Annual Report

at 31 December 2014

SUMMARY

Notice of call of the Ordinary Shareholders' Meeting 1
Introduction 2
Key Figures of the Iren Group 3
Company officers 5
Mission and values of the Iren Group 6
Letter to the Shareholders 7

Director's Report

Iren Group: organisational structure 10
Information on the Iren share in 2014 15
Operating data 17
Market context 19
Significant events of the period 35
The Iren Group's economic and financial situation and capital 39
- Income Statement 39
- Segment reporting 42
- Statement of Financial Position 49
- Cash Flow Statement 50

Financial position, results of operations and cash flows of Iren S.p.A. 52
- Income Statement 52
- Statement of Financial Position 53
- Cash Flow Statement 54

Events after the reporting period and business outlook 56
Regulatory Framework 58
Financial income and expense 76
Transactions with Related Parties 78
Risks and uncertainties 78
Research and development 82
Personnel 92
Quality, Environment and Safety 93
Iren and Sustainability 97
Information on Iren's Corporate Governance 100
Other Information 112
Proposals of the Board of Directors to the Shareholders' Meeting 113

Financial Statements and Notes to the Financial Statements at 31 December 2014

Statement of financial position 116
Income Statement 118
Statement of comprehensive income 119
Statement of changes in Equity 120
Statement of Cash Flows 122
Notes to the financial statements 123
- I. Content and structure of the cosolidated financial statements 124
- II. Accounting standards, amendments and interpretations effective from 1 January 2014 124
- III. Consolidation policies 130
- IV. Consolidation scope 131
- V. Accounting standards and measurement criteria 132
- VI. Group financial risk management 147
- VII. Information on transactions with related parties 153
- VIII. Events after the reporting period 156
- IX. Other information 157
- X. Notes to the statement of financial position 160
- XI. Notes to the income statement 192
- XII. Guarantees and contingent liabilities 201
- XIII. Segment reporting 204
- XIV. Annexes to the consolidated financial statements 207

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 221
Report by the Independent Auditors on the Consolidated Financial Statements 222

Separate Financial Statements and Notes to the Financial Statements at 31 December 2014

Statement of financial and equity position 226
Income Statement 228
Statement of comprehensive income 229
Statement of changes in equity 230
Statement of Cash Flows 232
Notes to the financial statements 233
- I. Content and structure of the financial statements 233
- II. Accounting standards and measurement criteria 234
- III. Iren S.p.A financial risk management 247
- IV. Information on transactions with related parties 250
- V. Events after the reporting period 252
- VI. Other information 253
- VII. Notes to the statement of financial position 254
- VIII. Notes to the income statement 270
- IX. Guarantees and contingent liabilities 276
- X. Annexes to the separate financial statements 277

Statement regarding the consolidated financial statements pursuant to article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented 290
Report by the Independent Auditors on the separate Financial Statements 291
Report of The Board of Statutory Auditors to the Shareholders' Meeting 293
Summary of resolutions passed by the Shareholders' Meeting 298

NOTICE OF CALL OF THE ORDINARY SHAREHOLDERS' MEETING

The shareholders are called to the ordinary meeting to be held in Sala Campioli, Via Nubi di Magellano 30, Reggio Emilia on 28 April 2015 at 11 a.m., on single call, to discuss and resolve the following

Agenda:

1) Appointment of a member of the Board of Directors following co-option under the terms of Art. 2386 of the Italian Civil Code: inherent and consequent resolutions.
2) Separate financial statements at 31 December 2014 and Directors' Report on Operations: inherent and consequent resolutions.
3) Remuneration Report (section 1, under the terms of Art. 123-ter, paragraph 3 of the Consolidated Law on Finance): related and consequent resolutions.
4) Appointment of the Board of Statutory Auditors and of its Chairperson for financial years 2015-2016-2017 and determination of the related fee: related and consequent resolutions.

OMISSIS

Reggio Emilia, 13 March 2015

The Chairperson of the Board of Directors

Francesco Profumo

INTRODUCTION

As explained diffusely in the paragraph of the accounting standards applied, from 1 January 2014 the new IFRS 11, which governs the accounting treatment of Joint Ventures, is applicable.
The standard no longer permits proportional consolidation for Joint Ventures, applied by Iren Group up to 31 December 2013. The consequence of this change manifests through in the exclusion from the consolidation perimeter of the companies Olt, SAP, AES and Iren Rinnovabili, which starting from 1 January 2014 are accounted for with the equity method.

It is also worth noting that, as better illustrated in the paragraph of Significant events in the period, as a result of the agreement signed by IREN Energia and Italgas on 9 April 2014 and the consequent non-proportional partial spin-off of AES Torino, starting from 1 July 2014 IREN Energia has again become the direct owner of the district heating network of the Municipalities of Turin, Moncalieri and Nichelino.

Following the events described above, the Directors considered it opportune to prepare, besides the draft financial statements drawn up in accordance with the international accounting standards in force, specific (*restated)* statements which reflect fully, for each line of the income statement, revenues and costs of the district heating of the city of Turin: these restated statements, besides providing information substantially in keeping with that provided before the new IFRS 11 came into force (when AES S.p.A. was proportionally consolidated), better reflect the strategic significance of the district heating business, in which the Iren Group is a leader in Italy, and the role played by the Group in the management and development of district heating in the city of Turin.

For the reasons provided above the comments on the Iren Group's economic and financial performance and capital in financial year 2014, make reference to these restated statements.
In keeping with the above the business segment disclosure, which as required by IFRS 8 is based on the elements that the management uses in taking its operating and strategic decisions, also makes reference to the restated data.

KEY FIGURES OF THE IREN GROUP

	Financial year 2014 Restated	Financial year 2013 Restated	Changes %
Income statement figures *(millions of euro)*			
Revenue	2,902	3,373	(14.0)
Gross operating profit (EBITDA)	623	652	(4.5)
Operating profit (EBIT)	325	331	(1.7)
Profit before tax	214	225	(5.0)
Profit/(loss) for the period - Group and non-controlling interests	86	100	(14.3)
Statement of financial position figures *(millions of euro)*	**at 31/12/2014**	**at 31/12/2013 Restated**	
Net invested capital	4,279	4,202	1.8
Equity	1,994	2,010	(0.8)
Net financial position	(2,286)	(2,192)	4.3
Financial/economic indicators			
	Financial year 2014 Restated	*Financial year 2013 Restated*	
GOP/Revenue	21.5%	19.3%	
	at 31/12/2014	*at 31/12/2013 Restated*	
Debt/Equity	1.15	1.09	
Technical and trading figures	*Financial year 2014*	*Financial year 2013*	
Electrical energy sold (GWh)	11,151	13,231	(15.7)
Thermal energy produced (GWh_t)	2,509	3,072	(18.3)
District heating volume (mln m^3)	80	79	2.4
Gas sold (mln m^3)	2,185	3,029	(27.9)
Water distributed (mln m^3)	147	149	(1.5)
Waste handled (tons)	1,082,243	1,003,276	7.9

(*) Change of more than 100%

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

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

- Iren Acqua Gas operates in the integrated water cycle and in the gas distribution sector;
- Iren Energia operates in the electrical and thermal energy production and technological services sector;
- Iren Mercato manages the sale of electrical energy, gas and district heating;
- Iren Emilia operates in the gas distribution sector and manages local services;
- Iren Ambiente provides environmental hygiene services throughout the chain from waste collection, following the acquisition of the business unit from Iren Emilia, to disposal as well as designing and managing treatment and disposal plants .

Electricity Production: thanks to a considerable number of electrical energy and thermal energy plants for district heating production, the overall production capacity is more than 8,800 GWh/year, including the portion ensured by the plants acquired from Edipower (Turbigo and Tusciano).

Gas Distribution: through its network of more than 7,600 kilometres Iren serves approximately 719,000 users.

Electricity Distribution: with 7,283 kilometres of high, medium and low voltage underground and overhead networks, the Group distributes electrical energy to approximately 685,000 customers in Turin and Parma.

Integrated water cycle: with around 15,400 kilometres of aqueduct networks, over 9,100 kilometres of sewerage networks and 1,076 treatment plants, Iren provides services to more than 2,400,000 residents.

Environmental cycle: with 123 equipped ecological stations, 2 waste-to-energy plants, 1 landfill site, 17 treatment, selection and storage plants and 2 composting plant, the Group serves 116 municipalities for a total of around 1,139,000 residents and around 1,100,000 tonnes managed.

District heating: through 864 kilometres of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 80 million m^3, equivalent to a population served of over 802,000 people.

Sales of gas, electrical energy and heat energy: each year the Group sells over 2 billion m^3 of gas, around 11,151 GWh of electrical energy and 2,636 GWh_t of heat for the district heating networks.

COMPANY OFFICERS

Board of Directors

Chairperson	Francesco Profumo
Deputy Chairperson	Andrea Viero
Chief Executive Officer	Vito Massimiliano Bianco [(1)]
Directors	Franco Amato [(2)]
	Lorenzo Bagnacani
	Roberto Bazzano
	Tommaso Dealessandri
	Anna Ferrero
	Augusto Buscaglia [(3)]
	Alessandro Ghibellini [(4)]
	Fabiola Mascardi [(5)]
	Ettore Rocchi [(6)]
	Barbara Zanardi [(7)]

Board of Statutory Auditors

Chairperson	Paolo Peveraro **[(8)]**
Standing auditors	Aldo Milanese **[(8)]**
	Annamaria Fellegara **[(8)]**
Substitute auditors	Alessandro Cotto **[(8)]**
	Emilio Gatto **[(8)]**

Financial Reporting Manager

Massimo Levrino

Independent Auditors

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

[(1)] 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.
[(2)] Chairperson of the Control and Risk Committee and member of the Committee for Transactions with Related Parties.
[(3)] Appointed Director by the Shareholders' Meeting held on 18 June 2014 to replace Mr Roberto Walter Firpo. Member of the Remuneration Committee.
[(4)] Member of the Control and Risk Committee.
[(5)] Chairperson of the Remuneration Committee and member of the Committee for Transactions with Related Parties.
[(6)] Member of the Remuneration Committee.
[(7)] Chairperson of the Committee for Transactions with Related Parties and member of the Control and Risk Committee.
[(8)] Appointed by the Ordinary Shareholders' Meeting of 14 May 2012 for the 2012-2014 three-year period.
[(8)] Appointment conferred by the Ordinary Shareholders' Meeting of 14 May 2012 for the 2012-2020 nine-year period.

MISSION AND VALUES OF THE IREN GROUP

The Iren Group's mission is to offer customers and residents service efficiency, effectiveness, economic convenience and high quality, operating with expertise and professionalism in full respect of the environment and offering 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.

LETTER TO THE SHAREHOLDERS

Dear Shareholders,
The financial statements presented by the Board of Directors show operating results substantially stable compared to the previous year: this is a fact that must be seen as satisfactory because we have operated in a negative macroeconomic scenario which involved a significant reduction in the demand for energy, associated also with the weather trends of the year.
In this context the company managed to act, completing industrial and financial operations which enabled it to consolidate its presence in the territories of reference and also its financial structure, as well as with compensatory operating actions which made it possible to mitigate the extraordinary external effects.

The Iren Group ended 2014 with revenue of Euro 2,901.8 million, a Gross Operating Profit of Euro 622.7 million and an Operating Profit of Euro 325.4 million. The net profit was Euro 68.9 million while net financial indebtedness at 31 December 2014 came out at Euro 2,286 million.
In the past year gross investments made amounted to Euro 349.1 million.
In the face of the difficulties associated with the short-term trends of the energy supply chain owing to climatic, regulatory and market factors a recovery was recorded in margins in the integrated water cycle and in the environmental sector and this shows the good balance between non-regulated and regulated activities managed by the Group.
As regards borrowing, particularly important was the Euro 150 million Private Placement operation and the Euro 300 million bond issue in Public Placement format on the European market which helps to improve the Iren Group's financial profile through an extension of the average maturity and a reduction in the average cost of debt.
The satisfaction for the results achieved comes together with that for the important industrial projects completed such as completion of the OLT project with its recognition as an asset of national strategic interest, with the consequent attribution of the guarantee factor, and the spin-off of AES Torino which enabled Iren Energia to acquire direct ownership of the business unit related to the activity of distributing district heating in the Municipalities of Turin, Moncalieri and Nichelino.
In the environmental sector Iren exercised the option to buy a 24% interest in TRM V S.p.A., a company in which it already held 25%. In addition the acquisition of a further 31% of Amiat S.p.A. enabled it to acquire control over the company, which manages environmental services for the Municipality of Turin while, thanks to the acquisition of 49%, Tecnoborgo, the company which manages the waste-to-energy plant serving the territory of Piacenza, is now 100% controlled by Iren.
I would also like to remind you of the agreement reached between the Iren Group and the Trade Unions which will make it possible to provide concrete employment opportunities to many young people who will be able to join the Group on the basis of a voluntary retirement incentive plan for personnel who become eligible for a pension by the end of 2018.

Also in 2014 the policies that the Iren Group followed complied with the principles of environmental, social and financial sustainability. Guiding values such as respect for and protection of the environment, energy efficiency, constant dialogue with communities and territories, customer satisfaction and attention to professional development of employees are part of the corporate identity.
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.

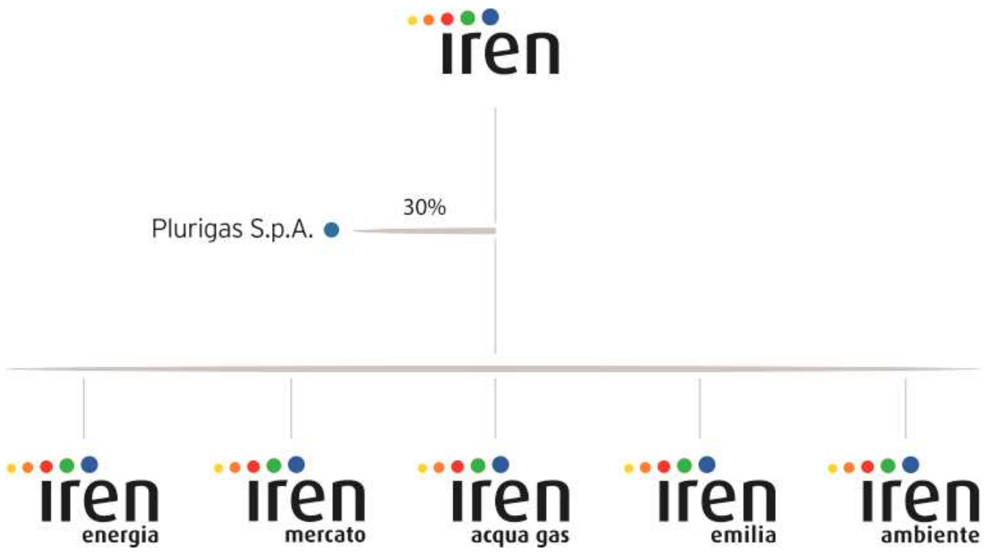
I also thank all members of the Board of Directors and of the Board of Statutory Auditors for their decisive contribution to the future growth of Your Company.

The Chairperson of the Board of Directors
Francesco Profumo

Iren S.p.A.
Via Nubi di Magellano, 30 – 42 123 Reggio Emilia
Share capital € 1,276,225,677.00 fully paid up
Companies' Register of Reggio Emilia No. 07129470014
Tax ID and VAT No. 07129470014

Directors' report
at 31 December 2014

THE IREN GROUP: ORGANISATIONAL STRUCTURE



The shareholders' meeting of 27 March 2013 resolved to place Plurigas S.p.A. in voluntary liquidation.
Note that this is the organisational structure for management purposes.

The flowchart illustrates the main investee companies of Iren Holding.

IREN ENERGIA

Cogenerative production of electrical energy and heat energy

Iren Energia's installed capacity totals approximately 3,000 MW, of which around 2,800 MW is directly generated and around 200 MW through the investee Energia Italiana. Specifically, Iren Energia owns 25 electrical energy production plants: 19 hydroelectric plants, 6 thermoelectric cogeneration plants and 1 thermoelectric plant, for a total capacity of approximately 2,800 MW of electrical energy and 2,300 MW of heat energy, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are completely eco-compatible. 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. Heat production in 2014 was in the region of 2,509 GWh_t, with district heating volumes of approximately 80.4 million cubic metres.

Electrical energy distribution

Through its subsidiary AEM Torino Distribuzione, Iren Energia distributes electrical energy to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents). In 2014 the total electrical energy distributed was equal to 3,848 GWh, of which 2,941 GWh in Turin and 907 GWh in Parma.

District heating

Since 1 July 2014, following the spin-off of AES Torino (previously 51% owned) Iren Energia has managed the district heating business directly, making use in the city of Turin of the largest district heating network in Italy, with approximately 526 km of dual pipes at 31 December 2014.
Iren Energia also owns the district heating networks of Reggio Emilia, covering around 217 Km, Parma with roughly 91 Km, Piacenza which covers approximately 20 km, and Genoa with 10 km.
Lastly, Nichelino Energia, wholly owned by Iren Energia, aims at developing district heating in the town of Nichelino.

Services to Local Authorities and Global Service

Iren Servizi e Innovazione (formerly Iride Servizi) provides Turin with street and monument lighting services, the traffic light service, technological global service management of buildings and of renewable and alternative energies.
In addition, Iren Servizi e Innovazione builds plants for the generation of electricity, using renewables or similar sources such as tri-generation.

IREN MERCATO

Through Iren Mercato the Group sells electrical energy, gas and heat, supplies fuel to the Group, trades energy efficiency certificate (or white certificates), green certificate and emission trading, provides customer management services to Group companies and supplies heat services and sales heat through the district heating network.
Iren Mercato operates at national level with a higher concentration of customers served in the North of Italy. The company supplies electrical energy directly, through associates where present in the area, and through agency contracts with intermediary companies for customers associated with certain sector categories and for large customers connected with a number of Industrial Associations.
The main Group power sources available to Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia S.p.A.
Iren Mercato also acts as “higher protection” service operator for retail customers in the electrical energy market in Turin province and the Parma area.
Lastly, Iren Mercato handles heat sales to district heating customers in Turin and the provincial capitals of Reggio Emilia, Piacenza and Parma, together with sales development in new district heating areas and in the urban district of Turin for its surrounding municipalities (Nichelino).
Iren Mercato historically has operated in the direct sale of natural gas in the territories of Genoa, Turin and Emilia.
The Group also sells heat management services and global services both to private entities and public authorities. Development has focused on the management of air conditioning systems in buildings for residential and service use by means of energy service agreements, also through subsidiaries and investee companies. This contractual model guarantees long-term customer loyalty, with consequent maintenance of the natural gas supplies which constitute one of the core businesses of Iren Mercato.

Sale of natural gas

Total volumes of natural gas procured in 2014 were approximately 2,185 million m^3 of which 934 million m^3 were sold to customers outside the Group, 1,105 million m^3 were used within the Iren Group both for electrical energy and thermal energy production and for the provision of heating services, whilst 146 million m^3 of gas remained in storage.
At 31 December 2014 gas customers managed directly by Iren Mercato totalled more than 700,000 mainly in the core territories of Genoa, Turin and Emilia.

Sale of electrical energy

The volumes sold in 2014 amounted to 11,151 GWh.
Electricity customers managed at the end of 2014 were more than 700,000 distributed mainly in the areas traditionally served, corresponding to Turin and Parma, and in the areas covered commercially by the company.

Free market and power exchange
Total volumes sold to end customers and wholesalers amount to 4,836 GWh, while the volumes used on the power exchange net of energy bought/sold amounted to 4,415 GWh.

Former non-eligible market
Total customers managed by Iren Mercato in the higher protection segment were 299,000 in 2014. The total volumes sold amounted to 708 GWh.

Sale of heat energy through the district heating network
Iren Mercato manages heat sales to customers receiving district heating in the Municipality of Genoa, in the Municipalities of Turin and Nichelino and in the provinces of Reggio Emilia, Piacenza and Parma.
This entails the supply of heat to customers already on the district heating network, customer relations management and the control and management of substations powering the heating systems of buildings served by the network. The heat sold to customers is supplied by Iren Energia S.p.A.
In 2014 the total district heating volume reached 80 million m^3, up on the previous year (+1.9 million m^3).

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

LNG regasification plant
As reported in the 2013 financial statements we can note that on 12 July 2013 OLT officially waived its TPA (Third Party Access) exemption, formally notifying the Ministry for Economic Development. Waiver of the right to exemption from the TPA regime was specifically envisaged in the guarantee ruling established by AEEG Resolution No. 92/08.

With Resolution 415 of 7 August 2014 the AEEG approved the tariffs for the 2013-2014 regulatory period confirming application of the guarantee factor and consequently confirming OLT as a regasification plant of national strategic interest.

IREN ACQUA GAS

Integrated Water Services

Iren Acqua Gas manages the water services in the provinces of Genoa, Parma, Reggio Emilia and Piacenza, both directly and through the operating subsidiaries Mediterranea delle Acque and Idrotigullio and through the investee Am.Ter. In particular, from July 2004 it assumed the role of market operator for the Genoa ATO [Ambito Territoriale Ottimale], and from 1 July 2010 management of the water division for the Reggio Emilia and Parma areas was granted to Iren Acqua Gas as part of the Iride-Enìa merger.

From 1 October 2011, as a result of transfer of the water division from Iren Emilia, Iren Acqua Gas extended its management to the Piacenza ATO.

Through its own organisation, Iren Acqua Gas reaches a total of 177 municipalities serving over 2 million residents through its managed ATOs (Genoa, Reggio Emilia, Parma and Piacenza).

In 2014, Iren Acqua Gas, directly and through its subsidiaries, sold approximately 147 million m^3 of water in the areas managed, through a distribution network of over 14,100 km. With regard to waste water, the company manages a sewerage network spanning approximately 8,000 km.

Gas distribution

Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes natural gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 end customers. The distribution network comprises about 1,657 km of network of which about 418 km is medium pressure and the rest low pressure. The area served covers around 571 sq. km and is characterised by an extremely complex chorography with considerable changes in altitude. Natural gas arriving from the domestic transport pipelines transits through 7 interconnected natural gas reception cabins, owned by the company, and is introduced into the local distribution network. Thanks to innovative technologies for the laying and maintenance of networks, ordinary maintenance can be performed while reducing time, costs and inconvenience to residents to a minimum.

Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributed 332 million m^3 of gas during 2014.

Special technological services/research

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

IREN EMILIA

Iren Emilia operates in the natural gas distribution sector and performs the operational management of the integrated water cycle, electricity and district heating networks and other minor businesses (public lighting, public parks management, etc.).

Iren Emilia manages the natural gas distribution for 72 of the 140 municipalities in the provinces of Reggio Emilia, Parma and Piacenza. The company manages almost 5,955 km of high, medium and low pressure distribution networks with a designed maximum withdrawal capacity of 862,195 Smc/h.

Up to 30 June 2014 Iren Emilia was active in the waste management service sector in the Piacenza, Parma and Reggio Emilia provinces, serving, up to the same date, a total 116 municipalities and 1,335,000 inhabitants in these areas.

On 18 March 2014 the Board of Directors approved the launch of the procedure for the spin-off of the "Waste Collection" unit from Iren Emilia to Iren Ambiente and at its next meeting on 24 March approved the related partial spin-off project, convening the Extraordinary Shareholders' Meeting for 10 April 2014 for approval of the spin-off project; at the end of the process the spin-off of the unit came into effect starting from 1 July 2014.

Iren Emilia also carries out operations management of the integrated water cycle (aqueduct, purification and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity involves a total network of 12,275 km of aqueduct networks, 7,010 km of sewerage networks, 477 waste water pumping

systems and 798 purification plants, both biological treatment plants and Imhoff tanks, distributed across 109 Municipalities.
The operational management of the district heating network is carried out in the cities of Reggio Emilia, Parma and Piacenza and refers to a total network spanning 330 km that serves a total volume of 19.5 million m^3.
Iren Emilia also runs the district heating plants through the management, extraordinary maintenance and operation of heat energy plants and cogeneration plants owned by Iren Energia in the three provinces of Parma, Reggio Emilia and Piacenza.
Operational management of the electrical energy distribution network is carried out in the city of Parma and concerns 2,413 km of network and just less than 125,000 delivery points to end customers.

IREN AMBIENTE

Whether directly or through investees, Iren Ambiente performs the treatment, disposal, storage, recovery and recycling of urban and special waste, energy recovery (heat and electrical energy) through waste-to-energy (WtE) transformation and the operation of plants for the production of bio gas in the provinces of Parma, Reggio Emilia and Piacenza.
In particular, starting from 1 July 2014 the spin-off of the "Waste Collection" unit from Iren Emilia S.p.A. to Iren Ambiente S.p.A. took effect. The latter therefore also performs street-cleaning and waste collection services as well as other collateral services.
This extraordinary operation made it possible to optimise management of the street-cleaning and collection activities and to concentrate in a single subject the entire management of the economic and industrial cycle of waste.
As a consequence of the aforesaid operation, Iren Ambiente therefore operates in the waste management service sector in the Piacenza, Parma and Reggio Emilia provinces, serving a total 116 municipalities and approximately 1,139,000 inhabitants in these areas at 31/12/2014.
The growing attention to environmental protection and sustainable development, has led to ever-increasing implementation of widespread separate waste collection systems which, also through the management of 123 equipped ecological stations, has allowed the area served to achieve 64% in terms of total separate collection.
Iren Ambiente S.p.A. also manages a significant customer portfolio to which it provides services for the disposal of special waste and it performs the treatment, selection, recovery and final disposal of urban waste.
The non-separated portion of waste collected is disposed of in various ways as part of research into the best use of waste through an industrial process involving mechanical selection to reduce the percentage destined to WtE conversion and disposal in landfills.
Iren Ambiente S.p.A. manages around 1,150,000 tonnes of waste per year, making use of 17 treatment, selection and storage plants, 2 waste-to-energy plants (Piacenza and Parma), 1 landfill site (Poiatica - Reggio Emilia) and 2 composting plant (Reggio Emilia). The new Integrated Environmental Hub (IEH), a waste selection and waste-to-energy plant in the province of Parma, came into full operation in April 2014.

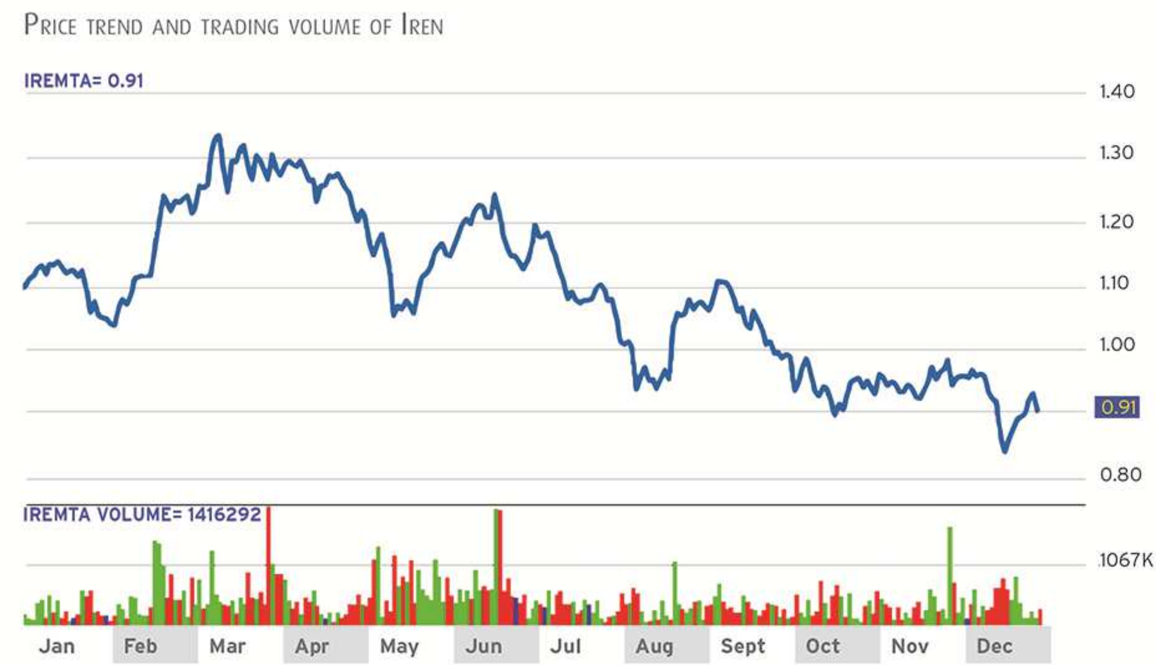
INFORMATION ON THE IREN STOCK IN 2014

Iren share performance on the Stock Exchange

In 2014 the MTA index (the main Italian Stock Exchange index), closed trading substantially in line with the figure at the start of the year (+0.19%): the positive signs associated above all with an easing of financial tensions, mainly as a result of the ECB's expansive policies, offset the negative trend in the real economy.
The economic situation continued to be characterised by persistent weakness of the energy markets, induced also by a general weakness of industrial demand, which an impact above all on companies with more exposure to gas and energy generation and sale activities.
In this context from the beginning of the year the Iren stock fell by approximately 17%.

Iren vs Competitors stock performance comparison in 2014

At the end of December 2014 the Iren stock stood at Euro 0.91 per share, with average trading volumes since the start of the year of around 2.0 million units per day.
During 2014 the average share price was Euro 1.11, peaking at Euro 1.34 on 11 March and bottoming out at Euro 0.84 on 15 December.

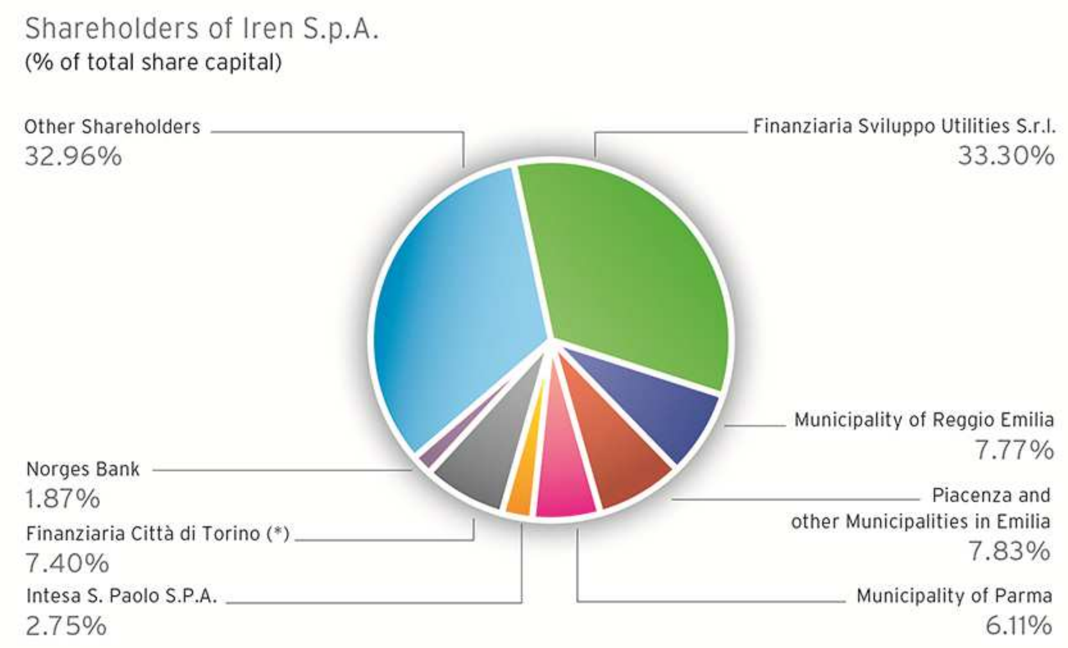


Stock coverage

The Iren Group is currently covered by six brokers: Banca IMI, Banca Akros, Equita, Intermonte, KeplerCheuvreux and Mediobanca which activated coverage on 29 September 2014.

Shareholding structure

At 31 December 2014, based on available information, the shareholding structure of Iren was as follows:

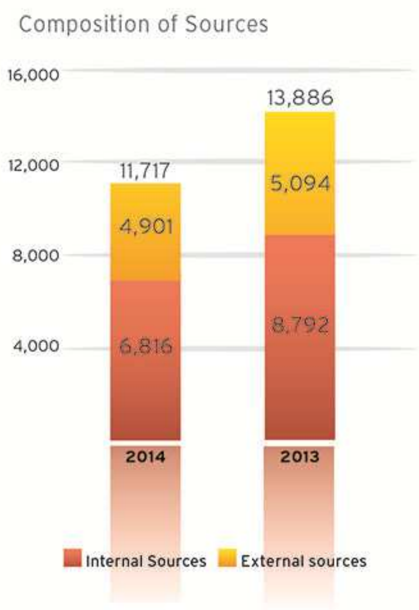


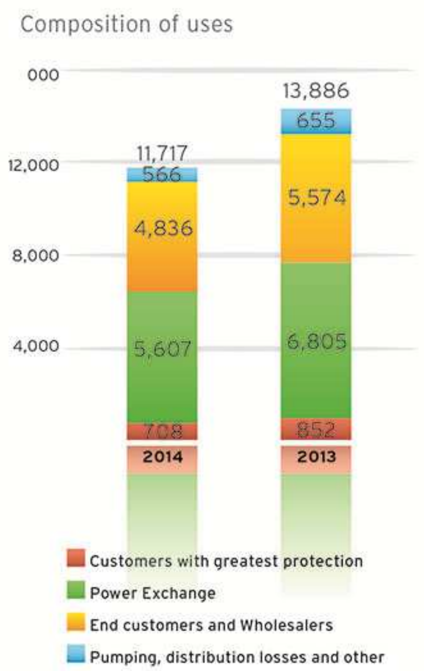
(*) savings shares without voting rights

OPERATING DATA

Electrical energy balance sheet

GWh	Financial year 2014	Financial year 2013	Changes %
SOURCES			
Gross production	6,816	8,792	(22.5)
a) Thermoelectric	*4,965*	*6,432*	*(22.8)*
b) Hydroelectric	*1,444*	*1,374*	*5.1*
c) WTE plant and Renewable Sources production	*408*	*125*	*(*)*
d) Edipower plant production	*0*	*861*	*(100)*
Purchases from Acquirente Unico	721	877	(17.8)
Energy purchased on the Power Exchange	2,138	2,054	4.1
Energy purchased from wholesalers and imports	2,042	2,163	(5.6)
Total Sources	**11,717**	**13,886**	**(15.6)**
APPLICATION			
Sales to protected customers	708	852	(16.9)
Sales on the Power Exchange	5,607	6,805	(17.6)
Sales to eligible end customers and wholesalers	4,836	5,574	(13.2)
Pumping, distribution losses and other	566	655	(13.6)
Total Application	**11,717**	**13,886**	**(15.6)**

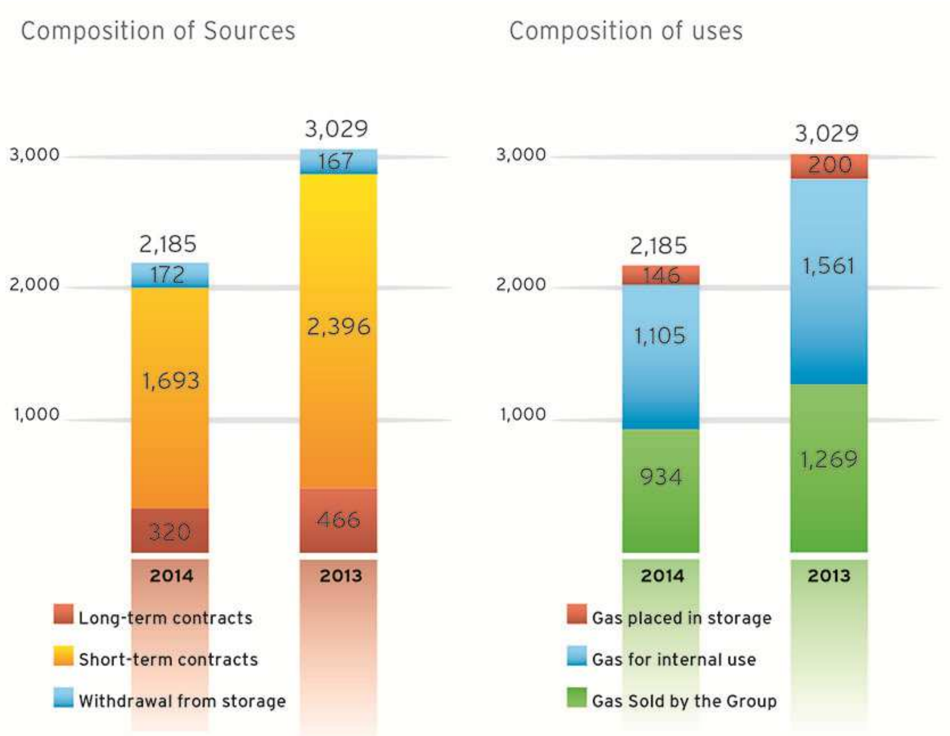




Gas Production

Gas Production Millions of m³	Financial year 2014	Financial year 2013	Changes %
SOURCES			
Long-term contracts	320	466	(31.3)
Short-term contracts (annual and spot)	1,693	2,396	(29.3)
Withdrawal from storage (1)	172	167	3.0
Total Sources	**2,185**	**3,029**	**(27.9)**
APPLICATION			
Gas sold by the Group	934	1,269	(26.4)
Gas for internal use (1)	1,105	1,561	(29.2)
Gas placed in storage	146	200	(27.0)
Total Application	**2,185**	**3,029**	**(27.9)**

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



Network services

	Financial year 2014	Financial year 2013	Changes %
ELECTRICAL ENERGY DISTRIBUTION			
Electrical energy distributed (GWh)	3,848	4,136	(7.0)
No. of electronic meters	701,262	697,179	0.6
GAS DISTRIBUTION			
Gas distributed by Iren Acqua Gas (mln m³)	*332*	*393*	*(15.5)*
Gas distributed by Iren Emilia (mln m³)	*787*	*960*	*(18.0)*
Total Gas distributed	1,119	1,353	(17.3)
DISTRICT HEATING			
District heating volume (mln m³)	80	79	2.4
District heating network (Km)	864	878	(1.6)
INTEGRATED WATER SERVICE			
Water volume (mln m³)	147	149	(1.5)

MARKET CONTEXT

Macroeconomic performance

According to recent estimates of the International Monetary Fund in 2014 the growth of global GDP was around 3.3%, substantially in line with that of the two previous years. The international macroeconomic scenario remains fragmented with the developing economies growing on average by 4.4% (6.5% in Asia) while the advanced economies record a more modest increase of 1.8%. Among the latter only the United States shows evident signs of growth above all from the third quarter, while the Euro Area grew by only 0.8% on an annual basis. The economic weakness is reflected in the falling prices of raw materials in dollars.
As regards Italy, economic activity continued to remain weak and the change seen in GDP at the end of the third quarter of 2014 again showed a a negative sign with -0.4%. The estimates with regard to the trends in the last quarter see no change in GDP in the autumn months so the change seen up to September should be confirmed for the whole of 2014.

Natural gas production in Italy

The demand for natural gas fell for the fourth consecutive year, but 2014 ended with an even more significant drop: -11.6% compared with 2013 or -8 bln m^3, for total consumption of 61,4 bln m^3 on the basis of the provisional SNAM Rete Gas data. The figures are the result of a combination of the economic crisis, temperatures considerably higher than the seasonal averages and a further increase in renewable sources. Withdrawals of distribution plants, destined mainly for civil uses, fell by 4.9 bln m^3 (-14.5%) explaining 60% of the total drop. The reduction in use by power stations was approximately 3.0 bln m^3 (-14.6%) and accounted for 37% of the total drop; the results of the thermoelectric sector were affected by the decline in demand for electricity (-3% or -9.5 TWh) and the new growth of renewable sources (+6.8% or +6.5 TWh), in particular hydroelectric (+7.4% or 4 TWh) and photovoltaic (+9.8% for +2.1 TWh). The consumption of power stations was more or less halved in comparison with 2008, as much as 15.8 bln m^3 less. Industrial consumption also fell slightly with -0.3% (-9.8% compared with 2008). Overall the reduction in 2014 brought Italian consumption back to 1998 levels.

On the supply side, imports fell by 10.1% and Italian production by 6.9%. The smaller drops compared with that of demand are explained by less use in winter of stocks for supplies, down by approximately 20%. At the end of December 2014 Stogit and Edison Stoccaggio data indicated stocks at the sites of approximately 8.9 bln m^3 (8 bln m^3 at the end of 2013) of which only 22% (approximately 2.5 bln m^3) consumed compared with 1 November, the formal start date of the consumption period for the thermal year 2014-2015.

Uses and sources of natural gas in 2014 and comparison with previous years

	2014	**2013**	**2012**	**2011**	**Change % '14/'13**	**Change % '14/'12**	**Change % '14/'11**
GAS USED (bln m^3)							
Distribution plants	28.8	33.7	33.8	33.6	-14.5%	-14.7%	-14.2%
Industrial use	13.1	13.2	13.3	13.5	-0.3%	-1.0%	-3.0%
Thermoelectric use	17.7	20.7	24.7	27.7	-14.6%	-28.5%	-36.3%
Third party network and system consumption (*)	1.8	1.9	2.5	2.5	-6.9%	-28.5%	-28.8%
Total withdrawn	**61.4**	**69.5**	**74.3**	**77.4**	**-11.6%**	**-17.3%**	**-20.7%**
GAS INPUT (bln m^3)							
Domestic production	6.9	7.5	8.2	8.0	-6.9%	-15.1%	-13.6%
Imports	55.3	61.5	67.6	70.3	-10.1%	-18.1%	-21.3%
Storage	- 0.9	0.5	- 1.51	- 0.9	n.a.	n.a.	n.a.
Total input	**61.4**	**69.5**	**74.3**	**77.4**	**-11.6%**	**-17.3%**	**-20.7%**

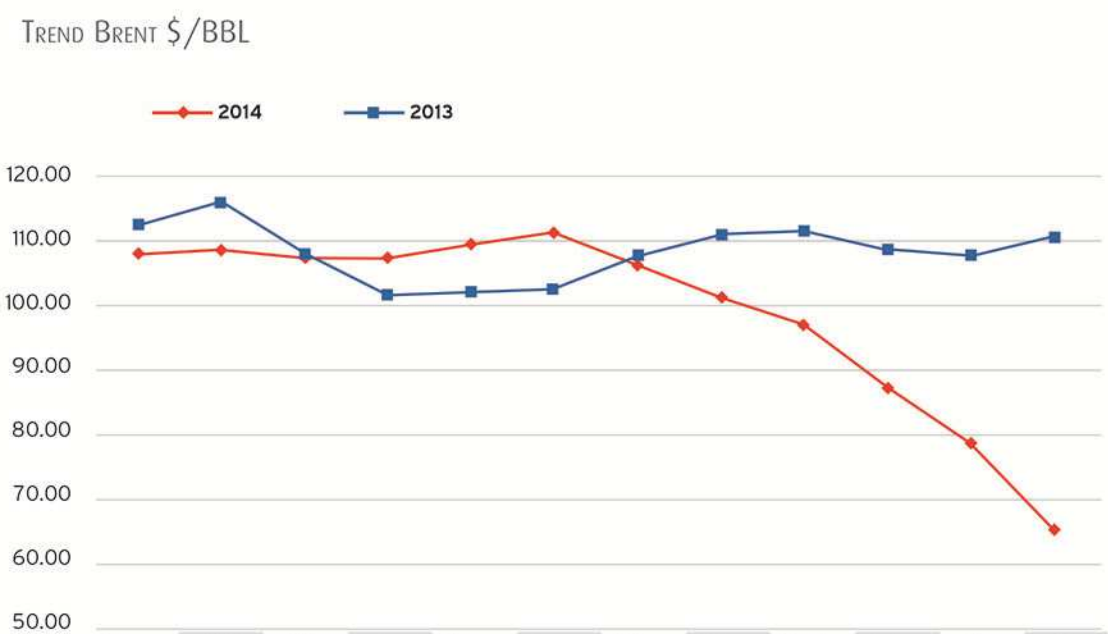
(*) Includes: transport, exports, transport company redeliveries, input/output changes, losses, consumption and gas not accounted for.
Source: processing of Snam Rete Gas figures. Provisional for December 2014

47% of gas imported came from Tarvisio (mainly Russia), 21.0% from Passo Gries (Northern Europe), 12% respectively from Mazara del Vallo (Algeria) and Gela (Libya), and finally 8% from the regasification plant in Rovigo (Qatar).

