19,271)	(47,476)	(66,747)
		116	116	(116)	-
		479	479		479
7,207		373	7,580	124,501	132,081
					-
				124,501	124,501
7,207	-	373	7,580		7,580
(20,064)	**-**	**57,594**	**181,992**	**124,501**	**1,582,719**
			6,225	(6,225)	-
			-	(70,193)	(70,193)
		48,083	48,083	(48,083)	
			-		-
5,406		(1,254)	4,152	88,257	92,409
					-
				88,257	88,257
5,406	-	(1,254)	4,152		4,152
(14,658)	**-**	**104,423**	**240,452**	**88,257**	**1,604,935**

STATEMENT OF CASH FLOWS

thousands of euro

	Financial Year 2016	Financial Year 2015	Change %
A. Opening balance of cash and cash equivalents and centralised treasury management	**1,318,420**	**(37,265)**	**(*)**
Cash flows from operating activities			
Profit (loss) for the period	88,257	124,501	(29.1)
Adjustments:			
Income tax expense for the period	(18,910)	(9,540)	98.2
Net financial expense (income)	(96,387)	(126,424)	(23.8)
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	8,473	3,159	(*)
Net impairment losses (reversals of impairment losses) on assets	-	-	-
Net provisions for risk and other charges	8,489	8,999	(5.7)
Capital (gains) losses	(10)	-	-
Utilisations of employee benefits	(1,167)	(1,046)	11.6
Utilisations of provisions for risks and other charges	(1,370)	(1,384)	(1.0)
Change in other non-current assets and liabilities	(197)	(4,890)	(96.0)
Other financial changes	-	-	-
Taxes received/paid	10,974	13,759	(20.2)
B. Cash flows from operating activities before changes in NWC	**(1,848)**	**7,134**	**(*)**
Change in trade receivables	49,075	(70,257)	(*)
Change in tax assets and other current assets	(3,531)	(20,520)	(82.8)
Change in trade payables	(4,683)	41,051	(*)
Change in tax liabilities and other current liabilities	(11,710)	10,069	(*)
C. Cash flows from changes in NWC	**29,151**	**(39,657)**	**(*)**
D. Cash flows from /(used in) operating activities (B+C)	**27,303**	**(32,523)**	**(*)**
Cash flows from /(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(20,379)	(6,132)	(*)
Investments in financial assets	-	-	
Proceeds from the sale of investments and changes in assets held for sale	1,511	186	(*)
Dividends received	153,673	164,846	(6.8)
Acquisition of business units	2,354	(3,010)	(*)
E. Total cash flows from /(used in) investing activities	**137,159**	**155,890**	**(12.0)**
F. Free cash flow (D+E)	**164,462**	**123,367**	**33.3**
Cash flows from /(used in) financing activities			
Dividends paid	(70,193)	(66,747)	5.2
Other changes in equity	-	479	(100.0)
New non-current loans	570,000	800,000	(28.8)
Repayment of non-current loans	(494,397)	(342,580)	44.3
Change in financial assets	73,248	1,092,971	(93.3)
Change in financial liabilities	(6,865)	(142,464)	(95.2)
Interest paid	(119,178)	(110,346)	8.0
Interest received	709	1,005	(29.5)
G. Total cash flows from /(used in) financing activities	**(46,676)**	**1,232,318**	**(*)**
H. Cash flows for the period (F+G)	**117,786**	**1,355,685**	**(91.3)**
I. Closing balance of cash and cash equivalents and centralised treasury management (A+H)	**1,436,206**	**1,318,420**	**8.9**
L. Current balance of centralised treasury management - subsidiaries	**(1,294,888)**	**(1,202,359)**	**7.7**
M. Closing cash and cash equivalents (I+L)	**141,318**	**116,061**	**21.8**

(*) Change of more than 100%

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Iren S.p.A. is an Italian multi-utility company, listed on the Italian Stock Exchange (Borsa Italiana), created on 01 July 2010 through the merger of IRIDE and ENÌA.

Iren S.p.A. is structured after the model of an industrial holding, with headquarters in Reggio Emilia, Via Nubi di Magellano 30, and operating offices in Genoa, Parma, Piacenza and Turin, as well as companies responsible for the single business lines.

Through the Company's subsidiaries, Iren S.p.A. operates in the following business segments:
- Production of Electricity and Heat (hydroelectric production, cogeneration of electricity and heat, production from renewable sources);
- Market (Sale of electricity, gas, heat);
- Energy Infrastructures (Electricity distribution networks, gas distribution networks, district-heating networks, LNG regasification plants);
- Integrated Water Service (sale and distribution of water, water treatment and sewerage)
- Waste Management (Waste collection and disposal);
- Other services (Public Lighting, Global Services and other minor services).

I. CONTENT AND STRUCTURE OF THE FINANCIAL STATEMENTS

These financial statements are the separate financial statements of the Parent Company Iren S.p.A. and have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as with the provisions set forth in implementation of Art. 9 of Italian Legislative Decree No. 38/2005. The "IFRSs" also include all the revised international accounting standards ("IASs"/"IFRSs") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRC"), previously known as the Standing Interpretations Committee ("SIC").

In drawing up these financial statements, the same accounting principles were applied as those adopted for the Financial Statements at 31 December 2015, with the exceptions highlighted in the section "Accounting standards, amendments and interpretations effective from 01 January 2016".

The separate financial statements at 31 December 2016 consist of a statement of financial position, an income statement, a statement of other comprehensive income, a statement of changes in equity, a statement of cash flows and these notes.

In the statement of financial position, assets and liabilities are classified as "current/non-current". Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the company's ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the company's ordinary operating cycle or during the twelve months following year end.
The Income Statement is classified on the basis of the nature of costs. In addition to the Operating Profit/(Loss), the Income Statement also shows the Gross Operating Profit/(Loss) obtained by deducting total operating expense from total revenue.
The indirect method is used in the cash flow statement. The cash configuration analysed in the cash flow statement includes cash on hand and cash in bank current accounts and the current balance of the subsidiaries' cash pooling management.

In order to improve the financial information provided, more analysis on cash flows was included, specifically on those produced from operating and financial activities. In order to provide consistency, the period of comparison was prepared on a like-to-like basis with respect to financial year 2016.

The financial statements have been drawn up on the basis of the historical cost principle, except for certain financial instruments measured at fair value. The financial statements were also prepared on the basis of going concern assumptions. The company, in fact, considered that there are no significant uncertainties (as defined in IAS 1.25) regarding the going concern assumption.

These separate financial statements are stated in euro, the company's functional currency. Data included in the notes, unless otherwise specified, are expressed in thousands of euro.

Lastly, in accordance with CONSOB Resolution No. 15519 of 27 July 2006 regarding the format of financial statements, specific additional columns have been added to the Income Statement and the Statement of Financial Position to highlight significant transactions with related parties.

II. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The criteria adopted in drawing up the annual financial statements at 31 December 2016 of Iren S.p.A. are indicated below; the aforesaid accounting standards have not changed with respect to those adopted at 31 December 2015, except for those indicated in the section "Accounting standards, amendments and interpretations effective from 01 January 2016".

Property, plant and equipment

- Property, plant and equipment owned

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all directly attributable costs necessary to make the asset available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and reclaiming the site on which it is located), net of trade discounts and rebates.

Financial expense related to the purchase of items of property, plant and equipment is capitalised for the part of the cost of the asset until it becomes operative.

When significant components of property, plant and equipment have different useful lives, they are accounted for separately.

In particular, under this policy, land and buildings located on the land are to be recognised separately; only the buildings are depreciated, while the carrying amount of land is impaired, as described in the following section "Impairment losses".

Ordinary maintenance expenditure is expensed in full in the income statement. Expenditure that increases the carrying amount of the asset is charged to the asset to which it relates and depreciated over its estimated useful life, in compliance with IAS 16. Such expenditure includes expenditure that reasonably leads to an increase in future economic benefits, such as the lengthening of useful life, increase in production capacity, improvement in product quality and adoption of production processes that entail a significant reduction in production costs.

Assets under construction include expenditure related to the construction of plants incurred until the reporting date. These investments are depreciated once the asset becomes operative.

Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives.

The rates applied are set out in the following table:

Item	Min. rate	Max. rate
Industrial patents and intellectual property use rights	20%	20%
Other intangible assets	20%	20%
Generic systems	10%	10%
Equipment	10%	10%
Goods vehicles and operator machines	20%	20%
Cars, motorcycles and similar vehicles	25%	25%
Electrom. and electronic office machines and non-plant HW	20%	20%
Furniture and fittings	10%	10%

We must specify that owing to their heterogeneity the table does not include:

- the rates related to business combinations of the current and previous years, because they relate to assets depreciated on the basis of the residual useful life present in the companies of origin;
- the rates consequent to updating of the economic/technical useful lives of the single assets after the outcome of the tests performed on the same by the technicians responsible for the plants;
- the rates related to particular types of investments with depreciation over their useful lives related to subsequent extraordinary maintenance work.

The corporate Information Technology system conserves all details needed to identify the aforesaid rates.

Grants related to assets are recognised as deferred revenue and taken to the income statement over the depreciation period of the related item of property, plant and equipment.

- *Leased assets*
Assets held under finance leases are recognised as property, plant and equipment using the financial method with a balancing entry under payables of the same amount, as provided for by IAS 17 which, while reflecting the economic substance of operations, assimilates these operations to purchase and financing agreements. Based on the above-mentioned method, property, plant and equipment are recognised at the capital value upon subscription of the finance lease. The amounts due to the lessor are also recognised under financial payables. This liability is decreased over time in line with repayment of the lease principal. Interest on payables is recognised in the income statement based on the repayment plan, in addition to depreciation of the asset based on the expected useful life.

Conversely, under the financial method, leased out assets are not included in property, plant and equipment. The related financial asset is recognised in the Statement of financial position. It decreases over time in line with collection of the relevant principal. Interest income on receivables is recognised in the income statement based on the repayment plan.

Property investments
Investment property is initially measured at purchase or construction cost. Such cost includes the purchase price and any directly attributable expenditure. The related transaction costs are recognised among the property costs, when purchase is recognised. Real estate investments are measured at cost in the following evaluation.
Expenses incurred after the purchase or completion of a property intended as an investment property increase the initial cost of the asset, if the company is likely to obtain higher future benefits than those previously estimated, thanks to these expenses. Otherwise, such costs are charged to the income statement.
Investment property is depreciated systematically annually on a straight-line basis using rates held to represent the residual useful life of the relevant asset.

Intangible assets
Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Intangible assets with finite useful lives are amortised on a systematic basis over their useful lives so that the carrying amount at year end matches their residual life or recoverable amount based on the company's plans to develop production. Amortisation begins when the asset is available for use.

Development costs are capitalised if all of the following features can be demonstrated:
- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If even one of these requirements is not met, the cost is fully recognised in the period in which it is incurred.

Industrial patents and similar rights are amortised on a straight-line basis over five years.

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation expires on the later of either the date on which the asset is classified as held for sale (or included in a disposal group classified as held for sale), pursuant to IFRS 5, or the date on which the asset is derecognised.
Assets under development and payments on account relate to internal and external costs referring to intangible assets for which the company has not yet acquired the right to and has not started to use in production. These investments are amortised from the date they begin to be used in production.
Under IAS 36, assets under development are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

Goodwill
Goodwill is initially recognised at cost. It represents the difference between the cost of the acquisition and the value of non-controlling interests and the fair value of the identifiable assets, liabilities and contingent liabilities related to the complex acquired. If, after this restatement, the value of current and contingent assets and liabilities exceeds the acquisition cost, the difference is recognised immediately in the income statement.
Any goodwill deriving from the acquisition of an associate is included in the carrying amount of the investment.
On first adoption of the IFRSs, the Group chose not to apply IFRS 3 – Business Combinations retroactively to acquisitions of companies that occurred before 01 January 2004; as a consequence, the goodwill generated on acquisitions prior to the date of transition to the IFRSs was kept at the previous figure determined according to the Italian accounting standards, after verification and recognition of any impairment losses.
Goodwill is allocated to one or more cash-generating units and is not amortised, but is annually tested for impairment or more frequently if specific events or changes in circumstances indicate that impairment may have taken place (see section on "Impairment losses").

Non-current assets held for sale
A non-current asset (or group of assets and liabilities held for disposal) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued

use. Immediately prior to initial classification of the asset (or disposal group) as available for sale, the carrying amounts of the assets are measured in accordance with Group accounting policies. The asset (or disposal group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with Group accounting policies. Impairment losses on the initial classification of an asset as held for sale compared to subsequent measurements are recognised in the income statement. Positive changes are recognised only to the extent of any accumulated impairment loss.

Impairment losses

The IASs/IFRSs require a company to assess whether there are any specific indications of impairment. The company performs an impairment test, which consists of estimating the recoverable amount of the asset and comparing it to its net carrying amount.

The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit, inclusive of taxes, by applying a discount rate, before taxes, represented by the current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior periods no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased to the estimated new recoverable amount. The latter amount shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately in the income statement.

Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Financial instruments

- Equity investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. In the event of impairment, the carrying amount of the investment is written down. The impairment loss is recognised in the income statement.

- Other equity investments

Investments in other companies, classified as available for sale (AFS), are measured at fair value. Gains and losses deriving from changes in fair value are recognised directly in other comprehensive income up to the moment in which they are sold or have suffered an impairment loss; in this case, the total loss is reversed from other comprehensive income and recognised in the income statement for an amount equal to the difference between the acquisition cost and current fair value. If the fair value cannot be reliably determined, investments are measured at cost adjusted for impairment losses, the effect of which is recognised in the income statement.

The risk deriving from losses which exceed the carrying amount of the investment is recognised in provisions for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.

- Financial assets held for trading

Upon initial recognition, financial assets held for trading are measured at purchase cost, i.e. at the fair value of the consideration paid; the transaction costs, as they are ancillary, are included in the purchase cost.

Subsequent to initial recognition, they are measured at fair value, without deducting any transaction costs that may be incurred upon sale or disposal. Changes in fair value are taken directly to the income statement.

If fair value cannot be determined reliably, such assets are measured at cost.

- Financial assets available for sale

Upon initial recognition, available-for-sale financial assets are measured at the fair value of the consideration paid (acquisition cost, including related costs).

Subsequent to initial recognition, they are measured at fair value, without deducting any transaction costs that may be incurred upon sale or disposal. Changes in fair value are recognised in other components of the statement of comprehensive income and transferred to the income statement only when the available-for-sale assets are derecognised or have undergone an impairment loss.

If the fair value of investments in instruments representing equity cannot be determined reliably, such assets are measured at cost.

- Hedging instruments

The company uses derivative financial instruments solely to hedge its exposure to currency, interest rate and commodity risks.

A hedging relationship qualifies for hedge accounting, under IAS 39, if all of the following conditions are met:

- at the inception of the hedge, or first-time adoption for instruments existing at 01 January 2005, there is formal designation and documentation of the hedging relationship and the company's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
- for cash flow hedges, an expected future transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are measured at fair value, calculated in accordance with IFRS 13. The fair value is determined by using adequate measurement models for each type of financial instrument by using, where available, the market forward curve, both regulated and not regulated (intrinsic value). For option contracts, fair value is supplemented with the time value, which is based on their residual life and the volatility of the underlying.

Taking into account the provisions specified by IFRS 7 on the fair value hierarchy, as extended by the new IFRS 13, for each category of financial instrument measured at fair value the fair value hierarchy is as follows:

- Level 1: Prices listed (not adjusted) on active markets for identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of 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).

Hedging instruments are tested for effectiveness at each reporting date to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting.

If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, fair value gains or losses on the hedging instrument are recognised in the statement of comprehensive income for the effective portion of the hedge (intrinsic value), and in the income statement for the time value portion and any ineffective portion (over-hedging);
- for fair value hedges, fair value changes on both the hedging instrument and hedged item are recognised in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the gains or losses deriving from the measurement at fair value of the hedging instrument are fully recognised in the income statement.

- Other financial assets and liabilities

Loans and receivables are initially recognised at fair value, adjusted by any directly attributable transaction costs. They are subsequently measured at amortised cost.

Securities held to maturity are initially recognised at cost, increased by transaction costs borne for acquisition of the financial asset. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, net of impairment losses.
At each reporting date, or whenever impairment indicators arise, all financial assets, except for FVTPL assets, are tested for impairment in order to determine whether there is objective evidence (such as breaches of contractual agreements, possible bankruptcy or financial difficulties of the debtor, etc.) that the value of the asset might not be entirely recoverable.

- *Trade Receivables and Payables*
Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement, and are recognised at fair value (equal to their nominal amount). After initial recognition they are measured at amortised cost. Trade receivables are measured net of the allowance for impairment of accounts receivable set up to cover estimated losses.

- *Cash and cash equivalents*
Cash and cash equivalents include cash on hand, call deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.
Cash and cash equivalents, including ancillary charges, are measured at fair value.
Cash on hand and revenue stamps are measured at their nominal amount.

Shareholders' equity
Share capital, including the various categories of shares, is stated at its nominal amount less share capital proceeds to be received.
The purchase cost of treasury shares is recognised as a reduction in equity.
Costs directly attributable to share capital transactions of the parent are offset against equity.
Dividends are recognised as payables when they are approved by the Shareholders.

Employee benefits
As from 01 January 2012, the amendment to the international accounting standard IAS 19 "Employee Benefits", endorsed on 06 June 2012, was applied in advance. This amendment is applicable starting from 01 January 2013, although its application was on a voluntary basis for financial statements at 31 December 2012. The changes made in the amendment can be classified in three categories: measurement and recognition, additional disclosures and further amendments.
The first category of amendments involves defined benefit plans. In particular, the corridor approach is no longer used in recognizing actuarial gains and losses (the Iren Group was no longer using this method) and instructions are now given to immediately recognise the components connected to "revaluations" (e.g. actuarial gains and losses) in Other comprehensive income.
As regards presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:
1) operating (service cost), personnel expenses;
2) financial (finance cost), net interest income/expense;
3) measuring (remeasurement cost), actuarial gains/losses.
As regards disclosures, information is given on the characteristics of the plans and related amounts entered in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of oscillations in demographic risk.
Post-employment benefits are defined according to plans which, based on their characteristics, are separated into "defined contribution" and "defined benefit" plans.
In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For Iren these are included under post-employment benefits accrued since 01 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the share paid to the additional pension funds.
The liability relating to defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For Iren, included in this category are post-employment benefits accrued until 31 December

2006 (or the date chosen by the employee if opting for allocation to complementary funds), the tariff discounts for employees and former employees, additional monthly salaries (Art. 47 National Collective Employment Contract - CCNL), the loyalty bonus paid to employees and contributions paid to the Premungas fund, a supplementary pension fund that allows employees to obtain the same amount of remuneration received upon retirement.
The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, taking into account economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured.
For post-employment benefits accrued at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the proportional basis is not applied because at the reporting date the benefits can be considered accrued in full.
The demographic, economic and financial variables are validated annually by an independent actuary.
Gains and losses deriving from actuarial calculations regarding post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in the Income statement.

Provisions for risks and charges
Provisions for risks and charges are set aside to cover liabilities of uncertain amount or due date that are recognised when, and only when, the following conditions are met:
- the company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the financial statements, and no provision is made.
No additional information is provided for events that are remote, i.e. where it is very unlikely they will arise, and no provision is made.
The provisions are recognised at the amount representing the best estimate of the total that the company would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.
On discounting, the time-related increase in the provision is recognised as financial expense.
Provisions for landfill post-closure are discounted based on the government curve of interest rates at the balance sheet date. Cash flows, indicated in the report drawn up by an independent expert, are discounted on a YoY basis.

Revenue
Revenue is measured at fair value with respect to the amount received or due, taking account of any commercial discounts and reductions connected with quantity.
Revenue from the sale of goods is recognised when:
- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither the ownership rights nor effective control over the goods sold by the seller;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When an uncertainty arises about the collectability of an amount already recognised, the non-collectable amount must be recognised as an expense, rather than as an adjustment of the income originally recognised.
Revenue from services is recognised when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the reporting date can be measured reliably;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically taken as income to the income statement over the useful life of the asset to which they refer. The deferred revenue related to the grants is recognised in the statement of financial position, under Other liabilities, with suitably separated current and non-current amounts.

Grants related to income are recognised in the income statement when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Other income

Other revenue and income include all types of revenue which are not included in the above-mentioned cases and do not feature a financial nature. They are recognised in accordance with the above-mentioned methods for revenue from goods and services.

Costs for the purchase of goods and services

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. The costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

Financial income and expense

Income arising from the use by others of company assets yielding interest and dividends is recognised when:
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the amount of revenue can be measured reliably.

Income is recognised on the following basis:
- interest is recognised on an accrual basis that takes into account the effective yield on the asset;
- receivables from dividends on investments are recognised when the shareholder's right to receive payment is established. This usually coincides with the resolution passed by the related meeting.

When uncertainty arises about the collectability of an amount already recognised, the non-collectable amount is recognised as an expense rather than as an adjustment to the income originally recognised.

Financial expense is recognised in the year in which it is incurred; expense that is directly attributable to the acquisition, construction or production of a plant is capitalised as part of the cost of that asset when:
- it is likely that it will result in future economic benefits for the company;
- it can be reliably measured.

Income tax expense

Income taxes comprise all the taxes calculated on the company's taxable income.

Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply for the year in which the differences will be paid.

The option for the Group tax consolidation scheme was exercised pursuant to Art. 118 of the new Consolidated Income Tax Act. It requires that the consolidated companies transfer their IRES receivables/payables to the parent Iren S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.
In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying “tax settlements” to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.

Discontinued operations
Discontinued operations are components of the Group, which have been divested or represent an important business unit or geographical area of operations. Assets are classified as discontinued at the moment of transfer or when they are classified as assets held for sale: when an asset is classified as discontinued, the income statement is restated as though the operation were discontinued starting from the beginning of the comparative period.

Translation criteria
The functional and presentation currency adopted by the company is the euro. When transactions in foreign currency are made, they are initially recognised at the exchange rate in effect on the transaction date. Except for non-current assets, assets and liabilities in foreign currency are recognised at the closing rate and the related exchange rate gains and losses are taken to the income statement. Any net gain is allocated to a special reserve unavailable until realisation.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 01 JANUARY 2016

As of 01 January 2016, the following accounting standards and amendments to account standards, issued by the IASB and endorsed by the European Union, are obligatorily applicable:
Amendments to IAS 19 - Employee Benefits: Defined benefit plans: employee contributions (Regulation 29/2015). The objective of the amendments is to simplify recognition of contributions that are independent of the number of years of service for employees, for example contributions from employees that are calculated on the basis of a fixed percentage of their salary.
Amendments to IFRS 11 - Joint Arrangements: Acquisitions of Interests in Joint Operations (Regulation 2173/2015). Amendments issued by the IASB on 06 May 2014, applicable as of financial years starting on 01 July 2016, with early application allowed. The document establishes that the standards contained in IFRS 3 - Business Combinations in relation to the recognition of the effects of a business combination must be applied to recognise the acquisition of an interest in a joint operation, whose activity is represented by a business.
Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Regulation 2231/2015). Amendments issued by the IASB on 12 May 2014, applicable as of financial years starting on 01 January 2016. The document specifies that the use of a revenue-based method for calculating depreciation or amortisation of property, plant and equipment and intangible assets is not appropriate, because revenue generated by an asset which entails the use of property, plant and equipment and intangible assets generally reflects factors other than deterioration of the economic benefits inherent in the assets themselves.
Amendments to IAS 27 - Separate Financial Statements (Regulation 2441/2015). Document issued by the IASB on 12 August 2014. The amendments, applicable for financial years starting on 01 January 2016, allow use of the shareholders' equity method for recognising equity investments in subsidiaries, associates and joint ventures in the separate financial statements. The objective is to reduce the complexity of management and the related costs for companies that operate under jurisdictions in which the IFRS standards also apply to separate financial statements.

On 25 September 2014, the International Accounting Standards Board (IASB) published the document "Improvements to the International Financial Reporting Standards (2012–2014 Cycle)", subsequently adopted by the European Union with Regulation 2343/2015. These improvements, applicable as of financial years starting on 01 January 2016 or later, include amendments to the main international accounting standards:
Improvement to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations: changes in methods of disposal. The amendment establishes the guidelines to follow in cases in which an entity reclassifies an asset (or disposal group) from the held for sale category to the held for distribution category (or vice versa), or when the requirements for classifying an asset as held for distribution no longer exist.
Improvement to IFRS 7 - Financial Instruments: Disclosures. The document governs the introduction of additional guidelines to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required. In addition, as regards offsetting financial assets and liabilities, the document clarifies that this disclosure is not explicitly required for all interim financial statements.
Nonetheless, the disclosure could be necessary to comply with the requirements provided for in IAS 34, if it is significant information.
Improvement to IAS 19 - Employee Benefits: discount rate issues. The document introduces amendments to IAS 19 in order to clarify that high-quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendments specify that the depth of the market for high-quality corporate bonds should be assessed at currency level.
Improvement to IAS 34 - Interim Financial Reporting: placement of additional disclosures. The document introduces amendments to clarify the requirements when the required disclosure is presented in the interim report, but outside of the financial statement sections. The amendment specifies that this disclosure is included through cross-references made between the two documents, provided that they are available to readers of the financial statements with the same method and at the same time.

Amendments to IAS 1 – Presentation of Financial Statements (Regulation 2406/2015). Document issued by the IASB on 18 December 2014. The amendments, which apply as of financial years which start on 01 January 2016, have the goal of making financial statements clearer and more intelligible. The amendments introduced involve:
- materiality and aggregation - it is clarified that information must not be obscured by aggregation or disaggregation and that the concept of materiality applies to the accounting statements, the notes to the statements and the specific disclosure requirements provided for in the individual IFRSs. It is clarified that disclosures specifically required in the IFRSs need to be provided only if the information is material;
- statement of financial position and statement of comprehensive income - it is clarified that the list of items specified in IAS 1 for these statements can be disaggregated and aggregated as necessary. In addition, guidelines are provided on the use of subtotals within the statements;
- presentation of other components in the statement of comprehensive income (OCI: Other Comprehensive Income) - it is clarified that the portion of OCI for associates and joint ventures consolidated with the equity method must be presented in aggregate in a single item, distinguished on the basis of whether they are components that could be reclassified to the income statement in the future or not;
- notes to the statements - it is clarified that entities can be flexible in defining the structure of the notes to the statements, and guidelines are provided on how to develop the structure of the notes.

No significant effects were seen on the financial statements of Iren S.p.A. following application of the amendments introduced.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BUT NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE

As of 01 January 2018, the following accounting standards and amendments to account standards are obligatorily applicable, as they have completed the EU endorsement process.

IAS 9 – Financial Instruments. In July 2014, the IASB published the standard IFRS 9 “Financial Instruments”, then endorsed in Regulation (EU) 2067/2016 of 22 November 2016. The standard is the result of a process that began in 2008 following the economic and financial crisis, with the aim of completely rewriting the accounting rules for recognition and measurement of financial instruments provided for in IAS 39. In brief the rules of IFRS 9 regard:
- the criteria for classification and measurement of financial assets and liabilities. In particular, as regards financial assets, the new standard uses a single approach based on management models of financial instruments and characteristics of contractual cash flows of financial assets, with the aim of determining the measurement criteria, replacing the various rules set forth in IAS 39. As regards financial liabilities, the main amendment is instead related to accounting for fair value changes of a financial liability designated as carried at fair value through profit or loss, in the event that these are due to a change in the credit risk of the liability itself. According to the new standard, these changes should be recognised under Other comprehensive gains/(losses) and will no longer be entered in the income statement;
- impairment of financial assets. The standard establishes that the entity must recognise the expected losses on its financial assets, where “loss” means the present value of all future lost revenue, and provide adequate information on the estimation criteria used;
- hedging operations (hedge accounting). IFRS 9 introduces a number of significant changes that mainly regard the effectiveness test, as the 80-125% threshold is abolished and replaced by an objective test that verifies the economic relationship between the hedged instrument and the hedging instrument, accounting only for the cost of the hedge, and extending the hedged elements and the disclosure required.