Electrical energy production in Italy

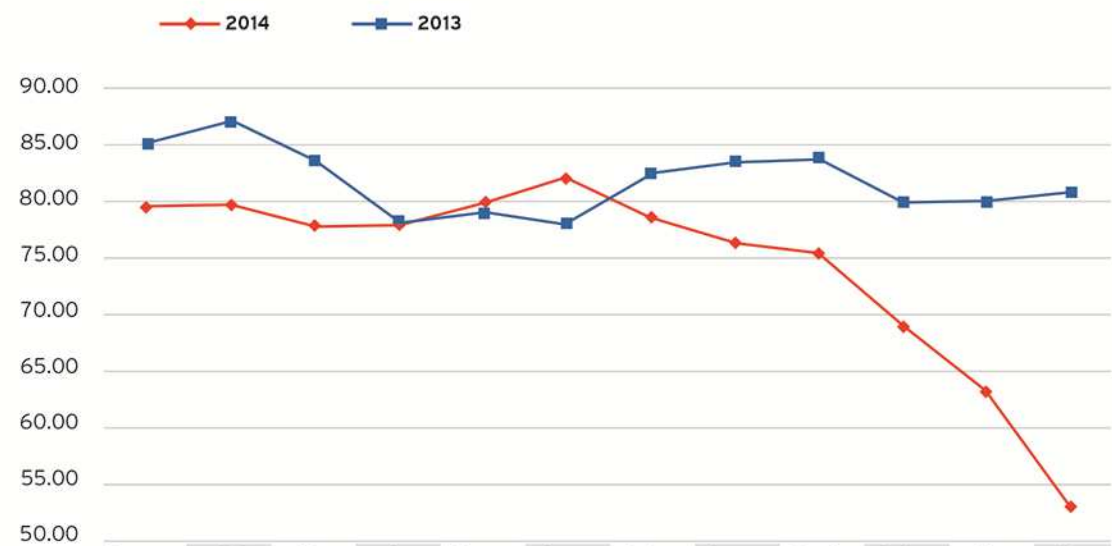
As in the two previous years, 2014 saw a reduction in the demand for electricity, down from 318,475 GWh to 309,006 GWh (-3.0%).
A total of 87.3% of the demand for electrical energy was met from domestic production (-1.0% compared to 2013) and the remaining 12.7% from foreign production (-3.7%). Compared to 2013, geothermal, wind and photovoltaic energy production saw a +5.9% increase, whilst hydroelectric energy production rose by +2.3%. Thermoelectric production recorded a 3.9% decrease from 2013.

Oil products



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2014	108.25	108.87	107.54	107.63	109.61	111.65	106.37	101.61	97.30	87.40	78.89	65.53
2013	113.01	116.28	108.37	101.92	102.49	102.91	107.95	111.25	111.89	109.04	107.97	110.81

TREND BRENT €/BBL

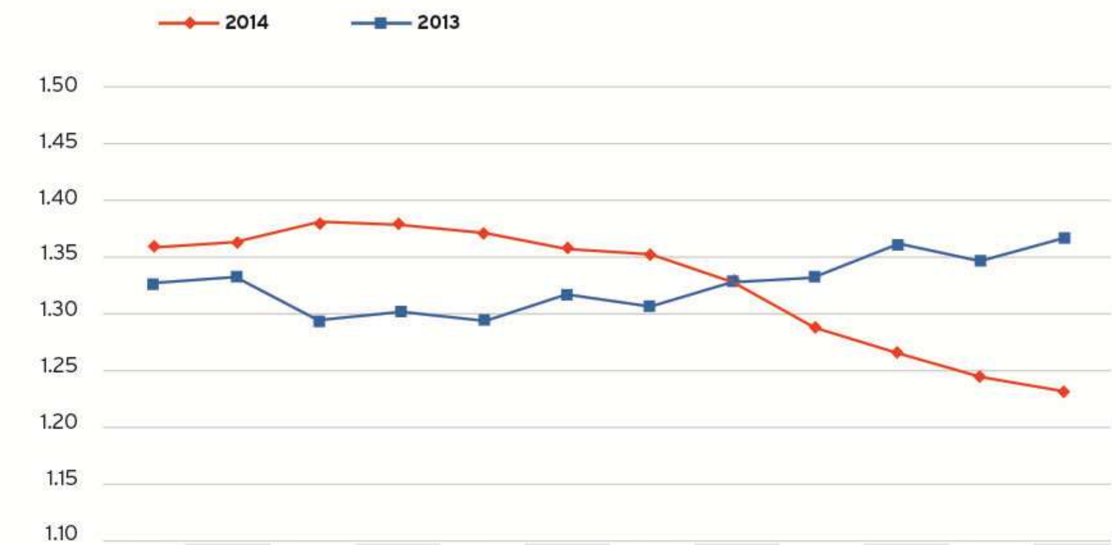


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2014	79.5	79.7	77.8	77.9	79.8	82.1	78.6	76.3	75.4	69.0	63.3	53.1
2013	85.0	87.0	83.6	78.2	78.9	78.0	82.5	83.6	83.8	80.0	80.0	80.9

Source: RIE/REF statistics

2014 closed with an annual value of 99.2 USD/barrel, in line with the 2013 figure (108.7 USD/barrel), and a -8.6% decline in the Euro/barrel value from 81.8 to 74.8.

€ /$ EXCHANGE



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2014	1.36	1.37	1.38	1.38	1.37	1.36	1.35	1.33	1.29	1.27	1.25	1.23
2013	1.33	1.34	1.30	1.30	1.30	1.32	1.31	1.33	1.33	1.36	1.35	1.37

Source: RIE/REF statistics

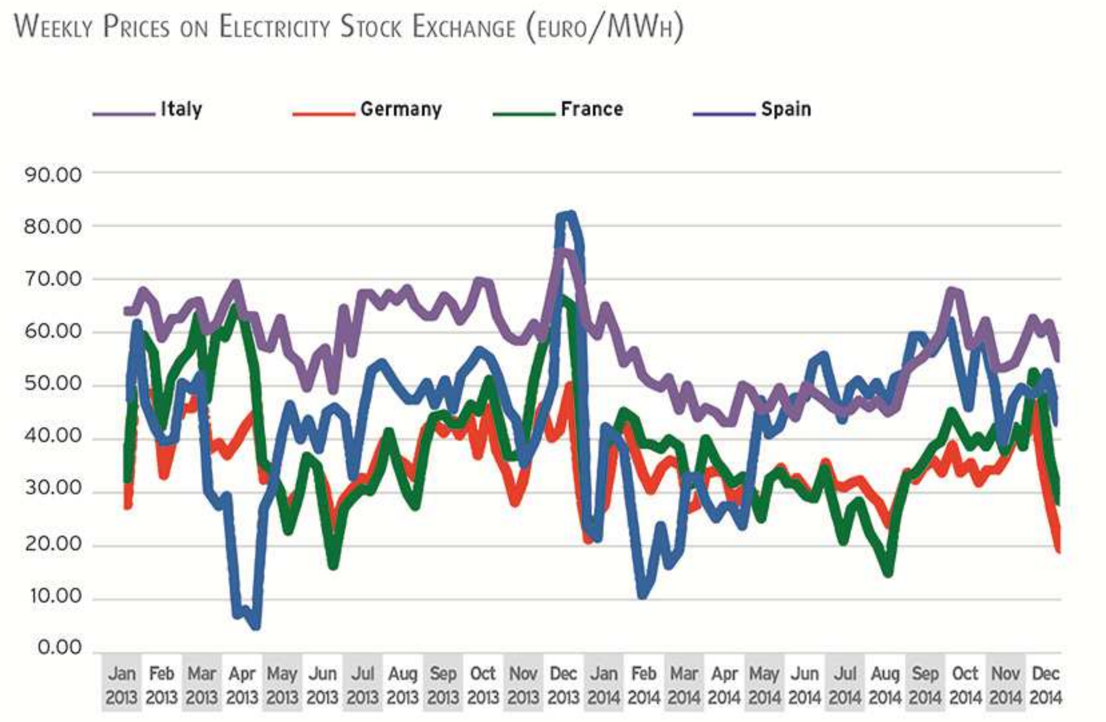
In 2014 the EUR/USD exchange rate settled at an average rate of 1.329 the same as in 2013. The substantially identical exchange rate in the two years does not take into account the opposite monthly trend in the two periods. While in 2013 the exchange rate rose during the year, in 2014 the exchange rate rose reaching a peak in March at 1.382 and then gradually falling to reach the minimum (1.233) in December.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	59.27	51.34	46.73	45.76	46.66	47.02	46.42	47.17	57.97	62.23	54.59	59.58
2013	64.49	62.97	63.98	61.03	54.89	56.24	66.86	65.01	64.72	64.37	61.73	62.98

Source: GME

The average purchase price (PUN - national single price) on the Italian power exchange was 52.1 €/MWh, down 17.3% from 2013 (63 €/MWh).

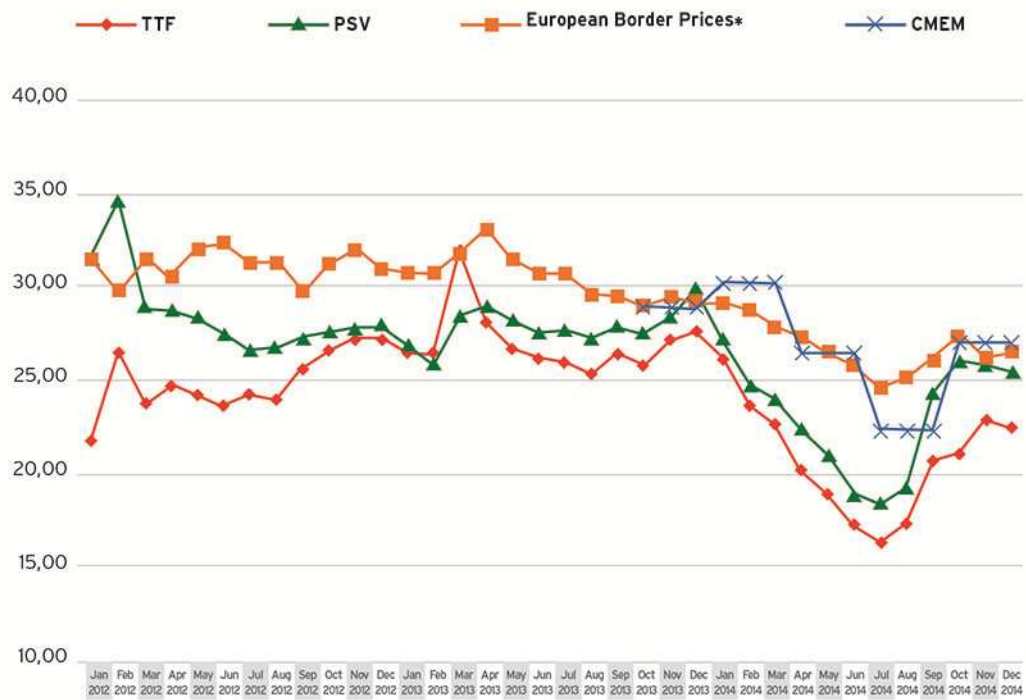
The spread between the national single price and the purchase price on other European power exchanges, which in 2013 was around 21 €/MWh, saw a significant decrease of approximately 6 €/MWh in 2014. The falls were generalised on all the exchanges and occurred during the year, starting from the lowest point reached in April; the lowest spread with our exchange (9 €/MWh) then occurred in June.



Natural gas market and prices

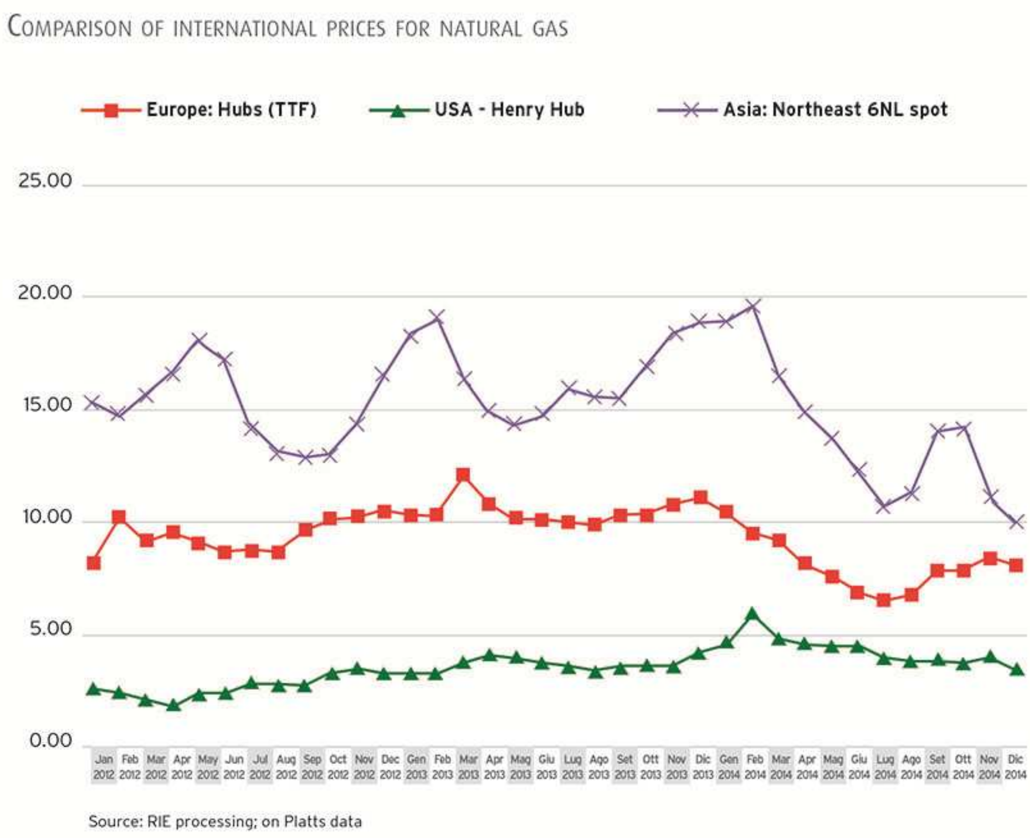
During 2014 the natural gas markets were characterised by three main factors that affected the price trends in different international areas and that will continue to affect the trends more or less directly also during 2015: a new and deeper drop in European consumption; the fall towards the end of the year in oil prices to which a significant proportion of natural gas volumes traded at the global level remains still linked; the changed LNG supply/demand ratios in North-East Asia.
Europe ended 2014 with a drop in natural gas consumption estimated, according to the first assessments, as at least 11%. To a context of low demand for thermoelectrical and industrial uses, there was added, in fact, the mildness of two consecutive winter seasons which reduced the demand for heating and determined less use of stocks. The extreme weakness of demand and the ample availability of supply were reflected in the spot and forward prices on the hubs. The Dutch TTF, the reference hub of continental Europe, after recording spot prices of 26.2 €/MWh in January declined gradually down to 16.4 €/MWh in July. The other main European markets moved substantially in line. The Italian hub Virtual Exchange Point (Punto di Scambio Virtuale - PSV) also fell sharply in the first half of the year, from 27.3 €/MWh at the beginning of 2014 to 18.5 €/MWh in the summer. Later only fears about the availability of Russian supplies in the winter owing to the Russia–Ukraine crisis led to a recovery in prices, seen above all in September at the time of the most critical stage of the negotiations between the two countries, before continuing much more slowly in October and November after a provisional agreement was reached between the parties which reduced the risk of shortages of Russian gas supplies to the EU for winter 2014-2015. In the last two months of 2014 demand further weakened also by the repetition of temperatures above the seasonal averages contributed to stabilise spot prices and to gradually reduce forward prices. The TTF, which had risen in November to 23 €/MWh fell back in December to 22.5 €/MWh, while the PSV, after reaching 26.1 €/MWh in October, with a spread over the TTF up to +5 €/MWh, in December recorded 25.5 €/MWh and a difference from the Dutch hub down to +3.0 €/MWh. In brief, the average price in 2014 of the TTF was 20.9 €/MWh compared with 27.1 of 2013 (-22.8%), while the PSV recorded 23.2 €/MWh compared with 28.0 in the previous year (-17%).
As regards long-term contract prices, over the last few years the repeated renegotiations have gradually pushed their figure towards that of prices at the hubs. Processing Platts estimates, towards the end of 2014 an average import price at the border of the main continental European markets would be around 9.5-10 $/Mbtu corresponding to 26-27.5 €/MWh, figures still higher than the average prices at the hubs. It must be considered that owing to the time-lag contained in the price formulae indexed to oil products - which although on different bases and with different weight from the past still influence a significant proportion of gas imported into the EU - in the last months of 2014 the collapse of crude oil prices had still not come through, or only modestly, into the price of the natural gas volumes linked to it. It will begin to take effect from the early months of 2015 and above all towards the summer helping to drive down the European average prices of natural gas.

NATURAL GAS PRICE DYNAMICS OF ON EUROPEAN WHOLESALE MARKETS



*Indicative values based on estimates and measurements of World Gas Intelligence (Platts)
Note: CMEM prices were translated into Euro/MWh on the basis of a heating power of 38.52 Mj/m3 respectively
Source: RIE Processing; on Platts data, AEEG, WGI

As regards the Italian context beside the aforementioned trends on the PSV, the balancing market (PB-Gas), and in particular the G+1 segment, was confirmed in 2014 as the only liquid market among those managed by the Energy Markets Manager (Gestore dei Mercati Energetici - GME). In the G+1 segment approximately 3.6 bln m^3 were traded, 92.7% of the total traded on all the markets managed by GME at an average price of 23.6 €/MWh, close to that of the PSV (23.2 €/MWh) and down 15.3% from 2013.
The so-called "C_{MEM} component", intended to reflect the cost of procuring gas in the price on the protected market and defined by the AEEGSI starting from 1 October 2013 on the basis of the forward prices of the TTF was on average during the year 28.4 c€/m^3 (26.6 €/MWh).
Widening the view to the international markets, the price differences among the various market macro-areas which had been growing over the last few years (in 2013 Asian prices were four times American prices and 1.5 times those of our continent) saw a reduction during the last quarter of 2014. North American prices remained at around 4 $/Mbtu, while European ones, as we have seen, declined to significantly lower figures than the previous year (7.5-9.5 $/Mbtu). While in North-East Asia starting from October a series of factors changed the fundamentals of the market for short-term trades and for long-term contracts of LNG: lower-than-expected demand, higher supply flows already in being or foreseen in the short term (Australia), falling oil price to which most of the volumes imported in the long-term in Asia are linked. This led spot prices to fall from 16 $/Mbtu in 2013 to approximately 10 $Mbtu at the end of 2014 and leads to expectations that during 2015 prices indexed to crude oil will even be below that level. The move closer to European prices made the netbacks obtainable from short-term exports of LNG to Asia less attractive than in 2013 and in the first half of 2014, above all for Atlantic Basin exporters .



A summary of the main energy indicators is illustrated below:

	2014	2013	DELTA	DELTA%
Brent U$D/barrel	99.22	108.66	-9.44	-8.7%
U$D/euro	1.33	1.33	0.00	0.1%
Brent euro/barrel	74.67	81.81	-7.15	-8.7%
Gas Demand (Bcm)	61,412	69,479	-8,066.9	-11.6%
Gas Release 2, cents/scm	40.23	41.18	-0.95	-2.3%
PSV (€/MWh)	23.23	27.99	-4.76	-17.0%
TTF (€/MWh)	20.89	27.07	-6.18	-22.8%
Cmem, cent/smc	28.44	n.p		
Electricity Demand (TWh)	309.006	318.475	-9.47	-3.0%
EE nat. single price (Euro/MWh)	52.06	62.96	-10.90	-17.3%

Source: statistics: RIE/ REF

Sale of heat energy through the district heating network in Italy

The table below illustrates the main figures on the development of district heating in Italy:

	2013	2012
No. of cities with district heating (n)	162	109
Total volumes heated (million m³)	302	279
Thermal energy supplied to users (GWht)	9,200	8,005
Length of distribution networks (km)	3,807	3,161
Primary fossil fuel energy saving (Toe)	541,213	439,518
Carbon dioxide emissions avoided (t)	1,778,037	1,433,537

Source: processing of AIRU data

Note: since 2013 biomass networks located in the Province of Bolzano have been included in the AIRU statistics

From 1995 to 2013 (latest figures available) in Italy the number of cities with district heating rose from 27 to 162, with volumes increasing from 74 to 302 million m^3. The networks are concentrated in Northern Italy and almost all the district heating volumes (97.8%) are located in Lombardy, Piedmont, Emilia Romagna, Veneto, Trentino Alto Adige, Liguria and Valle d'Aosta. Not considering "supplement and reserve boilers" (59% of installed thermal capacity), the most common type of plant is the cogeneration station (dedicated and thermoelectric) fuelled by fossil fuels (27%), with a considerable presence also of solid urban waste (SUW) incinerator plants (5%) and plants using bioenergies (7%). The energy source most used is natural gas (76.8%) followed by SUW (11.3%) and bioenergies (7.3%); overall renewable sources account for 19%.

Green certificates

In 2014 the Green Certificates Market ended with a volume of certificates traded during the 47 sessions organised by the GME of 8,195,297 GCs (7,566,341 GCs traded in 2013) for a total amount of approximately Euro 759.7 million (approximately Euro 633.5 million in 2013). The weighted average price of the GCs traded in the market sessions was 92.7 €/MWh (83.7 €/MWh in 2013). As regards the average prices recorded on the GC market in 2014, a minimum average price of 85.23 €/MWh was observed for 2011 GCs, present on the platform until the first session of March, while the maximum average price was recorded for Q1 2014 GCs, of 96.28 €/MWh. On the bilateral market the transactions recorded during 2014 amounted to 34,852,367 GCs, down compared with the 37,246,526 GCs of 2013.
The price of withdrawal of CV_TLRs (green certificates for district heating) for cogeneration production combined with district heating for 2014 was 85.9 €/CV_TLR, net of VAT (+3.9% compared with 2013).
In relation to plants receiving incentives through recognition of GCs, for the period after 2015, the reform of the renewable source incentive scheme provided for the conversion into an incentive of the right to GCs according to specific methods defined by the GSE;
In each of the years from 2013 to 2016, it was also envisaged that the GSE would offer, to subjects obliged to purchase GCs, those withdrawn by the GSE itself under the terms of the decree of 6 July 2012, at a price equal to that of withdrawal.

CO^2

2014 is the second year of Stage 3 of the ETS marked by the passage for most of the plants subject to free allocation to that of the auction. Unlike the previous years, the year recorded an increase in the prices of CO^2 which closed on average at 5.9 €/ton, + 32.5% v. 2013
In January 2014 the European Commission presented a draft law to introduce a "market stability reserve" starting from 2021. This provides for the creation of a central CO^2 bank with the task of intervening on the quantity of permits issued on the market, reabsorbing the excess of quotas in circulation and stabilising the prices.
This instrument together with the backloading actions, with the ban on using international credits coming from projects of doubtful environmental integrity, with allocation through auctions of the permits for thermoelectric plants and some manufacturing plants (not at risk of delocalisation) has an effect of upward

pressure on prices. It must be remembered that with the start of the third regulation period the quantity of permits auctioned was for the first time higher than the quantity allocated for free.
It is also however necessary to consider that only, in 2014 33% of the “backloaded” quotas, that is those whose sale was postponed to 2019 and 2020, was in practice absorbed by the reduction in emissions as a consequence of the economic recession among which we can note the decline in electricity production (down by more than 4 per cent) at the European level, which is associated with substantial stagnation of industrial production. This led to a surplus of quotas in circulation, up by more than 100 million in 2014, with a total of more than 2.2 billion tonnes.

White certificates

In 2014 the Market for Energy Efficiency Certificates (EECs) recorded an increase compared with 2013 in volumes traded on the market platform with a quantity of certificates exchanged of 3.482 mn EECs v. 2.814 mn in 2013. The performance of market prices saw a rising trend in the first half of the year moving from 105 €/EEC at the beginning of 2014 to the peak of 146.8 €/EEC for EECs of type III (savings of different forms of energy other than electricity and gas) at the end of May. In the rest of the year the prices showed a declining trend down to less than 100 €/EEC, for an annual average between 113.2 and 116.00 €/EEC depending on the type. From the start of the mechanism 32.273 mn certificates have been issued.
On the bilateral market 8.269 mn of EECs were traded (5.419 mn in 2013) with an average price recorded of 102.7 €/EEC.
For 2014 the price of the single provisional tariff contribution for obliged distributors set by the AEEGSI on the basis of the prices of trades recorded on the GME market was 110.4 €/EEC.

LEGISLATIVE FRAMEWORK OF REFERENCE

ELECTRICITY

As regards legislation, we can note the following:

AEEGSI Resolution No. 6/2014/R/eel of 16 January 2014 "launch of proceeding for supplementing the rules on the production capacity remuneration mechanisms"
The AEEGSI launched a proceeding aimed at formulating a proposal which provides for: a) the establishment of a capacity market segment devoted to trading production capacity capable of providing the flexibility services necessary to cover the long-term needs estimated by Terna, supplementing the new capacity market Scheme already sent by Terna to the Ministry for Economic Development; b) remodulation of the transitory mechanism, pursuant to Art. 5 of Italian Legislative Decree 379/03, in order to make it coherent with the objectives of the permanent mechanism, that is the supply also of "adequate flexibility services, to the extent strictly necessary to guarantee the security of the electrical system"

Resolution 13/2014/R/efr of 23 January 2014 "**Definition of the tariff contribution to cover the costs incurred by the distributors subject to obligation on the subject of energy efficiency certificates starting from obligation year 2013"**
Implementing Art. 9 of the Ministerial Decree of 28 December 2012 of the Ministry for Economic Development, the AEEGSI defined the new criteria for quantifying the tariff contribution for energy efficiency certificates (henceforth: EECs) to be paid to obliged distributors starting from obligation year 2013.
The new criteria for calculating the single tariff contribution provide for this contribution to be calculated, and opportunely updated, in such a way as to reflect the price trend of white certificates recorded on the relevant market. Previously, the tariff contribution was defined in advance, before the beginning of the obligation year, taking into account exclusively the average percentage change of electricity, gas and and heating oil bills, with no reference to the prices recorded on the EEC market.
The new mechanism provides for the Regulator defining and publishing, at the beginning of each obligation year, the amount of the provisional contribution, which however is not immediately paid to the distributors subject to obligations, but constitutes the reference signal for the EEC market. Only at the end of each obligation year, the Authority calculates, according to the formula indicated in the measure in question, the definitive tariff contribution which will effectively be paid to the obliged distributors.
On first application, for 2013, as there are no previous reference amounts, the provisional contribution was set at 96.43 €/EEC, on the basis of the trading figures recorded on the EEC market in the last two years, also in order to reduce the previous imbalance between contributions paid up to now to distributors and average prices recorded on the EEC market. Starting from next year, and up to obligation year 2016, the provisional contribution will be quantified on the basis of the definitive contribution paid the previous year, corrected on the basis of the percentage changes of the energy bills of domestic customers.

Italian Law No. 9 of 21 February 2014 converting with amendments the Text of Italian Decree Law No. 145 of 23 December 2013, containing: «Urgent actions to launch the "Destination Italy" plan, to limit electricity and gas tariffs, for the internationalisation, development and digitalisation of businesses, and measures for the creation of public works and EXPO 2015.»
Article 1 states that "the AEEGSI shall update within 90 days from the date of entry into force of the present decree the criteria for determining the reference prices for supplies destined for final customers not supplied by the free market, taking into account the changes that have occurred in the effective hourly trend of electricity prices on the market"; an aspect on which the AEEGSI took action with Resolution 170/2014/R/eel of 10 April 2014 confirming the mechanism currently in force in the absence of a clear and definitive framework of changes made;
- "starting from 1 January 2014, the guaranteed minimum prices, defined by the Authority for the purposes of applying Article 13, paragraphs 3 and 4, of Italian Legislative Decree No. 387 of 29 December 2003, and Article 1, paragraph 41, Italian Law No. 239 of 23 August 2004, are equal, for each plant, to the hourly zonal price if the energy withdrawn is produced by plants that have access to incentives charged to the electrical tariffs on the energy produced with the exception of electrical energy input by photovoltaic plants of a nominal capacity up to 100 kW and by hydroelectric plants of an electrical capacity up to 500 kW";
- that the producers of energy from renewable sources owners of plants that benefit from incentives in the

form of green certificates, all-inclusive tariffs or bonus tariffs can:
a. continue to enjoy the said incentive system due for the remaining period of right;
b. opt for a remodulation of the incentive due, aimed at prolonging the useful life of the plant. A similar option gives the right to an increase in the incentive period of 7 years, in exchange for an immediate reduction of the said incentive, the amount of which will be defined in a subsequent decree of the Ministry for Economic Development, after the opinion of the Authority in relation to the remaining period due, to the type of renewable source, to the type of incentive and to the costs of the remodulation;
- that the Sardinia Region may, by 30 June 2016, call for tenders for the construction in the territory of the Sulcis Iglesiente region of a coal-fired thermoelectric power station equipped with a section for the capture and storage of carbon dioxide and that this power station be given the economic incentives proportionate to the electrical energy produced and put into the grid, the related expenses of which will be covered through the electrical tariffs;
- within six months from the date of entry into force of the law converting the decree, in order to make more easily comparable to contractual offers provided to final customers for the purchase of gas or electricity, the AEEGSI shall identify the basic cost components to be explained obligatorily in the said offers and shall determine the penalties to which the vendors are subject in the event of non-compliance.

AEEGSI Resolution 107//2014/R/ EFR of 13 March 2014 "Method of application of the mechanism of energy efficiency certificates in the case of large projects and definition and methods of recognising the constant value for the said certificates"

The Interministerial Decree of 28 December 2012, in defining the new annual national energy saving quantity targets that have to be pursued through the white certificate mechanism for the period 2013-2016, also introduced (cf. Art. 8) the rules on large projects, that is energy efficiency projects carried out on infrastructures and industrial processes, or relating to actions carried out in the transport sector which generate, over a period of one year from their implementation, savings, including potential ones, equal to or more than 35,000 Toe. Art. 8 paragraph 3 of the said Decree states that in relation to the management of Large Projects, "the proposing operator also has the right to opt for a system which ensures a constant value of the certificate for the entire useful life of the action, equal to the value current at the date of approval of the project" and that, for this purpose, the AEEG must define "the operating methods of this provision, having regard to any fluctuations in the market value of the certificate".
EECs related to savings (or any bonuses) regarding Large Projects that do not have access to the system that ensures a constant value are considered equal to EECs of the same kind deriving from the other actions admitted to the remuneration mechanism. These certificates can therefore be used by the distributors to fulfil their obligations giving rise to the consequent disbursement of the tariff contribution
For the purposes of the related quantification of the constant value of the EECs, the proposer of the Large Project must provide information to the GSE, in the context of the aforementioned technical and economic inquiry, on all the cost items used to launch the Large Project.

AEEGSI Resolution 320//2014/R/ EFR of 30 June 2014 – "Proposal, to the Ministry for Economic Development, to supplement the regulations for the transitional mechanism for remuneration of capacity with respect to the needs for flexibility of the electricity system"

With this measure it is proposed, to the Ministry for Economic Development, to supplement the rules for the transitional mechanism for remuneration of electrical energy production capacity, in order to deal with the need for flexibility in the electrical system. This resolution is complementary to approval of the Decree of the Ministry for Economic Development (MED) on the capacity market (see below).
In particular the AEEGSI proposes to the MED to prescribe to Terna the forward procurement of production capacity capable of providing adequate flexibility services on a three-yearly basis with reference to the period 2015-2017, observing certain criteria and conditions, including the definition by the AEEGSI on the basis of information and analyses specifically prepared by Terna on:
1. maximum or minimum values of the technical parameters of operation which must be satisfied by the production capacity to provide adequate flexibility services;
2. need for flexibility services to 2017, if necessary differentiated for the different relevant grid areas;
Terna procures real production capacity signing forward contracts having the nature of options (so-called standard contracts) with counterparties selected through one or more competitive procedures. Terna prepares a proposal containing the technical, economic and procedural methods for concluding standard contracts to be submitted to prior verification of compliance by the AEEGSI.

Ministerial Decree of the Ministry for Economic Development of 30 June 2014 on the capacity market.
This decree approves under certain conditions the proposed rules of the remuneration system for the availability of electricity production capacity, transmitted by Terna with a note dated 20 September 2013. The conditions for approval are the following:
a) the adequacy assessment of the capacity takes into account the positive effects deriving from development of the networks and of interconnections with other countries, in keeping with the Government's objective of complete integration of the domestic energy market;
b) right from the first sessions of the system the possibility of active participation of demand is ensured;
c) the system promotes the adoption of efficient structures and technologies and the participation also of distributed generation with renewable sources, provided with the requirements functional to contributing to the adequacy of the system;
d) the identification of the minimum value and the maximum value of the bonus is aimed at ensuring that the rules enable a reduction of the costs of the system and the expenses charged to consumers, with verification of the effects produced.

Italian Legislative Decree on Energy Efficiency. The Cabinet at its meeting on 30 June 2014 definitively approved the legislative decree transposing European Directive 27/2012 on energy efficiency. On the subject of the electricity market it is worth noting the introduction of an MED guideline for AEEGSI interventions on the subject of dispatching priorities for renewable energy sources and of participation of demand and of renewable in the electricity market. Other aspects regulated regard large companies and energy-intensive companies which from 2015 must perform regular energy diagnoses. Funds were also allocated for small and medium-sized enterprises to encourage recourse to energy diagnoses.
Art. 10 paragraph 17 provides for an MED guideline for AEEGSI regulatory actions on the subject of district heating and district cooling including the definition of standards of continuity, quality and security of the service; the criteria for determining the tariffs for connecting users to the network; the identification of the methods with which, among other things, the prices for heat supplies are made public.
The “National Fund for Energy Efficiency” was also set up, to encourage actions for the energy requalification of buildings of the PA and for reducing energy consumption in the sectors of industry and services. Access to the Fund is also guaranteed for work on creating district heating/district cooling networks begun between the date of entry into force of Italian Legislative Decree 28/2011 and that of entry into force of the new Legislative Decree.
Measures are provided for to “increase the awareness of energy consumption among citizens by promoting individual measurement systems and more precise invoicing based on real consumption” .
Finally the AEEGSI is asked to change the current progressive structure of tariffs with respect to consumption, taking into account the need to protect economically disadvantaged consumers.

AEEGSI Resolution 424/2014/R/eel of 7 August 2014 “Extension of the validity of the division into zones of the main grid in force for the three years 2012-2014, to the year 2015”
With reference to the regulations governing the division of the Italian electricity market network, the AEEGSI, with Resolution 265/2014/R/eel of 6 June 2014, had postponed to 30 September 2014 the date envisaged for the transmission, by Terna to the said Authority, of the proposal to divide the main grid into zones for the three years 2015-2017.
In the face of this provision the GME, in order to achieve the objective of extending market coupling to all bordering countries on the northern border within the first few months of 2015, had however expressed to the Regulator the need to define and approve the new zonal configuration for 2015 within the beginning of September 2014, noting that any delay in this sense would have prevented the correct operation of market coupling management based on the new European algorithm for selecting the offers (Euphemia), developed in the context of the Price Coupling of Regions (PCR) project.
Given the notable uncertainties in relation to the elements on which the future scenarios at the base of the definition of the new Italian zonal configuration will be constructed, as well as the opportunity to test the new potentials of Euphemia for managing zonal configurations more in keeping with the physical limits of the grid, the Authority pointed out the need to reassess, with extreme attention and according to specific further studies, the criteria and assumptions used up to now to divide the main grid into zones. On the understanding that these further studies, according to the assessments expressed by the Regulator, require performance times incompatible with those envisaged for the beginning of coupling on the northern border, the AEEGSI, with the measure, considered it opportune to extend for the year 2015 the zonal configuration currently in place, ensuring in this way to operators the application, although transitory, of a certain and already tested regulation.

Approval of the «Italian Action Plan for Energy Efficiency 2014» on 7 July 2014.
The APEE 2014 describes the energy efficiency targets set by Italy to 2020, the policy measures enacted to achieve them and the results achieved up to 2012.
In particular the Plan, taking into account the European Commission's guidelines for compilation and in accordance with what was expressed in the National Energy Strategy (NES), contains the national targets for reducing primary and final energy consumption, and specifies the savings in final energy uses expected at 2020 for each economic sector and for the main instrument for promoting energy efficiency.
With respect to the overall savings results expected at 2020 (15.50 mnToe/year) 23.7% fall in the residential sector, 7.9% in the tertiary sector, 32.9% in the industrial sector and 35.5% in the transport sector.

AEEGSI Resolution No. 522/2014/R/eel of 23 October 2014
The Authority published this resolution, after a long procedure and dispute with the Council of State. It governs the balancing expenses for non-programmable renewables. The solution adopted provides for:
- differentiated allowances for the different renewable sources;
- valuation of the electricity involved in the balancing outside the allowance with the same methods with which the balances of unauthorised production units are currently assessed and for consumption units;
- application of a unitary price differentiated by market zone (and by source or by type of production plant). This allocation method reduces the volume and price risk of the balancing associated with each source.
- an alternative, left to the user of the dispatching, to choose the application of balancing prices without band (thus avoiding that a part of the balancing is assessed on the basis of average prices not differentiated by source).

The new system will come into force from 1 January 2015. In relation to the period between 1 January 2013 and 31 December 2014 Terna will apply the balancing prices as initially defined in Resolution No. 111/06.
The definition of bands differentiated by source, is equal to:

a) 49% of the binding programme modified and corrected in relation to the dispatching points related to significant wind-powered production units;
b) 31% of the binding programme modified and corrected in relation to the dispatching points related to significant photovoltaic solar-powered production units;
c) 8% of the binding programme modified and corrected in relation to the dispatching points related to significant hydro and flowing water-powered production units;
d) 1.5% of the binding programme modified and corrected in relation to the dispatching points related to significant production units powered by “other” non-programmable renewable sources (mostly geothermoelectric production units).

AEEGSI Resolution No. 670/2014/R/eel of 29 December 2014 Update of the DISPBT, RCV, and RCVI components of the PCV price charged to non-domestic final customers of the greater protection service and changes to the TIV.
The measure updates the levels of the $DISP_{BT}$, RCV and RCV_i components of the PCV price charged to non-domestic customers in the context of the greater protection electrical energy service. It also launched a procedure with the purpose of:
a) revising the methods for determining the costs paid to greater protection operators by means of the RCV and RCVi components;
b) assessing the opportunity of proceeding to revise the structure of the RCV and RCVi components according to what was initially proposed in the document for consultation 576/2014/R/eel;
c) revising the methods for determining the PCV price charged to customers in greater protection to cover the marketing costs on the basis of the costs incurred by an efficient vendor on the free market.
As part of the proceeding pursuant to paragraph 2.1 useful data and information may be acquired from larger greater protection operators and from vendors on the free market. The proceeding will be completed by 30 October 2015.

GAS

Implementing the AEEGSI's resolutions of the end of 2013 (446/2013/R/Gas, 520/2013/R/Gas, 552/2013/R/Gas and 645/2013/R/Gas) starting from 4 February 2014 the Energy Markets Manager (Gestore dei Mercati Energetici - GME) **amended the regulation of the balancing market** with reference to the new segment G-1. This segment is intended to enable the manager of the national grid to activate one day ahead (G-1) various flexible gas resources, on the basis of the economic merit, thus limiting situations in which the storage resources can be put into critical conditions. The new rules define several zones in which to place offers corresponding to one or more flexible resources also in addition to storage and import such as, for example, availability at regasification terminals and the so-called linepack.

The Ministerial Decree of 19 February 2014 issued by the Ministry for Economic Development established quantities and general rules for the allocation of storage capacities for the contractual year 2014-2015: 6,950 mn m^3 were reserved for the seasonal peak service for the modulation of civil consumption and 1,610 for the "uniform" service for industries and power stations. The quantity for the peak service to be assigned by auction was set at 3,474 mn m^3 (up compared with the 2,500 of 2013). The Ministerial Decree also established that a capacity of 500 mn m^3, deriving from that made available following the redetermination of the strategic storage, is assigned for the offer of integrated regasification services, including storage reserved for industrial customers. The Ministerial Decree also established the performance profiles for supply from sites so as to guarantee the maximum performance in January and February.

AEEGSI Resolution No. 85/2014/R/Gas of 27 February 2014 ("*Rules for the conferment of storage capacities for the thermal year of storage 2014 – 2015*"), following the Ministerial Decree of 19 February, regulated the methods for organising auction procedures for conferment of storage capacities establishing that the marginal price criterion must be applied to the first auctions for the peak service and the pay as bid criterion for all the others.

AEEGSI Resolution No. 95/2014/R/Gas of 6 March 2014 *("Criteria for defining the economic conditions of the protection service for the thermal year 2014-2015")* established the rules for the thermal year 2014-2015 aimed at factoring into the price for the protection service[1] the cost of procuring the gas and the costs of wholesale marketing incurred by the vendor companies:

- for the calculation of the "C_{MEM}" component related to the procurement cost (approximately 50% of the pre-tax price), the Authority confirmed the reference to the quarterly forward quotations of the Dutch hub TTF;
- in relation to the graduality component, the so-called "GRAD", paid to all the vendor companies to make the effects of transition to the new system linked to spot prices gradual, the Authority established that this component will remain at 0.5 cEuro/m^3; however another 0.75 cEuro/m^3 will be "recovered" in the year 2016-2017, so the component will apply for four years instead of the three envisaged;
- as regards the so-called "CCR" component covering the wholesale procurement activities and the risks associated with them, the figure corresponding to payment of the operating costs and the remuneration (approximately 60% of the total CCR figure) is confirmed, but the levels and measurement method of certain risk profiles are revised postponing their quantification to a subsequent measure.

The subsequent **AEEGSI Resolution No. 162/2014/R/Gas of 3 April 2014** *("Economic conditions of the natural gas protection service: definition of the CCR component for the thermal year 2014-2015, identification of the source of quotations for the purpose of determining the CMEM component and changes to the TIVG*) consequently defined the quantification of the CCR for the t.y. 2014-2015 with a reduction of the previous total figure of 0.36 cEuro/m^3 (-11.6%) for the six winter months and of 0.29 cEuro/m^3 (-9.6%) for the six summer months[2].

AEEGSI Resolution No. 415/2014/R/Gas of 7 August 2014 *("Closure of the further inquiries, on the subject of tariffs for the regasification service of the company OLT Offshore Lng Toscana S.p.A., for the transitory period October 2012-December 2013 and for the year 2014*") approved the tariffs for OLT's regasification service for the transitory period October 2012-December 2013 and for the year 2014.

---

[1] Domestic customers and condominiums with consumption of less than 200 thousand m^3/year.
[2] With a calorific value of 38.52 Mj/m^3, the new CCR component is 2,78 cEuro/m^3 for the six winter months and 2.72 cEuro/m^3 for the six summer months.

The Decree of the Ministry of Economic Development of 3 September 2014 accepted with effect from 20 December 2013, the start date of commercial operations, the request of the OLT Offshore LNG Toscana regasification terminal to waive the exemption of access to third parties granted with the Ministerial Decree of 28 August 2009. The same Decree of 3 September identified OLT as an essential and indispensable infrastructure for the security of the national gas system which can contribute significantly to cheapness and competition in natural gas supplies.

AEEGSI Resolution No. 458/2014/R/Com of 25 September 2014 *("Update, from 1 October 2014, of the tariff components destined to cover the general expenses and further components of the electricity sector and the gas sector")* taking into account the provisions of the Ministerial Decree of 3 September regarding the strategic nature of OLT and the recognised revenue determined with the aforementioned Resolution No. 415/2014/R/Gas, estimated the guarantee factor payable to OLT for the period 2013-2014 at a maximum of approximately 45 million.

AEEGSI Resolution No. 367/2014/R/Gas of 24 July 2014 *("Tariff regulation of the gas distribution and measurement services for the regulation period 2014-2019 for territorial managements and other provisions on the subject of tariffs")* supplemented the regulation of gas distribution and measurement service tariffs for the period 2014-2019, previously associated mainly with municipal managements, with rules regarding tariffs to be applied to territorial managements that will be constituted after the tender to assign the service.

Italian Law 116/2014 of 20 August 2014 converting Law Decree 91/2014, the so-called "competitiveness decree", in Article 30 bis establishes a further extension of the deadlines for publication of the calls for territorial tenders for assignment of the gas distribution service. Specifically the deadlines for the first group of territories are extended by eight months, and thus until 11/3/2015, those of the second, third and fourth group by six months and those of the fifth and sixth group of territories by four months. However the situation of uncertainty which still characterises the complex mechanisms of the territorial tenders leads us to expect new postponements.

To implement **AEEGSI Resolution No. 485/2014 of 9 October 2014** *("Rules on the subject of balancing of economic merit of gas")*, starting from 15 November **the GME again amended and added the Regulation** of the gas balancing platform PB-GAS to introduce new methods for managing linepack flexibility resources and storage capacity. The changes were made to the PB-GAS market resolution zonal algorithm G-1, so that all the offers of gas accepted following the sessions of the G-1 segment are measured at a remuneration price corresponding to the price of the zone to which the offers are referred.

AEEGSI Resolution No. 550/2014/R/gas of 7 November 2014 *("Rules relating to the QVD component of the economic conditions of the natural gas protection service, starting from 1 January 2015")* relating to the component covering the costs for retail sale (the so-called QVD), made up of a fixed portion in euro/year for redelivery point and a variable portion in c€/m^3 consumed, confirmed up to the end of thermal year 2014-2015 the structure and substantially also the prices in force, only adjusting slightly upwards the fixed component. The resolution also establishes that the costs connected with the arrears of final customers will be covered by the fixed part of the QVD, putting off to subsequent specific in-depth studies the change in the structure of the said component.

AEEGSI Resolution No. 531/2014/R/Gas of 30 October 2014 *("Criteria for regulating tariffs for the natural gas storage service for the period 2015-2018")* defined the regulation criteria for the fourth storage regulation period (2015-2018). The resolution sets the remuneration rate of the invested capital (WACC) at 6% compared with the 6.7% of the third period and provides for a revision of the WACC with reference to the figure for the risk-free rate by the end of 2015 to apply to revenues recognised for 2016, so as to align the revision times of this parameter with those of the other regulated services (in both electricity and gas sectors)

The subsequent **AEEGSI Resolution No. 597/2014/R/com of 4 December 2014** ("*Launch of proceeding for the adoption of measures on the subject of methods and criteria for determining and updating the remuneration rate of the invested capital, in the electricity and gas sectors*") following the completion of the process of realigning the timing of infra-period updates of the WACC for all infrastructural services, launched a proceeding to reform the methods and criteria for determining and updating the remuneration rate of the invested capital for the said services. The objective of the reform is to unify all the parameters used in determining the WACC, with the exception of those that express specific conditions of the single services.

AEEGSI Resolution No. 652/2014/R/gas of 23 December 2014 ("Official determination of the tariff for the regasification service of the company Olt Offshore Lng Toscana S.p.A., for the year 2015") established the tariffs for the regasification service of the terminal Olt Offshore LNG of Livorno in relation to the year 2015.

AEEGSI Resolution No. 675/2014/R/com of 29 December 2014 ("*Update, from 1 January 2015, of the tariff components destined to cover the general expenses and further components of the electricity and gas sectors"*) estimated at 83 million euro the expense on the gas tariffs for the guarantee factor paid to the OLT regasification plant for 2015 compared with the 45 million euro of 2013-2014. The mechanism is not yet operational pending the EU Commission's judgement on the waiver of the exemption of the right to access to third parties. The withdrawal in the tariff is maintained at 0.0614 c€/m^3 for first quarter 2015 with an adjustment provided for to 0.1749 c€/m^3 from 1 April 2015.

SIGNIFICANT EVENTS OF THE PERIOD

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

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

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

This transaction follows the initial bond placement completed in 2013.

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

On 19 March 2014, Iren S.p.A. successfully concluded the tap issue for the 4.37% fixed rate bond placement completed on 14 October 2013 and maturing 14 October 2020. The bonds, listed on the Irish Stock Exchange, are reserved for institutional investors only.

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

Takeover bid on Acque Potabili S.p.A.

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

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

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

The period for accepting the voluntary takeover bid was set as from 14 April 2014 to 30 May 2014 (inclusive).

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

On the basis of the definitive results, including after reopening the terms, a total of 9,431,746 shares representing 26.197% of the share capital of Acque Potabili and 68.419% of the shares covered by the Bid were brought in acceptance, for a total amount of Euro 11,318,095.20.

Following and as a result of the Bid, including the reopening of the terms, Sviluppo Idrico, IAG and SMAT held an equity interest of 31,649,336 shares, or 87.908% of the share capital of Acque Potabili. Sviluppo Idrico, IAG and SMAT did not purchase shares other than in the Bid either during the acceptance period or during the reopening of the terms.

Merger by incorporation of Acque Potabili S.p.A. into Sviluppo Idrico S.p.A.

On 24 September 2014 the shareholders' meeting of Acque Potabili S.p.A. approved the project of merger by incorporation of Acque Potabili into Sviluppo Idrico with the purpose of delisting the Acque Potabili shares from the Electronic Share Market (MTA) and carrying out the reorganisation of the business of Acque Potabili, overcoming the limits connected with the fragmented management of the concessions held by Acque Potabili by achieving an integrated management of the concessions that it holds with the concessions currently managed autonomously by Iren Acqua Gas and by SMAT.

At the end of the period of the rights issue, 9 December 2014, the shareholders of Acque Potabili expressed their intention to purchase all 699,411 Acque Potabili shares offered as an option at the unit price of Euro 1.105.

The shares requested in pre-emption were more than the number available; therefore, the shares remaining after the rights issue were all assigned to the shareholders that exercised the right of pre-emption by division proportional to the number of option rights held, rounding up or down as necessary to the unit.

Payment of the countervalue of the shares purchased following the exercise of the option right and pre-emption will be made after the Merger becomes effective. In the same way, again conditional on the effectiveness of the Merger, the shares purchased will be credited to right holders through Monte Titoli and the respective intermediaries and, on the same date, through Monte Titoli and the depositary intermediaries of the right holders, the liquidation value due to withdrawing shareholders will be credited.
The Acque Potabili shareholders will receive, for each Acque Potabili share held, 0.212 ordinary shares of Sviluppo Idrico and when the Merger has become effective the Acque Potabili shares will be delisted from the electronic share market organised and managed by Borsa Italiana.

Spin-off of AES Torino

From 1 July 2014, IREN Energia acquired direct ownership of the business unit related to the activity of distributing district heating in the Municipalities of Turin, Moncalieri and Nichelino, to which must be added the district heating networks already today held in the cities of Genoa, Parma, Piacenza and Reggio Emilia constituting the largest network in Italy, with more than 79 million cubic metres served.
The acquisition is the result of the agreement signed by IREN Energia and Italgas, a company wholly controlled by Snam, on 9 April 2014, to separate the natural gas and district heating distribution activities carried out by AES Torino (a company in which IREN Energia has a 51% and Italgas a 49% stake). Separation of the natural gas and district heating distribution activities was achieved through the non-proportional partial spin-off of AES Torino, the acquisition of the of the business unit related to the activity of distributing district heating by the Iren Group and the withdrawal of the latter from the shareholding structure of AES Torino.

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

The Board of Directors of IREN S.p.A. resolved on 29 April 2014 to exercised the option to purchase from F2i Ambiente S.p.A. a 24% interest in TRM V S.p.A., a company in which it already holds an interest of 25% and which controls TRM S.p.A., the company which received the assignment to design, build and manage the urban and similar waste-to-energy plant to serve the south of the province of Turin.
The operation was completed on 9 May 2014 at a price of approximately 35.7 million.

Approval of 2013 Financial Statements and attribution of dividend

On 18 June 2014 the Iren Shareholders' Meeting approved the 2013 Financial Statements and resolved to attribute a dividend of Euro 0.0523 per share which was paid on 26 June 2014. The total dividend paid out amounted to Euro 66,746,602.91.

Bond issue on the European market for Euro 300 million.

On 3 July 2014 the placing was completed on the Eurobond market of a inaugural bond issue in Public Placement format for an amount of Euro 300 million.
The bond issue, listed on the Irish Stock Exchange, has a duration of di 7 years and a fixed annual coupon of 3.0%.
The operation was greeted with great interest by Italian and foreign institutional investors, receiving acceptances corresponding to 2.5 times the amount offered.
The bonds, which have a minimum unit price of Euro 100,000, were placed at the issued price of 99.225%. The effective gross rate of return on maturity is 3.125%.
The issue of the bond loan contributes to improving further the Iren Group's financial profile by extending the average maturity and decreasing the average cost of the indebtedness.

Bank Loans

In the second half of 2014 new medium-term bullet bank loans for a total of Euro 300 million were arranged and used, partially refinancing existing lines with related banks including Unicredit, Mediobanca and BRE.

The OLT regasification plant recognised as strategic infrastructure for national energy security

Following the issue of the decree, in the first half of September, by the Ministry of Economic Development, which accepted the waiver of exemption of access by third parties, the Terminal of the company OLT Offshore LNG Toscana (in which the Iren Group has a 46.79% interest) was recognised as essential and indispensable infrastructure for the security of the National Gas System.

Iren – CGIL, CISL and UIL: agreement for an intergenerational pact with employment opportunities for young people

An intergenerational pact to provide concrete employment opportunities to many young people who will be able to join the Group on the basis of a voluntary retirement incentive plan for personnel who arrive at the pension requirements by the end of 2018. This is the fulcrum of the agreement concluded between the Iren Group and the trade union confederations CGIL, CISL and UIL, through the reference categories (gas-water, electricity, environment), which was signed on 24 October.

The agreement provides for incentives accompanying to early retirement of a number of employees occupied in the various territories of reference, with acceptance on a voluntary basis among the approximately 4,500 workers of the Group, and the recruitment of approximately 180 new workers, mainly young people with apprenticeship contracts, by the end of 2016.

The incentive will be at the total expense of the Iren Group and without expenses for the pensions agencies (applying Art. 4 of Italian Law 92/2012) and will enable the oldest personnel currently employed to retire up to 24 months before the date of eligibility.

The new employment opportunities, supported by professionalising training courses in collaboration with the world of schools and universities at the expense of the Iren Group, and demographic rebalancing are fundamental objectives for the implementation of the development projects that the Iren Group is defining in the new Business Plan and which require the acquisition of new professionalism, a narrower focus on distinctive and innovative skills and the construction of a Group culture more oriented to anticipating the needs of the communities, the centrality of the customer and growth as an occasion of development also for the territories of reference.

Agreement between Iren S.p.A. and the Chief Executive Officer, Nicola De Sanctis

IREN S.p.A. and the Chief Executive Officer Nicola De Sanctis – who was also employed temporarily by the Company as a manager – agreed, on 24 November 2014, a consensual termination of his relationship as a Director, both parties having noted that the conditions had cesed to exist, also in consideration of choices of a personal nature of Mr De Sanctis. The agreement provides for renunciation of the position of Chief Executive Officer nonché and the position of Director of IREN S.p.A. from 30 November 2014.

The employment relationship as a manager will instead continue up to 31 December 2015, a period during which Mr De Sanctis will perform strategic advisory activities in collaboration with the Chairperson.

Appointment of the new Chief Executive Officer, Massimiliano Bianco

On 1 December 2014 IREN S.p.A.'s Board of Directors appointed Massimiliano Bianco – designated by the shareholders' agreement of shareholders – as Director and Chief Executive Officer of the multiutility, to replace Nicola De Sanctis, who had resigned on 30 November 2014.

Massimiliano Bianco, born in Gioia del Colle (BA) in 1971, has had an important career in the utilities sector: as General Manager of Federutility – a federation that brings together the local public service companies that operate in the electricity, gas and water sectors –, in the position of General Manager of the Apulia water company Acquedotto Pugliese and, even earlier, as Chief Executive Officer of Gallo & C. S.p.A. (Meliorbanca Group), where he assisted, among other things, companies and Local Authorities in numerous M&A and project finance operations.

Exercise of pre-emption for the acquisition of a 31% equity interest in the company Amiat S.p.A.

On 3 December 2014 Iren SpA's Board of Directors resolved to exercise, through the company Amiat V S.p.A. controlled by Iren Ambiente S.p.A., the right of pre-emption for the purchase of 31% of the share capital of Amiat S.p.A. offered by FCT Holding Srl, as provided for in the tender procedure.

The acquisition of the further 31% in Amiat S.p.A. on 23 December 2014, for a price of Euro 21,666,700, enabled the Iren Group to acquire control over the company that manages environmental services for the City of Turin.

Iren's Deputy Chairperson, Andrea Viero, begins a process of gradual withdrawal from the positions held in the Group

On 23 December 2014 IREN S.p.A.'s Board of Directors acknowledged the intention expressed by Mr Andrea Viero, Deputy Chairperson of the Group and Chief Executive Officer of Iren Ambiente, TRM S.p.A. and Iren Emilia, to proceed in the process, already begun previously, for his gradual withdrawal from the positions held in the Iren Group.

Considering the workload he has had up to now and in particular the scope of business developed by Iren Ambiente together with the desire to begin new professional experiences, Mr Viero has therefore decided to renounce the positions of director and chief executive officer in the Iren Group companies.
To guarantee an adequate transition in the activities followed up to now, Mr Viero will keep the position of Deputy Chairperson of the Iren Group, until 30 April 2015, accepting the request made in this sense by the main public shareholders and by the Board of Directors of IREN S.p.A..

Appointment of the Chief Executive Officers of Iren Ambiente and Iren Emilia
The Boards of Directors of Iren Ambiente e Iren Emilia resolved on 23 December 2014, on the indication of the Chief Executive Officer di Iren SpA, Massimiliano Bianco, to appoint the new Chief Executive Officers of the companies.
Roberto Paterlini was appointed Chief Executive Officer of Iren Ambiente SpA and Fabio Giuseppini was appointed Chief Executive Officer of Iren Emilia SpA.
The Chief Executive Officer of Iren SpA also indicated Eugenio Bertolini as new General Manager of Iren Acqua Gas and Iren Emilia.

Attribution of delegated powers and responsibilities to the Chairperson of Iren SpA
On 23 December 2014 the Board of Directors of Iren SpA, proceeding in the work of simplifying the governance already begun, attributed to the Chairperson the delegated powers and responsibilities on the subject of internal audits and management of the 231 system.

THE IREN GROUP'S ECONOMIC AND FINANCIAL SITUATION AND CAPITAL

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

Income Statement

IREN GROUP CONSOLIDATED INCOME STATEMENT

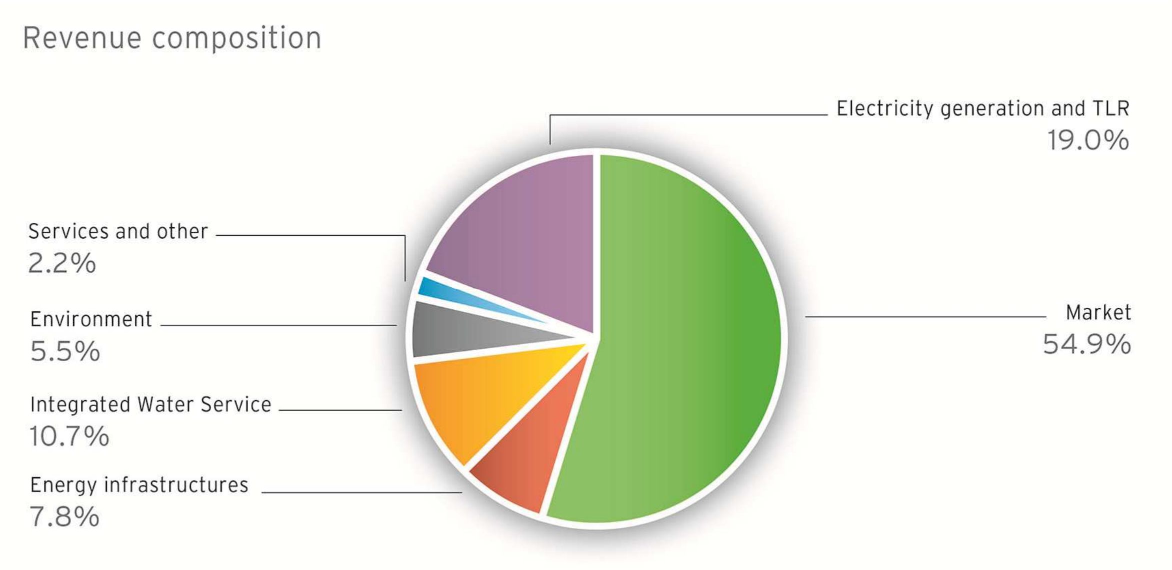
thousands of euro

	Financial Year 2014 Restated	Financial Year 2013 Restated	Change %
Revenue			
Revenue from goods and services	2,634,141	3,165,176	(16.8)
Change in work in progress	(212)	(355)	(40.3)
Other revenue and income	267,909	207,872	28.9
- of which non-recurring	*20,944*	-	
Total revenue	**2,901,838**	**3,372,693**	**(14.0)**
Operating expense			
Raw materials, consumables, supplies and goods	(1,027,922)	(1,457,401)	(29.5)
Services and use of third-party assets	(863,814)	(939,478)	(8.1)
Other operating expense	(102,181)	(86,664)	17.9
Capitalised expenses for internal work	24,246	25,182	(3.7)
Personnel expense	(309,503)	(262,009)	18.1
- of which non-recurring	*(36,159)*	-	
Total operating expense	**(2,279,174)**	**(2,720,370)**	**(16.2)**
GROSS OPERATING PROFIT (EBITDA)	**622,664**	**652,323**	**(4.5)**
Amortisation, depreciation, provisions and impairment losses			
Depreciation and amortisation	(247,875)	(217,250)	14.1
Provisions and impairment losses	(49,428)	(104,117)	(52.5)
- of which non-recurring transactions	-	*(5,262)*	
Total amortisation, depreciation, provisions and impairment losses	**(297,303)**	**(321,367)**	**(7.5)**
OPERATING PROFIT (EBIT)	**325,361**	**330,956**	**(1.7)**
Financial management			
Financial income	27,206	27,852	(2.3)
Financial expense	(132,069)	(115,360)	14.5
Total financial income and expense	**(104,863)**	**(87,508)**	**19.8**
Profit/(loss) of equity investments accounted for using the equity method	(10,649)	9,603	(*)
Impairment losses on investments	3,877	(28,113)	(*)
Profit before tax	**213,726**	**224,938**	**(5.0)**
Income tax expense	(128,187)	(125,090)	2.5
Net profit/(loss) from continuing operations	**85,539**	**99,848**	**(14.3)**
Net profit/(loss) from discontinued operations	-	-	-
Net profit (loss) for the year	**85,539**	**99,848**	**(14.3)**
attributable to:			
- Profit/(loss) attributable to owners of the parent	68,945	88,629	(22.2)
Profit/(loss) attributable to non-controlling interests	16,594	11,219	47.9

(*) Change of more than 100%

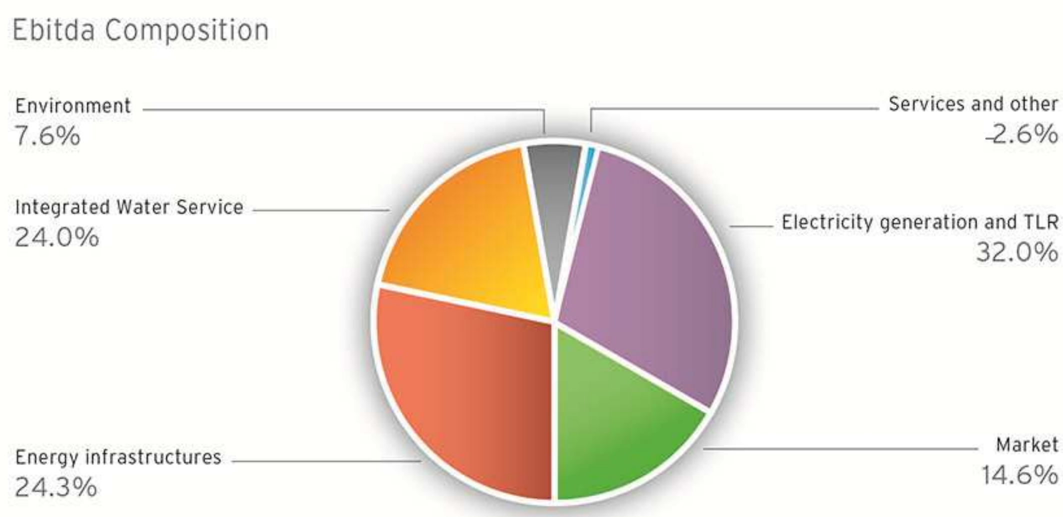
Revenue

In 2014, the Iren Group achieved revenue of Euro 2,902 million, down by -14.0% compared to the Euro 3,373 million of 2013. The drop in revenue was mainly due to lower volumes sold in the energy sectors as a result, in particular, of the unfavourable weather trend and of the reduction in energy commodity prices. The following chart illustrates the breakdown of revenue by business segment, before inter-segment netting and adjustments.



Gross Operating Profit (EBITDA)

The gross operating profit (EBITDA) amounted to Euro 623 million. This figure was influenced by two significant non-recurring factors: a capital gain related to the sale of real estate fund units (approximately Euro 21 million) and extraordinary costs related to the multi-year plan of early retirement incentives for personnel (approximately 36 million). The gross operating profit, thus rectified, was Euro 638 million compared with the Euro 652 million of financial year 2013 (reduction of 2.2%). This change in the gross operating profit was due to very short-term operating trends, which are characterised, on the one hand by a reduction in profit margins of the energy supply chain (regulatory, weather and market factors) and on the other by a recovery of profit margins in regulated businesses and in particular in the sector of the Integrated Water Cycle and the Environment.



Operating profit (EBIT)

Operating profit (EBIT) totalled Euro 325 million, a -1.7% decrease on the 2013 figure of Euro 331 million. With respect to the negative trend of the gross operating profit the operating profit was positively affected by lower provisions for the impairment of receivables and for risks that had characterised in an extraordinary manner financial year 2013. Depreciation and amortisation increased as a result of the new investments made and the contribution of the former Edipower power stations (Turbigo and Tusciano).

Financial income and expense

Net financial income and expense came out at a negative Euro 105 million, while in financial year 2013 they came out at a negative Euro 88 million. In particular financial expense amounted to Euro 132 million (Euro 115 million in financial year 2013). The increase compared with 2013 was mainly due to the discounting and capitalised interest expense components, while a slight reduction was recorded in the average cost of debt in 2014 compared with 2013. Financial income amounted to Euro 27 million, down 2% from the Euro 28 million of 2013.

Share of profit of associates recognised using the equity method

The results of associates accounted for using the equity method was negative by around Euro 11 million, down compared to the positive Euro 10 million of 2013, owing mainly to impairment of the equity investment in OLT.

Impairment losses on investments

These amounted to approximately Euro 4 million and relate mainly to the positive result attributable to the investee AMIAT.

Profit before tax

As a result of the above trends the consolidated profit before tax came out at Euro 214 million, down 5.0% on the Euro 225 million recorded in 2013.

Income tax expense

Income taxes for 2014 amounted to Euro 128 million, up by 2.5% compared to the Euro 125 million of 2013. The effective tax rate was 60.0%.

Net profit (loss) for the year

Profit for the period amounted to Euro 86 million, down 14.3% compared to the Euro 100 million of 2013.

SEGMENT REPORTING

The Iren Group operates in the following business segments:

- Generation and District Heating (Hydroelectric Production, Cogeneration of Electrical Energy and Heat, District Heating Networks)
- Market (Sale of electrical energy, gas, heat)
- Energy Infrastructures (Electricity distribution networks, Gas distribution networks);
- Integrated Water Service (sale and distribution of water, water treatment and sewerage)
- Waste Management (Waste collection and disposal)
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

These operating segments are disclosed pursuant to IFRS 8. Under this standard, the disclosure about operating segments should be based on the elements which management uses in making operational and strategic decisions.

For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.

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

The following tables show the net invested capital and income statements (up to the operating profit/loss) by business segment for 2014 redetermined and the comparison with the 2013 restated in order to take into account the deconsolidation of the activities related to the companies OLT, SAP and Iren Rinnovabili, and the new structure, post spin-off, of management of the activities managed by AES Torino (line-by-line consolidation of the district heating distribution and deconsolidation of the gas distribution activities).

Segment results at 31 December 2014

millions of euro

	Generation and district heating	Market	Energy infrastructures	Integrated Water Service	Environment	Services and other	Non-allocable	Total
Non-current assets	1,998	66	870	985	420	27	253	4,619
Net working capital	107	18	(71)	120	58	(3)	8	238
Other non-current assets and liabilities	(101)	30	(58)	(311)	(109)	(18)	(11)	(578)
Net invested capital (NIC)	**2,004**	**114**	**741**	**795**	**368**	**6**	**250**	**4,279**
Equity								1,994
Net financial position								2,286
Own funds and net financial indebtedness								**4,279**

Segment results at 31 December 2013

millions of euro

	Generation and district heating	Market	Energy infrastructures	Integrated Water Service	Environment	Services and other	Non-allocable	Total
Non-current assets	2,036	62	850	951	335	29	279	4,542
Net working capital	137	20	(56)	86	(31)	(11)	7	151
Other non-current assets and liabilities	(112)	36	(61)	(272)	(50)	(14)	(18)	(491)
Net invested capital (NIC)	**2,060**	**118**	**734**	**765**	**254**	**3**	**268**	**4,202**
Equity								2,010
Net financial position								2,192
Own funds and net financial indebtedness								**4,202**

Segment results at 31 December 2014

millions of euro

	Generation and district heating	Market	Energy infrastructures	Integrated Water Service	Environment	Services and other	Netting and adjustments	Total
Total revenue and income	827	2,388	341	464	238	96	(1,451)	2,902
Total operating expense	(627)	(2,297)	(189)	(314)	(190)	(112)	1,451	(2,279)
Gross Operating Profit (EBITDA)	**199**	**91**	**152**	**150**	**48**	**(16)**	**-**	**623**
Net am./depr., provisions and impairment losses	(94)	(41)	(45)	(74)	(34)	(10)	-	(297)
Operating profit (EBIT)	**106**	**50**	**106**	**76**	**14**	**(26)**	**-**	**325**

Segment results at 31 December 2013

millions of euro

	Generation and district heating	Market	Energy infrastructures	Integrated Water Service	Environment	Services and other	Netting and adjustments	Total
Total revenue and income	1,048	3,098	334	426	214	90	(1,838)	3,373
Total operating expense	(813)	(2,991)	(180)	(309)	(178)	(88)	1,838	(2,720)
Gross Operating Profit (EBITDA)	**236**	**107**	**154**	**117**	**36**	**3**	**-**	**652**
Net am./depr., provisions and impairment losses	(116)	(55)	(47)	(68)	(30)	(5)	-	(321)
Operating profit (EBIT)	**119**	**52**	**107**	**49**	**6**	**(3)**	**-**	**331**

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

Generation and District heating

Revenue for the period amounted to Euro 827 million, down -21.2% from the Euro 1,048 million of 2013.

			Financial Year 2014	Financial Year 2013	Δ %
Revenue		€/mn	827	1,048	-21.2%
Gross Operating Profit (EBITDA)		€/mn	199	236	-15.3%
EBITDA Margin			*24.1%*	*22.5%*	
Operating profit (EBIT)		€/mn	106	119	-11.4%
Investments		€/mn	66	47	40.3%
Electrical energy produced		GWh	6,408	7,806	-17.9%
	from hydroelectric sources	*GWh*	1,444	1,374	5.1%
	from cogeneration sources	*GWh*	3,960	6,069	-34.8%
	from thermoelectric sources	*GWh*	1,005	363	(*)
Heat produced		GWh_t	2,509	3,072	-18.3%
	from cogeneration sources	GWh_t	2,131	2,531	-15.8%
	from non-cogeneration sources	GWh_t	378	541	-30.1%
District heating volumes		Mm^3	80	79	2.4%

(*) Change of more than 100%

In financial year 2014 the electrical energy produced was 6,408 GWh down -17.9% compared with the 7,806 GWh of financial year 2013 mainly as a result of lower production in cogeneration structures (-2,109 GWh), partially offset by the thermoelectrical production of the Turbigo plant and higher hydroelectric production +5.1%(+70 GWh).
In particular the production in cogeneration was 3,960 GWh, down -34.8% compared with the 6,069 GWh of 2013 while the thermoelectrical production of the Turbigo plant, included in the perimeter of the group starting from the last two months of 2013, was 1,005 GWh.
Hydroelectric production was 1,444 GWh up +5.1% compared with the 1,374 GWh of 2013 as a result of the production of the former Edipower Tusciano Hub (+256 GWh), included in the perimeter of the group starting only from the last two months of 2013.
Heat production in financial year 2014 was 2,509 GWht down -18.3% compared with 3,072 GWht of 2013, mainly as a result of a particularly mild thermal season in both winter and autumn.
Volumes of district heating reached 80 million m^3, 57 million of which in Turin, making this the most 'district heated' city in Italy, over 3 million m^3 in Genoa and 20 million m^3 in Reggio Emilia, Parma and Piacenza. The proportion of cogenerated heat was 85%, up compared to the 82% recorded in 2013, due to the greater use of storage systems that made it possible to optimise cogeneration production.

Gross operating profit (EBITDA) amounted to Euro 199 million, down 15.3% from the Euro 236 million of financial year 2013.
The drop in gross operating profit was due to several external factors already seen in the previous quarters. In particular the expiry of a significant part of the incentive, through Green Certificates, on the cogenerative production and above all the extraordinarily mild thermal season, which strongly penalised heat production. The production of electrical energy, mostly related to cogeneration of thermal energy, was affected also by a reduction in generation margins as a result of the decrease in selling prices. The trend of margins related to hydroelectric production was positive owing to the contribution of the former Edipower plant in Tusciano, included in the perimeter of the group from the last two months of 2013 and synergies on operating costs.

The operating profit (EBIT) of the segment totalled Euro 106 million, a -11.4% decrease on the 2013 figure of Euro 119 million. The negative trend of gross operating profit and higher depreciation and amortisation related to full operation of the former Edipower plants of Tusciano and Turbigo were partially offset by the release of provisions for shunting fees owing to cessation of the related risk.

Technical investments in this sector amounted to Euro 66 million, of which around Euro 61 million relating to cogeneration and district heating and approximately Euro 5 million to the hydroelectric segment.

Market

Market segment turnover amounted to Euro 2,388 million compared to Euro 3,098 million in the previous year (-22.9%). The drop in revenue was due primarily to a particularly mild thermal season which greatly affected sales volumes of the gas and district heating segments, as well as the situation, already mentioned, of a significant reduction in energy commodity prices.

Gross operating profit (EBITDA) of Euro 91 million, was down -15.1% on the Euro 107 million of 2013. The drop was mainly due to the gas sales segment as a result of the particularly mild thermal season and of full application of AEEGSI Resolution 196/13 related to the revision of the periodic mechanisms for updating gas sale tariffs. The energy sales segment grew owing to the cessation, starting from October 2013, of the negative effects associated with management of the tolling contract with Edipower.

		Financial Year 2014	**Financial Year 2013**	**Δ %**
Revenue	€/mn	2,388	3,098	-22.9%
Gross Operating Profit (EBITDA)	€/mn	91	107	-15.1%
EBITDA Margin		*3.80%*	*3.50%*	
from electrical energy	€/mn	25	14	75.9%
from gas	€/mn	64	92	-30.2%
from heat	€/mn	2	1	(*)
Operating profit (EBIT)	€/mn	50	52	-4.6%
Investments		10	8	29.6%
Electrical energy sold	GWh	11,151	13,231	-15.7%
Electrical energy sold net of Power Exchange purchases/sales	GWh	9,959	12,281	-18.9%
Gas purchased	Mm^3	2,185	3,029	-27.9%
Gas sold by the Group	Mm^3	934	1,269	-26.4%
Gas for internal use	Mm^3	1,105	1,561	-29.2%
Gas in storage	Mm^3	146	200	-27.1%

(*) Change of more than 100%

Sale of electrical energy

Free market and power exchange

Total volumes sold to end customers and wholesalers amount to 4,836 GWh (5,573 GWh in 2013), while the volumes traded on the power exchange net of energy bought and sold amounted to 4,415 GWh (5,855 GWh in 2013).

The volumes of electrical energy produced by the Group and available for sale totalled 6,816 GWh compared to 7,958 GWh in 2013, to which in 2013 the volumes available through Edipower tolling of 861 GWh were added. This contract was terminated in October 2013. Added to availability from within the Group were purchases through the power exchange (gross of energy bought and sold), totalling 2,138 GWh compared to 2,054 GWh in 2013, and from wholesalers for 2,042 GWh compared to 2,162 GWh in 2013.

Former non-eligible market
Total customers managed by Iren Mercato in the higher protection segment were around 299,000 in 2014. The total volumes sold amounted to 708 GWh, a decrease compared to the last year (852 GWh) due to deregulation of the market.

Sale of natural gas
Total volumes of natural gas procured by the Group in 2014 amounted to around 2,185 million m³ (around 3,029 million m³ in 2013), of which approximately 934 million m³ were marketed to end customers (1,269 million m³ in 2013), 1,105 million m³ (1,561 million m³ in 2013) were used within the Iren Group for both the generation of electrical energy and the supply of heat services and 146 million m³ were destined for storage.

Sale of heat energy through the district heating networks
The gross operating profit in 2014 amounted to Euro 2 million, higher than the Euro 1 million of 2013 owing mainly to changes in the economic terms of a number of heat management contracts.

Energy infrastructures

In 2014 the Energy Infrastructures segment, which includes the gas and electricity distribution businesses, recorded revenue of Euro 341 million, up on the Euro 334 million of 2013 (+2.1%).
Gross operating profit (EBITDA) amounted to Euro 152 million slightly down compared to the Euro 154 million of 2013 (-1.4%).
The net operating profit (EBIT) was Euro 106 million, in line with the previous year (-0.5%).
The main changes in the segments concerned are illustrated below.

		Financial Year 2014	Financial Year 2013	Δ %
Revenue	€/mn	341	334	2.1%
Gross Operating Profit (EBITDA)	€/mn	152	154	-1.4%
EBITDA Margin		*44.5%*	*46.0%*	
from electrical energy networks	*€/mn*	*73*	*80*	*-8.2%*
from gas networks	*€/mn*	*78*	*74*	*5.9%*
Operating profit (EBIT)	€/mn	106	107	-0.5%
Investments	€/mn	60	56	8.1%
in electrical energy networks	*€/mn*	*25*	*27*	*-7.8%*
in gas networks	*€/mn*	*36*	*29*	*22.7%*
Electrical energy distributed	GWh	3,848	4,136	-7.0%
Gas distributed	Mm^3	1,119	1,353	-17.3%

Electrical Energy Distribution Networks
Gross operating profit (EBITDA) amounted to Euro 73 million, down -8.2% on the Euro 80 million of 2013.
The drop of approximately Euro 6.5 million compared with 2013 is attributable to the change in the perimeter owing to the sale of the extra-urban networks of Turin and to the lower contribution of ancillary services to customers (connections and works).
In 2014, investments for around Euro 25 million were made, mainly related to new connections, the construction of new MV/LV substations and MV/LV lines.

Gas Distribution Networks
Gross operating profit (EBITDA) amounted to Euro 78 million compared to Euro 74 million in 2013 (+5.9%).
The upward change of approximately Euro +4 million was due to the positive effect of the assignment and management of energy efficiency certificates (EECs) as well as to the payment of incentive bonuses on security and regulatory adjustments.

Investments made in the period amounted to Euro 36 million and regarded the provisions of AEEGSI resolutions, in particular on adjustment of cathodic protection equipment, replacement of grey cast iron pipes, and the installation of electronic meters.

Integrated Water Service

In 2014, Integrated Water Service recorded revenue of Euro 464 million, up by 8.8% compared to Euro 426 million in 2013. The increase in revenue compared to the previous year was due to the tariff increases connected with the new Operator Revenue Constraint (Vincolo Ricavi Gestore - VRG) and in particular with the tariff adjustments connected with application of Transitory Tariff Method on 2012 and 2013 as well as higher revenue from recognition of energy efficiency certificates for the construction of plants aimed at reducing electricity consumption. In addition higher revenue was recorded in relation to applying IFRIC 12 to investments in the period on third-party assets.

		Financial year 2014	Financial year 2013	Δ %
Revenue	€/mn	464	426	8.8%
Gross Operating Profit (EBITDA)	€/mn	150	117	27.6%
EBITDA Margin		*32.3%*	*27.5%*	
Operating profit (EBIT)	€/mn	76	49	53.1%
Investments	€/mn	83	73	14.9%
Water sold	Mm^3	147	149	-1.5%

Gross operating profit (EBITDA) amounted to Euro 150 million, up 27.6% compared with the Euro 117 million of 2013. The increase can be attributed to tariff trends, contingent assets for prior tariff adjustments, recognition of energy efficiency certificates and the absence of contingent liabilities that had characterised the corresponding period of 2013 owing mainly to the repayment of remuneration on the capital pursuant to the 2011 referendum.

The operating profit (EBIT) was Euro 76 million, up +53.1% compared to the Euro 49 million recorded in 2013. The improvement reflects the trends in the gross operating profit.

Investments totalled Euro 83 million and concern the construction, development and maintenance of distribution networks and systems, the sewerage network and water treatment plants.

Environment

In 2014, sector revenue amounted to Euro 238 million, up by +10.9% compared to Euro 214 million in 2013. This increase was due to higher energy revenues (electricity, thermal) owing to entry into operation of the Parma Integrated Environmental Hub, higher revenue for special waste treatment and intermediation and the update of the prices for waste management services.

			Financial Year 2014	Financial Year 2013	Δ %
Revenue		€/mn	238	214	10.9%
Gross Operating Profit (EBITDA)		€/mn	48	36	31.1%
EBITDA Margin			*20.0%*	*16.9%*	
Operating profit (EBIT)		€/mn	14	6	(*)
Investments		€/mn	19	56	-67.1%
Waste handled		ton	1,082,243	1,003,276	7.9%
	Urban waste	ton	735,589	727,559	1.1%
	Special waste	ton	346,654	275,717	25.7%

(*) Change of more than 100%

Gross operating profit (EBITDA) amounted to Euro 48 million compared to Euro 36 million in 2013 (+31.1%). The increase in the profit is related to the trend in revenue and therefore in particular to the development of commercial and intermediation activities and to more equipment installed in plants for waste treatment and disposal.

The operating profit (EBIT) was Euro 14 million, up compared to the Euro 6 million recorded in 2013. The positive trend in gross operating profit was partially absorbed by higher depreciation owing to entry into operation of the Parma Environmental Hub against a reduction in depreciation of the Poiatica landfill site and on collection activities.

The investments made in the year amounted to 19 million and mainly referred to work to complete the Parma Integrated Environmental Hub (IEH), and other disposal plants the purchase of vehicles and equipment to support expansion of the door-to-door urban waste collection service.

Services and other

		Financial Year 2014	Financial Year 2013	Δ %
Revenue	€/mn	96	90	6.7%
Gross Operating Profit (EBITDA)	€/mn	-16	3	(*)
EBITDA Margin		*-16.8%*	*3.0%*	
Operating profit (EBIT)	€/mn	-26	-3	(*)
Investments	€/mn	23	17	34.5%

(*) Change of more than 100%

In 2014 revenue totalled Euro 96 million, up on the Euro 90 million of 2013. There was a gross operating loss (EBITDA) owing to the combined effect of two non-recurring factors and in particular, the capital gain on the second tranche of sale of the real estate fund units (21 million), and the accounting for extraordinary expenses connected with the multi-year plan of early retirement incentives (36 million).

Statement of Financial Position

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

thousands of euro

	31.12.2014	31.12.2013 Restated	Change %
Non-current assets	4,618,669	4,541,546	1.7
Other non-current assets (liabilities)	(153,619)	(135,501)	13.4
Net working capital	238,448	151,369	57.5
Deferred tax assets (liabilities)	115,335	116,991	(1.4)
Provisions for risks and employee benefits	(550,362)	(473,695)	16.2
Assets (Liabilities) held for sale	10,762	995	(*)
Net invested capital	**4,279,233**	**4,201,705**	**1.8**
Equity	1,993,549	2,009,542	(0.8)
Non-current financial assets	*(66,439)*	*(79,424)*	*(16.3)*
Non-current financial indebtedness	*2,210,821*	*1,853,608*	*19.3*
Non-current net financial indebtedness	2,144,382	1,774,184	20.9
Current financial assets	*(522,902)*	*(454,902)*	*14.9*
Current financial indebtedness	*664,204*	*872,881*	*(23.9)*
Current net financial indebtedness	141,302	417,979	(66.2)
Net financial indebtedness	2,285,684	2,192,163	4.3
Own funds and net financial indebtedness	**4,279,233**	**4,201,705**	**1.8**

(*) 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 attachment to the consolidated financial statements (paragraph XIV).

The main changes in the statement of financial position at 31 December 2014 are commented below.

Non-current assets increased by 1.7% compared to 31 December 2013, owing mainly to the change in the scope of consolidation involving the line-by-line consolidation of the company AMIAT S.p.A.. Investments made during the period are higher than amortisation/depreciation for the period and disposals. For further details on investments in the period, reference should be made to the section "Segment Reporting".

The increase in Net Working Capital was mainly due to line-by-line consolidation of the company AMIAT S.p.A.. Net of the contribution of the latter net working capital increased by around Euro 4 million compared to 31 December 2013.

The change in Equity derives mainly from profit for the period, net of dividends distributed.

The cash flow statement presented below provides an analytical breakdown of the changes in 2014.

Cash Flow Statement

CASH FLOW STATEMENT FOR THE IREN GROUP

thousands of euro

	Financial Year 2014 Restated	Financial Year 2013 Restated	Change %
A. Opening cash and cash equivalents	**50,221**	**26,681**	**88.2**
Cash flows from operating activities			
Profit (loss) for the year	85,539	99,848	(14.3)
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	247,875	217,250	14.1
Capital gains (losses) and other changes in equity	(27,670)	(7,908)	(*)
Net change in post-employment benefits and other employee benefits	(2,549)	239	(*)
Net change in provision for risks and other charges	12,594	(39,131)	(*)
Change in deferred tax assets and liabilities	14,507	(17,052)	(*)
Change in other non-current assets and liabilities	15,410	15,320	0.6
Dividends accounted for net of adjustments	(1,066)	(1,304)	(18.3)
Portion of profit/(loss) of associates and joint ventures	10,649	(9,603)	(*)
Net impairment losses (reversals of impairment losses) on assets	(3,810)	71,555	(*)
B. Cash flows from operating activities before changes in NWC	**351,479**	**329,214**	**6.8**
Change in inventories	26,636	558	(*)
Change in trade receivables	100,120	220,154	(54.5)
Change in tax assets and other current assets	(36,102)	62,149	(*)
Change in trade payables	(98,699)	(157,002)	(37.1)
Change in tax liabilities and other current liabilities	4,434	(21,520)	(*)
C. Cash flows from changes in NWC	**(3,611)**	**104,339**	**(*)**
D. Cash flows from/(used in) operating activities (B+C)	**347,868**	**433,553**	**(19.8)**
Cash flows from/(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(261,605)	(270,414)	(3.3)
Investments in financial assets	(87,457)	(1,423)	(*)
Proceeds from the sale of investments and changes in assets held for sale	25,764	13,362	92.8
Changes in the scope of consolidation	(46,886)	(45,746)	2.5
Dividends received	7,644	8,868	(13.8)
E. Total cash flows from/(used in) financing activities	**(362,540)**	**(295,353)**	**22.7**
F. Free cash flow (D+E)	**(14,672)**	**138,200**	**(*)**
Cash flows from/(used in) financing activities			
Dividends paid	(73,641)	(76,070)	(3.2)
New non-current loans	761,248	468,000	62.7
Repayment of non-current loans	(847,741)	(284,533)	(*)
Change in financial liabilities	229,821	(284,609)	(*)
Change in financial assets	(53,635)	62,552	(*)
G. Total cash flows from/(used in) financing activities	**16,052**	**(114,660)**	**(*)**
H. Cash flows for the period (F+G)	**1,380**	**23,540**	**(94.1)**
I. Closing cash and cash equivalents (A+H)	**51,601**	**50,221**	**2.7**

(*) Change of more than 100%

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

thousands of euro

	Financial Year 2014 Restated	Financial Year 2013 Restated	Change %
Free cash flow	(14,672)	138,200	(*)
Dividends paid	(73,641)	(76,070)	(3.2)
Change in fair value of hedging derivatives	(5,208)	25,134	(*)
Change in net financial position	**(93,521)**	**87,264**	**(*)**

(*) Change of more than 100%

Net financial indebtedness at 31 December 2014 amounted to Euro 2,286 million, up 4.3% compared to 31 December 2013.

In particular, the free cash flow, a negative Euro 15 million, derives from the combined effect of the following cash flows:

- cash flows from operating activities were positive by Euro 348 million and consist of Euro 352 million cash flows from operating activities before changes in net working capital and Euro -4 million cash flows deriving from changes in net working capital;
- cash flows used in investing activities, a negative Euro 363 million, were generated by investments in property, plant, equipment, investment property and intangible assets of Euro 262 million (including investments for the construction of infrastructures under concession pursuant to IFRIC 12), by financial investments of Euro 87 million euro, by changes in the consolidation scope of Euro 47 million, by proceeds from the disposal of non-current assets for Euro 26 million euro and by the collection of Euro 7 million in dividends.

ECONOMIC AND FINANCIAL SITUATION AND CAPITAL OF IREN S.P.A.

Income Statement

INCOME STATEMENT OF IREN S.p.A.

thousands of euro

	Financial Year 2014	Financial Year 2013	Change %
Revenue			
Revenue from goods and services	14,145	10,446	35.4
Other revenue and income	4,960	3,981	24.6
Total revenue	**19,105**	**14,427**	**32.4**
Operating expense			
Raw materials, consumables, supplies and goods	(12)	(10)	20.0
Services and use of third-party assets	(18,497)	(11,076)	67.0
Other operating expense	(6,697)	(3,785)	76.9
Capitalised expenses for internal work	585	370	58.1
Personnel expense	(24,118)	(21,232)	13.6
Total operating expense	**(48,739)**	**(35,733)**	**36.4**
Gross Operating Profit (EBITDA)	**(29,634)**	**(21,306)**	**39.1**
Amortisation, depreciation, provisions and impairment losses			
Depreciation and amortisation	(331)	(187)	77.0
Provisions and impairment losses	(2,582)	(794)	(*)
Total amortisation, depreciation, provisions and impairment losses	**(2,913)**	**(981)**	**(*)**
Operating profit (EBIT)	**(32,547)**	**(22,287)**	**46.0**
Financial management			
Financial income	175,417	197,389	(11.1)
Financial expense	(109,401)	(99,295)	10.2
Total financial income and expense	**66,016**	**98,094**	**(32.7)**
Impairment losses on investments	-	-	-
Profit before tax	**33,469**	**75,807**	**(55.8)**
Income tax expense	16,627	11,054	50.4
Net profit/(loss) from continuing operations	**50,096**	**86,861**	**(42.3)**
Net profit/(loss) from discontinued operations	-	-	-
Net profit (loss) for the year	**50,096**	**86,861**	**(42.3)**

(*) Change of more than 100%

Revenue

Total revenue for Iren S.p.A. was Euro 19 million, primarily relating to services provided to Group companies.

Operating expense

Operating expense amounted to Euro 49 million and includes services and use of third-party assets (Euro 18 million), other operating expense (Euro 7 million) and personnel expense (Euro 24 million).

Depreciation, amortisation and provisions

Depreciation, amortisation and provisions amounted to around Euro 3 million.

Financial income and expense
The balance between financial income and expense was positive at Euro 66 million. Financial income, amounting to Euro 175 million, amongst other things includes dividends from subsidiaries and associates (roughly Euro 101 million) and interest income from subsidiaries (Euro 73 million). Financial expense totalled Euro 109 million.

Profit before tax
Profit before tax is Euro 33 million.