IFRS 15 – Revenue from Contracts with Customers. The standard was published by the IASB on 28 May 2014 and endorsed by the European Union on 22 September 2016 in Regulation 1905/2016, replacing IAS

18 - Revenue, IAS 11 - Construction Contracts, and interpretations SIC 31, IFRIC 13 and IFRIC 15. The new standard applies to all contracts with customers, with the exception of contracts that fall under the scope of IAS 17 - Leases, of insurance contracts and of financial instruments. The purpose of the new standard is to establish the criteria to be adopted in order to provide users of financial statements with information about the nature, amount and uncertainties associated with revenue and cash flows deriving from existing contracts with customers. The standard in question applies if all the following conditions are met:

i. the parties have approved the contract and have undertaken to perform their respective obligations;
ii. each party's rights in relation to the goods or services to be transferred and the payment terms have been identified;
iii. the contract signed has commercial substance (the risks, timing or amount of the future cash flows of the entity can change as a result of the contract);
iv. it is probable that the amounts associated with performance of the contract will be collected and paid.

The new standard will be applicable starting from 01 January 2018.
This standard underwent further change on 12 April 2016: the amendment, which has not yet been endorsed and which also becomes applicable from 01 January 2018, aims to clarify the guidelines for identifying an obligation to sell an asset or provide one or more services, in addition to providing indications on the recognition of licences relating to intellectual property.

As regards the new standards applicable starting from subsequent financial years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress. In particular, with reference to IFRS 15 the activities to identify the Group companies in scope have been launched and the assessment activities referred to contracts with customers, to business processes and to the application systems involved have been planned.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

Endorsement by the relevant bodies of the European Union is currently in progress for the following standards, updates and amendments to the IFRSs (already approved by the IASB), as well as the following interpretations (already approved by the IFRIC).

Amendments to IFRS 10, IFRS 11, and IAS 28 - Investment Entities: Applying the Consolidation Exception. The document, published by the IASB on 18 December 2014, introduces the following amendments:

- exemption from preparing consolidated financial statements for an intermediate parent entity is available also to a parent entity that is a subsidiary of an investment entity;
- a subsidiary providing services that relate to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity;
- when applying the equity method to an associate or a joint venture that is an investment entity, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries;
- an investment entity measuring all of its subsidiaries at fair value must provide the disclosures relating to investment entities required by IFRS 12.

IFRS 16 – Leases. Standard published by the IASB on 13 January 2016, intended to replace IAS 17 - Leases, as well as the interpretations IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases - Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The new standard provides a new definition of lease and introduces criteria based on the right of use for an asset to distinguish leasing contracts from services contracts, identifying as discriminating factors: identification of the asset, the right to replace the same, the right to obtain substantially all economic benefits deriving from the use of the asset and the right to control the use of the asset underlying the contract. It will be applied as of 01 January 2019. Early application is allowed for entities that apply IFRS 15.

In the coming months, detailed analysis will be done to assess the effects the introduction of IFRS 16 will have on the Group.

Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses. Document issued by the IASB on 19 January 2016. The amendments, which apply for financial years starting on 01 January 2017, clarify how to recognise a deferred tax asset related to a financial liability measured at fair value. Early application is allowed.

Amendments to IAS 7 - Disclosure Initiative. Document issued by the IASB on 29 January 2016. The amendments, which apply to financial years starting on 01 January 2017, require entities to provide information about changes in their financial liabilities, in order to enable users to better assess the reasons underlying changes in the entity's debt.

Amendments to IFRS 2 - "Share-based Payments". Document issued by the IASB on 20 June 2016. The amendments, which apply for financial years starting on 01 January 2018 with the option of being applied in advance, clarify the recognition of specific types of share-based payment transactions. In particular, the amendments refer to:

- the impact of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions;
- the recognition of share-based payment transactions that require withholding tax to be applied;
- the reclassification of transactions from cash-settled to equity-settled due to modifications of the terms and conditions of the transaction.

On 08 December 2016, the IASB published the document Annual Improvements to IFRS Standards 2014-2016 Cycle, which amends IFRS 1 (entry into force 01 January 2018), IFRS 12 (entry into force 01 January 2017) and IAS 28 (entry into force 01 January 2018).

IFRIC 22 Foreign Currency Transactions and Advance Consideration, document issued by the IASB on 08 December 2016 and which comes into force on 01 January 2018. The interpretation provides clarifications on which exchange rates to use in financial statements in a foreign currency when the payment is made or received in advance.

Amendment to IAS 40 Investment Property which comes into force on 01 January 2018. The amendment entails a clarification on the application of paragraph 57 of IAS 40 providing guidelines on changes that can lead to classifying an asset which was not an investment property as such or vice versa. The amendment clarifies that a change in the management's intentions for the use of a property by itself does not constitute evidence of a change in use.

As regards the new standards applicable starting from financial year 2017 or subsequent years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.

III. IREN S.p.A. FINANCIAL RISK MANAGEMENT

The management of business risks is an essential component of the Internal Control System of corporate governance in a listed company, and the Code of Conduct set forth by Borsa Italiana assigns specific responsibilities as regards this aspect.
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).

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 table below illustrates the expected outflows (within 12 months, in 1-5 years and over 5 years). The flows indicated are undiscounted future cash flows, calculated according to residual contractual expiry dates, on both principal and interest. Undiscounted cash flows relating to interest rate hedges are also included.

thousands of euro

Data at 31/12/2016	Carrying amount	Contractual cash flows	within one year	1-5 years	Over 5 years
Mortgage loan and bond payables (*)	2,869,902	(3,212,418)	(419,776)	(1,345,636)	(1,447,006)
Hedging of interest rate risk (**)	25,565	(25,565)	(10,291)	(19,857)	4,583

(*) The carrying amount of "Mortgage loan and bond payables" includes both current and non-current portions.
(**) The carrying amount of "Hedging of interest rate risk" includes the fair value of hedging contracts (both positive and negative).

Cash flows required to settle other financial liabilities, other than those to lenders, do not differ significantly from the recognised carrying amount.
For details of the liquidity risk management policies, reference should be made to the Notes to the Consolidated Financial Statements included in this report.

INTEREST RATE RISK

For a more complete understanding of the interest rate risks, sensitivity analysis was performed on net financial charges to changes in interest rates. This analysis was performed on the basis of reasonable assumptions as follows:

- an increase and reduction of 100 basis points in the Euribor interest rates over the year was applied to the net financial debt;
- in any existing hedge, interest rate shock was applied to both the debt position and related hedge with an extremely limited net effect on the income statement;
- with regard to existing hedges at year end, a 100 basis points translation increase and decrease were applied to the forward curve of interest rates used to measure the fair value of the hedges.

The following table illustrates the results of the above sensitivity analysis performed with reference to 31 December 2016.

	Financial expenses		Cash Flow Hedge Reserve	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Cash flow sensitivity (net)				
Net financial debt				
(including hedging contracts)	(1,431)	2,670	-	-
Change in fair value				
Hedging contracts				
(assessment components only)	4,110	(4,320)	21,114	(23,425)
Total impact from sensitivity analysis	**2,679**	**(1,650)**	**21,114**	**(23,425)**

FAIR VALUE

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 reporting date.
In order to provide a disclosure as complete as possible, the corresponding figure from the previous year is also indicated.
For each recognised asset and liability class, the following table provides both the carrying amount and related fair value.

thousands of euro

Asset/liability description	31/12/2016		31/12/2015	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Non-current loans to related parties	1,544,901	1,750,133	1,887,041	2,122,475
Hedges – long-term assets	1,439	1,439	-	-
Bonds due at more than 12 months (*)	(1,377,398)	(1,454,755)	(1,186,552)	(1,299,492)
Bonds due within 12 months (*)	(178,554)	(186,021)	-	-
Non-current bank loans	(1,139,734)	(1,233,477)	(1,442,378)	(1,557,684)
Hedges – long-term liabilities	(27,004)	(27,004)	(31,439)	(31,439)
Loans - current portion	(174,216)	(204,812)	(143,797)	(182,383)
Total	**(1,350,566)**	**(1,354,497)**	**(917,125)**	**(948,523)**

(*) at 31/12/2016, the negative fair value of the Put Bond was 186,021 euro thousand (189,926 thousand euro at 31/12/2015)

Fair value hierarchy

The following table shows 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 identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of 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

31/12/2016	Level 1	Level 2	Level 3	Total
Financial assets available for sale				-
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets		-		-
Total assets	**-**	**-**	**-**	**-**
Derivative financial liabilities		(27,004)		(27,004)
Grand total	**-**	**(27,004)**	**-**	**(27,004)**

thousands of euro

31/12/2015	Level 1	Level 2	Level 3	Total
Financial assets available for sale				-
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets		-		-
Total assets	**-**	**-**	**-**	**-**
Derivative financial liabilities		(31,439)		(31,439)
Grand total	**-**	**(31,439)**	**-**	**(31,439)**

All Iren S.p.A. 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 the prices of the financial instruments, or in any case that do not require a significant adjustment based on data which cannot be observed on the market.
We can also note that no transfers occurred amongst the various Levels of the fair value hierarchy.

CREDIT RISK

Iren S.p.A. is not particularly exposed to credit risk as it mainly provides professional services to the First-level companies and subsidiaries, according to their needs, based on service agreements signed by the parties.

For details of the credit risk management policies, reference should be made to the Notes to the Consolidated Financial Statements included in this report.

Capital management

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

IV. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

On 13 March 2015, the Board of Directors of Iren, with the opinion in favour of the Transactions with Related Parties Committee (entirely made up of Independent Directors), adopted a new version of the “Internal Regulation on Transactions with Related Parties”, already approved on 30 November 2010 and amended on 06 February and 03 December 2013 (“TRP Internal Regulation”), in implementation:

- of the provisions relating to transactions with related parties pursuant to Article 2391-*bis* of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of Italian Legislative Decree no. 58 of 24 February 1998 (the “Testo Unico della Finanza” - Consolidated Law on Finance or CLF);
- the Regulation containing provisions on transactions with related parties, adopted by CONSOB with its Resolution no. 17221 of 12 March 2010 and subsequently amended with Resolution no. 17389 of 23 June 2010 (the “CONSOB Regulation”).

On 15 March 2016, after an enquiry carried out by the Transactions with Related Parties Committee, the Board of Directors of Iren adopted an Operating Procedure for the management of Transactions with Related Parties, which supplements and details the provisions of the aforesaid Internal Regulation on the subject of transactions with related parties.

Iren and its subsidiaries carry out transactions with related parties in accordance with the principles of transparency and fairness. Most of these transactions concern services provided to the customers in general (gas, water, electricity, heat, etc.) and are governed by contracts normally applicable to these situations.

Where the services provided are not current, the transactions 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 related-party shareholders

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.

Transactions with shareholders - related parties

In accordance with the “Internal regulation on transactions with related parties”, Iren’s Directors defined the Intesa San Paolo Group as a related party.
The Company has financial relations with the Intesa San Paolo Group and mainly relate to various loan types such as mortgage loans, credit facilities and current accounts. Moreover, the task of financial advisor for an extraordinary transaction was also assigned to Banca IMI S.p.A.

Transactions with subsidiaries

<u>Intercompany Services</u> - 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.

<u>Financial management</u> - 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 Arts 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.
All financial and legal transactions between the parties are governed by the specific intra-group agreement between the companies involved and the parent, Iren S.p.A.
The tax consolidation scope for 2016 includes the following companies, in addition to the consolidating company Iren S.p.A.: IRETI (formerly Iren Emilia and acquiring company of Iren Acqua Gas, AEM Torino Distribuzione, Aga, Eniatel, Genova Reti Gas and Acquedotto di Savona), Iren Servizi e Innovazione, Iren Mercato, Iren Energia (acquiring company of TLR V), Iren Gestioni Energetiche, Mediterranea delle Acque, Immobiliare delle Fabbriche, Iren Ambiente (acquiring company of Iren Ambiente Holding and Tecnoborgo), Iren Rinnovabili, Green Source, Enìa Solaris, Varsi Fotovoltaico, Millenaria Fotovoltaico and AMIAT.
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.
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.

Group VAT option - In terms of procedures, for 2016, 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 take part in the Group settlement procedure are the Parent Company Iren S.p.A. and the following companies: Iren Energia (acquiring company of TLR V.)., Iren Servizi e Innovazione, IRETI (formerly Iren Emilia and acquiring company of Iren Acqua Gas, AEM Torino Distribuzione, Aga, Eniatel, Genova Reti Gas and Acquedotto di Savona), Iren Mercato, Iren Gestioni Energetiche (incorporating company of OC.CLIM), Iren Ambiente (acquiring company of Iren Ambiente Holding and Tecnoborgo), AMIAT, Iren Rinnovabili., Enìa Solaris, Idrotigullio, Mediterranea delle Acque., Greensource, Millenaria Fotovoltaico, Varsi Fotovoltaico, Immobiliare delle fabbriche and Laboratori Iren Acqua Gas.

Transactions with Directors
Lastly, with regard to directors, we can note that other than regarding their offices held within the Group companies there have been no transactions with the directors. Information on remuneration can be found in the Remuneration Report published under the terms of Art. 123-*ter* of the Consolidated Law on Finance.

V. EVENTS AFTER THE REPORTING PERIOD

Additional periodic financial information

In the light of the provisions of the Issuer Regulations, amended by CONSOB with Resolution no. 19770 of 26 October 2016, which introduced article 82-ter with effect from 2 January 2017, Iren made public on 24 January 2017 its intention to continue to communicate, on a voluntary basis, the so-called "additional periodic financial information".
The "additional periodic financial information", starting from financial year 2017 and until otherwise communicated, will be subject to approval by the Board of Directors in meetings to be held within 45 days from the end of the first and third quarter of each year and published, in keeping with the methods provided for in the Issuer Regulations, by distribution of a press release and of a publication/presentation on the Company's website.
The main items of information contained in the "additional periodic financial information" will be the following:

- Corporate structure and company bodies;
- Summary of the economic results and the financial position;
- Segment reporting;
- Significant events of the period;
- Accounting statements related to the economic and financial situation and capital.