Income tax expense
Income taxes were positive at Euro 17 million and consist mainly of income from 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 Iren S.p.A. therefore calculates IRES on the sum of taxable profits/losses of each company included in the consolidation area.
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.

Profit/(loss) for the year
Net of taxes for the year, the company recorded a profit of Euro 50 million.

Statement of Financial Position

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

thousands of euro

	31.12.2014	31.12.2013	Change %
Non-current assets	2,551,821	2,510,837	1.6
Other non-current assets (liabilities)	(2,864)	(6,176)	(53.6)
Net working capital	11,065	8,883	24.6
Deferred tax assets (liabilities)	19,153	15,654	22.4
Provisions for risks and employee benefits	(23,614)	(21,966)	7.5
Assets held for sale	240	-	-
Net invested capital	**2,555,801**	**2,507,232**	**1.9**
Equity	1,516,906	1,536,777	(1.3)
Non-current financial assets	*(1,728,477)*	*(1,484,945)*	*16.4*
Non-current financial indebtedness	*2,161,595*	*1,791,845*	*20.6*
Non-current net financial indebtedness	433,118	306,900	41.1
Current financial assets	*(43,257)*	*(136,673)*	*(68.4)*
Current financial indebtedness	*649,034*	*800,228*	*(18.9)*
Current net financial indebtedness	605,777	663,555	(8.7)
Net financial indebtedness	1,038,895	970,455	7.1
Own funds and net financial indebtedness	**2,555,801**	**2,507,232**	**1.9**

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

Non-current assets
Intangible assets, property, plant and equipment, investment property and financial assets totalled Euro 2,552 million.

Net working capital
Net working capital was positive by Euro 11 million. Deferred tax assets totalled Euro 19 million, whereas provisions for risks and employee benefits amounted to Euro 24 million.

Equity
2014 closed with equity of Euro 1,517 million.

Net financial indebtedness
At the end of 2014 net financial indebtedness amounted to Euro 1,039 million. Specifically, non-current indebtedness, equal to Euro 433 million, includes non-current financial liabilities of euro 2,161 million and non-current financial assets of Euro 1,728 million. The latter mainly refer to loans to subsidiaries. Current financial indebtedness totalled Euro 606 million and comprises current payables due mainly to banks for Euro 649 million, current financial receivables largely from Group companies, for Euro 24 million, and cash and cash equivalents amounting to Euro 19 million.

Cash Flow Statement

CASH FLOW STATEMENT OF IREN S.P.A.

thousands of euro

	Financial Year 2014	Financial Year 2013	Change %
A. Opening balance of cash and cash equivalents and centralised treasury management	**(74,632)**	**79,628**	**(*)**
Cash flows from operating activities			
Profit (loss) for the year	50,097	86,859	(42.3)
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	331	187	77.0
Capital gains (losses) and other changes in equity	(1,121)	-	(*)
Net change in post-employment benefits and other employee benefits	(256)	(99)	(*)
Net change in provision for risks and other charges	1,167	(9,180)	(*)
Change in deferred tax assets and liabilities	(2,277)	1,199	(*)
Change in other non-current assets and liabilities	(3,311)	8,001	(*)
Dividends received	(171,444)	(130,575)	31.3
B. Cash flows from operating activities before changes in NWC	**(126,814)**	**(43,608)**	**(*)**
Change in trade receivables	(14,338)	2,021	(*)
Change in tax assets and other current assets	(7,101)	8,161	(*)
Change in trade payables	7,206	(7,328)	(*)
Change in tax liabilities and other current liabilities	12,050	(5,767)	(*)
C. Cash flows from changes in NWC	**(2,183)**	**(2,913)**	**(25.1)**
D. Cash flows from/(used in) operating activities (B+C)	**(128,997)**	**(46,521)**	**(*)**
Cash flows from/(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(4,769)	(934)	(*)
Investments in financial assets	(35,665)	(97,720)	(63.5)
Dividends received	171,444	130,575	31.3
E. Total cash flows from/(used in) financing activities	**131,010**	**31,921**	**(*)**
F. Free cash flow (D+E)	**2,013**	**(14,600)**	**(*)**
Cash flows from/(used in) financing activities			
Dividends paid	(66,747)	(66,747)	-
New non-current loans	750,000	468,000	60.3
Repayment of non-current loans	(835,331)	(272,697)	(*)
Change in financial assets	(175,478)	(20,760)	(*)
Change in financial liabilities	362,909	(247,456)	(*)
G. Total cash flows from/(used in) financing activities	**35,354**	**(139,660)**	**(*)**
H. Cash flows for the period (F+G)	**37,367**	**(154,260)**	**(*)**
I. Closing balance of cash and cash equivalents and centralised treasury management (A+H)	**(37,265)**	**(74,632)**	**(50.1)**
L. Current balance of centralised treasury management - subsidiaries	**56,462**	**105,690**	**(46.6)**
M. Closing cash and cash equivalents (I+L)	**19,197**	**31,058**	**(38.2)**

(*) 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 2014	Financial Year 2013	Change %
Free cash flow	2,013	(14,600)	(*)
Dividends paid	(66,747)	(66,747)	-
Other changes in equity	-	-	-
Change in fair value of hedging derivatives	(3,707)	20,727	(*)
Financial assets (liabilities) held for sale	-	-	-
Change in net financial position	**(68,440)**	**(60,620)**	**12.9**

(*) Change of more than 100%

The following table reconciles equity and the result of the parent Iren S.p.A. at 31 December 2014 and 31 December 2013 with those of the consolidated financial statements.

thousands of euro

31/12/2014	Equity	Profit (loss) for the year
Equity and profit for the year of the Parent	**1,516,906**	**50,096**
Difference between the carrying amount and associates accounted for using the equity method	(14,114)	(75,637)
Higher value from consolidation compared to the carrying amount of consolidated equity investments	338,668	207,617
Elimination of dividends from subsidiaries/associates	-	(101,444)
Elimination of infragroup margins	(78,967)	5,173
Other	725	(10)
Group equity and profit for the year (*)	**1,763,218**	**85,795**

"Elimination of intragroup 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 Euro 4 million on the income statement and negative by Euro 57 million on equity).

thousands of euro

31/12/2013	Equity	Profit (loss) for the year
Equity and profit for the year of the Parent	**1,536,777**	**86,861**
Difference between the carrying amount and associates accounted for using the equity method	31,010	6,668
Higher value from consolidation compared to the carrying amount of consolidated equity investments	288,117	118,571
Elimination of dividends from subsidiaries/associates	-	(133,659)
Elimination of infragroup margins	(84,140)	2,073
Other	737	40
Group equity and profit for the year (*)	**1,772,501**	**80,554**

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

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

SIGNIFICANT SUBSEQUENT EVENTS

Organisational Rationalisation Work

Starting from 1 January 2015 the Iren Group companies were involved in a number of reorganisation projects that saw a strong commitment of the new Governance which considered a priority the objective of strengthening the unitary nature of Group governance and identifying clearly the main activities and responsibilities related to each structure ensuring a rapid and real integration process, indispensable for tackling the challenges of the Market.

The Parent Company's organisation was involved in a first rationalisation project which, from 1 January 2015, entailed a simplification of the head office departments which were reorganised as follows:

- “Corporate Secretariat, Internal Audit and Compliance”, “Communication and External Relations”, “Local Institutional Relations” and “Internationalisation and Innovation” reporting to the Chairperson;
- “Procurement and Contracts”, “Administration, Finance and Control”, “Legal Affairs”, “Personnel, Organisation and Information Systems” and “Strategy and Regulatory Affairs” reporting to the Chief Executive Officer;
- “Corporate Social Responsibility and Territorial Committees”, “Risk Management” and “Corporate Affairs” reporting to the Deputy Chairperson

From the same date the hierarchical structure of all the Departments and staff organisational units of all the first level companies and subsidiaries were defined by the corresponding head office departments.

On 1 February 2015 the Organisational Units of the various Parent Company Departments were created, the activities and responsibilities of all the structures were defined and the complete staff structure of Iren SpA was published. 422 new resources from the group's various first-level companies and subsidiaries were absorbed into this by secondment, in keeping with the centralised activities. Iren SpA's staff structure in force at 1 February thus consisted of 784 people.

Starting from March the organisation of the first-level companies was also redefined, although only marginally, presenting the staff structures by Business Unit and defining the activities and responsibilities of the said companies' structures.

It was also decided to begin a review of the processes, structures and systems at the single BU level to revise the organisation of the said BU, by the end of April 2015, assessing also the opportunity for further combinations – mergers between companies and revision of the business model.

Bank Loans

In January 2015 the second tranche of 50 million of the Unicredit bank loan agreed at the end of 2014 was used and a new medium-term loan from Cassa Depositi e Prestiti of 100 million was agreed and used.

Merger by incorporation of Acque Potabili S.p.A. into Sviluppo Idrico S.p.A.

With reference to the operation for merger by incorporation of Acque Potabili S.p.A. into Sviluppo Idrico S.p.A., described in the paragraph on Significant events of the period, we must specify that on 20 January 2015 the merger by incorporation deed was signed, with civil-law effects starting from 1 February 2015, while the accounting and tax effects will be recognised in the financial statements of Sviluppo Idrico S.p.A. with effectiveness retroactive to 1 January 2015. At the date of effectiveness of the merger, all the Acque Potabili ordinary shares were cancelled; the last day the stock was listed on the MTA market was 30 January 2015.

Robin Hood Tax Judgement

With Judgement 10/2015 of 9 February 2015 the Constitutional Court declared unconstitutional Art. 81 paragraphs 16, 17 and 18 of Italian Decree Law No 112 of 25 June 2008 converted with Italian Law No. 133 of 6 August 2008, which had introduced an IRES tax surcharge, so-called “Robin Hood Tax”, levied on production, distribution and marketing companies operating in the energy and oil sectors. This unconstitutionality does not have retroactive effect, because it was established that the judgement must apply from the day after its publication in the Official Journal (11 February 2015).

In the result of the above, subject to further studies that will be carried out on the aforementioned verdict, for the Group companies involved the amount of the IRES surcharge due also for financial year 2014 has been calculated and ascertained and the provisions for deferred tax assets and liabilities related to the "Robin Hood Tax" set aside in previous years have been eliminated from the financial statements, with a total net economic impact of approximately Euro 22 million.

Business outlook

Macroeconomic forecasts for 2015 are characterised mainly by a persistent weakness of the international economies which will contribute to keeping oil prices low and by a further easing of financial tensions in the euro area as a result of the quantitative easing announced by the ECB. It is likely that the above plan for the ECB to purchase government bonds will give a boost to lending to businesses and be a stimulus to industrial investments.

As a further consequence of the quantitative easing we can note the fall of the euro against the dollar, which began already in the last few weeks of 2014, which will make exports more competitive.

Therefore the combined effect of the above elements is expected to be a stimulus to growth in a scenario what however remains difficult and leads to the expectation for Italy of a GDP growth rate of less than 1% in 2015. This is however better than the previous year.

As regards the Italian energy scenario for the electrical sector a persistent situation of overcapacity is expected. This together with the weakness of demand will determine downward pressure on energy prices and generation margins.

In the gas sector is expected a recovery of residential consumption. This is associated with the normalisation of the thermal trend (which penalised demand in 2014 as a result of exceptionally mild weather) and the further development of the national spot market for gas the prices of which in 2015 are expected to be in substantial continuity with the previous year.

As regards regulated sectors in 2015 no substantial changes to the regulatory scheme are expected. The Group therefore expects to seize the development opportunities associated with the important investments made and to grow in the environmental sector in the territories of reference.

The Group is besides focused on achieving the further synergies deriving also from the new slimmer and centralised organisational structure.

Therefore the Group's objectives are to maintain profitability levels at least in line with the previous year, implementing a selective approach on investment decisions together with rigorous monitoring of financial stability.

REGULATORY FRAMEWORK

The main legislative changes 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 ante legislative framework are contained in the Law converting Italian Law Decree No.179 of 18/10/2012 containing further urgent measures for growth of the country, Art. 34, as resulting from the conversion law (Italian Law No. 221 of 17/12/2012), and 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, under the terms of which:

1. Notwithstanding the provisions of Article 34, paragraph 21 of Italian Law Decree No. 179 of 18 October 2012*,* converted, with amendments, by Italian Law No. 221 of 17 December 2012*,* in order to guarantee continuity of the service, where the entity responsible for the assignment or, if provided for, the governing entity of the territory or optimal and uniform territorial area has already launched the assignment procedures publishing the report pursuant to paragraph 20 of the same article, the service is performed by the operator or operators already working until the new operator takes over and in any case not later than 31 December 2014.

2. Failure to establish or designate the government bodies of the optimal territorial area under the terms of paragraph 1 Article 3-bis of Italian Law Decree No. 138 of 13 August 2011, converted, with amendments, by Italian Law No. 148 of 14 September 2011, or failure to resolve the assignment within the term of 30 June 2014, entail the exercise of the substitutive powers on the part of the Prefect competent for the territory, whose expenses are chargeable to the non-fulfilling entity, which must perform the formalities necessary for completion of the assignment procedure by 31 December 2014.

3. Failure to observe the terms pursuant to paragraphs 1 and 2 entails the cessation of assignments non-compliant with the requisites provided for in the European legislation as of 31 December 2014.

4. The present article does not apply to the services pursuant to Article 34, paragraph 25, of Italian Law Decree No. 179 of 18 October 2012, converted, with amendments by Italian Law No. 221 of 17 December 2012*.* (natural gas distribution service, pursuant to Italian Legislative Decree No. 164 of 23 May 2000, electricity distribution service, pursuant to Italian Legislative Decree No. 79 of 16 March 1999, and to Italian Law No. 239 of 23 August 2004*,* and management of municipal pharmacies, pursuant to Italian Law No. 475 of 2 April 1968).

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.

Italian Law No. 190 of 23 December 2014, (Stability Law for 2015) introduced, in paragraph 609 of Art. 1, amendments to Article 3-bis of Italian Law Decree No. 138 of 13 August 2011, converted into Italian Law No. 148 of 14 September 2011, in order to promote aggregation processes and to strengthen the industrial management of local public network services of economic relevance. The functions organising the local public network services of economic relevance are performed exclusively by the government bodies within optimal or uniform geographical territories or areas, in which the bodies take part obligatorily. If the local authorities do not join the aforesaid government bodies by 1 March 2015 or within seventy days from the establishment of the government bodies, the Chairperson of the Region exercises substitutive powers, after a warning. The government bodies must make the report which which gives an account of the reasons and existence of the requirements set forth by European law for the pre-established form of the assignment and

explains the reasons with reference to the objectives of universality and sociality, efficiency, value for money and quality of the service.
The economic operator that took over from the initial concessionaire, wholly or partially, following business combinations carried out with transparent procedures, including mergers or acquisitions, continues in the management of the service until the expiry dates provided for. In these cases the competent subject ascertains that the qualitative criteria and conditions of economic and financial balance are being maintained including with the update of the expiry term of all or some of the existing concessions, after a check by any Regulatory Authority.
The capital investments made by the local authorities with the income from the disposal of equity investments in companies are excluded from the constraints of the stability pact.
The rules on the subject of local public network services of economic relevance are understood as referred, subject to explicit exceptions, also to the urban waste sector and to sectors subject to regulation by an independent authority.

Paragraph 611 of Article 1 of the Stability Law for 2015 states that, starting from 1 January 2015, the Regions and the local authorities must begin a process of rationalising the companies and equity investments directly and indirectly held, according to the following criteria:
a) elimination of non-indispensable companies and equity investments;
b) suppression of companies made up of only directors or by a larger number of directors than that of employees;
c) elimination of companies that perform the same or similar activities as those of other investees;
d) aggregation of companies providing local public network services of economic relevance;
e) reorganisation of administrative and control bodies and reduction of the related remunerations.

To this end **c. 612** 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 bodies pursuant to the first sentence 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.

Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014, on the award of concession contracts was published in the E.U.O.J. (Official Journal of the European Union) of 28 March 2014.
The directive must be transposed by the Member States by 18 April 2016 (although there are interpretations on the immediate applicability of the same in the Member States).
The concession assignment methods are:

a) to private companies, selected through a public tender procedure;
b) directly to public-private companies if the private partners is selected via tender concerning (i) assignment of the position of partner and, at the same time, (ii) assignment to the private partner of operating duties related to service management;
c) directly to companies 100% owned by public entities, if the sole purpose of such companies is to provide services to the public partners and if the awarding body can exercise the same control that the body exercises over its own offices (“in house” companies).

Code on public works contracts
The text of Italian Legislative Decree 163/2006 (Code on Public Works Contracts) has been subject to frequent additions and amendments. The most important news are:
- for bidding companies, a declaration of so-called “in continuity” arrangement with creditors is not a reason for exclusion, but to be able to take part an explicit authorisation by the judicial receiver, if appointed, or by the court is necessary (specification introduced by Italian Law 9/2014);

- the commissioning bodies must, where possible and economically convenient, divide the contracts into operating lots;
- establishment of the NATIONAL PUBLIC CONTRACTS DATABASE which will enable the commissioning bodies to verify the general, technical, economic and financial capacity requisites; after subsequent postponements from 1 July 2014 it becomes obligatory to verify the requisites through the database for contracts in the ordinary sectors (solid urban waste collection);
- in tenders with award to the lowest price, this price is determined net of the expense related to personnel costs;
- the anti-corruption law introduces new disclosure obligations for public administrations (PAs) and companies controlled by public bodies, with the exclusion of companies listed on the stock exchange and companies controlled by them, as specified in the circular of the Ministry for the PA and Simplification No. 1/2014;
- with Italian Law No. 9 /2014 converting Italian Law Decree No. 145 of 2013, Art. 13, rules were introduced which enable commissioning bodies to pay subcontractors directly in cases of financial liquidity crisis of the contractor which are proven by repeated delays in payments to Subcontractors or Pieceworkers and ascertained by the commissioning body, after consulting the Contractor. In addition, also for works contracts in progress, where arrangements with creditors are pending, the commissioning body retains the right to arrange payments due for services provided by the contractor, and by subcontractors and pieceworkers.

At the end of 2013 the European Commission issued Regulation No. 1336/2013 which for the two-year period 2014-2015 changed the application limits on procedures for the award of public works contracts: Euro 207,000 for ordinary sectors (instead of Euro 200,000) and special sectors; Euro 414,000 (rather than Euro 400,000) for all public supply and services contracts and Euro 5,186,000 (instead of Euro 5,000,000) for public works contracts.
Once they are transposed (by 18/4/2016), the following European Union Directives published in E.U.O.J. (Official Journal of the European Union) 94 of 28 March 2014 will have a great impact on the legislation:
- Directive 2014/24/EU of the European Parliament and of the Council, of 26 February 2014, on public works contracts, which abrogates Directive 2004/18/EC;
- Directive 2014/25/EU of the European Parliament and of the Council, of 26 February 2014, on the contract procedures of supplying entities in the water, energy, transport and postal services sectors, which abrogates Directive 2004/17/EC;
- Directive 2014/23/EU on the award of concession contracts (previously not regulated).

Lastly we can note:
- the suppression of the AVCP, which was replaced by the ANAC pursuant to Art. 19 of Italian Law Decree 90/2014, converted into Italian Law No. 114/2014;
- the A.N.A.C. Communication 2/9/2014: “Application of Art. 37 of Italian Law Decree No. 90 of 24 June 2014 as converted by Italian Law No. 114/2014, method of transmitting and communicating to the ANAC variants to work in progress” which lays down operating rules for commissioning bodies for the new formality (it applies only to over-the-threshold works in the ordinary sectors);
- Italian Law 114/2014 also introduces rules on accelerating the administrative process (Art. 40) and contrasting abuse of the process (Art. 41) the so-called vexatious litigation;
- Italian Law Decree 133 /2014 of 12 September 2014, known as “Unblock Italy” which introduced provisions modifying the Contracts Code, among which we can mention in particular those pursuant to Art. 2 on the subject of “Procedural simplifications for strategic infrastructures assigned in ”, to Art. 4 on identifying “Simplification measures for unfinished works reported by local authorities and financial measures in favour of territorial bodies”, and the provision of a series of measures for bureaucratic simplification, in favour of project bonds and to relaunch the building industry.

Art. 28 of Italian Legislative Decree No. 175 of 21 November 2014, abrogated paragraphs 28, 28-bis and 28-ter of Art. 35 of Italian Law Decree No. 223 of 4 July 2006, which established the joint liability of the contractor and the subcontractor for payment to the tax authority of tax withholdings on income from subordinate employment payable by the subcontractor and imposed on the commissioning body an obligation to control fulfilment of the above obligations.

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 so-called "atypical information", annual validity of anti-Mafia information, rather than half-yearly, and obtainment of anti-Mafia communications solely from the Prefecture, and no longer from the Chamber of Commerce.

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 so-called "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.)

On 22.01.2015 the Single National Anti-Mafia Database provided for by Article 87 and 90 of Italian Legislative Decree 159/2011 and subsequent amendments and additions, will become operational following publication in Italian Official Journal No. 4 of 7/1/2015 of the Regulation which governs the access methods: Prime Ministerial Decree No. 193 of 30/10/2014 "*Regulation containing rules concerning the methods of operation, access, consultation and connection with the EDP Centre, pursuant to Article 8 of Italian Law No. 121 of 1 April 1981, of the Single National Database of Anti-Mafia Documentation, established under the terms of Article 96 of Italian Legislative Decree No. 159 of 6 September 2011".*

Through consultation of the database the process of acquiring the anti-Mafia documentation (both communication and information) should be accelerated, in relation to companies assigned work contracts and subcontractors .

Robin Hood Tax

Art. 7 of Italian Law Decree No. 138 of 13 August 2011, converted into Italian Law No. 148 of 14 September 2011, had raised by four per cent (from 6.5% to 10.5%), the so-called "Robin Hood Tax", that is the additional IRES rate for companies operating in the energy sector for the tax periods from 2011 to 2013 and had extended it to electricity transmission/dispatching/distribution and gas transport/distribution operators, and to companies that produce electricity through the prevailing use of biomasses and from solar-photovoltaic and wind sources.

In the judgement of the Constitutional Court of 11 February 2015 the "Robin Hood Tax" was considered unconstitutional. However, the unconstitutionality is not effective retroactively, because it was established that it applies from the day after publication of this judgement in the Italian Official Journal. This "restrictive" interpretation was considered constitutionally oriented as "*The macroeconomic impact of rebates of tax payments connected with the declaration of unconstitutionality of Art. 81, paragraphs 16, 17 and 18, of Italian Law Decree No. 112 of 2008, and subsequent amendments, would determine, in fact, an imbalance in the State budget of an amount such as to imply the need for an additional financial manoeuvre, also so as not to fail to observe the parameters to which Italy is obliged in the European Union and internationally (Arts 11 and 117, first paragraph, Const.) and, in particular, of the annual and multi-annual forecasts indicated in the stability laws in which this revenue was considered fully acquired. Therefore, the overall consequences of removal with retroactive effect of the law challenged would end up requiring, in a period of continuing economic and financial crisis which affects the weakest bands, an unreasonable redistribution of wealth to the advantage of economic operators that can instead have benefited from a favourable economic situation. An irremediable prejudice to the needs of social solidarity would thus be determined with a serious breach of Arts 2 and 3 Const.*"

Cash transfers

The limit above which transfers in cash, or of bank or post office savings books payable to the bearer are not permitted was lowered to Euro 1,000 euro.

Gas distribution

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

Storage activities aim to compensate fluctuations in consumer demand within the national gas system so as to guarantee a strategic reserve of natural gas. Storage activities are performed by the company on the basis of concessions awarded by public tender procedures. Distribution activities are considered a public service and can only be performed by companies that do not already provide other services in the gas industry. The distribution service is currently assigned on the basis of public tenders for a maximum 12 years.
By Decree of 19 January 2011 the Ministry of Economic Development announced the district authorities for the natural gas distribution sector. The regulation on public tender criteria and the assessment of bids for the assignment of gas distribution services was also approved. This regulation establishes that the Municipality which is the Provincial Capital is the commissioning body for managing the tender. The deadline for identification of the awarding party is set as six months from entry into force of the regulation (11 February 2012) for the Parma, Reggio Emilia, Turin 1 and Turin 2 ATO, 24 months for the Genoa 2 ATO, 30 months for the Genoa 1 ATO and 36 months for the Piacenza 2 East ATO.
The related tenders must be launched within 15 months of the above deadlines by the Provincial Capital, or within 18 months by an entity identified by the Municipalities belonging to the territorial area (if this does not include the Provincial Capital).
In 2013 the "Decreto Fare" (Action Decree, Italian Decree Law No. 68 of 21 June 2013) introduced a number of amendments to the "criteria regulation" which defines the basic regulations for conducting sector-related tender procedures. The peremptory nature of deadlines is envisaged for appointment of the commissioning body, with a penalty for failing to meet the deadlines and the strengthening of substitution powers through the appointment of an "ad acta commissioner". The deadlines for the call for tenders were then extended for different periods.
Italian Law Decree 145/2013 converted into Italian Law No. 9 of 21/2/2014 established in Art. 1 paragraph 16 that "The expiry terms provided for in paragraph 3 of Article 4 del Italian Law Decree No. 98 of 9 August 2013, are extended for a further 4 months. The deadlines pursuant to Annex 1 to the regulation pursuant to the decree of Minister of Economic Development No. 226 of 12 November 2011, related to areas included in the third group of the said Annex 1, and the respective terms pursuant to Annex 3 of the same regulation, are extended by four months." Subsequently Italian Law No. 116 of 11/8/2014 (Art. 30 bis) amended para. 5 of Art. 15 of Italian Legislative Decree 164/2000, on the validity of the existing Conventions and Contracts, on determination of the Refund Value payable to the outgoing operator, and further extended the terms by 8 months for areas of the first group and by 6 months for areas of the second, third and fourth group.
The launch of tenders for ATEM are therefore as of today envisaged according to the following calendar:
- Reggio Emilia - tender extended for two years owing to earthquake (by 11 November 2015) no change
- Parma – by 11 March 2015
- Piacenza – 2nd half of 2015
- Torino 2 – 11 June 2015
- Genoa – 1st half of 2016

With Resolution 382/2012/R/gas, the standard service contract template for natural gas distribution was published.
Amongst the major changes in the regulatory framework of the gas distribution sector, the most important are the measures adopted by the Authority for Energy and Gas (now the Authority for Electrical Energy, Gas and the Water System – AEEGSI) regarding the following issues:
- distribution and metering tariffs;
- distribution and metering service.

On 22.5.2014 a Decree was issued by the Ministry for 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 6.6.2014 together 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.

Italian Law Decree “Unblock Italy” in Art. 37 provides for “Urgent measures for natural gas procurement and transport” and in Art.38 “Measures for measuring national energy resources”.

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.

With Resolution 352/2012/R/gas, provisions were adopted to complete the regulation of the default service, establishing the remuneration of the distribution company that provides the default service and the entry into force of the regulations governing the remuneration of the default service, fixed starting from 1 January 2013, taking into account Ministerial Decree of 3 August 2012, which aimed at including, under final customers entitled to use a supplier of last resort, also customers that have remained without a supplier based on personal choice and that are owners of supply points that cannot be disconnected.

By means of Judgement No. 3296 of 29/12/2012 of section III of the Lombardy Regional Administrative Court, Resolution 99/11 was deemed unlawful given that, in breach of the EU and national principle of unbundling, also functional, of distribution activities and gas supply activities, it introduced the default service, making gas distribution companies responsible for it.

The AEEG submitted an appeal with an application for monocratic precautionary measures against the judgement of the Regional Administrative Court. On 28 January 2013 the Council of State upheld AEEG’s appeal on a provisional basis, and suspended the effects of the judgement of the Lombardy Regional Administrative Court, setting the hearing on the merits of the case for 19 February 2013. Following this suspension decision, AEEG saw fit to publish Resolution 25/2013/R/gas on 30 January 2013, “Urgent provisions, in implementation of the monocratic decrees of the Council of State on 28 January 2013, concerning the default service on natural gas distribution networks”.

Given the establishment of a technical round table with the AEEG, adjournment of discussion of the appeal was requested in order to be able to continue the work of the round able commenced with operators in the meantime.

The Council of State then adjourned discussion of the precautionary suspension application to the Council hearing of 9 July 2013.

At the hearing of 9 July 2013 the Council of State set the date of the hearing for discussion of the merits of the appeals filed by the AEEG against the Milan Regional Administrative Court judgements of December 2012 as 4 March 2014.

On 21 November 2013 the AEEG adopted another resolution, 533/2013/R/GAS, on regulations for default. On 21 January 2014 an appeal was filed based on additional grounds for its cancellation.

Subsequently the following resolutions were issued:

on 6 June 2013 Resolution 241/2013/R/gas “Reform of the rules on the distribution default service, following the declared impossibility to perform all the activities pursuant to the TIVG, as regards the balancing of direct withdrawals”,

on 27/2/2014 Resolution 84/2014/R/gas “Rules on default and last resort services, amendments and additions to the TIMG and TIVG,

on 29 May 2014 Resolution 246/2014/R/gas “measurement of natural gas withdrawn at redelivery points to which the distribution default service is provided following failure to physically disconnect”.

With a judgement filed on 12.6.2014, the Council of State accepted the appeal lodged by the AEEG against the judgements with which the Milan Regional Administrative Court, in December 2012, had ruled that Resolution 99/11 was unlawful ordering it to be cancelled.

Very briefly the Council of State, following the AEEG'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.

With Resolution No. 418/2014/R/GAS of 7 August 2014, the Authority approved the criteria and methods for identifying last resort suppliers (LRSs) and distribution default service suppliers (DDSs) with reference to the period 1 October 2014 – 31 September 2016.
In addition with the same Resolution No. 418/2014/R/GAS of 7 August 2014, the Authority amended, among other things, paragraph 30.4 of the TIIVG establishing that "in cases in which the tender procedure (chosen by the DDS) does not make it possible to identify a DDS, or in cases of non-performance of the (default) service by the selected DDS the distribution companies which perform the service in areas where it should have been performed by the DDS are responsible for the activity of economic settlement of the physical gas items attributable to direct withdrawals made by the final customer.

Electrical energy distribution

Legislative Decree No. 79 of 16 March 1999 (the "Bersani Decree") established a general regulatory framework for the Italian electricity market which gradually introduced competition in the production of electrical energy and sale to eligible customers, against the retention of a regulated monopoly arrangement for transmission and distribution.
Specifically, the Bersani Decree:

- deregulated production, imports, exports, purchases and sales of electrical energy from 1 January 2003, provided that no company is authorised to produce or to directly or indirectly import more than 50% of the total electrical energy generated or imported into Italy, with a view to increasing market competition in the production of electrical energy;
- envisaged the establishment of the Single Buyer, which is in charge of signing and managing supply contracts, with a view to guaranteeing the necessary generation capacity and continuous supply of electrical energy, the safety and efficiency of the entire system and equal treatment in terms of tariffs;
- provided for the creation of the Power Exchange, a virtual marketplace in which producers, importers, wholesalers, distributors, the national grid operator, the Single Buyer and other free market operators can buy and sell electricity at prices set through a tender procedure;
- envisaged the creation of an entity to manage the Power Exchange (i.e the GME or electricity market operator) and assigned transmission and dispatch activities under concession to the national transmission network operator (Terna), whilst electrical energy distribution activities are performed under concession granted by the Ministry for Economic Development.

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

Tariff structure for transmission, distribution and metering

The AEEG established a tariff regime that came into force on 1 January 2000. This system replaced the "cost plus" one with a new "price cap" mechanism, which provides for a limit on annual tariff increases corresponding to the difference between the inflation rate and the increase in productivity achievable by the service supplier, together with further factors, such as improving quality. According to the price cap method, tariffs should reduce by a fixed percentage each year in order to encourage regulated operators to improve efficiency and gradually pass on their savings to the end user.

In the fourth regulatory period (2012-2015), provisions are in force that regulate the main electrical energy distribution activities, which apply to a market that is now fully deregulated.
These activities are:

1) transmission, distribution and metering service tariffs (Resolution ARG/elt 199/11)
2) social tariff (Resolution 402/2013/R/com replaced from 1 January 2014 Resolution ARG/elt 117/08)
3) quality of service (Resolution ARG/elt 198/11)
4) default (Resolution ARG/elt 4/08)
5) switching (Resolution ARG/elt 42/08)
6) regulation of physical and economic items of the settlement dispatching service (resolution ARG/elt 107/09)
7) unbundling (Resolution ARG/elt 11/07)
8) indemnity system (Resolution ARG/elt 191/09).

As regards point 1), the mechanism of the average national tariff supplemented by adjustments (general and company-specific) is replaced by a single tariff for each distributor.

As regards point 2), in order to protect domestic customers in situations of difficulty (economic and physical), the electrical bonus rules are simplified and certain critical points removed.

On point 3), Resolution 198/2011 (TIQE - integrated code on electrical energy quality) regulates the commercial and technical quality for 2012-2015.
The "rapid quote" mechanism came into force in 2013 together with new indicators for the replacement of faulty meters and for restoration of the correct value.

With regard to point 4), the system defined by resolution 4/08 continues to apply:

a) protection of the receivables of vendors and safeguards for providers;
b) definition of specific regulations for managing suspension of supply in the event of default of final customers, connected to the low voltage network, and not equipped with electronic meters, making provision for disclosure obligations for distributors.

On point 5), Resolution 42/08 regulated the dispatching, transport and metering of electrical energy in the event of a change of vendor at the same active supply point, or assignment of a new or previously deactivated supply point to a vendor (switching).

As regards point 6), Annex A to Resolution ARG/elt 107/09 summarises in a single document (the Integrated Code on Settlements - TIS) all provisions regarding settlement, i.e. the settlement of the physical and economic items of dispatching (monthly settlement, annual adjustments, metering corrections, ...) in order to obtain:

a) the correct accounting and economic valuation of energy withdrawn by each dispatching user;
b) containment of the economic and administrative impact for dispatching users due to adjustments of measurements;
c) accounting and administrative simplification for Terna and the distributors.

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

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

As regards functional unbundling, first and foremost, within the domain of a vertically integrated company, each regulated activity must be assigned to an Independent Operator, that must manage it with decision-making and organisational autonomy and by pursuing the objectives of efficiency, cost-effectiveness, neutrality and non-discrimination.
The Independent Operator nominates a guarantor for the correct management of commercially sensitive information (so-called Data Protection Authority), which monitors the proper management of information (intended as commercially sensitive information, i.e. relevant for market competition).

In order to achieve these objectives the Independent Operator is equipped with a plan of obligations, a document containing a series of organisational and managerial measures whose minimum requirements are set by the Authority.
Furthermore, on an annual basis, the Independent Operator drafts an Annual Report on the Measures Adopted and sends it to the Authority.

As regards point 8), Resolution ARG/elt 191/09 defined the “Indemnity System”, which guarantees compensation to the outgoing vendor in the event of the non-collection of amounts due for the invoices issued in the last few months of supply, before the effective date of switching for the service provided.
The subsequent resolution ARG/elt 219/10 issues the rules for operation of the Indemnity System.
This system allows all vendors to claim compensation on the end customer, regardless of the change of vendor requested by said end customer.

Major hydroelectric shunt concessions

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

Integrated Water Service

The integrated water service 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, as amended by Italian Legislative Decree No. 219 of 10 December 2010.
Regulation of the integrated water service management is based on the following principles:
- establishment of an integrated system for management of the entire water cycle;
- identification by Regional Governments of Optimal Territorial Areas (“Ambiti Territoriali Ottimali” - ATOs), within which the integrated water services are to be managed. Each ATO is responsible for: (a) organising the integrated water service, through a plan which has to define the investment and management policies (the Area Plan), (b) identifying an operator for the integrated water service, (c) determining the tariffs applied to users, (d) monitoring and supervising the service and the activities conducted by the operator to guarantee correct application of the tariffs and achievement of the objectives and quality levels established in the Area Plan;
- organisation of the integrated water service is based on a clear segregation of duties between the various governing bodies. The state and regional authorities carry out the general planning. The local authorities supervise, organise and control the integrated water services system.

Italian Law No. 42 of 2010 ordered the suppression of the Optimal Territorial Area Authorities when a year had passed from entry into force of this law; this term was extended to 31 December 2012.

The integrated water service is also governed by Regional Laws 25/1999 and 10/2008 for the Emilia Romagna region.
As regards rules on the subject of ATOs, 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.

The Law (Art. 10) extended the option for autonomous management of the IWS to Municipalities with a population of up to 3,000 inhabitants. This provision was challenged by the Government (raising a question of unconstitutionality) as it clashes with the rules (Art. 148, 5th paragraph of Italian Legislative Decree 152/2006 - Consolidated Law on the Environment), which limit this option to Municipalities with a population of up to 1,000 inhabitants.
The Integrated Water Services segment was also affected by the famous Referendum of 12/13 June 2011, the result of which partially repealed Article 154 paragraph 1 (integrated water service tariff) of Legislative Decree no. 152 of 13 April 2006 "Determination of the tariff for the integrated water service" only insofar as the portion envisaging that this should be "based on adequate remuneration of invested capital".
This repeal does not produce direct and immediate effects on the current tariffs, but is limited to changing the criteria to be adopted by the competent Authority in preparing the so-called "Tariff Method" as now defined in the Ministerial Decree of 1 August 1996.
The Constitutional Court clarified that given the outcome of the Referendum the Regional Governments must identify the entity to replace the ATOs. This entity shall be responsible for assigning management of the water services in compliance with European principles on public tender procedures.
The functions concerning the regulation and control of water services were transferred to the Italian Authority for Electrical Energy and Gas.
The Authority required a tariff structure by operator/area similar to the pre-existing one to be maintained during the temporary phase.
On 25 June 2013 (Resolution 273/2013), the Italian Authority for Electrical Energy and Gas approved a specific provision defining the criteria for calculating the amounts to be repaid to end users, corresponding to the return on invested capital and paid in the water bills in the post-referendum period from 21 July until 31 December 2011.
The decision taken by the Authority can be criticised for various reasons, and in particular because it clashes with the community rules that provide for the coverage of this cost item; the Authority would, on the contrary, have excluded from the tariff the remuneration of the invested capital without providing for any alternative form of coverage of the financial costs. The Lombardy Regional Administrative Court, with a judgement dated 20 February 2014, accepted the arguments of the appellants (including IREN Acqua Gas) ruling that AEEGSI Resolution No. 273/2013 should be cancelled for the reasons maintained by the same.
With Resolution No. 643 of 27 December 2013 the AEEG approved the "Water Tariff Method and completion rules" (MTI), containing the methods and parameters for calculating the costs (OPEX and CAPEX) that must provide adequate remuneration through the tariff applied to water service users.
The rules of this Resolution are applicable from financial year 2014 onwards.
By 31 March 2014, the entity with responsibility for the Territorial Areas must:
- define the objectives and (on the Operator's proposal) prepare the Plan of Action;
- prepare the tariff for 2014 and 2015;
- prepare the Economic and Financial Plan (covering the duration of the assignment), which must ensure that operational balance is achieved by the Operator;
- submit these calculations to the AEEG for final approval.

Italian Law Decree 133 /2014 of 12 September 2014 known as the "Unblock Italy" Decree (Art. 7) introduced a number of changes to the rules of the IWS contained in the Consolidated Law on the Environment (Italian Legislative Decree No. 152/2006).
In brief it is established that:

- the Regions (if they have not already done so) must identify the governing bodies of the area by 31.12.2014 - otherwise the government's substitutive powers would apply;
- the local authorities must take part in the governing body of the area (which replaces the Area Authority) - failure to join the governing bodies of the area is sanctioned with exercise of the substitutive powers by the President of the Region;
- the concept of *single* management of the IWS is introduced;
- the governing bodies of the area (if they have not already done so) must choose the form of management of the IWS and begin the assignment procedures within the term of 30 September 2015;
- the relationship between the governing body of the area and the operator is regulated by an agreement prepared on the basis of a standard agreement prepared by the AEEGSI - the existing agreements are supplemented in accordance with the provisions of the said agreements, with the methods established by the AEEGSI;
- the new operator must pay the outgoing operator an amount to reimburse the investments made, determined according to criteria defined by the AEEGSI;
- in the event of early termination of the assignments, the outgoing operator is owed an indemnity as a refund of the investments made (not depreciated) and for loss of earnings (10% of the service still to be provided assessed on the basis of the economic-financial plan), with a reference to the rules of the Contracts Code;
- the definitive project of the works and actions provided for in the Investment Plan included in the Area Plans (and the related substantial changes) must be approved by the governing bodies of the area - approval of the projects entails the declaration of public utility and constitutes authorisation and/or variant to the town and territorial planning instruments - the governing body of the area convenes the conference of services and constitutes the expropriating authority (a role which may be delegated to the operator);
- in order to ensure observance of the principle of *single* management, the IWS operator takes over from the other entities operating in the same area with effect from entry into force of the law – if these entities manage the service on the basis of an assignment granted in accordance with the *pro-tempore* current law, the takeover will occur at the expiry of the assignment.

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 15.01.2014), in Italian Legislative Decree 36/2003 (landfills), in Italian Legislative Decree 133/2005 (incineration and co-incineration), in Italian Presidential Decree No. 59 of 13 March 2013 (Single Environmental Authorisation), and at the regional level by Emilia Romagna Regional Laws No. 25/99, No. 10/2008 and No. 23/2011.
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, 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. This agency became operational in 2012.
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 apply starting from 1 January 2015.
The "Unblock Italy" Decree converted by Italian Law 164/2014 states that within ninety days from entry into force of the conversion law (10 February 2015) the Prime Minister must identify with his or her decree energy recovery and urban and special waste disposal plants, existing or to be built, to create an integrated and modern management system for such waste capable of achieving national security in self-sufficiency and superseding the infringement proceedings for failure to implement the European laws on the sector. For this purpose he or she must consult the Permanent Conference. The Prime Minister must carry out the check with regard to: a) the total processing capacity at the national level of urban and similar waste by the incinerator plants in operation or authorised at the national level; b) the incinerator plants with energy recovery to be created to cover the residual need (for the purpose of gradual socio-economic rebalancing).

The Stability Law for 2015 (Italian Law No. 190 of 23 December 2014) in paragraph 615 of Art. 1 replaced the second sentence of Art. 149-bis of Italian Legislative Decree No. 152/2006 establishing that direct assignment of the service can be made to entirely publicly-owned companies, in possession of the requisites prescribed by the European legislation for in-house management, in any case invested in by local authorities located in the optimal territorial area.
All the "energy recovery" (no longer "thermotreatment") 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 term envisaged both for making the existing Integrated Environmental Authorisation (IEA) compliant in the event that saturation of the thermal load is authorised, and for verifying the existence of the requisites for the purpose of classification as energy recovery plants (and making the IEA compliant in this sense) was extended to 10 February 2015.
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 Euro 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 remain 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 IEAs are made compliant).
The reduction to a half of the terms for expropriation procedures was confirmed (for proceedings in progress, the remaining terms are reduced to 1/4). The reduction to a half of the terms envisaged for the the Environmental Impact Assessment (EIA) and the IEA was not confirmed, but the new law establishes that the terms set by law for these procedures "must be considered peremptory". By 11 May 2015 the Prime Minister must carry out a study of the existing offer of plants also as regards recovery of the organic fraction, divided into Regions. Until the plants in question are built, the Regions may authorise, where technically possible, an increase of up to 10% of the capacity of such plants to encourage the recovery and production of high-quality compost.
Article 182 of the "Environmental Code" was amended, providing for the exclusion from the prohibition on extra-regional disposal 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*".

Tariff system for waste management services

The 2014 Stability Law established from 1 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 31/12/2013 “perform the service of waste management or TARES ascertainment and collection”.

District Heating Service

With Resolution 411/2014/R/com of 7 August 2014, the Authority for Electricity, Gas and Water (AEEGSI) approved 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): “*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 for 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 in 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.

Energy efficiency
Italian Legislative Decree 102/2014
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 PA (starting from 2014 and up to 2020, energy requalification work will be done on buildings owned by the central PA and occupied by it for at least 3 per cent annually of the usable covered area air conditioned, with Euro 30 Mln 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 (see § "District Heating Service");
- 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).

APEE 2014
In June 2014 the APEE (Action Plan for Energy Efficiency) 2014 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.
Compared with the APEE 2011 and with the figures up to 2012, the targets at 2016 have been 58.6% achieved.

Green Certificates, Energy Efficiency Certificates and the ETS

Green certificates

On the basis of Art. 11 of Italian Legislative Decree 79/99, producers and importers of electrical energy generated from non-renewable sources must introduce electrical energy produced from renewable sources into the network, equal to a portion of the electrical energy produced from non-renewable and non-cogeneration sources. The mandatory portion, initially set at 2%, in the period 2004-2006 was increased each year by 0.35 percentage points, whereas the annual increase for the period 2007-2012 was established as 0.75% by the 2008 Budget Law.

The obligation may also be fulfilled by purchase on the market and subsequent return to the GSE for cancellation of a corresponding quantity of green certificates; these certificates are attributed to electricity producers on the basis of the electricity production from plants powered by renewable sources which came into operation or were repowered after 1 April 1999 and classified as PPRSs (plants powered by renewable sources) by the GSE.

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

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

The Authority for Electricity and Gas identified 6 June 2013 as the end date for reaching the provisional cumulative annual cost of Euro 6.7 billion for photovoltaic incentives. Therefore, starting from 6 July 2013 the photovoltaic incentive provisions came to an end.

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

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

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

Spread Incentives Decree

In November 2014 the MED published the decree known as the “Spread Incentives” decree, on the remodulation of incentives for electricity production from non-photovoltaic renewable sources. The decree states that producers of energy from renewable sources, owners of plants that benefit from incentives in the form of green certificates, all-inclusive tariffs or bonus tariffs can choose between 2 options:

a) continue to enjoy the incentive system due for the remaining period of eligibility. In this case, for a period of ten years running from the end of the period of eligibility for the incentive system, work of any kind carried out on the same site does not have the right of access to further incentives, including dedicated withdrawal and exchange on site, chargeable to the electricity prices or tariffs;
b) opt for a remodulation of the incentive payable, for which the incentive currently received (all-inclusive tariff or Green Certificate) is reduced extending by 7 years the incentive period. In this case:
    - for work carried out on the same site as the plant for which the remodulation option has been exercised, there is no right of access - up to the end of the new incentive period - to further incentives, with the exception of Dedicated Withdrawal and Exchange On Site (provided that they are compatible with the incentive mechanism enjoyed);
    - the regions and local authorities, each for the part they are responsible for, adjust to the duration of the incentive, as remodulated under the terms of the present decree, the validity over time of the permits issued, whatever they are called, for the construction and operation of the plants.

Owners of plants that benefit from Green Certificates or All-Inclusive Tariffs (Ministerial Decree of 18 December 2008) can choose this option, while the following are excluded:

- plants using renewable sources (other than biomass and biogas up to 1 MW) for which the period of eligibility for incentives ends by 31 December 2014;
- biomass and biogas plants of power of not more than 1 MW, for which the period of eligibility for incentives ends by 31 December 2016;

- plants using renewable sources regulated by Decree of the Ministry of Economic Development of 6 July 2012 (decree on electrical renewable energy source incentives from 1 January 2013, with the exception of plants “in transition”);
- plants using renewable sources which still receive the CIP6.

The deadline for expressing the intention to accept remodulation of the incentive is set as 17 February 2015.

Tax concessions
Tax concessions for energy savings, consisting in amounts deductible from IRPEF (personal income tax) or IRES (business income tax), are permitted when works are completed to increase the energy efficiency level of existing buildings.
A deduction of 65% applies to expense incurred from 6 June 2013 to 31 December 2014 for energy performance upgrading works on existing buildings. This percentage will change to 50% for payments made between 1 January 2015 and 31 December 2015.
It should be remembered that the expense incurred prior to 6 June 2013 benefited from a 55% deduction. From 1 January 2016 a 36% tax benefit is envisaged for property restructuring costs.

Energy efficiency certificates (EECs)
Italian Legislative Decrees 79/99 and 164/00 introduced the obligation for electrical energy and gas distributors (with at least 100,000 customers at year end 2001) to increase the energy efficiency of end 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.

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 introducing new rules for the European ETS for trading greenhouse gas emissions and new activities subject to application of the regulations in the period 2013-2020.
The 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, Ministry for 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 a new entrants.

Sale of natural gas and electricity

Article 1 of Italian Legislative Decree No. 21 of 21 February 2014 made changes to the Consumer Code implementing Directive 2011/83/EU on consumers' rights, replacing Chapter I, Title III, Part III of the Consumer Code relating to “Consumers' rights in contracts”.

These changes came into force on 13 June 2014 and apply to contracts concluded after that date.

CONCESSIONS AND ASSIGNMENTS

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

- Natural gas
- Electrical energy
- Integrated water service
- Environmental service management

Distribution of natural gas

Genoa area

The natural gas distribution service in the municipality of Genoa and the neighbouring municipalities is carried out by Genova Reti Gas S.r.l. which is 100% owned by Iren Acqua Gas. 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 è specified in the paragraph above “Distribution of gas”.

Turin area

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

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

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 the S.r.l. (limited company) Nichelino Energia.

Emilia Romagna area

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

Other geographical areas

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

The main assignments and concessions are:

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

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

Natural gas sales

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 - and which has incorporated Enìa Energia, acquiring its customers already served in the Emilia area.
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 Marche area;
- Atena Trading S.r.l. for the Vercelli area.

Electricity sector

AEM Torino Distribuzione manages the public service of electricity distribution in the City of Turin on the basis of a ministerial concession. This concession expires on 31 December 2030.
AEM Torino Distribuzione S.p.A. also distributes electrical energy in the Municipality of Parma. This concession expires on 31 December 2030.
Through its local business combinations, the Iren Group distributes Electrical Energy in the following main areas:

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

Integrated Water Service

Genoa area

Iren Acqua Gas holds the management assignment for the integrated water service in the 67 municipalities of the province of Genoa, serving a total of 880,000 residents. The assignment was granted by Decision No. 8 of the Genoa ATO Authority on 13 June 2003 and will expire in 2032.
The integrated water service in the territory of the Municipalities of the Province Genova is managed by IAG 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 IREN Acqua Gas), 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.).

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.
Management of the Integrated Water Services in the Parma and Reggio Emilia ATOs was transferred to IREN Acqua Gas. The latter uses Iren Emilia premises for its operations. Integrated Water Service management in Piacenza was transferred from Iren Emilia to Iren Acqua Gas in September 2011.
Ownership of the assets and networks of the water segment was transferred to companies wholly owned by public entities. These companies made their networks and assets available to the Iren Group on the basis of a rental contract and against the payment of a fee.
The table below contains details of existing agreements in the Group's area of operations.

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

(*) Service extended until new agreements are defined

Other geographical areas

The IREN Group also operates in 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:

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

Waste Management segment

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

ATO	Regime	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 (*)

(*) Service extended until new agreements are defined
(**) the term is 20 years running from the end of provisional operation of the thermal incinerator 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. (percentage held at the time of the tender, while in 2014 it went up to 80%). Two SPVs were set up for the purchase of investments (TRM V and AMIAT V).
TRM is the company that built the Turin waste-to-energy plant and is responsible for waste disposal for the city and for a number of municipalities in Turin province.
AMIAT is the company responsible for waste collection and transport in Turin.

Services provided to the Municipality of Turin

On 31 October 2006, Iren Servizi e Innovazione (formerly Iride Servizi S.p.A) took over the following from AEM Torino S.p.A.:

- the agreement signed with the Municipality of Turin for the assignment of street lighting and traffic light services in the Municipality of Turin, expiring on 31 December 2036;
- the management services assignment for the municipal heating plants, expiring on 31 December 2014;
- the management services assignment for the electrical and special systems in municipal buildings, expiring on 31 December 2014.

By 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.
By resolution of 27 November 2012, the Municipal Council of Turin extended the assignment of these service agreements to 31 December 2020.

FINANCIAL INCOME AND EXPENSE

General framework

The downward trend in interest rates, which seemed to have come to a halt in 2013 started again in 2014. The European Central Bank intervened with two further cuts in the interest rate in June and September 2014, bringing the reference level to 0.05%.
Examining the trend of the Euribor rate at six months we can note that the stable phase which continued for the whole of 2013 was followed by a temporary and modest rise in the early months of 2014. The parameter then began to decline again down to the current record low of 0.1%. The quotations of fixed rates, reflected in the values of the IRS at 5 and 10 years, after a period of volatility and a rising trend during 2013, saw from the beginning of 2014 a downward phase with new record lows.

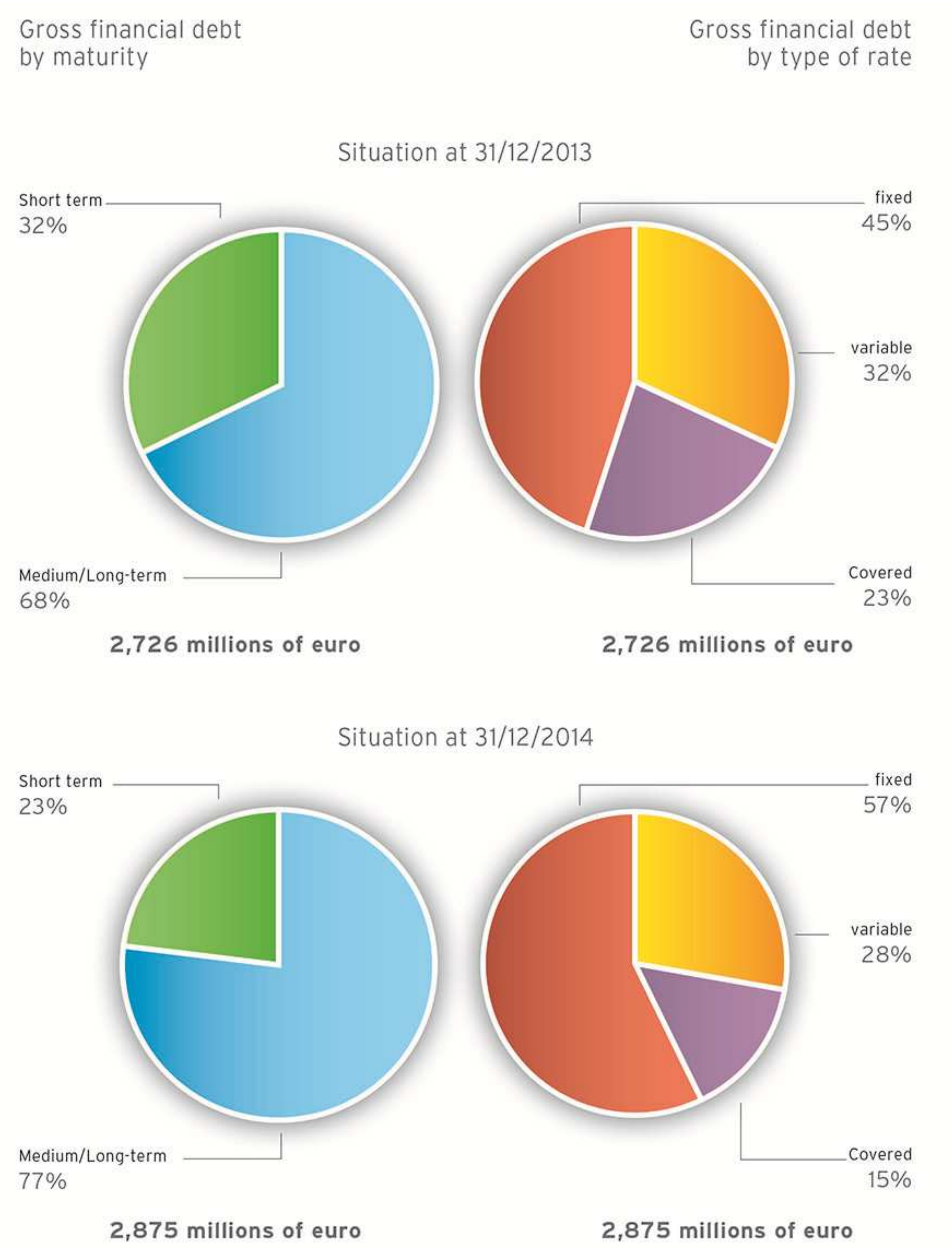
Activities performed

During 2014, activities aimed at consolidating the financial structure of the Iren Group continued. The development of funding needs is monitored through careful financial planning, which enables requirements for new financial resources to be anticipated, taking into account the repayments of outstanding loans, the development of indebtedness as a result of carrying out the investment programme, the development of working capital and the balance of short-term and long-term sources.
The organisational model adopted by the Iren Group, with the goal of financial optimisation of all Group companies, provides for Iren's centralisation of treasury management, medium/long-term loans management and financial risk monitoring and management. Iren has relations with the leading Italian and international banks, for the purpose of locating the types of loans best suited to its needs, and the best market conditions.
Moving on to discuss in detail the financing transactions completed in 2014, note that new medium/long-term loans were finalised for a total of Euro 750 million. Precisely, in February a new issue of a bond loan of the Private Placement type for 100 million and duration 5 year was completed; in March the inaugural issue of the bond loan of the Private Placement type concluded at the end of 2013 with duration 7 years was reopened, for 50 million, and in July 2014 the placing of an inaugural bond issue in Public Placement format for 300 million and duration 7 years was completed successfully. In the second half of 2014 new medium-term bank loans for a total of 300 million were agreed and used for a total of Euro 300 million (75 million Unicredit, 75 million Mediobanca, 50 million Unicredit, 100 million BRE). Work was also done on realigning the costs of certain credit lines to the new market data.
In December a new direct loan contract was signed with the European Investment Bank for 150 million, duration up to 15 year, not used and entirely available.
In January 2015 a tranche of 50 million of a Unicredit bank loan agreed at the end of 2014 was used and a new medium-term loan from Cassa Depositi e Prestiti of 100 million was agreed and used.
The new loans were specifically granted in support of the investment programme and make it possible to maintain a proper balance between the Group's short and long term financial exposure. At 31 December 2014 the Group's net non-current indebtedness accounted for 94% of total net financial indebtedness. This percentage takes into account the classification of receivables due from the Municipality of Turin under non-current financial assets.

Within the Group and following the inclusion of Amiat S.p.A. in the consolidation scope medium/long-term debt positions for a total of 11 million were conferred.

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 paragraph "Group Financial Risk Management" in the Notes to the Financial Statements.
In 2014 no new financial risk hedging contracts were signed. However some of the new financing operations during the year were contractualised at fixed rate and at the end of the year an existing swap was renegotiated.

At 31 December 2014, the portion of floating rate debt not hedged by exchange rate derivatives was 28% of consolidated gross financial debt and 9% of the consolidated net financial debt, in line with the objective of the Iren Group which is to maintain a balance between fixed and floating interest rate positions or in any event protected from significant increases in interest rates.



TRANSACTIONS WITH RELATED PARTIES

The Company and its subsidiaries disclose related party transactions in accordance with transparency and fairness principles. A sizeable part of these relations 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 relations are governed by specific agreements whose terms are established in accordance with normal market conditions. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.

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

RISKS AND UNCERTAINTIES

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

- Financial Risks (interest rate, exchange rate, spread);
- Credit Risk;
- Energy Risks, associated with energy and/or financial markets, such as market variables or pricing options;
- Operational risks, associated with asset ownership, involvement in business activities, processes, procedures and information flows.

specific “policies” have been defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of 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 each type of risk.
The Iren Group pays particular attention also to maintaining trust and a positive image of the Group in the eyes of stakeholders; therefore the Group’s Enterprise Risk Management model manages also so-called Reputational Risks.
The “Risk Management” department, reporting to the Deputy Chairperson, was set up within the Iren Group. 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. Specifically, the centralised management of cash flows in Iren, both through cash pooling and centralisation of all collection and payments within the Iren current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infra-group accounts along with infra-group interest income and expense.
Other investees have an independent financial management structure in compliance with the guidelines provided by the Parent.
For a more detailed analysis of this risk, reference should be made to the paragraph “Management of the Group Financial Risks” in the notes to the consolidated financial statements.

b) Exchange rate risk
Except as indicated under the section on energy risk, the Iren Group is not significantly exposed to currency risk.

c) Interest rate risk
The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expense related to indebtedness. Iren Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.

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.

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

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electrical energy, 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, the operational management of which is the responsibility of the single territorial units, 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 covered, 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” electrical energy 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 both at the Group level and in the context of the subsidiaries, 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 provided by the Group companies, in terms of customers, business chain and ageing band. Particular attention is paid to customers that present the largest proportion of past-due receivables, both for the single companies and for the Group as a whole. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.
During the Credit Risk Commission meetings, the results were presented and shared with the Credit Managers of the first-level Companies, which operationally handle the management and collection of receivables.

3. ENERGY RISK

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

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

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

a. Legal and regulatory risks

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

b. Strategic risks

The current macroeconomic scenario has significant impacts also on the local utilities sector.

The Group's operating drivers are oriented to consolidating the core businesses in the territories of reference, maximising operating efficiency, rationalising the assets and taking advantage of any opportunities for external growth.

In line with the drivers described above, the Group's strategic orientations provide for consolidation initiatives in the business segments in which the Group operates, completing the projects in the sector of generation and district heating, making the most of energy infrastructures, consolidating the integrated water cycle and making it more operationally efficient, completing the projects linked to waste-to-energy plants and assessing the possibility of external growth in the sectors in which the Group operates.

From the above there derives an exposure to risks of a mainly legislative, technical, commercial, economic and financial nature, which the Group deals with through dedicated processes and structures, aimed at overseeing all the stages of achieving the strategic objectives; in particular, Risk Management carries out specific qualitative and quantitative assessments, with which the main risk factors and the necessary treatment plans are identified.

c. Plant-related risks

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

For the most important plants the Risk Management department periodically conducts surveys, from which it can accurately detail the events to which such plants could be exposed and subsequent preventive action. The risk is also covered by insurance policies designed considering the situation of the single plants.

d. IT Risks

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

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

To mitigate such risks, specific measures have been adopted, such as the redundancy of parts of the system and appropriate emergency procedures (“Disaster recovery”), which are periodically subject to simulations, to ensure their effectiveness.

RESEARCH AND DEVELOPMENT

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

Turin area

The Research, Development and Innovation (R,D&I) activities carried out by IREN Energia in 2014 were mainly oriented to identifying and testing operating solutions, new tools and innovative services to be applied to the company's business: for Iren Energia Innovation is therefore considered an instrument capable of optimising, complementing and supporting operations and the business in order to improve the quality of the work, the supply of the commodities and, above all, the margins.
R,D&I uses in turn a series of tools to achieve the macro-objectives just listed:

- Innovation Partnership: agreements for collaboration, co-development, consulting and industrial mentoring con leading industrial players, SMEs and start-ups, Research Centres and Universities;
- Participation in regional, national and international research and development programmes: IREN Energia has taken part in and won numerous Research and Innovation tenders capable of co-financing some important operating and product development projects;
- Direct financing: of projects and initiatives of interest.

The initiatives are set out below.

REGIONAL AND INTERNATIONAL RESEARCH AND DEVELOPMENT PROGRAMMES

Iren takes an active part in carrying out research projects, both in the context of the FP7 and IEE Programme, and in the in Horizon 2020 context, as well as taking part in national and regional projects. A summary list is provided below of the activities in which the Company is involved:

DIMMER (FP7 programme): Development of 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: Turin Polytechnic, CSI, Turin University, Manchester University, sponsored by the Municipality of Turin, Italian and European SMEs.
Status: the project went live in 2014; IREN Energia contributed to defining the development and energy optimisation activities at the level of district heating substations and, in a close relationship with the Polytechnic, began plant and software deployment.

EMPOWERING (IEE Program): The project intends to provide effective and easily-consultable tools to end users for energy saving; in particular additional information will be proposed to 2000 electricity users and 1100 district heating users (in Turin and Reggio Emilia) through an “intelligent bill” and an online tool on the websites of the participating Utilities.
Partners: Turin Polytechnic, Municipality of Reggio Emilia, Danish, French and Spanish utility providers, Italian and European SMEs.
Status: in 2014 the software architecture was prepared. This is capable of supporting the development of the electrical and thermal information for customers. At the end of 2014 the first electrical official communications were sent to a small number of test customers.

FABRIC (FeAsiBility analysis and development of on-Road chargIng solutions for future electric vehiCles, FP7 Program): the project relates to the development of a charging system for on-road electric vehicles by means of induction coils sunk into the concrete road surface. The project provides for 3 demonstration sites, of which one in the Province of Turin in the SITAF area of the Turin-Bardonecchia motorway.

Partners: Turin Polytechnic, FIAT, Pininfarina, Energrid and Scania Nissan research centres, international industrial partners, Italian and European SMEs.

Status: 2014 the project was kicked off and the technical specifications defined. In addition the "AS IS" situation in the various Pilots was analysed, for subsequent implementation of the electric vehicle induction charging prototypes.

PROLITE Project

This is a European project for lighting innovation. Iren Servizi e Innovazione, participating in the project as technological partner to the city of Turin, is involved in the organisation of testing of the internal lighting systems of three local school buildings. The expected reduction in energy bills is 20%.
The draft specifications have been prepared. ISI has the role of Commissioning Body. The work is expected to be done in the fourth quarter of 2015.

Tribute Project

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

ProBis project

The PROBIS project has the aim of developing the stages of an innovation contract aimed at creating an innovative Energy Management System (EnMS) to manage the energy of the municipal property assets.
The project stages involve identification of the requisites and needs of the buildings being tested, a dialogue with the market, the specifications and functional performance of the product, the criteria for bonuses, the legal and regulatory aspects and preparation of the related documentation and contracts. In the context of the project a tender procedure will also be launched and a number of pilot tests will be carried out, and their results assessed.
For the City of Turin the system will be tested on a "pilot" public building, at the moment identified as the municipal offices at Via Bologna 74.
IREN Servizi e Innovazione is taking part in the project as the City of Turin's technological partner.

EDEN project

In September 2014 IREN Energia was awarded a project financed with 2007-2013 regional funds. The EDEN project provides for the development of a system for optimised analysis and management of energy consumption (heating) at three schools in the Municipality of Turin; besides the more technical aspects, the project provides for an energy education, gamification and user engagement system at the level of students, professors and parents at the chosen schools.
The importance of the project is such that the Municipality of Turin has decided to support it with an official endorsement and to include EDEN among the few projects of the metropolitan area that will be publicised on the ANCI's Smart City platform, active in 2015.

Horizon 2020 tenders

IREN Energia and its other subsidiaries have been particularly active in submitting proposals in response to the call relating to the EU's new Research and Innovation Programme, HORIZON 2020.
In particular 4 project ideas were prepared in relation to the following questions:

- refurbishment of historical buildings;
- user engagement and energy education;
- smart grids and electrical storages;
- multi-service smart metering.

In September 2014 the EU approved one of these projects, entitled FLEXMETER, the aims of which are to test a system of multi-service smart meters (water, electricity, district heating, gas), re-proposing in part the requisites and constraints imposed by the AEEGSI in Resolution 393/2013/R/gas.

With a success rate of 25%, IREN energia is in the highest band, at the European level, among the entities competing for the Horizon 2020 funds, for which competition has become tougher than for previous Programmes.
The KoM of the Flexmeter project is expected in January 2015.

ENERGY SAVINGS AND RENEWABLE SOURCES

Public lighting in Turin
The plan to replace mercury lamp systems with HP sodium and metal halide bulbs has been completed: approximately 7,000 lights were replaced, with a power reduction of approximately 100 W each.
The reduction in power totals around 700 kW, with subsequent decrease in electricity consumed of approximately 2.94 GWh, and an emissions reduction of roughly 550 TOE.
The Turin LED project has also been launched. This entails the replacement, over a period of a year, of approximately 54,000 lighting points fitted with discharge lamps with new LED lamps.
IREN Servizi e Innovazione prepared the proposal as the ESCo and will finance the work completely: the remuneration will derive from the reduction of consumption.
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.

Energy efficiency improvements in public buildings
The city of Turin is currently preparing a proposal for modernisation and efficiency improvement works for plants managed by Iren Servizi e Innovazione (formerly Iride Servizi) (heating and electrical energy systems serving municipal authority buildings, public lighting systems and traffic lights. The multi-year plan will, on completion of the works, offer a saving of around 3,500 TOE per year and a reduction in CO2 emissions of around 8,200 tons per year.
The first 10 sample buildings to be made more efficient have been identified. ISI will prepare the technical/economic proposal by the end of the first half of 2015.

Energy efficiency
In 2014 the Energy Management activities were consolidated by the Energy Manager, and in particular the following work was done:

- Consumption data analysis relating to IEN, ISI and AEMD for the year 2014. This activity will be completed in February 2015;
- Discussions and alignment among the Group's Energy Managers: sharing of joint actions transversal to the Group; definition and sharing of the “control panel” model and the models for the annual declaration to the FIRE. Launch of a process of sharing an Energy Diagnosis model;
- Research on Energy Manager experiences of other (similar) companies. Discussions began with the Energy Managers of AMIAT, the Turin Polytechnic, the University Turin, Giugiaro Italdesign, EnviPark;
- Start of activities for UNI EN 50001 certification. In continuity with respect to the activities carried out in 2013 (preparatory activities for certification with drafting of the energy policy, of the necessary procedures, an example of initial energy analysis, verification with the certifying body - gap analysis) in 2014 the tender was completed to identify a supporting partner for preparation of all the initial energy analyses. The kick-off meeting for this activity is planned for February 2015 and it is expected that the analysis can be completed by the end of 2015;
- UNI 11352:2014 certification (Energy Saving Company) for Iren Servizi e Innovazione obtained in May 2014;
- Definition and proposals to implement saving / energy efficiency actions. Attention was concentrated on the Martinetto area with the establishment of a specific Work Group (Martinetto Green Building Living Lab) which in December 2014 completed its activity, delivering the final report. This document analyses the current situation of the Martinetto area from the energy, environmental and "comfort" point of view and from the point of view of employees, compares it with similar structures and situations at the national and international level and proposes a series of actions to induce a virtuous cycle of change oriented to more energy efficiency and environmental and social sustainability;
- Start of the Research and Development activities provided for in the Agreement with the Polytechnic. The research project provided for was not launched because the same questions (development of methods for energy diagnosis) were developed internally. In addition, the Energy Management

structure collaborates with other Group structures involved directly in the European research projects (Dimmer, Eden, Empowering). Finally, collaboration with the Mario Boella Higher Institute for the development of a software and a method for preliminary energy analyses for the Public Administration;
- Implementation and presentation to the AEEG / GSE of projects related to the issue of EECs. The Proposal for a Project and Measurement Programme (PPMP) related to the Torino LED project (replacement with LEDs for public lighting in Turin) was presented to the GSE.

MANAGEMENT OF NETWORKS, TELECOMMUNICATIONS AND SERVICE INFRASTRUCTURES

Remote control of district heating plants
The project for the remote control of the district heating systems aims at providing the tools for effective management of consumption control, the configuration of the operating parameters, the technical maintenance and management of the SST (heat exchange substation) alarms in order to improve the services to the district heating customers. To this end a technological platform has been designed, which is able to acquire the operating parameters from the substations, process the data and offer the necessary reporting and control tools.
- At the end of 2014 3,730 plants out of 4,900 are operating, and the project for connection of the old Cazzaniga meters is being completed;
- Through the Integrated Meter Reading Portal the entire report capture process, both for remotely read and manually read meters, is managed; The remote reading service reaches service levels of 99.8%;
- The commands for changes in temperature and hours of operation requested by customers are generated through the Portal. The integration with Moby was launched successfully so that the requests of the call center can be implemented quickly by the remote management;
- Using batch commands, central settings were made available for the start-up and shutdown of systems at the beginning and end of the heating season;
- Careful monitoring is guaranteeing the expected economic returns both for AES and for the Group.

A number of expansions of the system are being tested. These include monitoring of leaks, monitoring of pressures, energy saving, load balancers.

In 2014 another 300 remote control panels were also sold to Sei Energia to monitor the district heating network of Collegno-Rivoli-Grugliasco.
The design of new functions is in progress also thanks to the European projects Dimmer, Empowering and Enrg4cast.

On the basis of the district heating project we took part in the authority's tender for remote control of the new GAS/WATER smart meters. The remote control project won an award at the recent SMAU 2014.

Portal and integration of distributor’s systems
Aem Torino Distribuzione (AEMD) has completed its project for the integration of information systems between the Parma and Turin areas relating to commercial activities (receipt and final reporting of vendors’ requests, preparation of quotes, metering management, billing, etc.).
This "transversal" project has involved personnel from the departments of AEMD, Iren Mercato, Iren Emilia, Enia Parma and IT staff from Iren Emilia and Iren Energia, affecting more than 10 different IT systems (SAP, CNRG, Reti, AMM, EDW, the AEMD Portal, the Metering Repository, Load Profiling, etc.).
During 2014 the project to revise the estimates application was completed. This makes it possible to refine the aspects of integration with the AEMD portal, automate and standardise all types of commercial offers, and supplement the information of a technical nature with further data. Further additions were also made, which make it possible to automate certain process activities previously done manually.

<u>Integration project between the remote management system of the district heating meters and Mob-I TLR</u>
Integration was achieved with Mob-i TLR, the system that manages interventions on the district heating plants, so that the activities that can be performed automatically, are immediately sent to the remote management system and only in the event of problems use is made of human and/or on-site action.

<u>AEMD SmartPOD Project</u>
During the second half of 2013 the distributor's portal for end users was implemented.
The main aim of the portal is to make reading curves and their own meter readings available to end users, but in future could also be extended to providing end users with a variety of functions related to their own supply point (POD), for example:

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

During 2014 implementation of the distributor's portal for end users was completed performing the following activities:

- Implementation of the readings display
- Optimisation of the user interface of the application
- Fault report
- Receipt of current fault notification
- Receipt of scheduled outages in progress notification

In future further functions could be implemented, namely:

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

<u>AEMD vendors' portal project</u>
During 2014 completion of automation of the switch process and the new process of withdrawal from switches not required by final customers were developed.

<u>Genoa area</u>

In 2014 Iren Acqua Gas continued to oversee technological innovation hubs as part of the Research Project which has a priority focus on updating specific knowledge in the water sector from a technical/regulatory standpoint and the quality of water for human consumption. To this end, the Group planned and coordinated specific research projects to be carried out in collaboration with its Foundation (Fondazione AMGA), Mediterranea delle Acque, Università degli Studi and national and international research centres. More specifically, the research projects launched and completed in 2014 concerned:

Project finance prospects after the changes to the tariff method
The research project assessed to what extent the conditions for optimal use of project finance potential can be fulfilled in the new regulatory framework of the water sector.
Among these we can recall: i) the duration of the concession must be sufficient to guarantee complete recovery and adequate remuneration of the invested capital; ii) there must be the possibility to identify clearly the risks associated with the project so as to permit fair distribution among the parties involved; iii) the contracts must establish in detail the tariff adjustment methods, the quality and quantity of the service, penalties chargeable to the contracting parties.

Materials in contact with drinking water. Legislative and regulatory prospects at the European level: what reflections on the Italian industry?: Through the organisation and coordination of many meetings with the stakeholders, the project intends to create an opportunity to share at national level as part of the Mandate (M136 Rev 2) approved by the Committee in order to establish harmonised regulations (hEN) on materials and products in contact with drinking water, also by filling the gap in the Directive on water for human consumption. The IAG Group, through its Foundation, acted as a catalyst in the specific context for the various stakeholders, in order to identify and protect the national industry, accredited laboratories, aqueduct operators and end users. The efforts made during the first half of 2014 created the conditions for the formation of two national working parties which worked in two specific contexts: (1) Update of the technical annex to Ministerial Decree 174 and (2) Creation of a network of accredited laboratories.

In the meeting last April at Confindustria in Roma the laboratory network was considered an indispensable and necessary condition for the participation of Italy in the regulatory standards envisaged by the 4 Member States.

Purification systems and endocrine disruptors:
The project, launched in 2013, involved monitoring all over the country the level of Endocrine Disruptors in waste waters, using the specific analysis method developed by the Istituto Superiore di Sanità (Higher Health Institute) in 2014. The survey entails measuring Endocrine Disruptors, namely Bisphenol A, natural and synthetic hormones, medicines and flame retardants and will involve numerous Italian water companies, namely Mediterranea delle Acque in Genoa, Publiacqua in Florence, Hera in Bologna, SMAT in Turin, ACSM Reti Gas Acqua in Como, Acquedotto Pugliese in Bari and VERITAS in Venice.

Algae microcystins in water destined for human consumption:
The project is carried out in collaboration with the Istituto Superiore di Sanità and with numerous Italian water companies (Mediterranea delle Acque in Genoa, Publiacqua in Florence, Hera in Bologna, SMAT in Turin, ACSM Reti Gas Acqua in Como, Acquedotto Pugliese in Bari, ABBANOA di Cagliari and VERITAS in Venice) and makes it possible to measure the presence of this toxin in superficial waters, used as drinking water. The information collected will be useful for being able to assess the effects of any establishment of a limit value for this parameter by the CE. In 2014 a circuit was organised at the national level to determine microcystins, which involved the major Italian water companies, and which made it possible to inter-calibrate the partners in view of the national monitoring which will be carried out in the coming months.

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

The project proposals presented and accepted by the Commission include the Action Groups WIRE and COWAMA respectively in the area of Innovations in the agricultural sector and in that of coastal protection.

Industrial Ecology

The project, which began in the first half of 2014, regards Industrial Ecology, seen as the scientific discipline that arose in the '90s and involves studying the human system (understood as a productive but also social and cultural system) seen in the context of its environment. Ecology, because it uses methods of this discipline to study the material and energy flows in industrial systems. Industrial, because it studies the industrial system (understood in a wide sense, to include industry, cities, agriculture, commerce etc.), instead of limiting itself to studying the natural environment. The global economy can be seen as a network of industrial processes that extract resources from the ground and transform them into goods that are then bought and sold to meet human needs. Industrial ecology seeks to quantify and study this network of materials in continuous movement and to analyse the industrial processes that make our modern society work. The discipline is based on an interdisciplinary approach, which makes reference to environmental sciences, engineering, social sciences and as a result to legislations.

The integrated research themes in the assignments given by TICASS to the researchers involved continued during 2014 and regarded the following subjects:

Energy optimisation of air conditioning in urban areas through tri-generation: The study in the research grant context is structured through the assessment of current energy needs and those foreseeable in the light of the expansion plans of an urban area defined by the territorial planning. First of all the state of the art with respect to the conditioning of urban areas by tri-generation is being studied, assessing the current best practices and their applicability to the case in question.
Subsequently the research will define the feasibility of the action and the technical methods of the same in the context of the Gavette area identifying the conditions for installing the new tri-generation plant in the area and the methods for integrating it with the plant for the recovery of energy from the expansion of network gas making use of the rise in pressure currently available at the Snam natural gas arrival cabin. The planning activities are integrated into those envisaged by the EU Celsius project of which Genova Reti Gas is a partner.

UNDERGROUND: Intelligent Monitoring and Management of underground utility networks and their interaction with the environment: The research subject has the aim of studying the interactions between the underground networks and the surrounding environment, with particular attention to the natural risks.
Underground there is a complex system made up of technological networks of various kinds that interact with each other, managed by different service companies (gas networks, electricity networks, gas pipes, oil pipes, district heating, water pipes, sewers, telephone lines, optical fibres, etc.). Correct management must consider these underground networks as an element of a wider context, acquiring interdisciplinary knowledge, which enables an integrated and flexible approach. Making the necessary knowledge and procedures systematic is the key for integrated and efficient management . For this reason, and also to comply with certain legal obligations or rules laid down by the Authorities, the underground surface/environment system is studied as a whole, to tackle, for example, certain cases and problems that are commonly encountered when networks are managed in a context of data interoperability as provided for in the INSPIRE community legislation.

Molecular thermo-decomposition of gaseous effluents: The research project intends to study from the experimental and theoretical point of view the effect of applying high temperatures (1500 °C – 1700 °C) to industrial gaseous currents that develop from gasification and pyrolysis processes. The activity entails the development of equipment to perform the research, the definition of analytical methods for monitoring the main components and study of the main variables (for example: temperature, residence time) both on model mixtures containing some major components (for example: hydrogen, carbon dioxide, carbon monoxide, water) and on mixtures containing undesirable minor compounds typical of real industrial currents. The results of the project will make it possible to assess industrial applications connected with waste-to-energy plants.

Study of the phyto-purification process of an urban aggregate in the Imperia area: The project is aimed at optimising the growth of biomass in the adaptation conditions in water of vegetation to be treated in a pilot phyto-purification plant, based on a photobioreactor with micro-algae to be built at an olive press in the Imperia area.

During 2014 the participation of IREN Acqua Gas in the context of the following community projects also continued:

PREPARED project: aimed at defining global and shared strategies to deal with the impact of climate changes on the integrated water cycle. The knowledge, experience and technologies that are the assets of the partnership in the various European countries, will be shared for the development of innovative solutions applied by management companies at sample sites. The results of the research activities were presented on the occasion of the progress meeting organised in Dublin from 14 to 17 May.

Aquaknight: A community programme relating to managing the transfer of knowledge and innovation to save water in the Mediterranean basins. Last May in Reggio Emilia Iren Acqua Gas organised the progress meeting and the exchange visit. The results of the project were presented on the occasion of the Internazional Conference WaterLossEurope2012 organised in Ferrara on the occasion of the Accadueo event.

TRUST: Transition to the Urban Water Services of Tomorrow 7th Framework Programme, aimed at defining strategies and good management practices for urban water services with low environmental impact.

At the end of the first half of 2014 Iren Acqua Gas and Mediterranea delle Acque received from the MEUR (Ministry of Education, Universities and Research), the decree that defines the definitive approval and project readiness of the project proposal in the context of the MEUR *Smart Water TECH project.* The project is devoted to the Development and Application of Monitoring Technologies and Innovative Control Systems for the Integrated Water Service; 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.

In the middle of the first half of 2014 European Geosmartcity project also began. Iren Acqua Gas takes part in this with the role of “third party”, on the subject of rational management of underground systems. The GeoSmartCity project “Open geo-data for innovative services and user applications towards Smart Cities” is co-financed by the European Commission in the context of the Competitiveness and Innovation Framework Programme (CIP), Information Communication Technologies – Policy Support Programme (ICT-PSP). Among the objectives of GeoSmartCity is the development of a management platform for 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. The project involves 15 partners located in 9 different European countries, including the Municipality of Genoa. It will have a duration of 3 years.

In the third quarter of the year we were informed that a project presented under H2020 could be financed; this involves defining a “practical guide” to be applied in the efficient management of the integrated water service and of waste in urban areas. The project, entitled BlueSCities, 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.
IREN, together with SMAT and HERA, is a participant in the framework agreement for research and innovation signed in the first half of 2014 by the representatives of the three Companies. Under the agreement the research areas have been identified; in these areas research projects of common interest will be developed, on which to share the activities of the researchers of the three Companies. After the agreement was signed operating meetings were organised which made it possible to identify the research projects to be carried out together. The projects of common interest regard the following subjects:

- Characterisation of a purification effluent by means of respirometric studies: COD fractionation
- Innovative treatments with lower environmental impact for drinking water and waste water: application of the ferrate
- Benchmarking of the advanced control systems in purification
- Management of analytical results by on-line analysers and laboratory management software.
- Smart disinfection modes applied to drinking water distribution networks

- Study of innovative treatments in the water pipes sector: “exclusion zone”
- Development of a network of laboratories for managing analytical and monitoring aspects associated with critical environmental issues or legislative changes
- TLC of the third millennium: guidelines for the smart use of the data acquired
- Integration of the TLC with models for consumption forecasts and the water balance sheet

Emilia Romagna area

During 2014 the first level company IREN Ambiente continued its R&D activities on the issues of rationalising energy consumption, the use of renewable energy resources, the treatment of waste and processing residue and environmental well-being control.
During 2014 Iren Rinnovabili continued its research activities on the issues of energy efficiency and the use of renewable energy resources (photovoltaic, biomass, hydro).

Among others, the following activities were carried out:

- collaboration with the Public Administrations, the companies and their industrial associations, to constitute an important moment for knowledgeable people to meet, to promote and support research activity in the sector of renewable energies and to develop technological innovation projects aimed at optimising solutions and applications for both civil and industrial use.
- recognition in the context of the Horizon 2020 Programme of the initiatives that entail large investments in the sector of alternative energies and renewable sources which are expressed in expanding projects to be implemented in the chosen territory.

The projects launched as part of the above activities are:

- The *IREN RE-BUILD project*: this develops a pilot initiative in the field of energy and performance upgrading of properties (and subsequent development of a new line of business), which is located in the regulatory context outlined in Directive 2010/31/EU - Energy Performance of Buildings, research and development promoted by the Horizon 2020 Framework Programme for Research and Innovation and in the Strategic Energy Technology Plan (SET-Plan) to promote low-carbon technologies. The project has led to the Group obtaining UNI 11339 (Energy Management Expert) certification, in order to meet the requirements for participation in competitions and tenders on energy efficiency and in the presentation of projects to AEEG for the obtainment of EECs. The project aims to integrating and enhancing the role of renewable energies in efficient property upgrade strategies in order to promote their application, optimising impact with respect to needs.
- The *Territorial Marketing project***:** a project with the Shareholder Municipalities of the province of Reggio Emilia which has the aim of offering Initiatives and projects on current Energy Efficiency themes which make it possible to adjust the instruments of the Municipal Administrations to Current Legislation (e.g. Lighting Plan) or which develop energy efficiency projects around the territory (e.g. energy diagnoses).

The European projects which continued in 2014 are:

- The *NRG4CAST- ENERGY Forecasting project*: a demonstration pilot set up in cooperation with European universities and CSI-Piemonte to improve public building energy efficiency in an urban context. Through the building and function testing of an IT system (software and hardware platform) a system will be made available to forecast energy needs via a Web SoA application. The system will be a generic analytical engine based on the aggregation and manipulation of data from the energy distribution network, sensory data sources (light, temperature, humidity, absorption, flow) and public data archives (e.g. weather, energy price trends, spark spreads, cap and trade emission trading, etc.) or forecasts (exchange rates, weather). Data on building energy consumption in its various forms will be gathered and measured to build the time series necessary for providing the required input for the analytical and forecasting models.
- The *EMPOWERING project:* the aim of this project is to increase energy efficiency in network services, with the priority objective of public service innovation in the water, energy and gas sectors and improving the quality and accessibility of such services, guaranteeing high standards of interoperability between different cloud systems and at the same time reducing the costs of adopting ICT technologies and increasing returns on investments.
- The *HOLIDES project*: this takes into consideration the human factors in critical cases to develop applications that can be adapted to the activities to be carried out, to operators and to available

resources, in order to optimise processes and reduce the running costs of the service).
Through the Control Room application domain, Iren Emilia SpA will contribute to development at the Parma control centre of an adaptational, cooperative system to handle emergency calls: method of managing emergency priorities and assistance with the calls received, and the associated allocation of the resources and activities to be carried out and possible changes with respect to the current system (CCE.NET/SAGRE, Genesis) to allow reaction times to be reduced (with the related certification mechanism) and better management of activities, operators and resources. The structures and skills made available to the project by Iren Emilia SpA include Iren Emilia's remote control centre, responsible for overseeing the company's operations in Reggio Emilia, Parma and Piacenza. It comprises two logistically separate rooms, one in Reggio Emilia for the integrated water service, and one in Parma for all other business. The centre is operated by two professional figures: (1) Remote Control Operators, who manage the remote readings and emergency calls - though the latter are non-priority; (2) Emergency Call Responders, who collect the external reports.

- *Biometh-ER Life+ Project (Biomethane Emilia-Romagna Regional system)*: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. In this project, Iren will be responsible for creating a biomethane production plant that will become the project's pilot plant and, as such, will be equipped to collect useful data (on transport, quantities, stocks, types of problems and risks that could arise in biomass management) for the creation of what will be the Regional Biomethane Distribution System, which will continue to operate also after the end of the project. The plant will represent an important technical know-how model on which other experiences of this type can be based. With other partners, Iren will be in charge of administrative issues associated with construction of the pilot plant, such as submitting requests for authorisation to the various competent authorities.

PERSONNEL

At 31 December 2014, the employees working for the Iren Group totalled 4,524, down 3.7% compared to the figure at 31/12/2013 which was 4,696 employees. The table below provides a breakdown of personnel at 31 December 2014, divided into Holding and First-level companies (with related subsidiaries).

Company	Workforce at 31.12.2014	Workforce at 31.12.2013
Iren S.p.A.	254	261
Iren Acqua Gas and subsidiaries	898	898
Iren Ambiente and subsidiaries	608	200
Iren Emilia and subsidiaries	1,253	1,667
Iren Energia and subsidiaries	1,069	1,069
Iren Mercato and subsidiaries	442	441
Total	**4,524**	**4,536**

Please note that the figure at 31 December 2013 was restated to take into account the deconsolidation of the companies Iren Rinnovabili, Società Acque Potabili and OLT and the combined effect of the deconsolidation of AES Torino and the acquisition of its district unit commented on in the introduction to the present report.

TRAINING

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

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

In 2014 the number of employees who took part in at least one training course was 4,223, corresponding to 93% of the Group's average workforce.
The person-hours linked to the various education and training initiatives organised by the Iren Group totalled around 87,000 hours (around 95,500 in the previous year), with an average per capita of 19.1 hours (21.2 hours in 2013).
Please note that 45% of the total hours referred to training on occupational health and safety, confirming the Group’s constant focus on these issues, in compliance with the State-Regions Agreement of 21 December 2012.

QUALITY, ENVIRONMENT AND SAFETY

Quality

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, Safety and Environment) as a means to achieve the predefined objectives. The Integrated System is structured in such a way as to envisage adequate control and assurance of all operating processes affecting the quality of service, adopting an increasingly customer-led approach. The core principles of the Integrated System policy are:

- customer satisfaction;
- attention to the social and environmental aspects;
- employee safety;
- 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 employees and the Integrated System methodology has created strong synergies between the operating structures.
All first-level companies and investees have systems that are certified in accordance with international standard ISO 9001 (Quality).
The first-level companies Iren Energia, Iren Acqua Gas, Iren Emilia and Iren Ambiente and the main investees were certified in accordance with international standard ISO 14001 (Environment).
The Parent, the companies in Turin and Genoa and Tecnoborgo hold OHSAS 18001 (Safety) certification, Iren Emilia has certified its own safety system for the gas management and distribution service and in 2014 extended it with reference to activities related to provision of cleaning services and sweeping of public roads and roads used by the public, collection and transport of urban and similar waste, management of waste collection centres, a business which was then, in July 2014, transferred to Iren Ambiente. A project is in progress to extend this certification to Iren Emilia's other services.
In July 2014 following the transfer of the business unit related to environmental hygiene services from Iren Emilia to Iren Ambiente, to which however the safety management system was already applied, the transfer of the certifications of the quality/environment and safety management systems was managed. These related to the activities of providing cleaning services and sweeping of public roads and roads used by the public, collection and transport of urban and similar waste, management of waste collection centres (ISO 9001/ISO 14001/OHSAS 18001) and to the activities of providing environmental hygiene services for activity of disinfestation, rodent control and disinfection in Reggio Emilia (ISO 9001). A project is currently in progress to extend the OHSAS 18001 certification to Iren Ambiente's other services.