The Company:

- guarantees the consistency and correctness of the "additional periodic financial information" distributed to the public and the comparability of the related items of information with the corresponding figures contained in the financial reports previously distributed to the public;
- ensures rapid, non-discriminatory access reasonably capable of guaranteeing the effective distribution of the information in the whole of the European Union.

Conversion of Iren S.p.A. savings shares into ordinary shares by FCT Holding S.p.A. and subsequent sale

On 02 March 2017 FCT Holding S.p.A. communicated that it had concluded the sale of 14,001,986 ordinary shares, representing 1.18% of the Iren S.p.A. ordinary share capital. After the sale, FCT Holding S.p.A. holds a 6.308% stake in the Iren share capital.
The shares sold derive from the conversion of savings shares into ordinary shares, within the settlement date of the Offer, in accordance with the conversion procedure indicated in art. 6.9 of Iren's By-laws.
This said, the Iren S.p.A. share capital is therefore currently represented by 1,195,727,663 ordinary shares with voting rights and by 80,498,014 savings shares without voting rights, all with a face value of 1.00 euro each.

VI. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions
During 2016, the company did not carry out significant non-recurrent events and/or transactions, as defined in the Communication, that is to say events or transactions the occurrence of which is non-recurring or transactions or events which are not repeated frequently in the normal performance of the business.

Positions or transactions deriving from atypical and/or unusual operations
In 2016 the company 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.

Disclosure on treasury shares
We can note under the terms of art. 2428 of the Italian Civil Code that Iren S.p.A. does not possess, nor did it purchase or sell during the year, treasury shares and shares or units of subsidiaries, including through trust companies or intermediaries.

PUBLICATION OF THE FINANCIAL STATEMENTS

The Financial Statements were approved for publication by Iren's Board of Directors at its meeting of 16 March 2017. The Board of Directors authorised the Chairperson and the Chief Executive Officer to make such changes to the financial statements as necessary or opportune to improve them up to the date of approval by the Shareholders' Meeting.
The shareholders' meeting to be called to approve the separate financial statements of the Parent has the right to request amendments to the aforementioned separate financial statements.

FEES OF DIRECTORS, STATUTORY AUDITORS AND SENIOR MANAGERS
For information on the remuneration of Directors, Auditors and Senior Managers with strategic responsibilities, please see the special Remuneration Report issued pursuant to Art. 123-*ter* of the Consolidated Law on Finance.

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 and change of property, plant and equipment may be analysed as follows:

thousands of euro

	31/12/2015	Increases owing to business combinations	Increases	Depreciation	Disposals and other changes	31/12/2016
Land	278	-	-	-	-	278
Buildings	1,346	-	13	(133)	13	1,239
Plant and machinery	511	-	45	(57)	-	499
Industrial and commercial equipment	2	90	28	(12)	-	108
Other assets	6,451	14	2,863	(2,125)	2,046	9,249
Assets under development	3,503	-	87	-	**(3,481)**	109
Total	**12,091**	**104**	**3,036**	**(2,327)**	**(1,422)**	**11,482**

The change in the item Other assets relates mainly to the purchase and commissioning of hardware following the upgrade of the servers and the LAN, modernisation of the workstations for 4,574 thousand euro, purchase of vehicles by Iren Servizi e Innovazione for 1,156 thousand euro, and sale of vehicles to IRETI S.p.A. For 1,415 thousand euro.

The investments in progress in property, plant and equipment comprise mainly investments not yet completed for work on buildings and on general systems associated with operation of the same, although owned by the property fund Fondo Immobiliare.

We can note that, with the acquisition from Iren Energia S.p.A of the “Warehouse” unit and from IRETI S.p.A. of the “Warehouse and Corporate Staff” unit, both on 1 April 2016, property, plant and equipment increased by 104 thousand euro.

Furthermore, there are no guarantees for significant amounts on the assets.

NOTE 2_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The breakdown and change of intangible assets may be analysed as follows:

thousands of euro

	31/12/2015	Increases owing to business combinations	Increases	Depreciation and amortisation	Disposals and other changes	31/12/2016
Industrial patents and similar rights	7,716	-	11,269	(6,130)	14,746	27,601
Other fixed assets	-	-	950	(16)	-	934
Assets under development	16,172	-	5,123	-	(14,825)	6,470
Total	**23,888**	**-**	**17,342**	**(6,146)**	**(79)**	**35,005**

Industrial patents and similar rights

This item consists of software licences and costs incurred for in-house customisation of licensed software applications. With the centralisation of all staff activities within IREN SpA, the Parent Company provides these activities for all Group Companies. These assets are amortised over a five-year period.

Other fixed assets

This item mainly consists of costs for studies and defining the architecture of the project “Market Systems Unification - Project Preparation.” and of costs for studies for the project "Group Integrated Reporting and Economic and Financial Planning System".

Intangible assets under development

This item mainly consists of software licences and related costs incurred for implementations (these refer mainly to the projects regarding information systems and applications in support of operating activities) and of costs for studies for projects in the IT field.

NOTE 3_INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Investments in subsidiaries

The list of investments in subsidiaries at 31 December 2016 is annexed.

The total of this item is broken down as follows:

thousands of euro

	31/12/2015	Increases	Decreases	31/12/2016
Iren Acqua Gas S.p.A.	581,158		-581,158	0
Iren Ambiente S.p.A.	235,253		9,145	244,398
Iren Ambiente Holding S.p.A.	9,145		-9,145	0
I RETI S.p.A.	262,303	756,444		1,018,747
Iren Energia S.p.A.	1,314,398		-175,286	1,139,112
Iren Mercato S.p.A.	142,065		0	142,065
Total	**2,544,322**	**756,444**	**-756,444**	**2,544,322**

The table shows the effect attributable to non-recurring operations carried out at the end of 2015 with effects from 01 January 2016 regarding the rationalisation of equity investments.
In particular, we can note:
- the transfer of the equity investment held in Iren Ambiente Holding S.p.A following the merger by incorporation of the same into the company Iren Ambiente S.p.A;
- the renaming of the equity investment in Iren Emilia S.p.A. as a result of the deed of merger by incorporation of the companies Aem Torino Distribuzione, Genova Reti Gas, Iren Acqua Gas, Acquedotto Savona, Eniatel and Aga into the newly-established I RETI S.p.A;
- the reduction of the equity investment in Iren Energia S.p.A. as a result of the same deed of merger.

We can note that the equity investment in AMIAT V S.p.A. (0.001%), which is not shown in the table due to the insignificance of the related amount, was sold in May 2016 to the first level company Iren Ambiente S.p.A.

NOTE 4_OTHER EQUITY INVESTMENTS

This item relates to investments in companies over which Iren S.p.A. 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.
Following conferment by the subsidiary Iren Energia, the value of the investment in the Core MultiUtilities Fund amounted, at 31 December 2016 (unchanged compared to 31 December 2015), to 100 thousand euro.

NOTE 5_NON-CURRENT FINANCIAL ASSETS

Non-current financial receivables

The total of the item amounted to 1,546,440 thousand euro (1,887,041 thousand euro at 31 December 2015).

thousands of euro

	31/12/2016	31/12/2015
Receivables from subsidiaries, associates and joint ventures	29,957	470,529
For centralised treasury management and cash pooling	1,514,944	1,416,412
Other non-current financial assets	1,439	-
Receivables from others	100	100
Total	**1,546,440**	**1,887,041**

Financial receivables from subsidiaries and joint ventures relate to amounts due from:
- Idrotigullio, for 6,058 thousand euro (6,221 thousand euro at 31 December 2015),
- Asti Energia, for 899 thousand euro (338 thousand euro at 31 December 2015),
- Iren Rinnovabili for 5,000 thousand euro (unchanged with respect to 31 December 2015),
- Enia Solaris for 18,000 thousand euro (unchanged with respect to 31 December 2015),

At 31 December 2015, there was a financial receivable from Iren Mercato for 439,000,000 euro which was reclassified among short-term receivables as well as two receivables from Acquedotto Savona for 1,000 thousand euro and from Nord Ovest Servizi for 970 thousand euro which at 31 December 2016 had been extinguished.

The other non-current financial assets amounted to 1,439 thousand euro (not present at 31 December 2015) and regard the fair value of derivatives. (for comments please see the paragraph “IREN S.p.A. financial risk management”).

Financial receivables from others refer to participation in a film production under a Tax credit regime for 100 thousand euro (unchanged from 31 December 2015).

NOTE 6_OTHER NON-CURRENT ASSETS

These amounted to 23,427 thousand euro (10,706 thousand euro at 31 December 2015) and are made up of a receivable from the Revenues Agency generated by a judgement of the Court of Cassation regarding the refund of part of the interest paid by the former AMGA (now Iren S.p.A.) in relation to the recovery of state aid (“fiscal moratorium”) for 12,702 thousand euro (not present at 31 December 2015), tax credits for IRES rebate following the IRAP deduction referred to the years 2010/2011 for 7,562 thousand euro (unchanged compared to 31 December 2015), receivables from related-party shareholders for IRES rebate following the IRAP deduction referred to the years 2007/2009 for 2,954 thousand euro (unchanged compared to 31 December 2015) receivables from the personnel for the non-current portion of loans granted to employees for 204 thousand euro (190 thousand euro at 31 December 2015) and receivables for guarantee deposits for 5 thousand euro (not present at 31 December 2015).

NOTE 7_DEFERRED TAX ASSETS

This item amounts to 11,939 thousand euro (31 December 2015: 18,138 thousand euro) and refers to deferred tax assets arising from income components deductible in future years.

Reference should be made to the income statement, Note 36 “Income tax expense”, for further details.

CURRENT ASSETS

NOTE 8_TRADE RECEIVABLES

These are detailed in the following table:

thousands of euro

	31/12/2016	31/12/2015
Receivables from customers	932	546
Receivables from subsidiaries and joint ventures	48,934	92,970
Receivables from associates	1,281	4,947
Receivables from shareholders - related parties	25	31
Receivables from other Group companies	-	93
Total	**51,172**	**98,587**

Receivables from customers

These primarily relate to receivables for refunds of expenses and services rendered on the occasion of public events. They amounted to 932 thousand euro (546 thousand euro at 31 December 2015).

Receivables from subsidiaries and joint ventures

Receivables from subsidiaries and joint ventures refer to normal commercial transactions carried out at arm's length.

The total amount of trade receivables from subsidiaries and joint ventures is broken down under the section on transactions with related parties.

Receivables from associates

This item primarily refers to fees that may be charged back for offices held by Iren's employees in the associated companies, as well as to the repaid amount of insurance costs borne by the Parent.

The total amount of receivables from associates is broken down under the section on transactions with related parties.

Receivables from related-party shareholders

Receivables from related-party shareholders recorded a balance of 25 thousand euro (31 thousand euro at 31 December 2015) and refer to receivables for work performed for FSU for 19 thousand euro (31 thousand euro at 31 December 2015) and for the Municipality of Reggio Emilia for 6 thousand euro (not present at 31 December 2015).

Receivables from other Group companies

Zero at 31 December 2016. At 31 December 2015, they were 93 thousand euro and referred to receivables from BT ENIA and SMAG.

NOTE 10_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2016	31/12/2015
Receivables from personnel	19	19
Receivables from subsidiaries for Group VAT	11,821	7,795
Receivables from subsidiaries for tax consolidation scheme	38,751	32,006
VAT credit	6,783	6,953
Other receivables	3,842	5,355
Tax assets	1,969	1,047
Prepaid expenses	1,280	1,015
Total	**64,465**	**54,190**

Receivables from personnel include receivables for loans granted to employees, advances on pensions, wages and salaries and travel expenses.

The option for the Group tax consolidation scheme was exercised pursuant to Art. 118 of the new Consolidated Income Tax Act. It requires that the consolidated companies transfer their IRES receivables/payables to the parent Iren S.p.A.

NOTE 11_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.
Current financial receivables relate to:

Financial receivables from subsidiaries, associated companies and joint ventures
The total of the item, which from 31 December 2012 no longer includes receivables for cash-pooling reclassified under the item "non-current financial receivables", is divided as shown in the table below:

thousands of euro

	31/12/2016	31/12/2015
For invoices issued	543	91
For invoices to be issued	22,077	22,644
For loans granted	439,243	240
For conferments	890	110
Sundry	302	-
Total	**463,055**	**23,085**

Loans granted include 439,243 thousand euro (240 thousand euro at 31 December 2015) as the current portion of a mortgage loan granted to the subsidiaries Idrotigullio and Iren Mercato.

Other financial receivables
These amount to 11 thousand euro (10 thousand euro at 31 December 2015) and primarily relate to financial prepayments.

NOTE 12_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

thousands of euro

	31/12/2016	31/12/2015
Bank and postal deposits	140,845	115,718
Cash and valuables in hand	473	343
Total	**141,318**	**116,061**

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 13_ASSETS HELD FOR SALE

These were 240 thousand euro (unchanged compared to 31 December 2015), and refer to the equity investment in Plurigas in liquidation. The investment was classified among assets held for sale because during 2014 the company ceased to do business.

LIABILITIES

NOTE 14_EQUITY

Equity may be analysed as follows:

thousands of euro

	31/12/2016	31/12/2015
Share capital	1,276,226	1,276,226
Reserves and retained Profits (Losses)	240,453	181,992
Net profit/(loss) for the period	88,257	124,501
Total	**1,604,936**	**1,582,719**

Share capital

The share capital amounts to 1,276,225,677 euro (unchanged compared to 31 December 2015), fully paid up, and consists of 1,181,725,677 ordinary shares with a face value of 1 euro each and 94,500,000 savings shares without voting rights with a face value of 1 euro each.

Savings shares

The 94,500,000 Iren savings shares, 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 rules 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

	31/12/2016	31/12/2015
Share premium reserve	105,102	105,102
Legal reserve	45,585	39,360
Hedging reserve	(14,658)	(20,064)
Other reserves and retained earnings (losses)	104,424	57,594
Total	**240,453**	**181,992**

Hedging reserve

With the adoption of IAS 39, changes in the fair value of effective hedging derivatives are recognised with a contra-entry 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.

Other reserves and retained earnings (losses)

These mainly comprise the surplus generated by the merger of AMGA into AEM Torino and the later merger of Enìa into Iride, and retained earnings and losses. During 2012, they fell due to the retained loss of 2011. During financial year 2015, the extraordinary reserve fell as a result of the distribution of an extraordinary unit dividend of 0.0151 euro. For further details, reference should be made to the statement of changes in equity.

Dividends

At the ordinary shareholders' meeting of Iren S.p.A. held on 09 May 2016, the distribution of a 0.055 euro per share dividend was approved. The dividend amounting to 70,192 thousand euro was paid from 22 June 2016.

NON-CURRENT LIABILITIES

NOTE 15_NON-CURRENT FINANCIAL LIABILITIES

These amount to 2,544,136 thousand euro (2,660,368 thousand euro at 31 December 2015) and consist of:

Bonds

They amounted to 1,377,398 thousand euro (1,186,551 thousand euro at 31 December 2015).
This amount (1,031,240 thousand euro at 31 December 2015) is related to Private Placement and Public Bond issues. Private Placement: a) Notes maturity 2020, coupon 4.37%, amount of issue 260 million, currently in issue for 185,120 million following the buy-back (tender offer) carried out in December 2015 and 2016; b) Notes maturity 2019, coupon 3%, amount of issue 100 million, currently in issue for 89.1 million following the tender offer as above. Public Bond: a) Notes maturity 2021, coupon 3%, amount of issue 300 million, currently in issue for 186,273 million following repurchases as above; b) Notes maturity 2022, coupon 2.75%, amount of issue 500 million, currently in issue for 430,126 million following the tender offer of 2016; c) Notes maturity 2024, coupon 0.875%, amount 500 million, second issue in November 2016, as part of the EMTN programme increased to a total of 1.5 billion euro. The bond loans were subscribed by Italian and foreign institutional investors and are listed on the Irish Stock Exchange; the Public Bonds were given a Fitch rating. The carrying amount refers to the amortised cost, in accordance with the IASs.
At 31/12/2015 they included for 155,311 thousand euro two non-convertible puttable bonds, issued in 2008 with original maturity in 2021. At 31/12/2016 the item was classified among Current Financial Liabilities, taking into account the fact that it was decided to proceed with the voluntary advance redemption of the Put Bonds in the portfolio, at the maturity of the interest instalment of September 2017, with consequent accounting in the short term for a total amount of 179 million euro.

Non-current bank loans

Medium/long-term loans relate exclusively to the non-current portion of bank loans and amounted to 1,139,734 thousand euro (1,442,378 thousand euro at 31 December 2015).
Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and maturity date, as shown in the following table:

thousands of euro

	fixed rate	floating rate	TOTAL
min/max interest rate	2.79%-5.249%	0.00%-2.579%	
maturity	2018-2027	2018-2030	
2018	62,129	157,751	219,880
2019	58,845	185,925	244,770
2020	61,085	60,932	122,017
2021	63,412	30,932	94,344
subsequent	305,538	153,184	458,722
Total payables at 31/12/2016	**551,009**	**588,725**	**1,139,734**
Total payables at 31/12/2015	**660,699**	**781,679**	**1,442,378**

All loans are denominated in euro.

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

thousands of euro

	31/12/2015 Total payables	Increases	Repayments	Amortised cost adjustments	31/12/2016 Total payables
- fixed rate	**660,699**	-	(109,869)	179	**551,009**
- floating-rate	**781,679**	70,000	(264,346)	1,394	**588,725**
TOTAL	**1,442,378**	**70,000**	**(374,216)**	**1,573**	**1,139,734**

Total non-current loans at 31 December 2016 decreased compared to 31 December 2015 due to the following variations:

- increases of 70 million euro, owing to disbursement to the Parent Company of new loans: 20 million euro from Banca di Piacenza and 50 million euro from the EIB, as part of the ceiling on the Genoa and Parma water services project;
- reduction of a total of 374,216 thousand euro, owing both to early repayment of loans (200 million euro at floating rate from Cassa Depositi e Prestiti, Banca Regionale Europea and Unicredit), and to the classification to short term of the portions of loans maturing within the next 12 months;
- changes in amortised cost for the purpose of IAS accounting of loans.

Other financial liabilities

These amount to 27,004 thousand euro (31,439 thousand euro at 31 December 2015) and refer to the fair value of derivative contracts entered into by Iren as hedges against the interest rate risk on floating rate mortgages (reference should be made to the paragraph “Iren S.p.A. financial risk management” for comments).

NOTE 16_EMPLOYEE BENEFITS

Changes in this item in 2016 were as follows:

thousands of euro

Amount at 31/12/2015	**19,286**
Current service costs	52
Financial expenses	284
Disbursements for the year of releases and withdrawals	(1,069)
Actuarial (gains)/losses	1,442
Other changes	2,671
Amount at 31/12/2016	**22,666**

Liabilities for employee benefits consist of:

Post-employment benefits

Changes in this item in 2015 were as follows:

thousands of euro

Amount at 31/12/2015	**13,650**
Current service costs	-
Financial expenses	184
Disbursements for the year of releases and withdrawals	(789)
Actuarial (gains)/losses	414
Other changes	2,330
Amount at 31/12/2016	**15,789**

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)

The long-service bonus has been provided for to cover the additional amount due to employees in force at the end of the year in respect of the amount accrued at that date for those reaching the minimum pensionable service.

Movements of the year are shown in the following table:

thousands of euro

Amount at 31/12/2015	**665**
Current service costs	26
Financial expenses	9
Disbursements for the year of releases and withdrawals	-
Actuarial (gains)/losses	98
Other changes	106
Amount at 31/12/2016	**904**

Loyalty bonus

Employees reaching 25, 30 or 35 years of service are entitled to a loyalty bonus equal to one monthly salary amount as established by the national sector labour contract in force on reaching the required years of services. Movements of the year are shown in the following table:

thousands of euro

Amount at 31/12/2015	**532**
Current service costs	26
Financial expenses	8
Disbursements for the year of releases and withdrawals	(59)
Actuarial (gains)/losses	29
Other changes	115
Amount at 31/12/2016	**651**

Provisions for tariff discounts

The Company guarantees to its employees, hired before July 1996 with an electrical contract, an electrical energy discount, while to employees hired with an environment contract it guarantees a carbon or heating indemnity. These benefits are provided to everyone eligible, including not only employees in service but also retired employees, and the benefit of the energy discount is transferable to spouses.
Movements of the year are shown in the following table:

thousands of euro

Amount at 31/12/2015	**3,650**
Current service costs	-
Financial expenses	72
Disbursements for the year of releases and withdrawals	- 165
Actuarial (gains)/losses	900
Other changes	120
Amount at 31/12/2016	**4,577**

The item disbursements for the year of releases and withdrawals is mainly due to the change in the number of parties with the right to the energy discount.

Premungas fund

The Premungas fund is a supplementary pension plan which allows the employee to obtain the same amount of remuneration received upon retirement. The benefit is paid to employees hired with a Federgasacqua contract up to 28 February 1978.
Movements of the year are shown in the following table:

thousands of euro

Amount at 31/12/2015	**789**
Current service costs	-
Financial expenses	11
Disbursements for the year of releases and withdrawals	(56)
Actuarial (gains)/losses	1
Other changes	-
Amount at 31/12/2016	**745**

Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries.

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 electricity 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 measurements provided for in 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	0.86% - 1.31%
Annual inflation rate	1.50%
Annual rate of electricity price increase	1.50%
Annual increase rate of post-employment benefits	2.63%

Pursuant to IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the following year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the following table.

	Change in liabilities according to changes in discount rate		**Service cost 2016**	**Duration of the plan**
	+0.25%	-0.25%		
Post-employment benefits	(338)	350	-	9.3
Additional monthly salaries	(27)	28	33	7.9
Loyalty bonus	-	-	31	9.4
Tariff discounts	(158)	167	50	15.6
Premungas	(15)	15	-	8.5

NOTE 17_PROVISIONS FOR RISKS AND CHARGES

Details and variations are shown in the table below:

thousands of euro

	31/12/2015	Increases	Utilisations	Releases	Reclassifications and contributions	31/12/2016	Current portion
Provisions for CIG/CIGS	3,105	-	(30)	-	-	3,075	-
Provisions for early retirement expenses	2,611	6,604	(1,327)	(233)	-	7,655	2,072
Other provisions	15,650	3,632	(38)	(1,006)	(2,179)	16,059	-
Total	**21,366**	**10,236**	**(1,395)**	**(1,395)**	**(2,179)**	**26,789**	**2,072**

The increase in provisions for risks and charges refers to expenses associated with early retirement of some employees and arises from the results of an agreement between the Iren Group and the Trade Unions that provides for incentives for accompaniment to early retirement of some employees, being implemented through acceptances on a voluntary basis among the Group's workers potentially interested. The operation must be seen in the wider context of professional and demographic rebalancing of the Iren Group's personnel, in view of a plan to recruit young people.
The incentive, completely chargeable to the Iren Group (in application of Art. 4 of Italian Law 92/2012), will enable the oldest personnel to retire up to 24 months before the date of eligibility, making up in part for the delay in terminating the employment determined after the reform of the pensions system.
The amount set aside in the present financial statements is recognised in the income statement under personnel expense (in the item "Other personnel expense"). It represents the payment to the employees involved in the Plan, through the INPS, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules (isopension) with payment to the INPS of the contribution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.
Further increases regard mainly legal disputes with suppliers, employment disputes and adjustment of provisions for Long-Term Incentive Plans.

NOTE 18_DEFERRED TAX LIABILITIES

Deferred tax liabilities of 426 thousand euro (1,284 thousand euro at 31 December 2015) 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.
Reference should be made to the income statement, note 36 "Income tax expense", for further details.

NOTE 19_OTHER PAYABLES – OTHER NON-CURRENT LIABILITIES

This item amounts to 8,499 thousand euro (8,681 thousand euro at 31 December 2015) and refers to payables to companies adopting the tax consolidation regime for reimbursements of IRES and the IRAP claim for 2007-2011 (unchanged compared to 31 December 2015).
At 31 December 2015, the item also included payables to Equitalia and to INPS for CIG, CIGS and mobility contributions for 143 thousand euro and deferred income for grants related to plants of 39 thousand euro deriving from sale of the business unit by Iren Emilia.

CURRENT LIABILITIES

NOTE 20_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

	31/12/2016	31/12/2015
Bonds	178,554	-
Bank loans	185,528	155,891
Financial payables to subsidiaries	220,179	220,037
Other financial liabilities	80	162
Total	**584,341**	**376,090**

Bonds
During December 2016, in line with the liability management strategy resolved by the Board of Directors of Iren S.p.A. at its meeting on 18 October 2016, the directors of the company decided to proceed with voluntary early repayment of the two non-convertible bond loans (the so-called Puttable Bonds), to be carried out in September 2017 at the moment of the maturities of the related interest instalments.
In consideration of the above the Company redetermined the value of the financial liability at 31 December 2016, on the basis of the provisions of IAS39 pAG8, according to which if an entity revises its estimates of payments or receipts, it must recalculate the gross carrying amount of the financial asset or financial liability to reflect the revised effective estimated future cash flows. In particular, the carrying amount is determined calculating the present value of the estimated future cash flows at the original effective interest rate of the financial instrument and any adjustment is recognised as income or expense in the income statement.
In the case in question, the effect of the redetermination described above entailed the recognition of a financial liability for an amount of 178,554 thousand euro and a corresponding financial expense of 23,243 thousand euro.

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

thousands of euro

	31/12/2016	31/12/2015
Loans - current portion	174,215	143,797
Other current payables to banks	178	72
Accrued financial expenses and deferred financial income	11,135	12,022
Total	**185,528**	**155,891**

Financial payables to subsidiaries
Payables to subsidiaries can be broken down as follows:

thousands of euro

	31/12/2016	31/12/2015
For invoices to be received	-	-
For cash-pooling	220,056	214,053
For conferments	123	5,984
Total	**220,179**	**220,037**

Financial payables to others

These amounted to 80 thousand euro (162 thousand euro at 31 December 2015) and refer to payables due to banks for expenses generated by early repayment of a loan.

NOTE 21_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

	31/12/2016	31/12/2015
Trade payables	45,743	45,829
Trade payables to subsidiaries	9,499	14,574
Payables to joint ventures	85	2
Trade payables to associates	73	10
Payables to related-party shareholders	911	173
Trade payables to other Group companies	664	528
Total	**56,975**	**61,116**

NOTE 22_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

	31/12/2016	31/12/2015
Social security charges payable	3,714	3,464
Amounts payable to subsidiaries for tax consolidation scheme	5,318	5,332
Payables to subsidiaries for group VAT	3,684	12,297
IRPEF payables and tax payables	6,051	5,154
Payables to employees	8,164	7,532
Deferred income	122	-
Other payables	3,883	5,681
Total	**30,936**	**39,460**

Payables to social security agencies consist mainly of withholdings and contributions to be paid to INPS and INPDAP.

The company opted for the Group tax consolidation scheme pursuant to Art. 118 of the new Consolidated Income Tax Act. This requires that the consolidated companies transfer their IRES receivables/payables to the parent Iren S.p.A.

Deferred income of 122 thousand euro (not present at 31 December 2015) refers to the portion not accruing to the year of grants received for the purpose of financing research, development and innovation projects at the base of the strategic choices and of the definition of the products and services offered by the Group.

NOTE 23_CURRENT TAX LIABILITIES

The item amounted to 13,273 thousand euro (18,078 thousand euro at 31 December 2015) and refers to IRES tax liabilities.

NOTE 24_PROVISIONS FOR RISKS – CURRENT PORTION

The item amounted to 2,072 thousand euro (1,933 thousand euro at 31 December 2015). For more details see Note 17 Provisions for risks and charges.