Currently the Quality, Safety and Environment management systems are overseen in each first-level company by the Departments through the respective Services; in addition they are in keeping with the Group's policy, which is strongly focused on the sustainable, social and environmental development of the company.
The objective set and achieved for 2014 was consolidation of the existing certifications and their extension to other services:

- obtainment of certification according to the UNI CEI 11352 standard “Energy management – Energy service companies (ESCOs)”, by Iren Rinnovabili and Iren Servizi ed Innovazione, the latter according to the standard updated in 2014;
- integration of the Safety, Environmental and EMAS management systems of the Turbigo and Tusciano plants (formerly Edipower) into Iren Energia’s QAS Management System;
- extension of the Environment and Safety certification to the TLC structure of Iren Energia (formerly AEMNet).
- integration into Iren Energia's Integrated Management System of the Turin district heating unit (formerly AES S.p.A.);
- continuation of the “LIAG Laboratories Multi-site Accreditation” by LIAG;

- system implementation and extension of the environmental management system certification to the Mancasale Purification site in Reggio Emilia by Iren Emilia;
- system implementation and extension of the environmental management system certification to the sweeping, collection and management service of the urban, similar and comparable waste collection centres of the provinces of Parma and Reggio Emilia (Piacenza already certified) by Iren Emilia, certification then passed on to Iren Ambiente as a consequence of the transfer of the business unit;
- system implementation and certification of the safety management system with particular reference to the sweeping, collection and management service of the urban, similar and comparable waste collection centres by Iren Emilia, certification then passed on to Iren Ambiente as a consequence of the transfer of the business unit;
- maintenance of certification according to Reg. 303/2008/EC - FGAS certification for Iren Mercato subsidiaries operating in the heat management sector as regards the service provided for devices containing fluorinated greenhouse gases;
- maintenance of certification for the sales of electrical energy produced solely from renewable sources, in compliance with the Certiquality Technical Document No. 66, by Iren Mercato.

The following development projects are also in progress:
- start of implementation of additional/changed requirements for passage and certification obtainment according to the new UNI CEI 11352:2014 standard by Iren Rinnovabili;
- continuing implementation of the QAS management system at the Parma IEH by Iren Ambiente;
- start of extension of the safety and environmental management systems to the activities of electricity distribution and public lighting service in the province of Parma, of the production and distribution of the district heating service in the provinces of Parma, Piacenza and Reggio Emilia.

Safety

The Iren Group considers it an investment to destine to Workplace Health and Safety (WHS) human, professional, organisational, technological and economic resources, believing that it is of primary importance to protect workers and setting itself the objective not only of complying with the requirements of the specific laws on the subject, but also of taking action aimed at continuous improvement of working conditions.

During 2014 we continued to make the current organisation of health and safety management in the Iren Group increasingly effective, without, for this, limiting or interfering in the autonomy of each Employer. A sharing process was therefore organised for the Group's Prevention and Protection Service Managers (RSPP), on a number of themes of common interest on which concrete proposals for improvement can be developed.

During 2014 in the Genoa area, in order to activate adequate preventive actions to limit injuries with the various corporate Departments, it was agreed to launch specific initiatives in order to improve and facilitate the reporting of “near misses”.

The companies in Turin and Genoa and the Parent Company are in possession of the Certification under the terms of the OHSAS 18001 Standard. The Group has decided to begin a process of extending the OHSAS 18001 Certification to the Iren Emilia units (gas sector in 2013) and Iren Ambiente (road sweeping, urban, similar and comparable waste collection, and collection centre management in 2014). As part of these initiatives numerous meetings were held with workers to illustrate the corporate policy on workplace safety.

The companies in Emilia are in possession of the Certification under the terms of the OHSAS 18001 Standard. They implement the safety management system over the entire perimeter and have agreed with Accredia the process for specific certification of the various services managed, envisaged and regulated for large and multi-service companies.

We can also note the continuing implementation of the safety management software in the Iren Group, aimed at computerised management in the territories.

During 2014 the Group continued to monitor the objectives and the improvement actions in the safety field using the Balanced Scorecard tool.

Starting from the guidance issued during 2014 by the Parent Company objectives and improvement plans have been defined.

Although the work carried out is mainly administrative, in Iren S.p.A. the assessment of injury trends is subject to an in-depth analysis and, in particular, for the “driving” risk, this will be supplemented with a

specific assessment of the risk related to adoption of both technical and organisational improvement measures.
In 2014, in fact, in collaboration with other Organisations and Institutes operating in the workplace safety sector and in particular on roads, a project was launched to assess the risks deriving from driving the company's vehicles (or an authorised private vehicle) and the prevention/reduction of road accidents in working hours for the company's employees, and for all people who come to use a vehicle under the company's direct control. The details are being defined of a protocol regarding the activation of a systematic collaboration between Iren S.p.A. and the above subjects, to prepare a road safety management system and to define a method for assessing driving risk and consequent improvement measures, as defined by Italian Legislative Decree 81/2008 and subsequent amendments and additions.

The expected objectives are:
- launch of a prevention and road safety improvement process for Iren S.p.A.'s workers who use a company vehicle in carrying out the working tasks assigned;
- launch of a prevention and road safety improvement process for workers authorised to use a private vehicle in carrying out the working tasks assigned;
- to provide the elements for risk assessment and to identify prevention and protection actions, although the elements for assessment are mainly not under the control of Iren S.p.A.'s organisation;
- to benefit from cost savings (as well as workers' safety) in terms of a reduction in working hours lost and lower insurance premiums.

The design of the road safety management system and the related work programme will follow the principle of the PLAN-DO-CHECK-ACT method on which the ISO 39001:2012 standard is based.

The risk analyses were constantly updated in 2014, in keeping with the new organisations. In particular we can note that in IREN Energia the adjustment following acquisition of the following assets/contracts:
- Tusciano plants
- Turbigo plant
- District heating network
- Turin waste-to-energy plant maintenance

In 2014 following the organisational restructuring that occurred (SOT Enìa PR, Enìa PC, Enìa RE merged into Iren Emilia), Iren Emilia worked on updating the risk analyses, in keeping with the new organisations and in such a way as to make them more uniform over the 3 territories in relation to similar services. From July 2014 following the organisational and corporate restructuring which involved Iren Ambiente, work was also done to update the activities it manages. This work is still in progress.

Environment
The Iren Group's commitment continues as regards environmental protection in the various segments in which it operates. In particular, while performing their business activities, the first-level companies have focused on environmental protection principles, the rational use of natural resources and full compliance with regulations in force, as well as raising the awareness of their customers and suppliers on environmental subjects.

In this context:
- Iren Mercato maintained the certification, under the terms of the DT66 of Certiquality, for its service of selling electricity produced entirely by renewable sources and established the brand "Iren Verde" with which non-domestic customers that sign up for the service have the chance to demonstrate and make visible their environmental commitment;
- CAE maintained the certification of activities for the installation, maintenance and repair of fixed refrigeration and conditioning equipment and heat pumps according to Regulation 303/08/EC;
- Idrotigullio and AMTER have launched the activities aimed at implementing the Environmental Management System for the purposes of ISO 14001 certification.

Resources have been deployed in order to ensure sustainable corporate growth based on constant improvement:

- in the development of electrical energy from renewable resources (hydroelectric) or similar to renewable resources (cogeneration), as well as promotion of district heating as a supply of thermal energy with lower environmental impact, and in the adoption of the best plant technologies available on the market to ensure lower environmental impact;
- in improving use of water resources in terms of collection and utilisation as well as release and discharge;
- in renewing urban waste water treatment plants and in searching for the best available technologies to improve the quality of effluent water and minimise odorous emissions;
- in correct management of obligations regarding the special waste problem, as regards the phases linked to production, storage, transport and disposal/final recovery;
- in disseminating information on the impact of corporate activities on the external environment, through specific reporting, such as the Sustainability Report, the Environmental Statements, etc..

From the operational point of view, to ensure the lowest environmental impact of the Group's activities, particular importance was given to:

- maintaining the certification systems on a voluntary basis regarding certified environmental management systems in accordance with the UNI EN ISO 14001:2004 standard and EMAS;
- monitoring environmental performance through the use of special indicators for each significant environmental aspect;
- analytically controlling the impact on the external environment, especially as regards emissions into the atmosphere, air quality, waste water, noise and electromagnetic fields;
- performing special internal audits aimed at checking the correct management of environmental issues in the company's plants;
- complying with administrative formalities, especially as regards the monitoring and controls connected with the Integrated Environmental Permits (I.P.P.C. Directive) and the issue of greenhouse gas emissions (Emission Trading System) for the plants involved;
- continuously involving the company’s staff, by providing specific information and specific training courses, scheduled on an annual basis and focusing on environmental issues and best practices for the management of plants, to ensure lower environmental impact;
- implementing, at the Iren Group's various sites, the steps gradually proposed by the new waste traceability control system, entitled SISTRI, set up by the Ministry for the Environment and Protection of the Territory and the Sea, to ensure transition, through advanced technological solutions, to innovative and more efficient management of the entire waste chain.

IREN AND SUSTAINABILITY

The Iren Group pays great attention to environmental, social and financial sustainability. Guiding values such as respect for and protection of the environment, energy efficiency, constant dialogue with communities and territories, customer satisfaction and attention to professional development of employees are part of the corporate identity.
The responsible use of natural resources, the search for ever-better quality of the air, the water, the soil and more in general of life, by minimising the various forms of pollution and high production of eco-compatible energy, make the Group one of the leading operators in Italy as regards the ability to grow in full harmony with the environment and the territory.
Aware of the central role played by stakeholders and its own role, Iren works with commitment for the sustainable development of the communities in which it operates, on creating innovative projects and on communicating project status updates and the results achieved.
To this end the Group has created Territorial Consultation Committees which are an innovative channel for dialogue, discussion and participatory planning between the Iren Group and all the stakeholders of the local communities as regards the company's services and the themes of environmental and social sustainability. A real and proper work tool to collect ideas, proposals, comments, and observations with the purpose of improving the Group's performance, planning together with citizens innovative solutions and for sustainable development of the territory.
The Committees are structured on a provincial basis; the Committees of the Provinces of Piacenza and Reggio Emilia have already been set up, and at a later stage the project will be extended to the other territories in which the Group operates. To widen the dialogue and discussions to all communities, the Territorial Committees make use of the aid of an online platform through which citizens can publish their ideas and improvement projects directly.
Among the initiatives developed in favour of the community, we can note in particular the creation of the project “Edu.Iren”, a programme of training courses made available to schools (with the start of the school year 2014/2015) free of charge, based on the many years of experience of the Iren Group companies at the local level in sustainability education projects in schools.

The medium/long-term strategic orientations reveal constant attention to matters relating to sustainability; in particular water, energy and environment influence the planning of the multi-annual investments to be made.

The Sustainability Report is Iren’s preferred media on which to base dialogue and discussion with its stakeholders, and the Group uses it as a comprehensive document to highlight the effects of the activities carried out on the environment and on the social fabric, as well as the main economic aspects.
Drafted annually, the Sustainability Report complies with the “Sustainability Reporting Guidelines & Electric Utilities Sector Supplement” defined by the Global Reporting Initiative (GRI). Furthermore, the “principles for the preparation of the social report” prepared by the study group for social reporting [Group di Studio per il Bilancio Sociale (GBS)] are taken into account as a reference for preparation of the report for the determination and distribution of added value. The 2013 version of the report was subject to limited review in accordance with International Auditing and Assurance Standards Board criteria, and achieved an A+ GRI rating.
Currently the 2014 Sustainability Report is being approved and it will soon be published on the website.

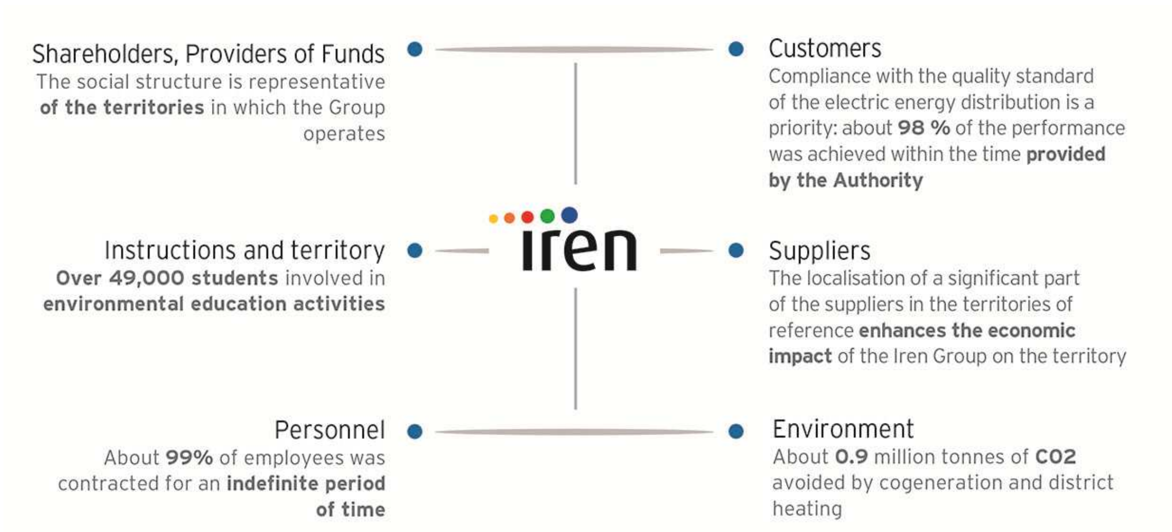
In addition, of note among the Group’s sustainability initiatives carried out in 2014 are:

- Participation, for the third year running, in the Carbon Disclosure Project survey, “CDP Italy 100 Climate Change Report 2014”, achieving an improvement in the results compared with the previous year, with a score of 85 on the subject of quality reporting and the completeness of answers provided to the questionnaire, higher than the average for the top 100 Italian companies (a score of 71). With regard to the assessment of performance, the Group was stable compared with the previous year, with a “B” rating.
- the inclusion among the finalists at the 2014 edition of the Sodalitas Social Award in the categories “Environmental Protection and Raising Awareness” and “Sustainable Consumption and Responsible Supply Chain”, respectively with the projects “Martinetto Heat Accumulators” and “EcoIren APP”. We can also note that Iren was the only company to be selected as a finalist in two categories;

- the award of the ICT Piedmont Innovation Prize, assigned by Smau to the best cases of companies and public bodies that have successfully innovated their business through digital technologies with the objective of generating a virtuous mechanism of sharing their experiences of excellence;
- participation in sensitisation initiatives of various authorities on CSR-related issues (e.g. Altis);
- the holding of the forums "Iren, sustainability and territory", organised by the Iren Group in the cities of Reggio Emilia, Parma and Turin;
- the intervention in the forum "Le Management de Demain", held in Chambery, as part of the Alpcore project in collaboration with Unioncamere Piedmont;
- the intervention at the School of Management and Economics in Turin;
- participation in the Forums of Altis "ESG Performance: do they count for people who judge companies?" and Utilitatis "Analysis and discussion of the Sustainability of Utilities. The SR";
- participation in the campaign for prevention of aneurysm of the aorta promoted by the Cardioteam Foundation NGO, through which all employees aged 55 or over have a free medical screening;
- the introduction in several municipalities of the province of Parma of the "precise tariff system", a method of calculating rubbish bills based on the "pollute less, pay less" principle and achieved thanks to a microchip placed in non-separate waste bins that makes it possible to calculate a proportion of the bill on the actual waste produced;
- achievement, by Iren Emilia, of the Ecostars certificate, with a score of 3 stars. The European Ecostars project rewarded companies in the Parma area that managed to increase the efficiency of their vehicle fleet decreasing considerably the quantity of carbon dioxide emitted into the air;
- creation of the App Click Iren, which enables the Group's customers to consult and manage their contracts online (check the status of payments, view and download bills in pdf format, change the contact address, and for services related to water and gas send a meter reading);
- the possibility for gas and/or electricity customers (users situated in the Municipality of Parma, or in the Municipalities of Genoa and its province), damaged by the floods in the first half of October 2014, to suspend payments of bills falling due from 1/10/2014 to 30/4/2015 without being charged default interest;
- the agreement signed by Confagricoltura Liguria and Iren Mercato to support companies in the territory to facilitate the sustainable development of agricultural activities. For the benefit of enterprises that are members of Confagricoltura Liguria, Iren Mercato reserves an electricity contract deriving only from plants powered by renewable sources, economically convenient and modulated on the basis of the customer's needs. These enterprises can also take advantage of the "Zero Cost Led", offer that provides for installation with no initial investment cost, of new-generation Led lighting systems with very great energy savings;
- launch of the Re-Build project to promote and perform energy requalification work on the existing property assets in the city of Reggio Emilia with the aim of acting on thermal (gas or district heating) and electricity consumption and stimulating a shift in the local construction industry to the work of regenerating the existing property assets, promoting a widespread culture of economic and environmental opportunities linked to energy saving;
- signing of the collaboration protocol to implement the national "Youth Guarantee" plan by the Ministry for Employment and Social Policies and the Chairperson of Iren. The Group undertakes therefore to promote a process of recruiting young people through a structured selection procedure with objective assessment methods and to provide to everyone involved in these recruitment processes, occasions and tools for increasing their personal and professional skills;

The Group, finally, is present in the ethical indexes: ECPI Italy SMEs Equity and FTSE ECPI Italia SRI Benchmark.

HIGHLIGHTS 2014



INFORMATION ON IREN'S CORPORATE GOVERNANCE

Introduction

Iren S.p.A. 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 their controlling bodies - namely FSU SRL (jointly controlled by the municipal authorities of Turin and Genoa) and the Municipalities of Reggio Emilia, Parma and Piacenza - with the aim of generating a new entity capable of developing industrial synergies and representing a hub for further business combinations on the Italian market.

Iren's public shareholders have signed three Shareholders' Agreements:

- FSU Agreement - former Enìa S.p.A. public shareholders:
  this refers to a blocking and voting shareholders' agreement with the aim of guaranteeing the development of Iren, its investees and its business activities, and to ensuring its unity and stability of purpose;
- Sub-agreement of former Enìa public shareholders:
  this agreement aims, amongst other things, to ensure unity in terms of conduct and governance of decisions to be made by the shareholders in all areas covered by the shareholders' agreement. It also involves additional commitments to guarantee the development of Iren, its investees and its business activities, and to ensuring its unity and stability of purpose;
- Reggiano sub-agreement:
  this agreement aims to ensure unity in terms of conduct and governance of decisions to be made by the shareholders, and also involves additional commitments to guarantee the development of Iren, its investees and its business activities, and to ensuring its unity and stability of purpose.

The shareholders' agreement remain in force until 1 July 2015 and, unless cancelled, will be renewed for two more years until 1 July 2017; further renewals have to be agreed in writing between the shareholders.

On 23 May 2013 the Public Shareholders signed three amending Addenda to the FSU Agreement - for former Enìa public shareholders, the Sub-agreement of former Enìa public shareholders and the Reggiano sub-agreement, to update the Company's governance, keeping the original ownership structures and existing balances between parties to the former Agreements unchanged.

Iren S.p.A. acts as an industrial holding company operating in the business sectors of the merged companies, through a complex group of five first-level companies specialised in management of the various business areas, which operate directly or through their investees in their specific segments.
This structure aims to enhance the complementary nature of the two founding Group and to strengthen both their local presence and the integration of the various business segments.

Management and coordination over subsidiaries is carried out by the Parent Iren S.p.A. as expressly provided for in and governed by the Articles of Association of Iren S.p.A. and in the Articles of Association of the first-level companies.

The company adopts a traditional corporate governance system, compliant with the principles of the Corporate Governance Code for listed companies issued by Borsa Italiana.

Following the amendments to the Articles of Association approved by the Shareholders' Meeting of 19 June 2013, by suppression of the Executive Committee the shareholders aimed to grant a broader range of powers to the Board of Directors for the ordinary and extraordinary administration of the company, in particular assigning 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 Board of Directors delegates its powers to one or more of its members and can also assign powers to the Chairperson, Deputy Chairperson and CEO provided they do not conflict with each other.

The Board of Directors of Iren, at the meeting of 27 June 2013: (i) acknowledged the appointment by the Shareholders' Meeting of the Chairperson of the Board of Directors, Francesco Profumo, (ii) appointed the Deputy Chairperson, Andrea Viero and the Chief Executive Officer, Nicola De Sanctis and (iii) conferred certain powers on the Chairperson, the Deputy Chairperson and the Chief Executive Officer in accordance with the Articles of Association.

The Chairperson, Francesco Profumo, was given powers, delegated powers and responsibilities in relation to: institutional relations, external relations, communication and image, relations with Regions and local authorities, relations with Regulators, merger & acquisition operations.
The Deputy Chairperson, Andrea Viero, was given powers, delegated powers and responsibilities in relation to: corporate affairs, corporate compliance, committees, risk management, internal audits, corporate social responsibility.
The Chief Executive Officer, Nicola De Sanctis (in office up to 1 December 2014), was given powers, delegated powers and responsibilities in relation to: strategic planning, administration and finance, management control, personnel and organisation, shared services, information and communication technology, procurement, contracts and logistics, management of investees, legal matters, investor relations and financial communication, special projects, and wide-ranging delegated powers and powers of representation.

Following the consensual termination of the Company's relations with Mr Nicola De Sanctis which entailed, among other things, renunciation pursuant to Art. 2385 of the Italian Civil Code of the positions of Chief Executive Officer and Director of Iren starting from 30 November 2014, the Board of Directors of Iren, at its meeting on 1 December 2014, acted to replace De Sanctis, co-opting pursuant to Art. 2386 of the Italian Civil Code Mr Vito Massimiliano Bianco as new Director of the Company and conferring at the same time on the same the operating delegated powers previously attributed to Mr De Sanctis, thus appointing Mr Bianco Chief Executive Officer of the Company.

During its meeting of 22 December 2014, the Board of Directors of Iren acknowledged the intention expressed by the Deputy Chairperson Mr Andrea Viero to proceed in the process, which had already begun in the previous months, aimed at his gradual withdrawal from the roles played within the Iren Group. In particular, to guarantee an adequate transition in the activities followed up to now, Mr Viero has stated that he will keep the position of Deputy Chairperson of Iren until 30 April 2015, accepting the request made in this sense by the main public shareholders and by the Board of Directors itself.

In compliance with provisions of the Corporate Governance Code, the Board of Directors also appointed:
- the Remuneration Committee to which, at its meeting of 28 October 2014, it also assigned temporarily (and, more precisely, until the first meeting of the Board of Directors after the Shareholders' Meeting that will approve the 2014 financial statements) the duties on the matter of appointments pursuant to Art. 5 of the of the Stock Exchange Corporate Governance Code. In relation to this increase in duties, the said Committee was named "Remuneration and Appointments Committee";
- the Control and Risk Committee (henceforth also CRC),

and, in accordance with the provisions of Consob Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions and of the specific Internal Regulation:
- the Committee of Independent Directors for transactions with related parties, entitled "Committee for Transactions with Related Parties" (henceforth 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.
After 22 December 2014 and in the context of the redistribution of the delegated powers:
- the Corporate Compliance and Internal Auditing units report to the Chairperson
- under the terms of Art. 25.2 of the Articles of Association, in addition to what was already resolved on 27 June 2013, the Chairperson is given the following delegated and other powers to be exercised within the limits of commitment indicated below and excluding what is reserved by law and/or by the Articles of Association for the Shareholders' Meeting and/or for the Board of Directors and in particular subject to the limits pursuant to Art. 25 of the the Articles of Association:
  1. to verify implementation of the corporate governance rules also in implementation of the powers reserved for the Board of Directors;

2. to verify execution of the resolutions of the Company's collegial bodies and the indications of the internal Committees also on the basis of the reports that the internal auditing service produces regularly;
3. to manage the 231/01 system, including through any updates of the model and the procedures;
4. to direct and manage the Internal Auditing Unit;
5. to propose to the Board of Directors the appointment, dismissal and remuneration of the operating manager of the Internal Auditing unit;
6. the Chairperson, in the context and within the limits of the respective delegated powers and of the reporting lines by the various corporate structures, is appointed to oversee the functions of the internal control and internal auditing system. To this end, as far as he/she is responsible:
    a. he/she supports the Control and Risk Committee in the activity of identifying the main business risks, taking into account the characteristics of the activities performed by the Company and by its subsidiaries and in the periodic submission of the same to the examination of the Board of Directors,
    b. executes the guidance defined by the Board of Directors ensuring that the competent corporate structures plan, put in place and manage the internal control and internal auditing system, checking constantly its overall adequacy, effectiveness and efficiency, acting also to adapt this system to the trends in the operating conditions and the legislative and regulatory framework;

    the parts of the resolution of 27 June 2013 incompatible with what has bee resolved above are understood as abrogated.

BOARD OF DIRECTORS

The Shareholders' Meeting of 27 June 2013 appointed the current Board of Directors, made up of thirteen members, which will remain in office for the years 2013/2014/2015 (until approval of the separate financial statements at 31 December 2015).

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	Francesco Profumo (*)	Savona	03 May 1953
Deputy Chairperson	Andrea Viero (*)	Marostica (VI)	07 April 1964
Chief Executive Officer and Central Operations and Strategy Manager	Vito Massimiliano Bianco (***)	Gioia del Colle (BA)	30 August 1971
Director	Lorenzo Bagnacani (*)	Reggio Emilia	17 June 1970
Director	Roberto Bazzano (*)	Cairo Montenotte (SV)	01 February 1944
Director	Ettore Rocchi (*)	Reggio Emilia	20 November 1964
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, called to renew the administrative body.

(**) Appointed until the expiry of the current 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.

(***) Co-opted 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 3 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 1 January 2015 and with expiry on 31 December 2019.

In accordance with art. 25 of the Articles of Association, resolutions of the Iren Board of Directors are carried by vote in favour by 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.

In 2014 the Iren Board of Directors held 19 meetings.

Of the 13 members of the Board of Directors, five meet the independence requirements of both the Consolidated Law on Finance (TUF) and Borsa Italiana's Corporate Governance Code, and also with the Corporate Governance Code adopted by the company to comply with that of Borsa Italiana.
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. The outcome of the Board's assessments is disclosed to the market.
The annual meeting of the Independent Directors, under the terms of Art. 3.7 of the company's current Corporate Governance Code, was held on 8 September 2014.

The company has established a bonus system (MBO) for the Chief Executive Officer: the targets are set annually by the Board of Directors on the basis of a proposal from the Remuneration Committee, and if achieved give the right to receive the related bonus (after a resolution of the Board of Directors as proposed by the said Remuneration Committee).
For more information on the remuneration policy, please see the Remuneration Report for financial year 2014 which will be 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 31.12.2014.
As envisaged in the Italian Civil Code, directors with an interest in a given transaction must report such interest beforehand. In particular, on 3 December 2013 the Board of Directors approved the current text of the "Internal Regulations on Transactions with Related Parties".
The current text of the Corporate Governance Code approved by the Iren S.p.A. Board of Directors on 17 September 2013 envisages that the Board of Directors must adopt measures and action to ensure that conflicts of interest do not arise.

REMUNERATION AND (FROM 28 OCTOBER 2014) APPOINTMENTS COMMITTEE

The Board of Directors set up within it a Remuneration Committee composed of non-executive directors, most of whom independent, from among whom the Chairperson is chosen.

The Committee has the following duties:

- 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;
- to formulate the relevant proposals to the Board of Directors;
- 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;
- monitoring the application of the decisions adopted by said Board by verifying, in particular, the actual achievement of the performance objectives.

The Remuneration Committee has consulting and recommendation duties and has the power to determine the remuneration of directors given particular duties, in accordance with Article 2389, paragraph three, of the Italian Civil Code, remains with the Board of Directors which, pursuant to Art. 21 of the current Articles of Association, does so after consulting the Remuneration Committee and the Board of Statutory Auditors.
The Remuneration Committee also performs the functions of Independent Directors' Committee, limited to cases where the Remuneration Committee 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 directors and key managers of the company pursuant to Art. 7.1-bis, of the applicable internal regulations governing related party transactions.

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

On 28 October 2014 the Board of Directors attributed to the Remuneration Committee the duties envisaged by the Corporate Governance Code for Appointments Committee. In relation to this supplement of duties, the pre-existing Committee was named "Remuneration and Appointments Committee".
The Remuneration and Appointments Committee, was thus given also the following duties on the matter of appointments:

- 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, also as a result of the self-assessment activity pursuant to lett. f) below;
- 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;
- 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;
- to carry out the enquiry on preparation of the plan for the succession of the Executive Directors, if adopted by the Company;
- to support the Board of Directors in the activity of annual self-assessment of the Board and of its Committee under the terms of the Corporate Governance Code, an activity which may be carried out also with the aid of an external consultant for the methodological aspects.

On 27 June 2013, Iren's Board of Directors appointed the following directors as members of the Remuneration Committee:

- Roberto Walter Firpo
- Fabiola Mascardi
- Ettore Rocchi

On 13 July 2013 the Committee appointed Roberto Walter Firpo as its Chairperson.
On 22 July 2013, following the latter's resignation from office as Chairperson due to his loss of the requisite of independence according to the Corporate Governance Code, the Committee appointed Fabiola Mascardi to replace him as Chairperson.
As a consequence of the cessation on 18 June 2014 of Mr Firpo from the position of Director of IREN and member of the Remuneration Committee and of the consequent appointment by the Shareholders' Meeting (meeting on 18 June 2014) of Mr Augusto Buscaglia to the position of Director of Iren, on 4 July 2014 the Board of Directors appointed the said Mr Buscaglia as member of the Remuneration Committee, after verifying existence of the requisites of independence pursuant to Arts 147 ter and 148, paragraph 3 of the Consolidated Law on Finance (Italian Legislative Decree 58/98) held by the same.

In 2014 the Remuneration Committee met 14 times, preparing proposals recorded in the minutes of the Committee meetings.

The Committee meetings may be attended by the Chairperson of the Board of Statutory Auditors or another Statutory Auditor designated by him; in any case the other statutory auditors may also attend.

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

In accordance with the Corporate Governance Code the Board of Directors has set up a Control and Risk Committee.

The Committee is composed of three directors, most of whom independent, from whom the Chairperson is chosen. At least one member of the committee has sufficient accounting and financial or risk management experience (considered suitable by the Board of Directors at the time of appointment).

The Control and Risk Committee has the following duties:

- through adequate preliminary activities, it supports 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;
- it assesses, together with the Manager in charge of financial reporting, and having consulted with the independent auditors and the Board of Statutory Auditors, the proper use of accounting policies, and in the case of groups, their consistency for the purpose of drafting the consolidated financial statements;
- it expresses opinions on specific aspects concerning Risk Policies, the identification of the main company risks and the Audit Plan;
- it examines the periodic reports, concerning the evaluation of the internal control and risk management system, and those of particular significance drafted by the Internal Auditing Unit;
- it monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Auditing Unit;
- it can ask the Internal Auditing Unit to perform checks on specific areas of operations, providing simultaneous communication to the Chairperson of the Board of Statutory Auditors;
- it reports to the Board on its activity and the adequacy of the internal control and risk management system.

In performing its duties the Control and Risk 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.

On 27 June 2013, the Iren S.p.A. Board of Directors appointed the following three directors as members of the Control and Risk Committee:

- Franco Amato
- Alessandro Ghibellini
- Barbara Zanardi

On 22 July 2013 the Committee appointed Franco Amato as its Chairperson.

In 2014 Iren's Control and Risk Committee held 7 meetings.

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 (CTRP).

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 (Italian Legislative Decree 58/98) and of the further requisites provided for in Art. 3 of the company's current Corporate Governance Code. In order to guarantee the dual independence and non-relatedness requirement 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.

On 3 December 2013, Iren's Board of Directors appointed the following directors as members of the Committee for Transactions with Related Parties:

- Franco Amato
- Fabiola Mascardi
- Barbara Zanardi

On 16 December 2013 the Committee appointed Barbara Zanardi as its Chairperson.
In 2014 the committee met 9 times, preparing proposals 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	Control and Risk Committee	Committee for Transactions with Related Parties
Fabiola Mascardi (Chairperson)	Franco Amato (Chairperson)	Barbara Zanardi (Chairperson)
Augusto Buscaglia (1)	Alessandro Ghibellini	Fabiola Mascardi
Ettore Rocchi	Barbara Zanardi	Franco Amato

(1) Was appointed a member of the Remuneration Committee on 4 July 2014 to replace Mr Firpo.

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 Board of Statutory Auditors in office was appointed by the Iren Ordinary Shareholders' Meeting of 14 May 2012 and will remain in office until approval of the financial statements as at 31 December 2014.

The members of the current Board of Statutory Auditors are indicated in the following table.

Office	Name and Surname	Place of birth	Date of birth
Chairperson	Paolo Peveraro	Castel San Giovanni (PC)	05 July 1956
Standing Auditor	Anna Maria Fellegara	Borgonovo Val Tidone (PC)	18 January 1958
Standing Auditor	Aldo Milanese	Mondovì (CN)	27 January 1944
Substitute Auditor	Alessandro Cotto	Asti	23 October 1970
Substitute Auditor	Emilio Gatto	Genoa	01 October 1969

Art. 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 has supervised the independence of the independent auditors and, in conducting its own activities has liaised with the Internal Auditing Department and the Control and Risk Committee, attending their respective meetings.
In 2014 the Board of Statutory Auditors held 16 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 and of the Corporate Governance Code. In particular, 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 (Article 147-quinquies of the Consolidated Law);
- at least two members of the Board of Directors must possess the requisites of independence established by the applicable legislation (Article 147–ter, paragraph four of the Consolidated Law);
- the members of the entire Board of Directors are appointed on the basis of lists (Article 147–ter, paragraph one, of the Consolidated Law);
- the non-controlling shareholders have the right to appoint at least two Directors (Article 147–ter, paragraph three of the Consolidated Law);
- 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 (Article 148, paragraph two of the Consolidated Law);
- 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 (Article 148, paragraph 2-bis of the Consolidated Law);
- a person responsible for corporate financial reporting must be appointed, setting the requisites of professionalism and the powers and tasks attributed to the same (Article 154–bis of the Consolidated Law).

Maximum number of positions held in other companies
According to IREN's New Corporate Governance Code, 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 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. 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.

Director responsible for the internal control system and for risk management

Under the terms of Art. 8.1 of the Corporate Governance Code, the Board of Directors, with a resolution of 17 September 2013, with regard to the delegated powers conferred on the Deputy Chairperson Mr Andrea Viero appointed him as Director responsible for the internal control system and for risk management.

The Director responsible for the internal control system and for risk management:

a) verifies that the main business risks have been identified, taking into account the characteristics of the activities performed by IREN S.p.A. and by its subsidiaries, that the Risk Policies and Audit Plan have been defined, and checks that the same are submitted periodically to examination by the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors;
b) checks that:
   (i) the guidance defined by the Board of Directors is implemented;
   (ii) acts to design, create and manage the internal control and risk management system and checks constantly that it is adequate and effective;
c) checks that this system id adapted to changes in the operating conditions and the legislative and regulatory framework;
d) may 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;
e) reports 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.

On 22 December 2014, following the renunciation by the Deputy Chairperson (Mr Andrea Viero) of some of the delegated powers conferred on the same by the Board of Directors on 27 June 2013 including those related to Internal Auditing, the Board of Directors attributed them to the Chairperson of the Board of Directors, who was given the task of overseeing the operations of the internal control and internal auditing system.

Requisites of directors

All members of the Company's Board of Directors possess the requisites of integrity, pursuant to Article 147-quinquies of the Consolidated Law.

The Directors Franco Amato, Anna Ferrero, Fabiola Mascardi, Ettore Rocchi and Barbara Zanardi also possess the requisites of independence provided for in Article 148, paragraph three, of the Consolidated Law and in Article 3.3. of the New Corporate Governance Code.

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, the Issuer has adopted, with a resolution of the Board of Directors of 10 December 2010, also the Code of Ethics.

The Company has opted for a collegial composition of its Oversight Committee with the objective of meeting the requirements of autonomy, independence, professionalism and continuity of action mentioned above.

The Board of Directors resolved to appoint three members of the Oversight Committee, Prof. Adalberto Alberici (Chairperson), Prof. Marco Elefanti (who on 28 August 2014 replaced Mr Alberto Valotti who had resigned from the position on 16 July 2014) and Mr Maurilio Battioni.

IREN's Oversight Committee, availing itself of the Internal Audit unit, 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.

Financial management

Organisational solutions were adopted with the aim of centralising financial management for the entire Group under the direct responsibility of IREN S.p.A., in order to optimise the structure and conditions of access to third party financing.

To this end, medium/long-term loans are taken out 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 loan facility agreements.

The Board of Directors approved the new regulation on 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

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.

In 2014, all financial and legal transactions between the parties are governed by the specific infragroup agreement between the companies involved and the parent, Iren S.p.A..

The tax consolidation scheme therefore includes, in addition to the consolidating company Iren S.p.A., the following companies: AEM Torino Distribuzione, Iren Servizi e Innovazione, Iren Acqua Gas, Iren Mercato, Iren Energia, Iren Gestioni Energetiche, AGA, Mediterranea delle Acque, Immobiliare delle Fabbriche, Nichelino Energia, Enìatel, Tecnoborgo, Iren Ambiente, Iren Emilia e Genova Reti Gas, Iren Ambiente Holding, Iren Rinnovabili, Green Suorce, Enìa Solaris, Varsi Fotovoltaico, Millenaria Fotovoltaico, Agriren and TLR V.

In particular, this contract covers the way in which the IRES taxable amounts are transferred and the related remuneration, as well as the effects of any suspension of the above-mentioned regime or of its non-application in future years.

Italian Law No. 244 of 24 December 2007 (2008 Budget Law), with effect starting from the 2008 tax period, radically changed the group taxation rules. It abolished all consolidation adjustments provided for by Art. 122 of the Consolidated Income Tax Act, abrogated the rules regarding intra-group transfers pursuant to Art. 123 of the Consolidated Income Tax Act and introduced the possibility, under certain conditions, to deduct from the consolidated income the surplus interest expense of the participating companies that may have accrued due to the new interest expense deductibility provisions set forth in Art. 96 of the said Act.

By reason of regulatory amendments, the Regulations in force were drawn up taking into account the above-mentioned criteria, pursuant to provisions set out by Art. 22 of the same Regulations.

After the companies chose to adhere to the tax consolidation scheme, in return for the taxable income earned and transferred to the parent, the consolidated company commits to pay to the parent "tax settlements" equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.

The other obligations of the parties are also pointed out in the Regulation, including the consolidated entities having to send information flows so that the parent is able to determine the total group Income for IRES purposes.

The consequences regarding early interruption of the consolidation, failure to renew and the responsibilities of the parties in the case of errors attributable to them, pursuant to art. 127, paragraph 2 of the Consolidated Income Tax Act, are indicated in specific paragraphs.

With reference to Group companies that operate in the production, trading, transportation or distribution sectors of natural gas or electrical energy, also generated from renewable sources, these are subject to 6.5% additional IRES tax (increased to 10.5% for 2011, 2012 and 2013 and remaining unchanged for 2014). This additional tax must be paid autonomously by the above-mentioned companies, even if they are party to the tax consolidation. With a judgement of 11 February 2015 the Constitutional Court considered unconstitutional the IRES surcharge and therefore from financial year 2015 it will no longer be applied.

Group VAT option

In terms of procedures, for 2014, the payment of Group VAT involved the transfer to the parent Iren S.p.A. of all obligations regarding settlements and VAT periodic payments.

The companies that took part in the settlement procedure are the parent Iren S.p.A. and the following companies: Iren Energia S.p.A., Iren Servizi and Innovazione S.p.A. (formerly Iride Servizi S.p.A.) , Iren Acqua Gas S.p.A., Iren Mercato S.p.A., AEM Torino Distribuzione S.p.A., Iren Gestioni Energetiche (formerly CAE AMGA Energia S.p.A.), Genova Reti Gas, Iren Ambiente S.p.A., Iren Emilia S.p.A., Enìa Solaris S.p.A., Idrotigullio, TLR V, IREN Rinnovabili, Mediterranea delle Acque, Nichelino Energia e Azienda Energia e Servizi Torino (until 30 June 2014).

Transactions with related parties

On 30 November 2010, IREN's Board of Directors adopted the “Internal Regulations on Transactions with Related Parties”, issued in implementation:

a) of the provisions relating to transactions with related parties pursuant to Article 2391-bis of the Italian Civil Code;
b) of the provisions pursuant to Art. 114 of Italian Legislative Decree 58 of 24 February 1998 (the “Consolidated Law on Finance” or CLF);
c) the regulation containing provisions on transactions with related parties, adopted by Consob with its resolution 17221 of 12 March 2010 and subsequently amended with resolution 17389 of 23 June 2010 (the “Consob Regulation”).

The Regulations apply starting from 1 January 2011.
The provisions relating to disclosure to the public contained in the Consob Regulation and the present Regulation have been applied since 1 December 2010.
In addition the Regulation was amended on 6 February 2013 in application of the New Corporate Governance Code.
As a result of the new Iren governance provisions (Extraordinary Shareholders’ Meeting of 19 June 2013, which approved the new Articles of Association, and the Ordinary Shareholders’ Meeting of 27 June 2013 which appointed the new Board of Directors), a further review became necessary of the Regulations on transactions with related parties.
Consequently, on 3 December 2013 Iren’s Board of Directors, with opinion in favour from the Control and Risk Committee, adopted a new version of the “Internal Regulation on transactions with related parties”.
The “Internal Regulation on transactions with related parties” (hereinafter also the “TRP Regulation”) is published on IREN's website (www.gruppoiren.it) and, in brief, covers:

a) identification of related parties;
b) what is meant by transaction with a related party;
c) transactions for small amounts;
d) less important transactions and the related procedure;
d) more important transactions and the related procedure;
f) cases of exclusion;
g) establishment of the Committee for Transactions with Related Parties;
h) transactions within the competence of the Shareholders' Meeting;
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 Italian Legislative Decree No. 58/1998 (Consolidated Law on Finance).
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.

At its meeting on 3 December 2013 the Board of Directors identified three directors - all in possession of the requisites of independence provided for in Arts 147-ter paragraph 4 and 148, paragraph 3 of the CLF and of the further requisites provided for in the company’s current Corporate Governance Code – who make up the Committee for Transactions with Related Parties:

- Franco Amato

- Fabiola Mascardi
- Barbara Zanardi

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). A sizeable part of these relations 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 relations are governed by specific agreements whose terms are established in accordance with normal market conditions. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.

During the meetings held in 2014, the Committee for Transactions with Related Parties was asked to examine transactions carried out between the Company and subjects classified as related parties. In particular:

- in January 2014, the examination was definitively completed and a favourable opinion issued on the transaction of minor significance (submitted to the CTRP in December 2013) with the related party Municipality of Genoa, through its subsidiary Sportin Genova, aimed at arriving at an agreement for recovery of the receivables claimed by three IREN Group companies (Iren Mercato SpA; CAE SpA, Mediterranea delle Acque SpA) from the aforesaid subsidiary of the Municipality of Genoa;
- in January 2014, there was the transaction with the related party Municipality of Turin and the Group company IREN Mercato related to a change in a clause on the subject of default interest contained in the contract in force for the supply of district heating. Following careful assessment, on the basis of the data provided by the CEO of IME, it was ascertained that the conclusion of the transaction, given the small amount of the same (less than € 500,000), did not need prior examination by and an opinion from the CTRP;
- in the period June/October 2014, a transaction of minor significance with the related party Municipality of Turin was examined and a favourable opinion was issued. This transaction was aimed at concluding an Agreement between the subsidiary IREN Servizi e Innovazione S.p.A. and the City in relation to the "Torino LED Project – Energy Efficiency for Public Lighting";
- again in the period June/October 2014, a transaction of minor significance with the related party Municipality of Turin was examined and a favourable opinion was issued. This transaction was aimed at defining the 2014 Addendum to the Agreement signed at the end of 2012 by the City of Turin and the IREN Group (specifically IRIDE Servizi, now IREN Servizi e Innovazione) regarding the revision of the existing contracts/conventions;
- in November 2014, a transaction of minor significance with the related party Municipality of Turin was examined and a favourable opinion was issued. This transaction related to the sale to AMIAT V. SpA (controlled indirectly by IREN SpA) by FCT Holding s.r.l. (100% controlled by the Municipality of Turin) of a 31% interest in the share capital of AMIAT S.p.A..

Transactions with related-party shareholder Municipalities
The relations maintained by IREN S.p.A., directly or through its subsidiaries, with the shareholder Municipalities identified as related parties (the Municipalities of Reggio Emilia, Parma and Piacenza, Finanziaria Sviluppo Utilities S.r.l. and the Municipalities of Turin and Genoa), are mainly relations of a commercial nature defined on the basis of Conventions or of single contractual relationships which regulate the conditions for performance of the various services by the company.
The Company and its subsidiaries disclose related party transactions in accordance with transparency and fairness principles. A good part of these relations concern services provided to the customers in general (gas, water, electrical energy, heat, etc.) and are governed by contract rules normally applicable to these situations.
Where the services provided are not current, the relations are governed by specific agreements whose terms are established in accordance with normal market conditions. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.
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.

Information on transactions with the related parties is included in the Notes to the interim and annual financial statements.

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

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

Relations with Directors
For information on the remuneration of key managers, please see the specific Remuneration Report issued pursuant to Art. 123-ter of the Consolidated Law on Finance.

OTHER INFORMATION

Personal data protection code
As part of the activities envisaged in Italian Legislative Decree 196/03, the “Personal Data Protection Code”, in each Group company action was taken that was useful in assessing the system for protecting the data subject to these regulations.
As regards IREN S.p.A., these activities led 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 Parent Company.
Once the current implementation stage has been completed, this system will be further adjusted to keep it compliant with the requirements of the law on protecting the personal data managed by IREN S.p.A.

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 under 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 Market Regulation do not apply. With regard to the conditions set forth in Art. 37 of the Market Regulation, the company is not subject to management and coordination by any other company.

Report on Corporate Governance and Ownership Structures and the 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 previous section on Corporate Governance, as envisaged in art. 123-bis and art. 123-ter, Legislative Decree no. 58 of 24 February 1998, and subsequent amendments and additions.

PROPOSALS OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING

PROPOSALS RELATING TO THE AGENDA ITEM "Financial Statements at 31 December 2014 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 2014 which closed with a profit of Euro 50,096,527.17.
- approve the following proposal for the allocation of profit for the year:

Iren S.p.A. profit for the year	Euro 50,096,527.17
To the legal reserve 5% of profit for the year	Euro 2,504,826.36

To the shareholders, a unit dividend of Euro 0.0372 for the 1,181,725,677 ordinary shares and the 94,500,000 savings shares of a nominal amount of Euro 1 to be paid starting from 24 June 2015 with coupon date of 22 June 2015 and record date of 23 June, for a total of Euro 47,475,595.18.

To the Extraordinary Reserve	Euro 116,105.63

- approve the distribution of an extraordinary unit dividend of Euro 0.0151, taken from the Extraordinary Reserve, for the 1,181,725,677 ordinary shares and the 94,500,000 savings shares of a nominal amount of Euro 1 to be paid starting from 24 June 2015 with coupon date of 22 June 2015 and record date of 23 June 2015, for a total of Euro 19,271,007.72.

Therefore, if you approve the above proposals, the total unit dividend to be assigned to each of the 1,181,725,677 ordinary shares and the 94,500,000 savings shares of a nominal amount of Euro 1 to be paid starting from 24 June 2015, with coupon date of 22 June 2015 and record date of 23 June 2015, will be Euro 0.0523, for a total of Euro 66,746,602.91.

On behalf of the Board of Directors
The Chairperson
Francesco Profumo

Iren S.p.A.
Via Nubi di Magellano, 30 – 42 123 Reggio Emilia
Share capital € 1,276,225,677.00 fully paid up
Companies' Register of Reggio Emilia No. 07129470014
Tax ID and VAT No. 07129470014

Consolidated Financial Statements and Notes to the Financial Statements

at 31 December 2014

STATEMENT OF FINANCIAL POSITION

thousands of euro

	Notes	31.12.2014	of which related parties	31.12.2013 (*)	of which related parties	1.1.2013 (*)	of which related parties
ASSETS							
Property, plant and equipment	(1)	2,992,246		2,567,337		2,257,518	
Investment property	(2)	14,427		14,457		926	
Intangible assets with a finite useful life	(3)	1,234,670		1,178,214		1,142,962	
Goodwill	(4)	124,407		124,407		125,407	
Equity investments accounted for using the equity method	(5)	235,102		426,242		725,062	
Other investments	(6)	17,817		15,491		29,808	
Non-current trade receivables	(7)	51,232		18,506		-	
Non-current financial assets	(8)	66,439	65,143	79,424	77,245	142,043	139,793
Other non-current assets	(9)	47,006	11,926	52,982	19,843	32,510	2,759
Deferred tax assets	(10)	277,678		305,915		211,136	
Total non-current assets		**5,061,024**		**4,782,975**		**4,667,372**	
Inventories	(11)	81,659		106,618		87,905	
Trade receivables	(12)	977,964	237,159	979,763	119,144	1,219,498	158,849
Current tax assets	(13)	19,334		5,042		8,283	
Other receivables and other current assets	(14)	233,434	84	197,205	5,691	246,721	8,886
Current financial assets	(15)	471,301	462,364	418,407	414,675	404,703	385,480
Cash and cash equivalents	(16)	51,601	2,830	50,222	2,326	26,681	2,668
Total current assets		**1,835,293**		**1,757,257**		**1,993,791**	
Assets held for sale	(17)	10,762		1,001		4,787	
TOTAL ASSETS		**6,907,079**		**6,541,233**		**6,665,950**	

(*) The comparative figures at 31.12.2013 and at 01.01.2013 were restated following application of IFRS 11 “Joint Arrangements”.

thousands of euro

	Notes	31.12.2014	of which related parties	31.12.2013 (*)	of which related parties	1.1.2013 (*)	of which related parties
EQUITY							
Equity attributable to owners of the Parent							
Share capital		1,276,226		1,276,226		1,276,226	
Reserves and retained earnings		401,198		415,721		463,629	
Net profit (loss) for the year		85,795		80,554		-	
Total equity attributable to owners of the Parent		**1,763,219**		**1,772,501**		**1,739,855**	
Non-controlling interests		230,330		216,526		214,402	
TOTAL EQUITY	**(18)**	**1,993,549**		**1,989,027**		**1,954,257**	
LIABILITIES							
Non-current financial liabilities	(19)	2,210,821	94,661	1,841,116	170,004	2,137,465	177,162
Employee benefits	(20)	148,971		113,198		98,964	
Provisions for risks and charges	(21)	319,661		283,685		271,498	
Deferred tax liabilities	(22)	162,343		173,198		102,720	
Other payables and other non-current liabilities	(23)	200,625	-	188,484	363	152,693	363
Total non-current liabilities		**3,042,421**		**2,599,681**		**2,763,340**	
Current financial liabilities	(24)	664,204	67,314	714,320	103,942	533,518	199,327
Trade payables	(25)	874,723	44,232	947,190	62,026	1,106,130	86,199
Other payables and other current liabilities	(26)	248,583	4,762	205,348	275	223,862	4,971
Current tax liabilities	(27)	1,869		10,952		3,274	
Provisions for risks and charges - current portion	(28)	81,730		74,709		81,548	
Total current liabilities		**1,871,109**		**1,952,519**		**1,948,332**	
Liabilities related to assets held for sale	(29)	-		6		21	
TOTAL LIABILITIES		**4,913,530**		**4,552,206**		**4,711,693**	
TOTAL EQUITY AND LIABILITIES		**6,907,079**		**6,541,233**		**6,665,950**	

(*) The comparative figures at 31.12.2013 and at 01.01.2013 were restated following application of IFRS 11 “Joint Arrangements”.

INCOME STATEMENT

thousands of euro

	Notes	Financial Year 2014	of which related parties	Financial Year 2013 (*)	of which related parties
Revenue					
Revenue from goods and services	(30)	2,633,866	181,398	3,163,905	191,700
Change in work in progress	(31)	(212)	216	(355)	
Other revenue and income	(32)	267,663	4,294	207,872	2,923
- of which non-recurring		*20,944*		-	
Total revenue		**2,901,317**		**3,371,422**	
Operating expense					
Raw materials, consumables, supplies and goods	(33)	(1,027,898)	(92,806)	(1,456,240)	(125,165)
Services and use of third-party assets	(34)	(914,436)	(30,235)	(1,033,962)	(135,369)
Other operating expense	(35)	(102,181)	(7,956)	(86,014)	(3,722)
Capitalised expenses for internal work	(36)	23,169		22,409	
Personnel expense	(37)	(306,763)		(258,426)	
- of which non-recurring		*(36,159)*		-	
Total operating expense		**(2,328,109)**		**(2,812,233)**	
GROSS OPERATING PROFIT (EBITDA)		**573,208**		**559,189**	
Amortisation, depreciation, provisions and impairment losses					
Depreciation and amortisation	(38)	(238,313)		(198,660)	
Provisions and impairment losses	(39)	(49,428)		(104,036)	
- of which non-recurring transactions				*(5,262)*	
Total amortisation, depreciation, provisions and impairment losses		**(287,741)**		**(302,696)**	
OPERATING PROFIT (EBIT)		**285,467**		**256,493**	
Financial management	**(40)**				
Financial income		27,409	19,777	27,932	19,110
Financial expense		(129,895)	(7,104)	(107,889)	(12,464)
Total financial income and expense		**(102,486)**		**(79,957)**	
Profit/(loss) of equity investments accounted for using the equity method	(41)	8,984		46,772	
Impairment losses on investments	(42)	26,493		(28,113)	
Profit before tax		**218,458**		**195,195**	
Income tax expense	(43)	(116,069)		(103,240)	
Net profit/(loss) from continuing operations		**102,389**		**91,955**	
Net profit/(loss) from discontinued operations	(44)	-		-	
Net profit (loss) for the year		**102,389**		**91,955**	
attributable to:					
- Profit/(loss) attributable to owners of the parent		85,795		80,554	
Profit/(loss) attributable to non-controlling interests	(45)	16,594		11,401	
Earnings per ordinary and savings share	**(46)**				
- basic (euro)		0.07		0.06	
- diluted (euro)		0.07		0.06	

(*) The comparative figures of financial year 2013 were restated following application of IFRS 11 “Joint Arrangements”.

STATEMENT OF COMPREHENSIVE INCOME

thousands of euro

	Notes	Financial Year 2014	Financial Year 2013 (*)
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)		**102,389**	**91,955**
Other comprehensive income to be subsequently reclassified to the Income Statement	**(47)**		
- effective portion of changes in fair value of cash flow hedges		(5,208)	25,134
- changes in fair value of available-for-sale financial assets		-	-
- portion of other profits/(losses) of companies accounted for using the equity method		(11,905)	3,310
Tax effect of other comprehensive income		1,508	(10,026)
Total other comprehensive income to be subsequently reclassified to the Income Statement, net of tax effect (B1)		**(15,605)**	**18,418**
Other comprehensive income that will not be subsequently reclassified to the Income Statement			
- actuarial gains/(losses) on employee defined benefit plans (IAS 19)		(12,850)	(3,258)
- portion of other profits/(losses) of companies accounted for using the equity method related to employee defined benefit plans (IAS 19)		(293)	(454)
Tax effect of other comprehensive income		3,210	1,132
Total other comprehensive income that will not be subsequently reclassified to the Income Statement, net of tax effect (B2)		**(9,933)**	**(2,580)**
Total comprehensive income/(expense) (A)+(B1)+(B2)		**76,851**	**107,793**
attributable to:			
- Profit/(loss) attributable to owners of the parent		60,480	96,346
Profit/(loss) attributable to non-controlling interests		16,371	11,447

(*) The comparative figures of financial year 2013 were restated following application of IFRS 11 “Joint Arrangements”.

STATEMENT OF CHANGES IN EQUITY

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

thousands of euro

Hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained Profits (losses)	Profit (loss) for the year	Equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
(42,645)	**219,617**	**311,070**	**152,559**	**1,739,855**	**214,402**	**1,954,257**
		3,516	(3,516)			-
		-	(66,747)	(66,747)	(9,323)	(76,070)
	82,296	82,296	(82,296)	-		-
199	(199)	-		-		-
	3,122	3,122		3,122		3,122
	(75)	(75)		(75)		(75)
18,418	(2,626)	15,792	80,554	96,346	11,447	107,793
			80,554	80,554	11,401	91,955
18,418	(2,626)	15,792		15,792	46	15,838
(24,028)	**302,135**	**415,721**	**80,554**	**1,772,501**	**216,526**	**1,989,027**
		4,343	(4,343)	-		-
		-	(66,747)	(66,747)	(6,894)	(73,641)
	9,464	9,464	(9,464)	-		-
	257	257		257	16,439	16,696
	(154)	(154)		(154)	(12,219)	(12,373)
	(3,118)	(3,118)		(3,118)	107	(3,011)
(15,667)	(9,648)	(25,315)	85,795	60,480	16,371	76,851
			85,795	85,795	16,594	102,389
(15,667)	(9,648)	(25,315)		(25,315)	(223)	(25,538)
(39,695)	**298,936**	**401,198**	**85,795**	**1,763,219**	**230,330**	**1,993,549**

STATEMENT OF CASH FLOWS

	Financial Year 2014	Financial Year 2013 (*)
		thousands of euro
A. Opening cash and cash equivalents	**50,222**	**26,681**
Cash flows from operating activities		
Profit (loss) for the year	102,389	91,955
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	238,313	198,660
Capital gains (losses) and other changes in equity	(21,416)	(554)
Net change in post-employment benefits and other employee benefits	(2,729)	416
Net change in provision for risks and other charges	13,077	(39,203)
Change in deferred tax assets and liabilities	14,413	(15,105)
Change in other non-current assets and liabilities	15,453	15,321
Dividends accounted for net of adjustments	(1,066)	(1,304)
Portion of profit/(loss) of associates and joint ventures	(8,984)	(46,772)
Net impairment losses (reversals of impairment losses) on assets	(26,426)	71,555
B. Cash flows from operating activities before changes in NWC	**323,024**	**274,969**
Change in inventories	26,716	527
Change in trade receivables	130,222	221,229
Change in tax assets and other current assets	(36,054)	61,634
Change in trade payables	(118,131)	(158,940)
Change in tax liabilities and other current liabilities	4,456	(12,613)
C. Cash flows from changes in NWC	**7,209**	**111,837**
D. Cash flows from/(used in) operating activities (B+C)	**330,233**	**386,806**
Cash flows from/(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(256,919)	(255,790)
Investments in financial assets	(87,457)	(1,423)
Proceeds from the sale of investments and changes in assets held for sale	25,764	13,285
Changes in the scope of consolidation	(254,446)	(45,746)
Dividends received	43,373	43,977
E. Total cash flows from/(used in) financing activities	**(529,685)**	**(245,697)**
F. Free cash flow (D+E)	**(199,452)**	**141,109**
Cash flows from/(used in) financing activities		
Dividends paid	(73,641)	(76,070)
New non-current loans	761,248	468,000
Repayment of non-current loans	(847,741)	(284,533)
Change in financial liabilities	400,874	(273,880)
Change in financial assets	(39,909)	48,915
G. Total cash flows from/(used in) financing activities	**200,831**	**(117,568)**
H. Cash flows for the period (F+G)	**1,379**	**23,541**
I. Closing cash and cash equivalents (A+H)	**51,601**	**50,222**

(*) The comparative figures of financial year 2013 were restated following application of IFRS 11 "Joint Arrangements".

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

The segments in which the Group operates are:
- Generation and District heating (hydroelectric production, Cogeneration of electricity and heat, District heating networks and production from Renewable sources)
- Market (Sale of electrical energy, gas, heat)
- Energy Infrastructures (Electricity distribution networks and gas distribution networks);
- Integrated Water Service (sale and distribution of water, water treatment and sewerage)
- Environment (Waste collection and disposal)
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

Paragraph XIII, Information by operating segments, includes the information required by IFRS 8.

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

The statements at 31 December 2013 have been reclassified to adjust to the classification adopted for the corresponding items at 31 December 2014. The main reclassifications are described in these notes.

The company's consolidated financial statements for the year to 31 December 2014 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 and associates companies.

I. CONTENT AND STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Iren Group at 31 December 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS), 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 (“IAS/IFRS”) 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 policies were used as those adopted for the Financial Statements at 31 December 2013, with the exceptions highlighted in the section “Accounting standards, amendments and interpretations effective from 1 January 2014” below.

These consolidated financial statements at 31 December 2014 consist of a Statement of Financial Position, an Income Statement, a Statement of 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 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.

The financial statements have been drawn up on the basis of the historical cost principle, except for certain financial instruments measured at fair value.

In addition, the financial statements of consolidated entities are drawn up at the reporting date of the reference year.

II. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2014

On 13 May 2011 the IASB published the ‘Consolidation Package’, which comprises the standards and amendments listed below, endorsed by the European Commission on 11 December 2012:
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosures of Involvement with Other Entities
Revised IAS 27 – Separate Financial Statements
Revised IAS 28 – Investments in Associates and Joint Ventures

- The standard IFRS 10 “Consolidated Financial Statements” replaces SIC-12 “Consolidation – Special Purpose Entities” and parts of IAS 27 – Consolidated and Separate Financial Statements. The new standard is based on the existing standards, defining the concept of control as the key factor for including a company in the parent’s consolidated financial statements. Control is obtained only if the investor has simultaneously: a) the power to direct the relevant activities of the investee through voting rights and/or contractual agreements; b) exposure to the future returns of the investee (dividends, fiscal benefits,…); c) the ability to use its power over the investee to affect the amount of the investor's returns.

- The standard IFRS 11 – “Joint Arrangements” , replaces IAS 31 – “Interests in Joint Ventures” and SIC-13 – “Jointly Controlled Entities – Non-monetary Contributions by Venturers”. The new standard establishes that, in a joint venture, two or more parties hold joint control if the decisions on relevant activities require the unanimous consent of the parties. IFRS 11 sets out two distinct types of arrangements:
  - a Joint Venture (JV) is an arrangement whereby the parties have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method, required by in IAS 28 “Investments in Associates and Joint Ventures”;
  - a Joint Operation (JO) is an arrangement whereby the parties are not limited exclusively to participate 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.

- The standard IFRS 12 – Disclosures of Involvement with Other Entities is a new and complete standard on additional information that must be supplied on any type of equity interest, including disclosures on subsidiaries, joint arrangements, associates, special purpose entities and other non-consolidated vehicle companies.

- At the same time as the standard IFRS 10 “Consolidated financial statements” was introduced, IAS 27 Revised “Separate Financial Statements” was published. This retains the role of the general standard of reference for separate financial statements. This standard applies in the measurement of investments in subsidiaries, associates and joint ventures in the separate financial statements of the parent company. Joint ventures, as well as with investments in subsidiaries and associates, can be detected in the separate financial statements either at cost or on the basis of IFRS 9 “Financial Instruments” (and IAS 39 “Financial Instruments: Recognition and Measurement”). When, in accordance with the provisions of IFRS 10 “Consolidated Financial Statements”, a parent company chooses not to prepare consolidated financial statements, the separate financial statements must provide information regarding the investments in subsidiaries, associates and joint ventures, the main offices (and the registered office if different), their assets, the percentage interest in the single investees and disclosure regarding the method used to recognise them in the financial statements.

- After the issue of IFRS 11, IAS 28 – “Investments in Associates” was amended to include also equity investments in companies under joint-control in its scope of application, as from the effective date of the standard. IAS 28 Revised “Investments in Associates and Joint Ventures” establishes in fact that, if an entity exercises joint control or significant influence over another subject, it must be stated its investment in the consolidated financial statements by using the Equity method.

The other new Standards and Interpretations endorsed by the EU and in force starting from
1 January 2014 are presented below:

- On 16 December 2011 the IASB issued a number of amendments to IAS 32 “Financial Instruments: Presentation”, endorsed on 13 December 2012, to clarify the application of certain criteria for offsetting financial assets and financial liabilities present in IAS 32.

- The amendment to , IAS 36 “Impairment of Assets”, issued by the IASB on 29 May 2013 and endorsed on 19 December 2013, regards the information requirements when assets are impaired and where the recoverable value is determined on the basis of the fair value, net of costs of disposal. This amendment removes the disclosure requirements with respect to the recoverable value of the asset if the CGU (cash-generating unit) includes goodwill or intangible assets with indefinite useful life but there is no indication that the asset is permanently impaired. Disclosure is also required regarding the recoverable value of an asset or a CGU and regarding the way to calculate the fair value net of costs of disposal when the asset is permanently impaired.

- On 27 June 2013 the IASB published an amendment to IAS 39 “Financial Instruments: Recognition and Measurement”, endorsed on 19 December 2013, which regards accounting for derivative hedging instruments in the event of novation of the counterparty. Prior to introduction of this amendment, if there was a novation of the designated hedging derivatives, IAS 39 required interruption of the application of cash flow hedge accounting, assuming that the novation involved the conclusion or termination of the pre-existing hedging instrument.

- On 20 May 2013 IFRIC 21 “Levies” was issued. This interpretation of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” endorsed on 13 June 2014, regards the accounting for levies that do not fall within the scope of application of IAS 12 “Income Taxes”. IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” establishes the criteria regarding recognition of a liability, one of which is the presence of a present obligation for the entity as the result of a past event. This interpretation clarifies that the obligation that results in the liability for the levy to be paid is the activity described in the legislation of the activity from which payment of the levy originates.

The main effects for the Iren Group derive from application of IFRS 11. The standard, in fact, no longer permits proportional consolidation for Joint Ventures, applied by the Group up to 31 December 2013, to be maintained. The consequence of the above was the exclusion from the consolidation scope of the companies AES Torino, Iren Rinnovabili (and its subsidiaries), OLT Offshore LNG and Società Acque Potabili (and its subsidiaries) which are accounted for with the Equity Method.

Application of IFRS 11 does not produce effects on the net economic result, or on the equity presented in the consolidated financial statements. With reference to 31 December 2013, besides the contribution of the EBITDA of the companies excluded from the consolidation scope for an amount of approximately Euro 87 million, the net debt of approximately Euro 518 million has been removed from these statements.

In order to a better understanding are shown the effects deriving from the application of IFRS 11 on the statement of financial position at 1 January 2013 and at 31 December 2013 and on the 2013 income statement are presented below.

STATEMENT OF FINANCIAL POSITION

thousands of euro

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

thousands of euro

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

INCOME STATEMENT

thousands of euro

	2013 Published	IFRS 11	2013 Restated
Revenue			
Revenue from goods and services	3,228,038	-64,133	3,163,905
Change in work in progress	-355	0	-355
Other revenue and income	220,290	-12,418	207,872
Total revenue	**3,447,973**	**-76,551**	**3,371,422**
Operating expense			
Raw materials, consumables, supplies and goods	-1,462,729	6,489	-1,456,240
Services and use of third-party assets	-1,000,406	-33,556	-1,033,962
Other operating expense	-89,629	3,615	-86,014
Capitalised expenses for internal work	24,394	-1,985	22,409
Personnel expense	-273,586	15,160	-258,426
Total operating expense	**-2,801,956**	**-10,277**	**-2,812,233**
GROSS OPERATING PROFIT (EBITDA)	**646,017**	**-86,828**	**559,189**
Amortisation, depreciation, provisions and impairment losses			
Depreciation and amortisation	-219,717	21,057	-198,660
Provisions and impairment losses	-113,221	9,185	-104,036
- of which non-recurring transactions	*-5,262*		*-5,262*
Total amortisation, depreciation, provisions and impairment losses	**-332,938**	**30,242**	**-302,696**
OPERATING PROFIT (EBIT)	**313,079**	**-56,586**	**256,493**
Financial management			
Financial income	21,846	6,086	27,932
Financial expense	-111,262	3,373	-107,889
Total financial income and expense	**-89,416**	**9,459**	**-79,957**
Share of profit of associates recognised using the equity method	10,421	36,351	46,772
Impairment losses on investments	-20,095	-8,018	-28,113
Profit before tax	**213,989**	**-18,794**	**195,195**
Income tax expense	-122,034	18,794	-103,240
Net profit/(loss) from continuing operations	**91,955**	**-**	**91,955**
Net profit/(loss) from discontinued operations	-	-	-
Net profit (loss) for the year	**91,955**	**-**	**91,955**
attributable to:			
- Profit/(loss) attributable to owners of the parent	80,554	-	80,554
Profit/(loss) attributable to non-controlling interests	11,401	-	11,401

III. CONSOLIDATION POLICIES

The subsidiaries, associates and interests in joint ventures 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 on which control is assumed 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 which provides the elimination of 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 thanks 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 (companies 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.

IV. CONSOLIDATION SCOPE

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

Parent:
Iren S.p.A.

Companies consolidated on a line-by-line basis
The six First-level companies (below SPL) are fully consolidated and, through their consolidated financial statements, their subsidiaries:

1) Iren Acqua Gas and its subsidiaries:
   - Genova Reti Gas
   - Laboratori Iren Acqua Gas
   - Mediterranea delle Acque and its subsidiaries:
     - Idrotigullio
     - Immobiliare delle Fabbriche

2) Iren Ambiente and its subsidiaries:
   - Montequerce
   - Tecnoborgo
   - Amiat V and the subsidiary:
     - Amiat

3) Iren Ambiente Holding and its subsidiary:
   - Bonifica Autocisterne

4) Iren Emilia and its subsidiaries:
   - AGA
   - Consorzio GPO
   - Enìatel

5) Iren Energia and its subsidiaries:
   - AEM Torino Distribuzione
   - Iren Servizi e Innovazione
   - Nichelino Energia
   - TLR V

6) Iren Mercato and its subsidiaries:
   - Iren Gestioni Energetiche, and the subsidiary:
     - O.C. CLIM
   - GEA Commerciale

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

For the full list of investments, reference should be made to the Annexes.

CHANGES IN THE CONSOLIDATION SCOPE

Iren analysed the aspects as per the previous paragraph to verify, with reference to its investees, the existence or otherwise of control as defined by IFRS 10: from the analysis no changes in the consolidation scope caused by the introduction of IFRS 10 emerged.

At 31 December 2014 the changes in the consolidation scope therefore derive from:

- application of IFRS 11, described above, which entailed consolidation at equity of the companies OLT Offshore LNG, Iren Rinnovabili (and its subsidiaries), Società Acque Potabili (and its subsidiaries), AES Torino (up to 30 June 2014), previously consolidated proportionally. We can note in particular that, although Iren through Iren Ambiente Holding holds a 70% interest in Iren Rinnovabili, this last is classified as a joint venture as a result of the governance defined contractually with the other shareholder, which presupposes an agreement between the parties on all the most important decisions (such as approving the company's business plan and guidelines, appointing and revoking managers, taking out loans and making investments of a significant amount);
- the non-proportional partial demerger of AES Torino S.p.A. As a result of this operation, effective from 1 July 2014, Iren Energia acquired direct ownership of the business unit related to the activity of distributing district heating in the Municipalities of Turin, Moncalieri and Nichelino, to which must be added the district heating networks already directly held in the cities of Genoa, Parma, Piacenza and Reggio Emilia.
  The equity investment in AES Torino, carried at equity up to 30 June 2014 in accordance with IFRS 11, was therefore written off after the contribution of the assets and liabilities of AES Torino's district heating business unit, including the 33% interest in Nichelino Energia.
  Starting from 1 July 2014 Nichelino Energia is therefore consolidated at 100%, instead of at 83.83%;
- exercise, through the subsidiary Amiat V S.p.A., of the right of pre-emption for the purchase of 31% of the share capital of Amiat S.p.A. offered by FCT Holding Srl, as provided for in the tender procedure. The acquisition of the further stake in Amiat S.p.A., for a price of Euro 21,666,700, enabled the Iren Group to acquire, starting from 23 December 2014, control over the company that manages environmental services for the City of Turin. As regards accounting we can note that the equity investment was measured using the equity method up to the date of acquisition of the further 31% and that at 31 December 2014 the financial balances of the company were fully consolidated. We can note finally that from the comparison between the fair value of the net assets acquired and the acquisition cost there emerged a surplus of 3,897 thousand euro recognised in the item "Value adjustments of equity investments";
- the sale, completed on 31 October 2014, of the 100% interest in Climatel S.r.l. owned by O.C. Clim;
- the conclusion of the Celpi liquidation procedure. On 20 January 2014 the company was cancelled from the Companies Register.

We can also note the following operations that did not entail a change in the consolidation scope, but which in any case had effects on the Group's structure:

- merger of the 100%-controlled Enia Parma with the parent company Iren Emilia S.p.A.;
- merger of the 100%-controlled Enia Piacenza with the parent company Iren Emilia S.p.A.;
- merger of the 100%-controlled Enia Reggio Emilia with the parent company Iren Emilia S.p.A..

V. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The criteria adopted in drawing up these Consolidated Financial Statements at 31 December 2014 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 2013, except for those indicated in the section "Accounting standards, amendments and interpretations effective from 1 January 2014" above.

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 costs directly attributable to bringing the asset to the location and condition necessary for it to be 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 restoring 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; therefore, 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 2013, once again in 2014 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 7 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, revalued, received by the operator for the construction of these works, less normal wear. As a result of these measures, starting from 2012 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	0.9%	10.6%
Lightweight constructions	2.5%	10.0%
Vehicles	10.0%	25.0%
Sundry equipment	6.7%	100.0%
Furniture and office machines	5.9%	100.0%
Hardware	20.0%	100.0%
Facilities	0.8%	23.5%

The negligible changes in rates compared to 2013 are due to 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, compares these operations to purchase and financing agreements. Based on the above-mentioned method, property, plant and equipment are recognised at the lease principal 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.

Investment property

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	3	5
Licences, trademarks and similar rights	3	47
Software	2	5
Other intangible assets with finite useful life	2	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 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 and 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 IFRS, 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 IFRS 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 geographic 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 unconditioned 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 were classified under Other liabilities, divided between current and non-current, while the related disbursement is included in Other revenue.

Impairment losses

IFRS 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 valuations 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 to 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 captures 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 a 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 a 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 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 1 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, a 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 account of 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 (overhedging);
- 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. They are recognised at fair value (equal to their nominal amount) and are subsequently 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.

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.

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 1 January 2012, the amendment to the international accounting standard IAS 19 “Employee Benefits”, endorsed on 6 June 2012, was applied in advance. This amendment is applicable starting from 1 January 2013, although its application is 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 the Group these are included under post-employment benefits accrued since 1 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 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.
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.

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 revenue and 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 to 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.

Emissions Trading Scheme

The Emissions Trading Scheme, which came into force in the European Union on 1 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.

The emission quotas, both acquired or received free of charge, are entered as intangible assets. These quotas are initially measured at fair value, represented by the market value on allocation 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), an amount is allocated to the provisions for risks, which will be used when the related rights are cancelled. Upon sale of the emission rights, the amount collected is entered less the emission rights and any capital gain/loss.
Emission quotas held for trading, which are still unsold at year end, are recognised in the statement of financial position under Inventories of finished products and goods. These quotas will be measured at the lower of cost and market value.

Energy efficiency certificates
Some energy certificates were assigned to the Group, strictly connected with the performance of specific energy saving activities. In particular, the Group received:
- trade certificates from the Network Operator (GRTN) certifying the annual production of electrical energy from renewable sources (Green Certificates). The Group is the owner of these certificates thanks to the production of electrical energy through hydroelectric plants, the Tecnoborgo and Iren Ambiente (PAI) waste-to-energy plant, biogas plants, as well as to the use of cogeneration plants associated with district heating;
- tradeable certificates (TEE or Energy Efficiency Certificates - EECs) from the Authority for electrical energy and gas (AEEG) which certify the adoption of energy saving measures ("White Certificates").

For accounting purposes, these energy certificates are considered as follows:
- Green Certificates deriving from the annual production of electrical energy from renewable sources are recognised on an accrual basis;
- White Certificates are accounted for in a slightly different way according to whether the company is bound or not bound to return the EECs. The entities that are bound to return the EECs recognise both the grant related to the obligation for the year and the cost incurred or to be incurred for the EECs purchased to meet obligations. 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 bound to return EECs must recognise revenue and costs of the certificates sold and suspend among inventories any unsold certificates, measured at the weighted average cost.

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 NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP

At the reporting date of these consolidated financial statements, the competent bodies of the European Union have not yet concluded the process of endorsing the following accounting standards.

- In July 2014 the IASB published the standard IFRS 9 "Financial Instruments". 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 specified 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 one 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, by replacing the various rules provided by IAS 39. As regards financial liabilities, the main amendment is instead related to accounting for fair value changes of a financial liability designated as measured 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 9 will be applicable prospectively starting from 1 January 2018.

- On 21 November 2013 the IASB published certain minor amendments to IAS 19 "Employee Benefits". These amendments, endorsed on 17 December 2014 and applicable retrospectively from 1 February 2015, regard the simplified accounting treatment of contributions to defined benefit plans by employees or third parties in specific cases.

- On 12 December 2013, the IASB issued a series of amendments to the IFRS (*Annual Improvements to IFRS - 2010-2012 Cycle and Annual Improvements to IFRS - 2011-2013 Cycle*). Among others, the most significant subjects dealt with in these amendments are: a) definition of the vesting conditions in *IFRS 2 - Share-based Payment*; b) grouping of operating segments in *IFRS 8 - Operating Segments*; c) definition of key management personnel in *IAS 24 - Related Party Disclosures*; d) exclusion from the scope of application of *IFRS 3 - Business Combinations* of all forms of joint arrangements and e) certain clarifications regarding exceptions to the application of *IFRS 13 - Fair Value Measurement*.

- In May 2014 the IASB issued an amendment to the standard IFRS 11 "Joint Arrangements" which provides the guidelines on the accounting treatment to be adopted in the case of acquisitions of equity interests in joint operations, the activity of which meets the definition of a "business" as defined in IFRS 3 "Business Combinations". The amendment is applicable starting from 1 January 2016.

- The amendments to the standards IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" issued by the IASB in May 2014, clarify that use of a revenue-based method as the parameter for calculating depreciation or amortisation of property, plant and equipment and intangible assets is not appropriate, because revenues generated by an asset which entails the use of property, plant and equipment and intangible assets generally reflect factors other than deterioration of the economic benefits embodied in the assets themselves.

- In January 2014 the IASB published the standard IFRS 14 "Regulatory Deferral Accounts", which permits an entity which is a first-time adopter of the IAS/IFRS International Financial Reporting Standards to continue to measure accounting items associated with regulated activities in accordance with the accounting standards used previously. The present standard will be applicable starting from 1 January 2016.

- On 28 May 2014 the IASB issued the standard IFRS 15 "Revenue from Contracts with Customers". 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, which will replace IAS 18 "Revenue" and IAS 11 "Construction Contracts", will be applicable starting from 1 January 2017.

- In August 2014 the IASB issued an amendment to the standard *IAS 27 - Separate Financial Statements* which reintroduces the possibility of measuring equity investments in subsidiaries, associates and joint arrangements using the equity method in separate financial statements.

- On 11 September 2014 the IASB issued an amendment to IAS 28 which governs the treatment of gains/losses deriving from "upstream" or "downstream" transactions between a company and one of its associates or joint ventures, distinguishing between sales of businesses as defined by IFRS 3 (total recognition) and simple assets (partial recognition).

- On 24 September 2014 lo IASB the IASB issued a collection of amendments to the IFRSs (*Annual Improvements to IFRSs – 2012-2014 Cycle*) which regard mainly: a) specific guidance on "assets held for distribution to owners" in the context of *IFRS 5 – Assets Held for Sale*; b) definition of the discount rate for the purposes of *IAS 19 – Employee Benefits*.

Use of estimates

In order to prepare the financial statements in compliance with IFRS, estimates and related assumptions are based on previous experience and other case factors, which are deemed reasonable and were adopted to define the carrying amount of assets and liabilities to which they refer. 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.

VI. 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 methods is shown below for risk management and control 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 Group Finance Department is centralised in order to optimise the collection and use of financial resources. Specifically, the centralised management of cash flows in Iren, both through cash pooling and centralisation of all collection and payments within the Iren current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infra-group accounts along with infra-group interest income and expense.
Other investees have an independent financial management structure in compliance with the guidelines provided by the Parent.
Based on the cash pooling model, the accounts of all the companies are zeroed every day by means of a netting system that transfers the balances of currency transactions to the accounts of the Parent.
The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the hedging of current financial commitments. At 31 December 2014 the short-term bank credit facilities used by the Parent totalled Euro 379 million.
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**
Mortgage and bond payables (*)	2,380,274	(2,866,621)	(293,394)	(1,202,620)	(1,370,607)
Hedging of interest rate risk	39,884	(38,148)	(11,103)	(24,767)	(2,278)

(*) The carrying amount includes long-term and short-term mortgages

Cash flows required to settle other financial liabilities, other than those to banks, 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 suitable to its needs, and the best market conditions. In 2014, the Iren Group took out new medium/long-term loans totalling Euro 761 million, of which Euro 750 million for the Parent. Details of the activities carried out in this area and of the individual transactions are shown in the paragraph Financial Income and Expense.
At 31.12.2014, 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 also envisage the observance of financial covenants 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 currency risk.

c) Interest rate risk
The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expense related to indebtedness. Iren Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.
In a non-speculative view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with financial counterparties of high credit standing, for the sole purpose of cash flow hedging. At 31 December 2014, except for certain marginal positions, all contracts to limit exposure to interest rate risk were classified as cash flow hedges in that they satisfy requisites for the application of hedge accounting.
The hedging contracts agreed, together with fixed-rate loans, hedge approximately 71% of gross financial indebtedness and 91% of net financial indebtedness against interest rate risk, in line with the Iren Group's target of maintaining a balance between positions at floating rate and positions at fixed rate or in any case protected against significant increases in interest rates.
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 indebtedness;
- 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 hedges 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 2014.

thousands of euro

	100 bps increase	100 bps decrease
Increase (decrease) in net financial charges	1,854	(1,916)
Increase (decrease) in derivative fair value charges	(42)	42
Increase (decrease) in hedging reserve	14,027	(14,899)

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electrical energy, 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, the operational management of which is the responsibility of the single territorial units, 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 covered, 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” electrical energy 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 both at the Group level and in the context of the subsidiaries, 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 provided by the Group companies, in terms of customers, business chain and ageing band. Particular attention is paid to customers that present the largest proportion of past-due receivables, both for the single companies and for the Group as a whole. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

During the Credit Risk Commission meetings, the results were presented and shared with the Credit Managers of the first-level Companies, which operationally handle the management and collection of receivables.

With reference to credit concentration we can note the relations between the subsidiaries Iren Servizi e Innovazione (formerly Iride Servizi) 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, including related currency risk, on the energy commodities traded, (that is electrical energy, natural gas, coal, etc.) as both purchases and sales are impacted by fluctuations in the price of such energy commodities directly or through indexing formulae.
The Group's strategy is to minimise the need to turn to the financial markets for hedges, both by aligning the indexing of the commodities purchased and sold and by exploiting, vertically and horizontally, its various business segments.
For this purpose, the Group carries out planning of its plants production and purchases of electrical energy, with the aim of balancing energy self-production and market supply with the demand of Group customers.

In October and November 2013, two commodity derivative contracts (Commodity swaps on Gas Release 07 index) were entered into as an energy portfolio hedge for 2014, for a total notional amount of 1 TWh.
In December 2013 and February 2014 three derivative transactions on exchange rates (Average Rate Forward) were also entered into for a total of USD 129,946 thousand.
To hedge the 2015 energy portfolio, in November and December 2014 derivative transactions on commodities (Commodity swap on TTF index) were entered into for a total notional amount of 877 GWh.
The fair value of agreements still in force on 31 December 2014 is a negative total of Euro 1,794 thousand.
Iren Mercato trading operations involve negotiating physical and financial contracts on the electrical energy market and financial contracts directly on the underlying commodities. These contracts may refer to various indexes (PUN, ITEC, Itmix, BINE) and trading on the IDEX. At 31 December 2014 no contracts were in place that originate from such assets or classified in the specific Trading Portfolio.

Recognition of derivatives

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

Transactions recognised in compliance with hedge accounting rules

These transactions may include:

- fair value hedging transactions: the derivative and the hedged item are recognised at fair value in the statement of financial position and the change 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.

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

Transactions not recognised in compliance with hedge accounting rules

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

- in the case of commodity derivatives, in the gross operating profit/loss; specifically, the realised component is recognised to adjust the income or expense to which it refers, 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 expense.

As regards the measurement of the derivative in the statement of financial position items, the fair value of the derivative is recognised in non-current financial assets and liabilities if the related underlying item is a non-current item. Conversely, the derivative is recognised in current financial assets and liabilities if the underlying item is settled within the reference period.

Fair value

In addition to the carrying amount, the fair value, along with the methods and major assumptions used to determine it, must be disclosed for every class of assets and liabilities shown in the financial statements.
Fair value is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense discounted at year end. The present value of future flows is determined by applying the curve of forward interest rates at the balance sheet date.
In order to provide a disclosure as complete as possible, the corresponding figure from the previous year is also indicated.

thousands of euro

	31.12.2014		31.12.2013	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets for hedging derivatives	-	-	-	-
Bonds due at more than 12 months (*)	(815,095)	(903,692)	(367,640)	(398,200)
Loans - non-current portion	(1,352,935)	(1,407,958)	(1,433,219)	(1,371,234)
Loans - current portion	(212,244)	(251,513)	(667,547)	(712,062)
Liabilities for hedging derivatives	(39,884)	(39,884)	(37,176)	(37,176)
Total	**(2,420,158)**	**(2,603,047)**	**(2,505,582)**	**(2,518,672)**

(*) At 31.12.2014, the fair value of the Put Bond was Euro 196,106 thousand (Euro 188,929 thousand at 31.12.2013)

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

31.12.2014	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	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		(41,678)		(41,678)
Gross total	**388**	**(41,678)**	**-**	**(41,290)**

thousands of euro

31.12.2013	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				-
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets				-
Total assets	**-**	**-**	**-**	**-**
Derivative financial liabilities		(37,258)		(37,258)
Gross total	**-**	**(37,258)**	**-**	**(37,258)**

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

VII. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Consequently, on 3 December 2013 Iren's Board of Directors, with the opinion in favour of the Control and Risk Committee, adopted a new version of the "Internal Regulation on transactions with related parties" (hereinafter also the "TRP Regulation"), already approved on 30 November 2010 and amended on 6 February 2013, in implementation:

- of the provisions relating to transactions with related parties pursuant to Article 2391-bis of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of Italian Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance" or TUF);
- the regulation containing provisions on transactions with related parties, adopted by Consob with its resolution 17221 of 12 March 2010 and subsequently amended with resolution 17389 of 23 June 2010 (the "Consob Regulation").

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

Transactions with subsidiaries and associates

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

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

Tax consolidation scheme - Starting from 2010, Iren S.p.A. adopted the tax consolidation scheme pursuant to 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 new tax consolidation scheme therefore includes, in addition to the consolidating company Iren S.p.A., the following companies: AEM Torino Distribuzione, IREN Servizi e Innovazione, IREN Acqua Gas, IREN Mercato, IREN Energia, IREN Gestioni Energetiche, AGA, Mediterranea delle Acque, Immobiliare delle Fabbriche, Nichelino Energia, Eniatel, Tecnoborgo, IREN Ambiente, IREN Ambiente Holding, IREN Emilia, Genova Reti Gas, IREN Rinnovabili, Green Source, Enìa Solaris, Varsi Fotovoltaico, Millenaria Fotovoltaico, Agriren and TLR V.

In particular, this contract covers the way in which the IRES taxable amounts are transferred and the related remuneration, as well as the effects of any suspension of the above-mentioned regime or of its non-application in future years.
Italian Law No. 244 of 24 December 2007 (2008 Budget Law), with effect starting from the 2008 tax period, radically changed the group taxation rules. It abolished all consolidation adjustments provided for by Art. 122 of the Consolidated Income Tax Act, abrogated the rules regarding intra-group transfers pursuant to Art. 123 of the Consolidated Income Tax Act and introduced the possibility, under certain conditions, to deduct from the consolidated income the surplus interest expense of the participating companies that may have accrued due to the new interest expense deductibility provisions set forth in Art. 96 of the said Act.
By reason of regulatory amendments, the Regulations in force were drawn up taking into account the above-mentioned criteria, pursuant to provisions set out by Art. 22 of the same Regulations.
After the companies chose to adhere to the tax consolidation scheme, in return for the taxable income earned and transferred to the parent, the consolidated company commits to pay to the parent "tax settlements" equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.
The other obligations of the parties are also pointed out in the Regulation, including the consolidated entities having to send information flows so that the parent is able to determine the total group Income for IRES purposes.
The consequences regarding early interruption of the consolidation, failure to renew and the responsibilities of the parties in the case of errors attributable to them, pursuant to art. 127, paragraph 2 of the Consolidated Income Tax Act, are indicated in specific paragraphs.
With reference to Group companies that operate in the production, trading, transportation or distribution sectors of natural gas or electrical energy, also generated from renewable sources, these (still for 2014, because from 2015 it has been considered unconstitutional by the judgement of 11 February 2015 of the Constitutional Court) these are subject to the IRES tax surcharge of 6.5%. This additional tax must be paid autonomously by the above-mentioned companies, even if they are party to the tax consolidation.

Group VAT option - In terms of procedures, for 2014, the payment of Group VAT involved the transfer to the parent Iren S.p.A. of all obligations regarding VAT settlements and periodic payments.
The companies that took part in the settlement procedure are the parent Iren S.p.A. and the following companies: Iren Energia S.p.A., Iren Servizi e Innovazione S.p.A., Iren Acqua Gas S.p.A., Iren Mercato S.p.A., AEM Torino Distribuzione S.p.A., Iren Gestioni Energetiche S.p.A. (formerly CAE AMGA Energia S.p.A.), AES Torino S.p.A. (only for the first half of the year because from 1 July 2014, following the demerger of the district heating unit in favour of Iren Energia, it is no longer part of the Iren group), Genova Reti Gas S.r.l., Iren Ambiente S.p.A., Iren Emilia S.p.A., ENA Solaris S.p.A., Idrotigullio S.p.A., Mediterranea delle Acque S.p.A. and Nichelino Energia S.r.l., Iren Rinnovabili S.p.A. and TLR Veicolo S.p.A.

Other significant transactions with associates

During 2014, Iren Mercato's operations continued through a gas supply contract entered into with the associate Sinergie Italiane. This allowed the company to supply not only the Genoa and Emilia catchment areas, but also some trading companies belonging to the Iren Group.
We can note that instead the relationship with Plurigas ended on 30 September 2014, the moment in which the associate ceased doing business.
Following the start-up of TRM S.p.A.'s waste-to-energy plant, during 2013, the following contracts were activated with the associate:

- "Operating Rules" related to the contract for Iren Ambiente to maintain the plant. The relations between Iren Ambiente and TRM regard, in addition, disposal in landfills of sludge and ash which remain after combustion and, marginally, conferment of waste by Iren Ambiente to the waste-to-energy plant;
- contract for the supply of electricity produced by the waste-to-energy plant to Iren Mercato.
- contract related to conferment of undifferentiated waste by Amiat to the waste-to-energy plant.