FINANCIAL POSITION

The net financial debt, 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

	31/12/2016	31/12/2015
Non-current financial assets	(1,546,441)	(1,887,041)
Non-current financial indebtedness	2,544,136	2,660,368
Non-current financial debt	**997,695**	**773,327**
Current financial assets	(604,383)	(139,146)
Current financial indebtedness	584,341	376,091
Current net financial indebtedness	**(20,042)**	**236,945**
Net financial debt	**977,653**	**1,010,272**

Detail of Net Financial Position regarding related parties

Non-current financial assets were 1,546,441 euro thousand and concern loans and centralised treasury and cash-pooling transactions with subsidiaries for 1,521,002 thousand euro, the positive fair value on derivatives for 1,440 thousand euro and loans to joint ventures and associates for 23,999 thousand euro.
Current financial assets relate for 21,234 thousand euro to invoices to be issued to subsidiaries and for 429 thousand euro to invoices to be issued to joint ventures.
Current financial liabilities for 220,024 thousand euro refer to financial payables to subsidiaries for centralised treasury and cash-pooling transactions and for conferments.
For additional information, see the annexed tables on transactions with related parties.

Below is the net financial position in the format proposed by the CESR recommendation of 10 July 2005, which does not include non-current financial assets.

thousands of euro

	31/12/2016	31/12/2015
A. Cash in hand	(141,318)	(116,061)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**(141,318)**	**(116,061)**
E. Current financial receivables	**(463,065)**	**(23,085)**
F. Current bank debt	11,313	12,094
G. Current portion of non-current debt	352,769	143,797
H. Other current financial debt	220,259	220,200
I. Current financial indebtedness (F) + (G) + (H)	**584,341**	**376,091**
J. Current net financial indebtedness (I) + (E) + (D)	**(20,042)**	**236,945**
K. Non-current bank debt	1,139,734	1,442,378
L. Bonds issued	1,377,398	1,186,551
M. Other non-current debt	27,004	31,439
N. Non-current financial indebtedness (K) + (L) + (M)	**2,544,136**	**2,660,368**
O. Net financial debt (J) + (N)	**2,524,094**	**2,897,313**

VIII. NOTES TO THE INCOME STATEMENT

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

REVENUE

NOTE 25_REVENUE FROM GOODS AND SERVICES

Revenue from services provided can be broken down as in the table below:

thousands of euro

	Financial year 2016	Financial year 2015
Services provided to subsidiaries and associates	138,923	71,329
Services to related-party shareholders and other companies	199	157
Total	**139,122**	**71,486**

Revenue for services provided to related-party shareholders regards services in favour of FSU for 40 thousand euro (28 thousand euro at 31 December 2015) and revenue from third companies for 159 thousand euro (129 thousand euro at 31 December 2015).

Revenue from services to subsidiaries and associates relate to administrative and technical services provided in accordance with a specific contract.

The increase in the item Services provided to subsidiaries and associates can be attributed to intra-group unit sale operations, which occurred in the first half of 2016. Specifically, this was the acquisition from Iren Servizi e Innovazione of the “Group services” unit, from Iren Energia S.p.A. of the “Warehouse” unit and from IRETI S.p.A. of the “Warehouse and Corporate Staff” unit.

For additional information, see the annexed tables on transactions with related parties.

NOTE 26_OTHER INCOME

Other revenue includes:

thousands of euro

	Financial year 2016	Financial year 2015
Revenue from previous years	2,505	4,383
operating grants	380	144
capital gains on sales	10	-
Sundry repayments	4,525	13,954
Total	**7,420**	**18,481**

Prior year revenue mainly regards the settlement of prior items with reference to estimates made in previous years and adjustments to prior years’ invoices.
Sundry repayments include fees which were paid to Iren Directors and employees reversible by group companies and the chargeback of costs for personnel seconded to subsidiaries.

COSTS

NOTE 27_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This amounted to 9,002 thousand euro (976 thousand euro in 2015) and mainly refers to purchases of various materials and fuel. The increase in value was due mainly to the purchase of vehicles by Iren Servizi e Innovazione which increased at the same time the amount of capitalised costs.

NOTE 28_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down in the following table:

thousands of euro

	Financial year 2016	Financial year 2015
Professional services	12,519	6,604
Fees and refunds of expenses to statutory auditors	121	118
Services from subsidiaries and Group companies	6,283	14,959
Insurance	11,980	815
Travel by personnel, training, canteen	7,027	2,229
Bank and postal expenses	836	1,723
Advertising and public relations	5,209	891
Electricity supplies	1,246	263
IT services	18,977	6,843
Other costs for services	10,186	9,957
Total	**74,384**	**44,402**

Costs for the use of third-party assets amounted to 12,766 thousand euro (2015: 7,066 thousand euro) and resulted from the unit sales which occurred during 2015 by the companies Iren Emilia, Iren Energia and Iren Servizi which transferred to Iren S.p.A. management of the buildings sold to the property fund Ream.

NOTE 29_OTHER OPERATING EXPENSE

Other operating expense is broken down in the following table:

thousands of euro

	Financial year 2016	Financial year 2015
Membership fees	1,020	903
Taxes and duties	1,388	662
Donations	352	884
Prior year expense	2,759	734
Other sundry operating expenses	1,004	427
Total	**6,523**	**3,610**

The increase in taxes and duties and other operating expenses is related to the organisational rationalisation work carried out by the Iren Group companies starting from financial year 2015 which determined an increase in indirect taxes on the parent company.

Prior year expense mainly refers to differences on estimates.

NOTE 30_CAPITALISED EXPENSES FOR INTERNAL WORK

Capitalised expenses for internal work amounted to 9,563 thousand euro (2,893 thousand euro in 2015) and refer for 2,829 thousand euro (2,866 thousand euro in 2015) to personnel labour expenses and for 6,734 thousand euro (not present in 2015) to expenses to acquire materials not in stock.
The increase in this last figure was due to the capitalisation of the purchase of vehicles by Iren Servizi e Innovazione as per note 27 above.

NOTA 31_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

thousands of euro

	Financial year 2016	Financial year 2015
Wages and salaries	44,622	29,893
Social security charges payable	14,373	9,596
Defined benefit plans - Other defined benefit plans	52	52
Other personnel expense	11,337	4,560
Directors' fees	658	520
Total	**71,042**	**44,621**

The increase in the item wages and salaries was due to the organisational rationalisation work carried out by the Iren Group companies starting from financial year 2015. Other personnel expense includes the amount related to provisions set aside for expenses associated with early retirement incentives. Other personnel expense also includes the social security and recreational contribution, 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 following table shows the average number of employees and their number at the beginning and end of the year:

	31/12/2016	31/12/2015	Average of the year
Senior managers	51	45	50
Junior managers	91	90	90
White collar	785	686	765
Total	**927**	**821**	**905**

NOTE 32_DEPRECIATION/AMORTISATION

Depreciation of property, plant and equipment amounted to 2,327 thousand euro (701 thousand euro in 2015) and refers to the depreciation of buildings, industrial equipment, plant and machinery and other assets. Amortisation of intangible assets amounted to 6,146 thousand euro (2,458 thousand euro in 2015).

NOTE 33_PROVISIONS AND IMPAIRMENT LOSSES

Provisions amounted to 956 thousand euro (489 thousand euro in 2015) and refer to provisions for risks per 918 thousand euro (489 thousand euro in 2015) and to provisions for impairment of receivables for 38 thousand euro (not present at 31 December 2015). The analysis of provisions for risks and changes therein is provided in the comment to the Statement of Financial Position item "Provisions for risks and charges".

NOTE 34_FINANCIAL OPERATIONS

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

thousands of euro

	Financial year 2016	Financial year 2015
Income from investments	153,673	164,846
Bank interest income	142	42
Interest income from Group companies	72,682	71,837
Fair value gains on derivatives	2,557	1,340
Interest income on loans	414	-
Sundry interest income	12,705	5
Other financial income	3	32
Total	**242,176**	**238,102**

The increase in the item sundry interest income was due to the conclusion of the dispute launched by the company for the correct determination of interest on state aid.
The methods which enabled Iren S.p.A. to recognise the income of a total of 12,702 thousand euro are explained in the paragraph "Recovery of State Aid" below.

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

thousands of euro

	Financial year 2016	Financial year 2015
Bank interest expense on loans	39,569	46,838
Interest expense on bonds	89,591	47,598
Bank interest expense on credit facilities	43	775
Interest expense on interest rate hedging derivatives	11,000	11,458
Interest expense to subsidiaries	-	-
Employee benefits	283	104
Financial expense on derivatives	3,850	4,122
Actuarial loss on measuring employee benefits	29	-
Other financial expenses	1,423	670
Capital loss on disposal of equity investments	-	113
Total	**145,788**	**111,678**

The increase in expenses on bonds was due mainly to the one-off components for liability management operations.
Reference should be made to the note on "Employee benefits" in the Statement of financial position for details of financial expense on employee benefits.
Derivative fair value expenses consist of changes in fair value of certain hedging positions that do not meet the formal requirements for the application of hedge accounting.

NOTE 36_INCOME TAX EXPENSE

Income taxes amount to 18,910 thousand euro (9,539 thousand euro in 2015) and may be analysed as follows:

- current taxes of 22,529 thousand euro (9,590 thousand euro in 2015);
- net negative deferred tax assets and liabilities amounting to 3,619 thousand euro (a negative 43 thousand euro in 2015).

In financial year 2015, there were also negative taxes related to prior years for 8 thousand euro.

The 2008 Budget Law modified the interest expense regulations under Art. 96 of the Consolidated Income Tax Act, providing for their deductibility up to a maximum of 30% of the Gross Operating Profit (GOP) with the possibility of carrying forward any surpluses of non-deductible interest expense to the following years and, if Group taxation is adopted, with the right to offset said surpluses with any GOP surpluses accrued from other group companies.
With reference to Iren S.p.A., the new regulations set forth under Art. 96 of the Consolidated Income Tax Act involved, for 2014, forming surpluses of non-deductible interest expense totalling 55,681 thousand euro which, however, the company was able to fully offset with the GOP surpluses accrued within the Group thanks to Iren's decision to use group taxation and pursuant to existing consolidated taxation agreements. The ensuing benefit in terms of lower IRES tax in the year was 15,312 thousand euro.
Pursuant to the consolidated taxation agreements, no remuneration is owed by the companies with surpluses of non-deductible interest expense to the Group companies that transferred their GOP surpluses.
The following table shows the reconciliation between theoretical and effective IRES tax rates. The reconciliation between ordinary and effective IRAP rate was not significant.
The table shows current taxes only, thus excluding deferred taxes. Therefore, changes to the theoretical tax refer to both temporary and final changes.

IRES

		Financial year 2016	***Financial year 2015***
A	Profit/(loss) before tax	69,347	114,961
B	Theoretical tax charge (27.5% rate)	19,070	31,614
C	Temporary differences taxable in future years	-	-
D	Temporary differences deductible in future years	13,290	7,430
	Fees to independent auditors and directors	*33*	*23*
	Depreciation/amortisation, capital losses/gains	*1,760*	*724*
	Provisions set aside and interest expense	*5,846*	*6,682*
	Other	*5,651*	-
E	Transfer of prior year temporary differences	(22,612)	(2,586)
	Dividends not received over the year	(10)	-
	Utilisation of provisions and interest expense	(18,169)	(5,226)
	Fees to independent auditors and directors	(81)	(137)
	Other	(4,352)	2,777
F	Differences not recoverable in future years	(141,948)	(154,679)
	Non-taxable share of dividends (95%) received at 31/12	(145,980)	(156,604)
	Other	4,032	1,924
G	Taxable income (A+C+D+E+F)	(81,923)	(34,874)
H	Current taxes for the year	(22,529)	(9,590)
I	Rate	-32%	-8%

Recovery of State Aid
With reference to the question of recovery of state aid, discussed in detail in the notes to the financial statements of previous years, we can note the following.

After the Judgement of the Supreme Court of Cassation of 15/06/2016, the Dispute launched by the company for the correct determination of interest on state aid came to an end.
In particular, the Supreme Court rejected the grounds for the appeal by the Revenues Agency, which maintained that the interest calculation should have been done recalculating the tax on a five-year rather than annual basis. The Court therefore ruled that the interest rate had to be recalculated at annual intervals, on the basis of European Regulation 794/2004, as amended by Regulation 271/2008. Consequently, Iren gained the definitive right to obtain a refund of the amount of 11,127,844 euro, as established in Liguria RTC judgement no. 10/9/2012 filed on 22/02/2012, plus default interest, calculated at 1,574 thousand euro.

NOTE 37_OTHER COMPREHENSIVE INCOME

This item relates to:
- positive change in interest rate hedges for 7,431 thousand euro (a positive 9,945 thousand euro at 31 December 2015);
- actuarial losses related to post-employment benefit plans for employees, in the amount of 1,593 thousand euro (491 thousand euro at 31 December 2015);
- the negative aggregate tax effect of 1,686 thousand euro (2,856 thousand euro al 31 December 2015).

IX. GUARANTEES AND CONTINGENT LIABILITIES

Personal guarantees given amounted to 346,436 thousand euro (31 December 2015: 428,788 thousand euro) to be divided as follows:

- 34,924 thousand euro of bank and insurance guarantees given to various Banks. Among the above, it is worth noting guarantees given in favour of:

· Municipality of Turin, for 27,476 thousand euro, as definitive guarantee in the AMIAT/TRM tender procedure;
· FCT Holding, for 2,000 thousand euro, as definitive guarantee in the Amiat/TRM tender procedure;
· the Tax Authority for 1,135 thousand euro guaranteeing annual VAT rebates;
· ATO-R, for 1,000 thousand euro, as definitive guarantee in the Amiat/TRM tender procedure

- 266,217 thousand euro in guarantees given on behalf of subsidiaries, primarily to guarantee credit facilities and their transactions (mainly commercial contracts/Parent Company Guarantees on behalf of Iren Mercato S.p.A.).

- 45,295 thousand euro of guarantees given on behalf of Associates, related mainly to the company Sinergie Italiane (namely guarantees for credit facilities and letters of patronage totalling 26,666 thousand euro, down compared to 34,333 thousand euro at 31/12/2015).
The liquidators concluded the main procurement contracts and since 1 October 2012 the Company's operating activity consists only of the long-term purchase of gas from the Russian Gazprom supplier and the sale of gas to its shareholders or their subsidiaries, including Iren Mercato. Therefore, the company's financial exposure is progressively lowering with the consequent decrease in shareholders' guarantee obligations.

Also of note is the 3,334 thousand euro in guarantees given on the Mestni loan.

X. ANNEXES TO THE SEPARATE FINANCIAL STATEMENTS

LIST OF INVESTMENTS

STATEMENT OF CHANGES IN EQUITY, WITH ADDITIONAL INFORMATION

DEFERRED TAX ASSETS AND LIABILITIES

TRANSACTIONS WITH RELATED PARTIES FOR 2016

RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' FEES

LIST OF INVESTMENTS

Company	Registered office	Currency	Share capital	% interest
SUBSIDIARIES				
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00
I Reti S.p.A.	Reggio Emilia	Euro	196,832,103	100.00
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00
ASSOCIATES				
Plurigas (**)	Milan	Euro	800,000	30.00

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

INDEPENDENT AUDITORS’ FEES

INDEPENDENT AUDITORS’ FEES

Under the terms of Art. 149-*duodecies* of the Regulations implementing Italian Legislative Decree 58/1998, the fees for the year due to PricewaterhouseCoopers S.p.A. can be summarised as follows:

thousands of euro

Service	Service provider	To	Fees
Audit	Parent auditor	Parent	158
Attestation services (1)	Parent auditor	Parent	22
Tax consulting services	Parent auditor	Parent	-
Other services (2)	i) Parent auditor	Parent	81
	ii) Parent auditor network	Parent	323
Audit	i) Parent auditor	i) Subsidiaries	
	ii) Parent auditor network	ii) Subsidiaries	
Attestation services	i) Parent auditor	i) Subsidiaries	
	ii) Parent auditor network	ii) Subsidiaries	
Tax consulting services	i) Parent auditor	i) Subsidiaries	
	ii) Parent auditor network	ii) Subsidiaries	
Other services	i) Parent auditor	i) Subsidiaries	
	ii) Parent auditor network	ii) Subsidiaries	
Total Independent Auditors’ fees			**584**

STATEMENT OF CHANGES IN EQUITY, WITH ADDITIONAL INFORMATION

Amounts in euro

Nature/Description	31/12/2016	31/12/2015	31/12/2014
SHARE CAPITAL	1,276,225,677	1,276,225,677	1,276,225,677
EQUITY-RELATED RESERVE			
Share premium reserve (1)	105,102,206	105,102,206	105,102,206
Negative goodwill	56,792,947	56,792,947	56,792,947
INCOME-RELATED RESERVE			
Legal reserve	45,584,761	39,359,722	36,854,896
Other reserves:			
Extraordinary reserve	49,686,741	1,603,409	20,107,045
Contribution reserve	-	-	-
Fair value reserve	-	-	-
Other reserves taxable on distribution	1,402,976	1,402,976	1,402,976
Hedging reserve	(14,658,238)	(20,063,802)	(27,271,529)
Actuarial reserve, IAS 19	(3,458,348)	(2,204,942)	(2,404,810)
Retained earnings (losses)	-	-	-
TOTAL	**1,516,678,722**	**1,458,218,193**	**1,466,809,408**
Unavailable portion	1,426,912,644	1,420,687,605	1,418,182,779
Remaining available portion	89,766,078	37,530,588	48,626,629

(1) Distributable to shareholders after the legal reserve has reached one fifth of the share capital

KEY:
A: for capital increase
B: to cover losses
C: for distribution to shareholders

Amounts in euro

Possible use	Available portion	Summary of uses over the last three years	
		Coverage of losses	Other reasons
B	1,276,225,677		
A, B	105,102,206		
A, B, C	56,792,947		
B	45,584,761		
	-		
A, B, C	49,686,741		
A, B, C	-		
A, B	-		
A, B, C	1,402,976		
	(14,658,238)		
	(3,458,348)		
A, B, C	-		
	1,516,678,722		
	1,426,912,644		
	89,766,078		

DEFERRED TAX ASSETS AND LIABILITIES

	2016			
	differences			
	initial	formation	payment	remainder
Deferred tax assets				
Directors’ fees	67	-	67	-
Independent Auditors’ fees	14	33	14	33
Provisions for risks without deferred tax assets	12,026	-	3,108	8,919
Provisions for IRES IRAP risks	3,313	3,658	1,721	5,251
Provisions for IRES risks	5,488	538	-	6,026
Provisions for personnel	2,314	-	2,314	-
Provisions for personnel	2,694	683	117	3,260
Surplus amortisation & depreciation	1,030	1,760	-	2,790
MBO energy discounts and interest	25,226	6,731	20,478	11,479
Derivatives	26,718	-	7,431	19,287
Provisions for termination benefits	3,064	598	207	3,455
Multi-annual costs	171	-	57	114
Total taxable base/deferred tax assets	**82,125**	**14,001**	**35,513**	**60,614**
Deferred tax liabilities				
Surplus IRES amortisation & depreciation	506	-	-	506
Surplus IRAP amortisation & depreciation	467	-	-	467
Provisions for impairment of receivables	44	-	-	44
Dividends not received	-	1	-	-
Capital gains on disposal of IRES assets	2,987	-	2,987	-
Adjustment to post-employment benefits	464	-	-	464
Previous land/buildings depreciation	760	-	-	760
Provisions for risks	37	-	37	-
Total taxable base/deferred tax liabilities	**5,265**	1	**3,024**	**2,242**
TAX LOSSES	-	-	-	-
Net deferred tax assets (liabilities)	**76,860**	**14,000**	**32,489**	**58,372**

	2016				
	taxes				
	taxes to IS	taxes to equity	IRES (corporate income tax)	IRAP	total
	(18)	-	-	-	-
	4	-	8	-	8
	-	-		-	-
	(104)	-	1,260	-	1,260
	(208)	-	1,446	-	1,446
	-	-	-	-	-
	(111)	123	462	-	462
	412	-	670	-	670
	(4,439)	216	2,608	-	2,608
		(2,025)	4,629	-	4,629
	7	-	829	-	829
	(20)	-	27	-	27
	(4,477)	(1,686)	11,939	-	11,939
	-	-	121	-	121
	-	-		-	
	-	-	11	-	11
	-	-	-	-	-
	(822)	-	-	-	-
	-	-	111	-	111
	(27)	-	182	-	182
	(10)	-	-	-	-
		-		-	
	(858)	-	426	-	426
	-	-	-	-	-
	-	-	-	-	-
	(3,619)	**(1,686)**	**11,513**	-	**11,513**

DEFERRED TAX ASSETS AND LIABILITIES

	2015			
	differences			
	initial	formation	payment	remainder
Deferred tax assets				
Directors' fees	104	9	46	67
Independent Auditors' fees	91	14	91	14
Provisions for IRES IRAP risks	3,313	-	-	3,313
Provisions for IRES risks	5,957	1,870	2,338	5,488
Provisions for personnel	4,003	20	1,708	2,314
Provisions for personnel	2,419	275	-	2,694
Surplus amortisation & depreciation	306	724	-	1,030
Other	23,953	5,214	3,940	25,226
Derivatives	35,495	-	8,777	26,718
Provisions for termination benefits	2,489	1,058	483	3,064
Multi-annual costs	228	-	57	171
Total taxable base/deferred tax assets	**78,358**	**9,184**	**17,440**	**70,099**
Deferred tax liabilities				
Surplus IRES amortisation & depreciation	506	-	-	506
Surplus IRAP amortisation & depreciation	467	-	-	467
Provisions for impairment of receivables	44	-	-	44
Dividends not received	-	-	-	-
Capital gains on disposal of IRES assets	5,975	-	2,987	2,987
Adjustment to post-employment benefits	464	-	-	464
Previous land/buildings depreciation	760	-	-	760
Derivatives	887	-	887	-
Provisions for risks	37	-	-	37
Total taxable base/deferred tax liabilities	**9,140**	-	**3,874**	**5,265**
TAX LOSSES	-	-	-	-
Net deferred tax assets (liabilities)	**69,218**	**9,184**	**13,566**	**64,834**

thousands of euro

2015				
taxes				
taxes to IS	taxes to equity	IRES (corporate income tax)	IRAP	total
(10)	-	18	-	18
(21)	-	4	-	4
(285)	-	1,140	-	1,140
(112)	-	1,526	-	1,526
5	-	101	-	101
(344)	-	1,326	-	1,326
174	-	258	-	258
87	-	6,242	-	6,242
(372)	(2,735)	6,654	-	6,654
138	-	822	-	822
(16)	-	47	-	47
(756)	**(2,735)**	**18,138**	**-**	**18,138**
-	-	-	-	-
(18)	-	121	-	121
(22)	-	-	-	-
(2)	-	11	-	11
(822)	-	-	-	-
-	-	822	-	822
(16)	-	111	-	111
(37)	-	209	-	209
(276)	-	-	-	-
(2)	-	10	-	10
(1,195)	**-**	**1,284**	**-**	**1,284**
-	-	-	-	-
(439)	**(2,735)**	**16,854**	**-**	**16,854**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial Receivables, Cash and cash equivalents	Other receivables	Trade Payables	Financial Payables
Municipality of Genoa	-	-	-	708	-
Municipality of Parma	-	-	-	80	-
Municipality of Reggio	6	-	-	123	-
Finanziaria Sviluppo Utilities	19	-	2,954	-	-
AMIAT	6,073	53,795	925	1,605	-
Amiat Veicolo	79	17,594	-	-	-
Atena	421	-	-	424	-
Bonifica Autocisterne	16	-	-	-	-
Idrotigullio	368	6,272	157	-	5,420
Immobiliare delle Fabbriche	7	-	-	-	9,611
Iren Ambiente	6,472	206,889	3,338	820	-
Iren Energia	8,812	651,124	11,127	1,592	-
Iren Gestioni Energetiche	130	8,648	901	242	-
Iren Laboratori	165	-	205	103	-
Iren Mercato	9,383	446,900	18,268	1,834	121,610
I Reti	13,844	591,646	12,656	9,333	-
Iren Servizi e Innovazione	710	-	2,045	1,115	46,732
Mediterranea delle Acque	1,555	13	818	780	36,529
TRM Holding	36	-	-	-	-
TRM Veicolo	54	-	-	-	-
TRM S.p.A.	1,270	-	-	518	-
Acque Potabili	398	-	-	-	-
ENìA Solaris	337	18,324	73	4	-
Greensource	-	-	-	27	-
Iren Rinnovabili	393	5,183	15	13	-
Millenaria Fotovoltaico	-	-	-	38	-
OLT Offshore LNG Toscana	101	-	-	-	-
Varsi Fotovoltaico	-	-	-	**6**	-
A2A Alfa	3	-	-	-	-
Acos	11	-	-	-	-
Acquaenna	22	-	-	-	-
Amter	116	-	-	65	-
ASA	41	-	-	-	-
Asti Energia e Calore	-	899	-	-	-
Domus Acqua	51	-	-	-	-
Iniziative Ambientali	5	-	-	-	-
Piana Ambiente	62	-	-	-	-
Plurigas	-	300	-	-	-
So. Sel.	7	-	-	8	-
Valle Dora Energia Srl	-	-	-	-	155
AMT	-	-	-	**10**	-
ASTER	-	-	-	-	-
GTT	-	-	-	**25**	-
Genova Parcheggi	-	-	-	-	-
SMAT	-	-	-	**37**	-
Total	**50,967**	**2,007,587**	**53,482**	**19,510**	**220,057**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expenses
Municipality of Genoa	-	-	260	-	-
Municipality of Parma	-	-	50	-	-
Municipality of Reggio	-	6	190	-	-
Finanziaria Sviluppo Utilities	-	41	-	-	-
AMIAT	624	15,548	1,588	1,785	-
Amiat Veicolo	-	418	-	688	-
Atena	-	439	444	-	-
Bonifica Autocisterne	-	48	7	-	-
Idrotigullio	-	387	-	63	-
Immobiliare delle Fabbriche	47	30	-	-	-
Iren Ambiente	860	16,028	720	14,984	-
Iren Energia	1,717	25,417	436	63,161	-
Iren Gestioni Energetiche	601	1,270	124	573	-
Iren Laboratori S.p.A.	-	319	58	-	-
Iren Mercato	20	17,200	2,413	16,787	-
I Reti	4,124	54,961	1,904	123,055	-
Iren Servizi e Innovazione	123	5,107	3,204	-	-
Mediterranea delle Acque	463	2,699	340	-	-
TRM Holding S.p.A.	-	33	-	-	-
TRM Veicolo S.p.A.	-	32	-	-	-
TRM S.p.A.	-	791	464	-	-
Acque Potabili	-	285	-	-	-
ENìA Solaris	1	3	-	660	-
Greensource	12	1	15	-	-
Iren Rinnovabili S.p.A.	416	255	6	183	-
Millenaria Fotovoltaico	216	-	-	-	-
OLT Offshore LNG Toscana S.p.A.	-	97	-	-	-
Varsi Fotovoltaico	39	-	-	-	-
A2A Alfa S.r.l.	-	3	-	-	-
Acos	-	14	-	-	-
Acquaenna	-	-	-	-	-
Amter	-	142	51	-	-
ASA	-	11	-	-	-
Asti Energia e Calore S.p.A.	-	-	-	21	-
Domus Acqua	-	7	-	-	-
Iniziative Ambientali S.r.l.	-	3	-	-	-
Piana Ambiente	-	-	-	-	-
Plurigas	-	-	-	-	-
So. Sel.	-	8	12	-	-
Valle Dora Energia Srl	-	5	-	-	-
AMT S.p.A.	-	-	10	-	-
ASTER S.p.A.	-	8	-	-	-
GTT S.p.A.	-	-	24	-	-
Genova Parcheggi S.p.A.	-	-	18	-	-
SMAT S.p.A.	-	-	34	-	-
Total	**9,263**	**141,616**	**12,372**	**221,960**	-

RECONCILIATION OF IAS/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	11,483		
Intangible assets	35,005		
Investments in subsidiaries, associates and joint ventures	2,544,322		
Other equity investments	100		
Total (A)	**2,590,910**	**Non-Current Assets (A)**	**2,590,910**
Other non-current assets	23,427		
Other non-current liabilities	(8,499)		
Total (B)	**14,928**	**Other non-current assets (liabilities) (B)**	**14,928**
Trade receivables	51,172		
Current tax assets	-		
Other receivables and other current assets	63,939		
Trade payables	(56,976)		
Other payables and other current liabilities	(30,937)		
Current tax liabilities	(12,747)		
Total (C)	**14,451**	**Net working capital (C)**	**14,451**
Deferred tax assets	11,939		
Deferred tax liabilities	(426)		
Total (D)	**11,513**	**Deferred tax assets (liabilities) (D)**	**11,513**
Employee benefits	(22,666)		
Provisions for risks and charges	(24,716)		
Provisions for risks and charges - current portion	(2,072)		
Total (E)	**(49,454)**	**Provisions for risks and employee benefits (E)**	**(49,454)**
		Net invested capital (G=A+B+C+D+E)	**2,582,348**
Equity (F)	**1,604,935**	**Equity (F)**	**1,604,935**
Non-current financial assets	(1,546,441)		
Non-current financial liabilities	2,544,136		
Total (G)	**997,695**	**Non-current financial indebtedness (G)**	**997,695**
Current financial assets	(463,065)		
Cash and cash equivalents	(141,318)		
Current financial liabilities	584,341		
Total (H)	**(20,042)**	**Current financial indebtedness (H)**	**(20,042)**
		Net financial debt (F)+(G)+(H)	**977,653**
		Own funds and net financial indebtedness (F+I)	**2,582,588**

STATEMENT REGARDING THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 81-*TER* OF CONSOB REGULATION No. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

1. The undersigned Massimiliano Bianco, Chief Executive Officer, and Massimo Levrino, Corporate Financial Reporting Manager and Administration, Finance and Control Manager of Iren S.p.A., hereby certify, also in view of the provisions of Art. 154-*bis*, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998:

   - the adequacy in respect of the company's characteristics and
   - the actual application during 2016 of administrative and accounting procedures in preparing the separate financial statements.

2. It is also certified that:

   2.1 the separate financial statements:

   a) are prepared in compliance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;

   b) correspond to the results of the books and account records;

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

   2.2 the directors' report includes a reliable analysis of the operating performance and results, and of the issuer's situation and of all companies included in the consolidation, together with a description of the major risks and uncertainties to which they are exposed.

16 March 2017

The Chief Executive Officer

Massimiliano Bianco

The Administration, Finance
and Control Manager
and Financial Reporting Manager
appointed under Law 262/05

Massimo Levrino

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
Iren SpA

Report on the separate financial statements

We have audited the accompanying separate financial statements of Iren SpA, which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the separate financial statements

The directors of Iren SpA are responsible for the preparation of separate financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of separate financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers SpA

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Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Iren SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the separate financial statements of the directors' report and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the directors' report and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Iren SpA, with the separate financial statements of Iren SpA as of 31 December 2016. In our opinion, the directors' report and the information in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of Iren SpA as of 31 December 2016.

Turin, 30 March 2017

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation.

REPORT OF THE BOARD OF STATUTORY AUDITORS OF IREN S.P.A. TO THE SHAREHOLDERS' MEETING

(pursuant to Art. 153 of Italian Legislative Decree 58/1998 and Art. 2429 of the Italian Civil Code)

oOo

Dear Shareholders,
the Board of Statutory Auditors, pursuant to article 153 of Legislative Decree 58/1998 (hereafter, CLF, the Consolidated Law on Finance), and to article 2429, paragraph 2 of the Civil Code, is called to inform the Shareholders' Meeting about the supervisory activities it has performed, and on any omissions or censurable events discovered. The Board of Statutory Auditors may also make observations and proposals in regards to the financial statements, its approval and issues falling under its responsibilities.
During the course of the year, the regulatory tasks assigned to the Board of Statutory Auditors under the current legal and regulatory provisions were carried out.

1. Independence of members of the Board of Statutory Auditors

The Board has verified the absence of any causes for removal from office for its components, pursuant to article 148, CLF, as well as the maintenance of independence requirements for the same: (i) pursuant to the same article 148, CLF, paragraph 3, as well as (ii) pursuant to Application Criterion 8.C.1 of the Corporate Governance Code for listed companies in the version of July 2015, which the Company has formally accepted with a resolution of the Board of Directors meeting of 20 December 2016, adopting also, on the same date, a document with the evidence of the specific governance solutions adopted by the Company.

2. Particularly significant operations and events

The most significant economic, financial and equity operations during the period, as well as significant events in 2016 and after, in reference to IREN S.p.A. and the companies which are direct or indirect subsidiaries of the same ("IREN Group" or the "Group"), are outlined in the sections "Significant events of the year" and "Events after the reporting period and business outlook" in the Directors' Report.

3. Intra-group transactions and transactions with related parties

Pursuant to article 2391-bis of the Civil Code and CONSOB resolution no. 17221 of 12 March 2010, subsequently amended with CONSOB resolution no. 17389 of 23 June 2010, (the "CONSOB OPC Regulations"), the Board of Directors of IREN adopted the "Internal Regulation for Transactions with Related Parties" on 30 November 2010, most recently amended on 13 March 2015. On 15 March 2016, the Board of Directors approved the specific operating procedure foreseen in article 3 bis of the cited Internal Regulation.
In the sections "Information on transactions with related parties" in the notes to the Financial Statements as at 31 December 2016 issued by IREN S.p.A., and in the notes to the Consolidated Financial Statements, the relationships between IREN and its subsidiaries and associates are illustrated, as well as those with other related parties. Information on equity and economic transactions with related parties is included in the Notes to the annual and consolidated financial statements.

4. Atypical or unusual operations

The Directors' Report, the information produced by the Board of Directors and that received from directors and company management did not indicate the existence of atypical and/or unusual operations, either externally or intra-group or with related parties. In addition, as of the date this report was prepared, the Board of Statutory Auditors has not received any communications from the control bodies of subsidiaries, associates, or investees, or from the Independent Auditors, containing findings that merit indication in this report.

5. Activities of the Board of Statutory Auditors

During the year ended at 31 December 2016, the Board of Statutory Auditors met 13 times, with the participation of almost all of its members. Details on attendance can be found in the table found in the

specific section in the Report on Corporate Governance and Ownership Structures, prepared pursuant to article 123 bis of the CLF.
In addition, the Board of Statutory Auditors participated in meetings of the Board of Directors and as a rule ensure the presence of at least one of its members at meetings of the Control and Risk Committee, the Committee for Transactions with Related Parties and the Remuneration and Appointments Committee.
Pursuant to the law, in 2016 the Board of Statutory Auditors supervised observance of the law and the Articles of Association, as well as ensuring respect for the principles of proper administration. It also supervised the adequacy of the organisational, administrative and accounting structures of the company, as pertained to its responsibilities.
To that end, the Board of Statutory Auditors did not find any irregularities that require indication in this Report.

6. Remarks pursuant to Legislative Decree 39/2010 (Law on auditing of the accounts) and the independence of the Independent Auditors
As regards independent auditing of the accounts, the Board of Statutory Auditors recalls that this task is assigned to the audit firm PricewaterhouseCoopers S.p.A. (the Independent Auditors or PwC). We refer readers to the reports issued on 30 March 2017, relative to the Annual Financial Statements and the Consolidated Financial Statements at 31 December 2016, also noting that these included no findings or requests for additional information.
The Board of Statutory Auditors supervised the efficacy of the independent account auditing process, periodically meeting with the Independent Auditors to discuss the activities performed. The auditors informed us that, on the basis of the information obtained and audits carried out taking into account the regulatory and professional principles that govern auditing activities, no situations were found that could compromise independence or lead to the incompatibility indicated under articles 10 and 17 of Legislative Decree 39/2010 and the related implementation provisions.
We acknowledge that during the year Guidelines were approved for the Award of additional appointments to the Independent Auditors in compliance with the relevant legislation.

7. Remarks on the financial reporting process and internal audit system
During 2016, the Board of Statutory Auditors supervised the adequacy of the administrative and accounting system, as well as the reliability of the latter in properly representing operating events, by obtaining information from the managers of administrative departments and participating in the work of the Control, Risk and Sustainability Committee, the Committee for Transactions with Related Parties and the Remuneration and Appointments Committee. In addition, the Board of Statutory Auditors supervised, also meeting with the Financial Reporting Manager, the organisation and company procedures established to prepare the annual financial statements, consolidated financial statements and interim report, as well as other communications of a financial nature, in order to assess the adequacy and effective adoption of the same. As a whole, the Board of Statutory Auditors holds that the administrative and accounting system is adequate and reliable in relation to the size and complexity of the Company and the Group.
In the context of its responsibilities, the Board of Statutory Auditors has supervised the adequacy of the internal audit system, through: (i) obtaining information from the managers of various company departments, aimed at verifying the existence, adequacy and concrete implementation of the procedures adopted; (ii) periodic meetings with the manager of the Internal Audit department; (iii) constant exchange of information with the Independent Auditors.
In addition, the Board of Statutory Auditors was informed, through half-yearly reports sent to the Board of Directors, about the activities performed by the Oversight Committee established pursuant to Legislative Decree 231/2001, as amended.
Finally, the Board of Statutory Auditors noted that stated by the Chief Executive Officer and the Financial Reporting Manager on the adequacy of the administrative and accounting procedures for preparing the annual and consolidated financial statements.
The Board of Statutory Auditors holds, on the basis of the results of these control activities, that the internal audit system can be considered adequate to the size and complexity of operations.

8. Remarks on the adequacy of the organisational structure

In regards to its responsibilities, the Board of Statutory Auditors has supervised the adequacy of the Company's organisational structure, acquiring data and information from department managers, and holds this structure to be adequate as a whole to the Company's characteristics and the activities it performs.

9. Further activities of the Board of Statutory Auditors

Pursuant to the CONSOB provisions on the matter, we note that the Board of Statutory Auditors:

(i) during the year, received two requests for information from CONSOB on transactions with related parties;
(ii) did not receive complaints pursuant to article 2408 of the Italian Civil Code;
(iii) expressed its opinion pursuant to article 2389, paragraph 3, of the Italian Civil Code on the remuneration of Directors given particular duties in IREN S.p.A. (Chairperson, Deputy Chairperson and Chief Executive Officer) at the meeting of the Board of Directors held on 7 June 2016. During the year, no other opinions were issued by the Board of Statutory Auditors, as the conditions under the law were not met;
(iv) acknowledged the existence of provisions issued to the subsidiaries by the Company, pursuant to article 114, paragraph 2 of the CLF, which appeared adequate. For the subsidiaries, the Board of Statutory Auditors obtained information about the organisational and internal audit structures of the main companies through the central departments of the parent company;
(v) noted that the Remuneration Report was prepared pursuant to articles 123-*ter* of the CLF and 84-*quater* of the Issuer Regulations, and had no particular remarks to make on the same;
(vi) as regards the Company's acceptance of the Corporate Governance Code, please see the Report on Corporate Governance and Ownership Structures;
(vii) notes that during the course of periodic meetings with representatives of the Independent Auditors, no aspects emerged that require mention in this report.

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During the course of its supervisory activities, as described above, no censurable events, omissions or irregularities were discovered that require noting in this report.
In addition, the Board of Statutory Auditors does not hold that elements exist which would require it to make proposals to the Shareholders' Meeting pursuant to article 153, paragraph 2 of the CLF.
The draft Annual Financial Statements, Consolidated Financial Statements at 31 December 2016 and the Directors’ Report were approved at the Board of Directors meeting held on 16 March of this year. The Annual Financial Statements show net profits of Euro 88,257 thousand, while the Consolidated Financial Statements show net profits of Euro 185,256 thousand.
As it is not responsible for the independent auditing of the accounts, the Board of Statutory Auditors supervised the general structure of the Annual and Consolidated Financial Statements and their compliance with the regulations that govern the preparation and structure. The Board of Statutory Auditors also verified that they correspond to the events and information that it has been made aware of during execution of its responsibilities. The Board of Statutory Auditors has no particular remarks on this subject.
In the section "Risks and uncertainties" in the Directors’ Report, the Directors describe the main risks to which the Company is exposed: financial risks (liquidity, interest rate, exchange rate), as well as credit, energy, operating and strategic risks. Contingent liabilities are discussed in the section "Guarantees and contingent liabilities", found in the Notes to the Annual and Consolidated Financial Statements.
All that above noted, the Board of Statutory Auditors, acknowledging the statements issued by the Independent Auditors, together with those of the Chief Executive Officer and the Financial Reporting Manager, considering the content of the reports prepared by PwC, does not find, in regards to its responsibilities, any reasons to object to the approval of the draft Financial Statements at 31 December 2016 prepared by the Board of Directors. The Board of Statutory Auditors agrees with the proposal formulated by the Board of Directors in regards to the destination of the profit for the year.

Reggio Emilia, 30 March 2017

For the Board of Statutory Auditors

Signed by

Michele Rutigliano, Chairperson

SUMMARY OF RESOLUTIONS PASSED BY THE SHAREHOLDERS' MEETING

The Ordinary Shareholders' Meeting:

- having viewed the Financial Statements as 31 December 2016 and the Directors' Report;

- having viewed the Report of the Board of Statutory Auditors;

- having viewed the Report by the Independent Auditors PriceWaterhouse Coopers S.p.A.;

- having acknowledged the proposed allocation of the profit for the year, i.e. 88,256,759.48 euro, as follows:
  - 4,412,837.97 euro, i.e. 5% of the profit for the year, to the legal reserve;
  - 79.764.104,81 euro to Shareholders' dividends, i.e. 0.0625 euro for each of the 1,195,727,663 ordinary shares and 80,498,014 savings shares to be paid starting from 21 June 2017, with coupon date of 19 June 2017 and record date of 20 June 2017;
  - the residual amount, i.e. 4,079,816.70 euro to the extraordinary reserve;

resolves

1) to approve the Financial statements of Iren S.p.A. as at 31 December 2016 and the Director's Report prepared by the Board of Directors;

2) to approve the proposed allocation of the profit for the year, i.e. 88,256,759.48 euro, as follows:
   - 4,412,837.97 euro, i.e. 5% of the profit for the year, to the legal reserve;
   - 79.764.104,81 euro to Shareholders' dividends, i.e. 0.0625 euro for each of the 1,195,727,663 ordinary shares and 80,498,014 savings shares to be paid starting from 21 June 2017, with coupon date of 19 June 2017 and record date of 20 June 2017;
   - the residual amount, i.e. 4,079,816.70 euro to the extraordinary reserve.

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