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 services in the legal, administrative, financial and tax areas, in accordance with specific agreements that provide for fair compensation for the services.

It is important to note, furthermore, the relations with local authorities on whose territory Iren also operates through its subsidiaries.

Through Iren Servizi e Innovazione (formerly Iride Servizi), the Iren Group provides various services to the Municipality of Turin in support of its activities for the benefit of the administered community, such as management of street lighting and traffic light services, management of heating and electrical systems of municipal buildings or buildings used to provide services to the community, global services and others. The services rendered by Iren Servizi e Innovazione (formerly Iride Servizi) are governed by specific long-term agreements.

We can note that during 2012 an agreement was signed with the Municipality of Turin, which provides for the reduction of receivables due to the Iren Group from the Municipality of Turin and the amendment of some provisions of the current service conventions between Iren Servizi e Innovazione (formerly Iride Servizi) and the City of Turin. This agreement was supplemented with addenda signed in 2013 and 2014 regarding the settlement of certain economic items, the Municipality's commitment to allocating amounts for extraordinary maintenance and the start-up of a joint working party for benchmark analysis and definition of optimum maintenance plans.

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

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

Amiat provides the Municipality of Turin with the environmental health service in accordance with the Service Contract in being since 1 January 2013, which provides for conditions similar to those applied to all other customers.

Iren Emilia and Iren Ambiente provide:

a) the Municipalities of Reggio Emilia, Parma and Piacenza with urban waste collection and disposal services at the conditions normally applied to all other customers;
b) the Municipality of Piacenza with drinking water and sewerage services based on supply contracts similar to those signed with all other customers;
c) the Municipality of Parma with public lighting services;
d) the Municipality of Reggio Emilia with public park maintenance and snow clearing services;
e) the Municipality of Piacenza with public park maintenance, snow clearing and cemetery services.

It is worth noting that a settlement agreement was signed with the Municipality of Parma to settle the credit/debit position with some Iren Group companies.

Transactions with other related-party shareholders

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

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

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

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.

VIII. SIGNIFICANT SUBSEQUENT EVENTS

Organisational Rationalisation Work

Starting from 1 January 2015 the Iren Group companies were involved in a number of reorganisation projects that saw a strong commitment of the new Governance which considered a priority the objective of strengthening the unitary nature of Group governance and identifying clearly the main activities and responsibilities related to each structure ensuring a rapid and real integration process, indispensable for tackling the challenges of the Market.
The Parent Company's organisation was involved in a first rationalisation project which, from 1 January 2015, entailed a simplification of the head office departments which were reorganised as follows:

- "Corporate Secretariat, Internal Audit and Compliance", "Communication and External Relations", "Local Institutional Relations" and "Internationalisation and Innovation" reporting to the Chairperson;
- "Procurement and Contracts", "Administration, Finance and Control", "Legal Affairs", "Personnel, Organisation and Information Systems" and "Strategy and Regulatory Affairs" reporting to the Chief Executive Officer;
- "Corporate Social Responsibility and Territorial Committees", "Risk Management" and "Corporate Affairs" reporting to the Deputy Chairperson

From the same date the hierarchical structure of all the Departments and staff organisational units of all the first level companies and subsidiaries, were defined by the corresponding head office departments.

On 1.2.2015 the Organisational Units of the various Parent Company Departments were created, the activities and responsibilities of all the structures were defined and the complete staff structure of Iren SpA was published. 422 new resources from the group's various first-level companies and subsidiaries were absorbed into this by secondment, in keeping with the centralised activities. Iren SpA's staff structure in force at 1 February thus consisted of 784 people.

Starting from March the organisation of the first-level companies was also redefined, although only marginally, presenting the staff structures by Business Unit and defining the activities and responsibilities of the said companies' structures.

It was also decided to begin a review of the processes, structures and systems at the single BU level to revise the organisation of the said BUs, by the end of April 2015, assessing also the opportunity for further combinations – mergers between companies and revision of the business model.

Bank Loans

In January 2015 the second tranche of 50 million of the Unicredit bank loan agreed at the end of 2014 was used and a new medium-term loan from Cassa Depositi e Prestiti of 100 million was agreed and used.

Merger by incorporation of Acque Potabili S.p.A. into Sviluppo Idrico S.p.A.
With reference to the operation for merger by incorporation of Acque Potabili S.p.A. into Sviluppo Idrico S.p.A., described in the paragraph on Significant events of the period, we must specify that on 20 January 2015 the merger by incorporation deed was signed, with civil-law effects starting from 1 February 2015, while the accounting and tax effects will be recognised in the financial statements of Sviluppo Idrico S.p.A. with effectiveness retroactive to 1 January 2015. At the date of effectiveness of the merger, all the Acque Potabili ordinary shares were cancelled; the last day the stock was listed on the MTA market was 30 January 2015.

Robin Hood Tax Judgement
With Judgement 10/2015 of 9 February 2015 the Constitutional Court declared unconstitutional Art. 81 paragraphs 16, 17 and 18 of Italian Decree Law No 112 of 25 June 2008 converted with Italian Law No. 133 of 6 August 2008, which had introduced a an IRES tax surcharge, the so-called "Robin Hood Tax", payable by production, distribution and marketing companies operating in the energy and oil sectors. This unconstitutionality does not have retroactive effect, because it was established that the judgement must apply from the day after its publication in the Official Journal (11 February 2015).
As a result of the above, subject to the further in-depth studies which will be carried out on the aforementioned verdict, for the Group companies involved the amount of the IRES surcharge due also for financial year 2014 has been calculated and ascertained and the provisions for deferred tax assets and liabilities related to the "Robin Hood Tax" set aside in previous years have been eliminated from the financial statements, with a total net economic impact of approximately Euro 22 million.

IX. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions
As indicated in the report on the 2012 financial statements, to which you are referred for a complete discussion, during the first half of 2014 the contribution of a portion of the real estate assets was completed. These assets were deemed non-core with respect to the development of industrial business, and were transferred to the real estate investment fund created and managed by Ream SGR S.p.A., entitled Fondo Core MultiUtilities, in order to release financial resources as well as to streamline property management.
This contribution operation is classifiable as operational leasing, because it meets all the requisites, first of all the one that requires transfer of ownership and risks to another subject (specifically, the fund management company, REAM SGR S.p.A.).
The operation can be summarised in the following steps:
- Contribution of the Real Estate Assets and the related debt (acquired in advance) to the Fund;
- Starting from 1 January 2013 re-assumption in leasing, at market terms, by the Iren Group of all the real estate assets through the signing of leasing agreements, for a term of 18 years;
- Placing of the Fund units with third-party investors;
- Maintenance by the Iren Group of an interest of not more than 5% in the said Fund.

During the year, after the placing of 170 units, a capital gain of approximately Euro 21 million was recorded; this had a positive effect on the net financial position which, in line with the accounting treatment adopted also in 2012, was classified among other income (capital gain on disposal of assets) commented on in note number 32.

On 1 July 2014 the non-proportional partial spin-off of the district heating business unit of the Municipalities of Turin and Moncalieri of AES Torino S.p.A. took effect, with attribution to the Group company Iren Energia of the related assets, and the 33% interest in Nichelino Energia S.r.l., the personnel operating in this context, the capital and all legal relationships directly attributable to these plants.
The non-proportional partial spin-off operation was carried out with the following methods:
- spin-off of the unit involved in the operation by AES Torino S.p.A. and simultaneous decrease in the latter's equity;

- cancellation of the entire equity investment held by the Iren Group in AES Torino, measured at equity up to 30 June 2014 on the basis of the prescriptions of *IFRS 11 – Joint Arrangements* (Euro 151,251,254).

The transaction was identified as a business combination, and as such was treated in accordance with the provisions of *IFRS 3 - Business Combinations*. At the acquisition date (1 July 2014) the Iren Group measured the identifiable assets and liabilities acquired at their respective fair values.

The table below provides details of the fair value of the assets and liabilities acquired.

	thousands of euro
Property, plant and equipment and intangible assets	378,252
Financial assets	2,805
Other non-current assets (liabilities)	44
Inventories	584
Trade receivables	28,147
Other receivables and other current assets	107
Trade payables	(9,907)
Other payables and other current liabilities	(386)
Deferred tax assets (liabilities)	(15,820)
Post-employment benefits and other employee benefits	(1,800)
Financial assets	3,133
Financial payables	(210,693)
FAIR VALUE - TOTAL NET ASSETS	**174,466**

The comparison between the value of the equity investment and the fair value of the unit, net of the equity interest in Nichelino Energia - already fully consolidated - led to the recognition of a positive component of Euro 22,616 thousand included under the item “Value adjustments of equity investments”.

As part of a multi-annual project for demographic and professional rebalancing of the Group's personnel, in view of a plan to recruit young people, the Iren Group launched a plan to encourage voluntary early termination of the employment relationship of personnel belonging to the companies Iren S.p.A., Iren Acqua Gas S.p.A., Iren Ambiente S.p.A., Iren Emilia S.p.A., Iren Energia S.p.A., Iren Mercato S.p.A., Iren Servizi e Innovazione S.p.A., AEM Torino Distribuzione S.p.A., Genova Reti Gas S.r.l., ldroTigullio S.p.A., lren Gestione Energetiche S.p.A., Laboratori lren Acqua Gas S.p.A., Mediterranea delle Acque S.p.A., and Tecnoborgo S.p.A., with two distinct methods:
a) payment of a one-off sum, to employees who are eligible for a pension by 30 September 2015;
b) implementation of Article 4 (paragraphs 1-7-*ter*) of Italian Law 92/2012 (the “Fornero employment reform”) with reference to employees who become eligible for an old-age or early pension starting from 1.10.2015 and up to 31.12.2018 inclusive. In brief, the above article permits retirement up to 4 years before the date of becoming eligible for a pension (for old age or contribution period), after a trade union agreement in which a surplus of personnel is declared, providing that the employer pays to the INPS – for each worker who accepts, terminating his or her employment - the contributions due until the minimum requirements for retirement are met and an amount equal to the pension treatment that would be payable on the basis of the current rules (isopension), an amount that is then paid by the INPS to the retired employee. To activate this opportunity the employer must also present a bank surety guaranteeing solvency in relation to the obligations assumed and activate a series of prior check procedures with the INPS, which is responsible for certifying the eligibility and calculating the amounts payable by the employer.

Iren, also in the name and on behalf of the subsidiaries involved, signed a Framework Agreement with the trade unions on 24 October 2014.
As of 31 December 2014, 496 employees had shown an interest in consensual termination of the employment relationship. On this basis the Iren Group has estimated and set aside a liability of Euro 36.1 million.

During financial year 2013 the non-proportional partial spin-off of Edipower came into effect, with assignment to Iren Energia of thermoelectric generation assets (the Turbigo plant) and hydroelectric generation assets (the Tusciano hub), together with the employees of those sites, equity items, and all legal relations directly attributable to these plants. For further details, see the disclosures in the 2013 financial statements.

Positions or transactions deriving from atypical and/or unusual operations
In 2013 the Group was not involved in atypical and/or unusual operations, as defined in the Communication itself, 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 accounting disclosures, conflict of interest, safeguarding of the company's assets 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 13 March 2015. The Board of Directors authorised the Chairman, the CEO and the Managing Director 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.

X. 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 31/12/2014	Accumulated depreciation at 31/12/2014	Carrying amount at 31/12/2014	Cost at 31/12/2013	Accumulated depreciation at 31/12/2013	Carrying amount at 31/12/2013
Land	93,846	(1,551)	92,295	76,927	(1,558)	75,369
Buildings	419,418	(119,982)	299,436	287,294	(86,859)	200,435
Leaseholds	1,656	(615)	1,041	6,735	(2,233)	4,502
Land and buildings	**514,920**	**(122,148)**	**392,772**	**370,956**	**(90,650)**	**280,306**
Plant and machinery	4,142,762	(1,634,431)	2,508,331	3,311,487	(1,306,043)	2,005,444
Leased plant and machinery	637	(628)	9	637	(592)	45
Plant and machinery	**4,143,399**	**(1,635,059)**	**2,508,340**	**3,312,124**	**(1,306,635)**	**2,005,489**
Industrial and commercial equipment	103,212	(75,809)	27,403	83,346	(56,130)	27,216
Leased industrial and commercial equipment	-	-	-	-	-	-
Industrial and commercial equipment	**103,212**	**(75,809)**	**27,403**	**83,346**	**(56,130)**	**27,216**
Other assets	192,988	(163,436)	29,552	120,008	(100,620)	19,388
Other leased assets	463	(402)	61	884	(747)	137
Other assets	**193,451**	**(163,838)**	**29,613**	**120,892**	**(101,367)**	**19,525**
Assets under construction and payments on account	**34,118**	**-**	**34,118**	**234,801**	-	**234,801**
Total	**4,989,100**	**(1,996,854)**	**2,992,246**	**4,122,119**	**(1,554,782)**	**2,567,337**

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

thousands of euro

	Opening balance	Changes in consolidation scope	Increases	Decreases	Reclassifications	Closing balance
Land	76,927	12,626	4,136	(144)	301	93,846
Buildings	287,294	61,405	4,190	(6)	66,535	419,418
Leaseholds	6,735	-	-	-	(5,079)	1,656
Land and buildings	**370,956**	**74,031**	**8,326**	**(150)**	**61,757**	**514,920**
Plant and machinery	3,311,487	586,019	96,336	(7,358)	156,278	4,142,762
Leased plant and machinery	637	-	-	-	-	637
Plant and machinery	**3,312,124**	**586,019**	**96,336**	**(7,358)**	**156,278**	**4,143,399**
Industrial and commercial equipment	83,346	16,657	4,081	(1,031)	159	103,212
Leased equipment	-	-	-	-	-	-
Industrial and commercial equipment	**83,346**	**16,657**	**4,081**	**(1,031)**	**159**	**103,212**
Other assets	120,008	71,779	5,490	(4,538)	249	192,988
Other leased assets	884	-	-	(421)	-	463
Other assets	**120,892**	**71,779**	**5,490**	**(4,959)**	**249**	**193,451**
Assets under construction and payments on account	**234,801**	**1,528**	**16,350**	**(118)**	**(218,443)**	**34,118**
Total	**4,122,119**	**750,014**	**130,583**	**(13,616)**	**-**	**4,989,100**

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

thousands of euro

	Opening balance	Changes in consolidation scope	Depreciation for the period	Decreases	Reclassifications	Closing balance
Accumulated depreciation, land	(1,558)	-	-	7	-	(1,551)
Accumulated depreciation, buildings	(86,859)	(19,430)	(11,873)	1	(1,821)	(119,982)
Accumulated depreciation, Leaseholds	(2,233)	-	(203)	-	1,821	(615)
Accumulated depreciation, buildings	**(90,650)**	**(19,430)**	**(12,076)**	**8**	**-**	**(122,148)**
Acc. depreciation, plant and machinery	(1,306,043)	(198,913)	(134,912)	5,437	-	(1,634,431)
Acc. depreciation, leased plant and machinery	(592)	-	(36)	-	-	(628)
Acc. depreciation, plant and machinery	**(1,306,635)**	**(198,913)**	**(134,948)**	**5,437**	**-**	**(1,635,059)**
Acc. depreciation, ind. and comm. equipment	(56,130)	(14,709)	(5,839)	869	-	(75,809)
Acc. depreciation, leased ind. and comm. equip.	-	-	-	-	-	-
Accumulated depreciation, industrial and commercial equipment	**(56,130)**	**(14,709)**	**(5,839)**	**869**	**-**	**(75,809)**
Accumulated depreciation of other assets	(100,620)	(59,692)	(7,191)	4,067	-	(163,436)
Acc. depreciation of other leased assets	(747)	-	(77)	422	-	(402)
Accumulated depreciation of other assets	**(101,367)**	**(59,692)**	**(7,268)**	**4,489**	**-**	**(163,838)**
Total	**(1,554,782)**	**(292,744)**	**(160,131)**	**10,803**	**-**	**(1,996,854)**

The change in consolidation scope column shows:

- the balances of the property, plant and equipment of the business unit related to the activity of distributing district heating acquired following the non-proportional spin-off of the joint venture AES Torino (net carrying amount Euro 378,251 thousand);
- the balances deriving from line-by-line consolidation of the company Amiat S.p.A. (net carrying amount Euro 79,019 thousand).

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 electrical energy production plants, heat production plants, electrical energy distribution networks, gas distribution networks, heat distribution networks and plants related to waste disposal services not operated under concessions as per IFRIC 12. Freely transferable assets are included in the assets of electrical energy production plants.

The increases in the period, equal to Euro 96,336 thousand, mainly refer to:

- investments in cogeneration and hydroelectric plants of Euro 40,197 thousand;
- development of the district-heating network and new connections to the network, including heat exchange substations, meters and remote reading appliances, for Euro 13,183 thousand;

- installation of new electronic meters for end customers and new connections to the electricity distribution network, totalling Euro 18,742 thousand;
- the estimate of future expenses in relation to dismantling a number of the Group's plants of Euro 8,894 thousand.

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

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

Assets under construction and payments on account
The item assets under construction includes all expenses incurred for investments in progress and not yet in operation. The reclassification refers mainly to the Parma Integrated Environmental Hub project which came into operation during the year.

Ordinary depreciation for 2014, totalling Euro 160,131 thousand, was calculated on the basis of the rates previously indicated and considered representative of the residual useful life of the assets.
It is worth noting that, with Italian Law No. 134 of 7 August 2012, Parliament amended the regulations in force regarding the large shunt concessions for hydroelectric purposes ("hydroelectric concessions").
The regulation also sets out that the outgoing operator shall be granted an amount calculated:
- as regards "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 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.

The group holds assets acquired through finance leases for a value of Euro 1,111 thousand (Euro 4,684 thousand at 31 December 2013), mainly related to industrial buildings.

Lastly, no assets are pledged against liabilities.

NOTE 2_INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

thousands of euro

	Cost at 31/12/2014	Accumulated depreciation at 31/12/2014	Carrying amount at 31/12/2014	Cost at 31/12/2013	Accumulated depreciation at 31/12/2013	Carrying amount at 31/12/2013
Land	2,861	-	2,861	2,800	-	2,800
Buildings	12,618	(1,052)	11,566	12,360	(703)	11,657
Total	**15,479**	**(1,052)**	**14,427**	**15,160**	**(703)**	**14,457**

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 amortisation, are shown in the following table:

thousands of euro

	Cost at 31/12/2014	Accumulated depreciation at 31/12/2014	Carrying amount at 31/12/2014	Cost at 31/12/2013	Accumulated depreciation at 31/12/2013	Carrying amount at 31/12/2013
Development costs	526	(526)	-	524	(514)	10
Industrial patents and similar rights	64,399	(51,476)	12,923	54,910	(41,374)	13,536
Licences, trademarks and similar rights	1,659,768	(590,813)	1,068,955	1,569,661	(534,731)	1,034,930
Other intangible assets	135,332	(94,563)	40,769	114,993	(77,776)	37,217
Assets under construction and payments on account	112,023	-	112,023	92,521	-	92,521
Total	**1,972,048**	**(737,378)**	**1,234,670**	**1,832,609**	**(654,395)**	**1,178,214**

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

thousands of euro

	Opening balance	Changes in consolidation scope	Increases	Decreases	Reclassifications	Impairment losses for the period	Closing balance
Development costs	524	2	-	-	-	-	526
Industrial patents and similar rights	54,910	4,652	2,912	-	1,925	-	64,399
Licences, trademarks and similar rights	1,569,661	58	54,093	(2,286)	38,309	(67)	1,659,768
Other intangible assets	114,993	3,827	27,234	(12,515)	1,793	-	135,332
Assets under construction and payments on account	92,521	111	61,974	(556)	(42,027)	-	112,023
Total	**1,832,609**	**8,650**	**146,213**	**(15,357)**	**-**	**(67)**	**1,972,048**

Changes in accumulated amortisation are shown in the following table:

thousands of euro

	Opening balance	Changes in consolidation scope	Depreciation for the period	Decreases	Closing balance
Acc. deprec., development costs	(514)	(2)	(10)	-	(526)
Acc. deprec. of ind. patents and similar rights	(41,374)	(4,272)	(5,830)	-	(51,476)
Acc. amortisation of licences, trademarks and similar rights	(534,731)	175	(58,076)	1,819	(590,813)
Acc. amortisation of other intangible assets	(77,776)	(3,124)	(13,918)	255	(94,563)
Total	**(654,395)**	**(7,223)**	**(77,834)**	**2,074**	**(737,378)**

The change in consolidation scope column shows:

- the balances of the property, plant and equipment of the business unit related to the activity of distributing district heating acquired following the non-proportional spin-off of the joint venture AES Torino (net carrying amount Euro 1 thousand);
- the balances deriving from line-by-line consolidation of the company Amiat S.p.A. (net carrying amount Euro 1,379 thousand);
- the balances deriving from line-by-line consolidation of the company TLR V (net carrying amount Euro 111 thousand);
- the balances deriving from deconsolidation of the company Climatel (net carrying amount Euro 64 thousand).

Industrial patents and similar rights

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

Licences, trademarks and similar rights

This item is primarily composed of:

- assets recognised in application of IFRIC 12, related to the operating segments of natural gas distribution, the Integrated Water Service and, marginally, district heating;
- the right of use of aqueduct networks by virtue of the concessions granted by the Municipality of Genoa and other neighbouring municipalities;
- concessions for the use of the IT network of third party operators.

Other intangible assets

This item is primarily composed of:

- costs incurred for in-house customisation of licensed software applications;
- expense for the ordinary maintenance of electrical systems and special installations of the 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

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

- 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 fair value of acquired and identifiable assets and liabilities was recognised as goodwill of Euro 23,202 thousand (allocated to the integrated water service CGU);
- acquisition of ENEL's business unit related to the distribution and sale of electrical energy to non-eligible customers in the Municipality of Turin, in which the positive difference between the purchase cost and fair value of acquired and identifiable assets and liabilities was recognised as goodwill for Euro 64,608 thousand (allocated to the energy infrastructures CGU, especially electrical energy networks);
- the business unit purchased from ENEL at the end of 2000 and referred to electrical facilities of the city of Parma, for an amount of Euro 10,444 thousand (allocated for Euro 3,023 thousand to energy infrastructures CGU, especially electricity networks and for Euro 7,421 thousand to the market CGU);
- shares in Enìa Energia (now merged into Iren Mercato), acquired from Sat Finanziaria S.p.A. and Edison, for an amount of Euro 16,761 thousand (allocated to the market CGU).

Goodwill is 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.
The Iren Group impairment tests are organised on two levels:

- Cash-Generating Units, corresponding to the business sectors described in the foreword to these notes based on the Group's Business Plan. 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. In particular, the cash-generating units are represented by Energy Infrastructures, Generation, Market, Integrated Water Service and Waste Management.
- For First-Level Companies (Iren Acqua Gas, Iren Ambiente, Iren Emilia, Iren Energia and Iren Mercato, when specific impairment triggers occur with special reference to goodwill, assets and value recoverability of their equity investments.

Within the assessments made, the recoverable amount was determined by calculating the value in use of an asset or referring to fair value, net of costs to sell. In order to obtain the best estimate of the value in use, assessments were made by using pre-tax operating cash flows, which derive from the latest and most extensive economic and financial projections included in the update of the draft business plan, presented to the Board of Directors in November 2014, and the pre-tax terminal value, calculated using the perpetual yield method, if applicable, based on going concern assumptions for all businesses. The average of the perpetual yield and non-current assets 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 non-current assets net of any grants/assets transferable to third parties.
The discount rate, defined by the pre-tax weighted average cost of capital (WACC), is calculated specifically for each SBU and is included in the 5.60%-8.50% range, according to the specific business unit concerned.
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%).
The impairment test performed on 31 December 2014 on the CGUs, corresponding to the business sectors described in the foreword to these notes, highlighted no impairment losses.
The second-level impairment test carried out by the individual First-Level Companies showed no impairment of Associates and Other companies.
Note that for all Cash-Generating Units the recoverable value is higher than the carrying value. 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 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 sector

legislation which governs margins. These businesses, therefore, have stable and foreseeable margins also in turbulent market periods.

NOTE 5_INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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 2014 are shown in an annex.
Changes for the year are shown in the following tables:

Equity investments in joint ventures

thousands of euro

	31/12/2013	Changes in consolidation scope	Increases/ Decreases	Reversals/impairment losses in equity	Dividend distribution	Measurements with direct effect on equity	31/12/2014
AES Torino	166,001	(150,085)	-	19,634	(35,729)	179	-
Iren Rinnovabili	13,086	-	6,333	(153)	-	(2,705)	16,561
OLT Offshore LNG	55,381	-	3,683	(28,781)	-	(661)	29,622
Società Acque Potabili	28,396	-	-	(1,076)	-	17	27,337
Sviluppo Idrico	-	-	6,635	5,373	-	-	12,008
TOTAL	**262,864**	**(150,085)**	**16,651**	**(5,003)**	**(35,729)**	**(3,170)**	**85,528**

As far as the equity investments in AES Torino are concerned we can note that on 1 July 2014 the non-proportional partial spin-off of the company took effect with attribution to Iren Energia of the business unit related to the activity of distributing district heating. The non-proportional partial spin-off led to cancellation of the entire equity investment held by Iren Energia in AES Torino. Further details can be found in the section “Significant non-recurring events and transactions”.

The investment in Sviluppo Idrico S.r.l. refers to paying in, in several tranches, of 50% of the company's share capital. Sviluppo Idrico S.r.l., whose share capital is held in equal parts by the Iren Group and by SMAT, was set up in order to launch a voluntary takeover bid for all the ordinary shares of Società Acque Potabili S.p.A. The company's positive result for the period reflects the difference between the pro rata of the equity of Società Acque Potabili acquired through the takeover bid and the bid price paid. For further details, see the disclosures in the paragraph “Significant events in the period” in the Report on Operations.

Equity investments in associates

thousands of euro

	31/12/2013	Changes in consolidation scope	Increases/ Decreases	Reversals/impairment losses in equity	Dividend distribution	Measurements with direct effect on equity	Reclassifications	31/12/2014
A2A Alfa	487	-	-	(24)	-	-	-	463
Acos	7,685	-	-	492	(82)	-	-	8,095
Acos Energia	755	-	-	305	(175)	-	-	885
Acquaenna	-	-	-	-	-	-	-	-
Aguas de San Pedro S.A.	5,856	-	-	136	(454)	782	-	6,320
Aiga	337	-	-	(52)	-	-	-	285
Amat	3,064	-	-	7	-	-	-	3,071
Amiat	36,369	(41,166)	-	6,643	(1,846)	-	-	-
Amter	685	-	-	30	(58)	-	-	657
Asa	21,474	-	-	3,868	-	(1,252)	-	24,090
Astea	19,654	-	-	783	-	138	-	20,575
Atena	5,758	-	-	827	(92)	-	-	6,493
Domus Acqua	28	-	-	45	-	-	-	73
Fingas	5,638	-	-	(324)	-	-	-	5,314
Fondo Core Multiutilities	123	-	(21,066)	21,043	-	-	(100)	-
Gica	-	-	-	-	-	-	-	-
Global Service Parma	79	-	-	(73)	-	-	-	6
Il tempio	103	-	-	49	-	-	-	152
Iniziative Ambientali	507	-	-	(12)	-	-	-	495
Mestni Plinovodi	4,860	-	-	-	-	-	-	4,860
Mondo Acqua	142	-	-	-	-	-	-	142
Nord Ovest Servizi	-	2,625	-	-	-	-	780	3,405
Plurigas	12,929	-	-	(318)	(3,000)	(171)	(9,440)	-
Rio Riazzone	221	-	-	1	-	-	-	222
S.M.A.G.	70	-	-	(1)	-	-	(69)	-
Salerno Energia Vendite	1,380	-	-	1,116	(557)	-	-	1,939
Sea Power & Fuel	4	-	-	-	-	-	-	4
Sinergie Italiane	-	-	-	-	-	-	-	-
Sosel	728	-	-	66	(17)	-	-	777
Tirana Acque	47	-	-	(47)	-	-	-	-
TRM V	33,293	-	38,840	(40)	-	(11,340)	-	60,753
Valle Dora Energia Srl	498	-	-	-	-	-	-	498
VEA Energia e Ambiente	604	-	-	510	(296)	-	(818)	-
TOTAL	**163,378**	**(38,541)**	**17,774**	**35,030**	**(6,577)**	**(11,843)**	**(9,647)**	**149,574**

As regards the equity investment in Amiat we can note that in December 2014 the Group exercised, through the company Amiat V S.p.A. controlled by Iren Ambiente S.p.A., the right of pre-emption for the purchase of 31% of the company's share capital offered by FCT Holding Srl. The acquisition of a further 31% of Amiat S.p.A., in exchange for a price of Euro 21,666,700, enabled the Iren Group to acquire control over it.

The Group's equity investment in the Core Multiutilities Fund was reclassified among "Other equity investments" because, following the sales of units during the first half of 2014, at 31 December 2014 the

Group holds an interest of 0.22%. The sale generated a capital gain of Euro 21,043 thousand which, in keeping with what was done on the occasion of the 2012 financial statements, was classified among other revenue and income.

The equity investment in Nord Ovest Servizi was reclassified from other equity investments to the present item because, following the full consolidation of Amiat, the Group acquired a further 15% of shares which, added to the 10% that it already held, means that the Group exercises significant influence over the company.

As regards the equity investment in Plurigas, on 27 March 2013 the Shareholders' Meeting resolved on the liquidation of the company and from the fourth quarter of 2014 the company is no longer operating. Therefore the equity investment was reclassified among assets to be discontinued. Iren's Directors believe that at the end of the liquidation procedures, Iren will collect an amount which is substantially equal to its share of the company's equity.

The increase in the equity investment in TRM V S.p.A. refers for Euro 35,665 thousand to the exercise of the purchase option by F2i Ambiente S.p.A. of a 24% in the company and for Euro 3,175 thousand to the subscription of the share capital increase launched by the company. Therefore at 31 December 2014 the Group holds a 49% interest in TRM V S.p.A. The measurement with a direct effect on equity, a negative Euro 11,340 thousand, refers mainly to the proportion of the change in fair value, for the effective part, of the derivative entered into by TRM S.p.A., controlled by TRM V, to hedge the oscillation of interest rates on the existing loan.

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

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

NOTE 6_OTHER INVESTMENTS

This item relates to 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 investments at 31 December 2014 is shown in an annex.
Changes for the year are shown in the following table:

thousands of euro

	31/12/2013	Delta consolidation scope	Reclassifications	Disposals	Impairment losses	31/12/2014
Acque Potabili Siciliane	20	-	-	-	(20)	-
Astea Energia	7	-	-	-	-	7
Atena Patrimonio	10,645	-	-	-	-	10,645
ATO2 Acque società consortile	6	-	-	(6)	-	-
Autostrade Centro Padane	1,248	-	-	-	-	1,248
BT Enia	2,110	-	-	-	-	2,110
C.R.P.A.	52	-	-	-	-	52
CIDIU	-	2,306	-	-	-	2,306
Consorzio Compost CIC	-	2	-	-	-	2
Consorzio Leap	10	-	-	-	-	10
Consorzio Topix	5	-	-	-	-	5
Cosme	2	-	-	-	-	2
CSP Innovazione nelle ICT	28	-	-	-	-	28
Energia Italiana	-	-	-	-	-	-
Environment Park	399	844	-	-	-	1,243
Fondo Core Multiutilities	-	-	100	-	-	100
Nord Ovest Servizi	780	-	(780)	-	-	-
RE Innovazione	8	-	-	-	-	8
Rupe	10	-	-	-	-	10
SDB Società di biotecnologie	10	-	-	-	-	10
Stadio di Albaro	27	-	-	-	-	27
T.I.C.A.S.S.	4	-	-	-	-	4
TLR V	120	(120)	-	-	-	-
TOTAL	**15,491**	**3,032**	**(680)**	**(6)**	**(20)**	**17,817**

NOTE 7_NON-CURRENT TRADE RECEIVABLES

The item amounted to Euro 51,232 thousand (Euro 18,506 thousand at 31 December 2013) 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. We can note that in the 2013 financial statements these amounts were presented in the item “Trade receivables” of current assets.

NOTE 8_NON-CURRENT FINANCIAL ASSETS

This item, equal to Euro 66,439 thousand (Euro 79,424 thousand at 31 December 2013), refers to securities other than equity investments, financial assets and the fair value of derivatives.

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

Financial receivables and fair value of derivatives

thousands of euro

	31/12/2014	31/12/2013
Non-current financial receivables from joint ventures	30,839	29,500
Non-current financial receivables from associates	1,194	705
Non-current financial receivables from related-party shareholders	32,141	46,934
Non-current financial receivables from others	2,225	2,245
Total	**66,399**	**79,384**

Non-current financial receivables from joint ventures regard receivables from Iren Rinnovabili (Euro 5,000 thousand) and from its subsidiaries Enia Solaris (Euro 18,000 thousand), Greensource (Euro 4,612 thousand), Millenaria (Euro 1,747 thousand) and Varsi (Euro 1,480 thousand).

Financial receivables from associates relate to amounts due from the companies Acquaenna, Aiga, Agua de San Pedro and Nord Ovest Servizi, whose amounts are not individually significant.

Receivables from related-party shareholders refer to amounts due from the Municipality of Turin for Euro 31,644 thousand and from the Intesa Sanpaolo Group for Euro 497 thousand.

The amounts due from the Municipality of Turin, which accrue interest in favour of the Group, refer to classification of the non-current portion of receivables on the current account used to settle trade and financial relations between the subsidiary Iren Servizi e Innovazione S.p.A. (formerly Iride Servizi S.p.A.) and the Municipality of Turin.
These receivables form part of an overall position, totalling Euro 203,600 thousand, and are divided among various accounting items according to their classification by type and maturity: Trade receivables (Note 12) and Current financial assets – financial receivables from Parents (Note 15), as shown in the following table.
We can note that at 31 December 2014 the balance of trade receivables includes the receivables claimed by the company Amiat from the Municipality of Turin (Euro 126,947 thousand) for environmental and winter road management services.

	31/12/2014	31/12/2013
		thousands of euro
Trade receivables for services on issued invoices	135,186	13,207
Trade receivables for services on issued invoices	8,095	10,405
Trade receivables for electrical energy and other supplies	14,755	11,486
Allowance for impairment of accounts receivable	(5,388)	(5,448)
Total trade receivables	**152,648**	**29,650**
Non-current portion of financial receivables in current account	31,644	46,368
Total non-current financial receivables	**31,644**	**46,368**
Current portion of financial receivables in current account	16,100	17,000
Financial receivables for interest	3,208	4,891
Total current financial receivables	**19,308**	**21,891**
Total	**203,600**	**97,909**

In November 2012 an agreement was signed between the City of Turin and the Iren Group, which provides for the reduction of receivables from the City of Turin. In 2013 and 2014 there were additions to the 2012 agreement regarding the settlement of certain economic items, the Municipality's commitment to allocating amounts for extraordinary maintenance and the start-up of a joint working party for the benchmark analysis and definition of optimum maintenance plans. These agreements regard the activities carried out by the subsidiary Iren Servizi e Innovazioni related to public lighting and traffic light management services.
From a prudential assessment carried out by the Directors, based on the agreements signed with the City of Turin, it is estimated that approximately Euro 16 million of the financial receivables from the Municipality of Turin are collectible within 12 months.
The balance of trade receivables from the Municipality of Turin increased by Euro 122,998 thousand (net of provisions for impairment receivables) and the balance of current and non-current financial receivables decreased by Euro 17,307 thousand. The Iren Group's total exposure towards the Municipality of Turin therefore increased by Euro 105,691 thousand compared to 31 December 2013. The increase was due only to consolidation of the company Amiat; net of the receivables claimed by the latter, in fact, the balance from the Municipality of Turin would have fallen by Euro 21,256 thousand.

Other receivables include an interest-free loan to the company Medgas.

NOTE 9_OTHER NON-CURRENT ASSETS

These are detailed in the following table:

	31/12/2014	31/12/2013
		thousands of euro
Guarantee deposits	13,136	17,742
Tax assets after 12 months	9,182	9,218
Other non-current assets	8,936	10,612
Non-current accrued income and prepaid expenses	15,752	15,410
Total	**47,006**	**52,982**

The decrease in guarantee deposits was due to the repayment of some of the amounts paid to the company Sinergie Italiane.
Tax assets at more than 12 months include the credits accrued following the application to deduct IRAP from IRES, Art. 2 paragraph 1 *quater* Italian Law Decree No. 201 of 6 December 2011 and the credits for the IRPEF advance on post-employment benefits paid in accordance with Italian Law 140/1997. In accordance with the relevant legislation, this amount has been recovered since 1 January 2000 and is revalued annually based on the same criteria used to revalue the post-employment benefits.

Prepayments mainly include the long-term prepaid portion, relating to energy service contracts signed by the subsidiary Iren Gestioni Energetiche S.p.A.

NOTE 10_DEFERRED TAX ASSETS

These total Euro 277,678 thousand (Euro 305,915 thousand at 31 December 2013) and refer to deferred tax assets deriving from elements deductible in future years. They also include the tax effect on adjustments made on IFRS first-time adoption.
The reduction with respect to 31 December 2013 was due above all to the reversal of pre-paid taxes relating to the IRES surcharge (the Robin Hood Tax) which the judgement of the Constitutional Court of 11 February 2015 declared unconstitutional.
Reference should be made to the income statement, Note 43 "Income tax expense" shown in the annex, for further details.

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 reduction with respect to 31 December 2013 was due to lower gas stocks associated with the exceptionally mild season.
The summary of changes occurring over the period is as follows:

thousands of euro

	31/12/2014	31/12/2013
Raw materials	120,013	143,642
Inventory write-down provision	(39,680)	(39,246)
Carrying amount	**80,333**	**104,396**
Contract work in progress	1,326	2,222
Total	**81,659**	**106,618**

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

At 31 December 2014 no inventories were pledged against liabilities.

NOTE 12_TRADE RECEIVABLES

These are detailed in the following table:

thousands of euro

	31/12/2014	31/12/2013
Receivables from customers	878,030	985,060
Allowance for impairment of accounts receivable	(142,578)	(131,610)
Net receivables from customers	**735,452**	**853,450**
Trade receivables from joint ventures	17,676	19,921
Trade receivables from associates	27,370	25,180
Trade receivables from other Group companies	19,578	23,597
Trade receivables from related-party shareholders	186,804	66,591
Allowance for impairment of accounts receivable - receivables from related-party shareholders	(8,916)	(8,976)
Total	**977,964**	**979,763**

We can note that at 31 December 2014 factoring transactions were completed with derecognition of the receivables for a total of Euro 66,868 thousand.
We can also note that the comparative data at 31 December 2013 were reclassified to include in the item "Non-current trade receivables", in keeping with what was done in financial year 2014, the receivables of the integrated water service for lower volumes supplied with respect to the constraint of revenue due to the operator (Euro 18,506 thousand).

Trade receivables, gross of provisions for impairment of receivables, are broken down by maturity as follows:

thousands of euro

	31/12/2014	31/12/2013
Not past due	582,857	631,198
Past due from 0 to 3 months	158,753	122,466
Past due from 3 to 12 months	144,633	137,118
Past due for more than one year	243,215	229,567
Total	**1,129,458**	**1,120,349**

Receivables from customers
These mainly relate to receivables due for electrical energy, gas, water and heat supplies, environmental services and sundry services. The balance takes into account the allowance for impairment of accounts receivable, illustrated below, for Euro 151,494 thousand (Euro 140,586 thousand at 31 December 2013).

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, reference is made to the table of transactions with related parties shown in the annex.

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

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

Receivables from 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 the allowance for impairment of accounts receivable of Euro 8,916 thousand (Euro 8,976 thousand at 31 December 2013). For further details, reference is made to the table of transactions with related parties shown in the annex.

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

thousands of euro

	31/12/2013	Utilisations	Provisions set aside in the period	Change in consolidation scope	31/12/2014
Allowance for impairment of accounts receivable	131,610	(38,141)	47,596	1,513	142,578
Allowance for impairment of accounts receivable – receivables from related-party shareholders	8,976	(2,000)	1,283	657	8,916
Total	**140,586**	**(40,141)**	**48,879**	**2,170**	**151,494**

The provision was used to cover losses on receivables.

NOTE 13_CURRENT TAX ASSETS

These amount to Euro 19,334 thousand (Euro 5,042 thousand at 31 December 2013) and include receivables from the tax authority for IRES and IRAP. For further information on estimating current taxes in the financial year please see Note 43.

NOTE 14_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2014	31/12/2013
Receivables for revenue tax/UTIF	65,388	21,129
VAT credit	4,027	7,988
Other tax assets	3,956	3,799
Tax assets due within one year	**73,371**	**32,916**
Receivables from CCSE	56,540	54,731
Green certificate receivables	43,939	65,425
Advances to suppliers	4,285	3,597
Receivables for Group tax consolidation and VAT	-	5,059
Other current assets	32,464	12,024
Other current assets	**137,228**	**140,836**
Accrued income and prepayments	22,835	23,453
Total	**233,434**	**197,205**

We can note that at 31 December 2014 factoring transactions were completed with derecognition of receivables for green certificates, for energy-efficiency certificates and from Cassa Conguaglio Settore Energetico (the Electricity Industry Adjustment Fund) for a total of Euro 45,285 thousand.

In relation to receivables from the Cassa Conguaglio Settore Elettrico (CCSE), a portion of the amounts shown may not be collectable within the next 12 months.
The increase in receivables for income taxes is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.

NOTE 15_CURRENT FINANCIAL ASSETS

This item, equal to Euro 471,301 thousand (Euro 418,407 thousand at 31 December 2013), refers to securities other than equity investments and financial receivables.

Securities other than 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.
In particular they amount to Euro 388 thousand (not present at 31 December 2013) and refer to government bonds classified as available for sale.

Financial receivables
All financial receivables recognised in this item are due within 12 months. The carrying amount of these receivables approximates their fair value as the impact of discounting is negligible.
The breakdown of financial receivables is presented below:

thousands of euro

	31/12/2014	31/12/2013
Financial receivables from joint ventures	437,762	382,378
Financial receivables from associates	4,423	7,579
Financial receivables from Municipalities shareholders-related parties	19,308	21,891
Other financial receivables	9,420	6,559
Total	**470,913**	**418,407**

Financial receivables from joint ventures
These regard for Euro 433,000 thousand (Euro 363,000 thousand at 31 December 2013) receivables from the joint venture OLT Offshore relating to the loan granted by the company Iren Mercato, for Euro 2,418 thousand (not present at 31 December 2013) Euro receivables from the joint venture Sviluppo Idrico and for Euro 2,344 thousand (Euro 5,430 thousand at 31 December 2013) receivables from the Iren Rinnovabili Group. Moreover, at 31 December 2013 receivables from the joint venture AES Torino amounted to Euro 13,948 thousand.

Financial receivables from associates
These relate, in the amount of Euro 4,082 thousand (Euro 6,614 thousand at 31 December 2013), to receivables from the associate ASA related to the loan granted by Iren Mercato. The remainder refers to receivables from associates for single non-significant amounts. For further details reference is made to the schedule of transactions with related parties shown in the annex.

Financial receivables from shareholders - related parties
These regard receivables on which interest accrues for the Group and amount to Euro 19,308 thousand (Euro 21,891 thousand at 31 December 2013). They refer to the short-term balance of the current account which governs trading and financial transactions between Iren Servizi e Innovazione S.p.A. (formerly Iride Servizi S.p.A.) and the Municipality of Turin, as already described in Note 8 above, to which you are referred for further details.
The Directors prudently assessed the amount on the basis of agreements entered into with the City of Turin. The remainder of the financial receivables from the Municipality was therefore classified under "Non-current financial receivables – receivables from related-party shareholders" (Euro 31,644 thousand).

Other financial receivables

These include receivables for dividends to be collected, accrued income and prepaid expenses of a financial nature and sundry financial receivables. They also include the payment made to the company UCH Holding srl (Euro 6,000 thousand).

NOTE 16_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

thousands of euro

	31/12/2014	31/12/2013
Bank and postal accounts	50,387	49,659
Cash in hand and cash equivalents	1,207	554
Other cash and cash equivalents	7	9
Total	**51,601**	**50,222**

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

NOTE 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 Euro 10,762 thousand (Euro 1,001 thousand at 31 December 2013).

For Euro 9,440 thousand they refer to the equity investment in Plurigas in liquidation. The investment was classified among assets held for sale since during 2014 the company ceased to do business. At 31 December 2013 the investment was classified among equity investments carried at equity.

For Euro 819 thousand they refer to the equity investment in VEA Energia Ambiente Srl. The investment was reclassified among assets held for sale since in the first quarter of 2015 its sale is likely to be completed. At 31 December 2013 the investment was classified among equity investments carried at equity.

For Euro 322 thousand they refer to the equity investment in SMAG. The investment was reclassified among assets held for sale since the disposal of the shareholding in the company will be presumably completed during 2015. At 31 December 2013 the investment was classified among equity investments carried at equity.

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

For Euro 23 thousand (unchanged with respect to 31 December 2013) they refer to the investment in Valfontanabuona Sport S.r.l., a company set up in June 2013 and for which the Iren Group plans to dispose of the equity interest by the end of 2015.

In addition, assets held for sale include the investment in Fata Morgana which at 31 December 2014 was completely written down.

Moreover, at 31 December 2013, the following were included:

- for Euro 10 thousand they refer to assets of the subsidiary CELPI, no longer operational from 2 December 2011 after it was placed in liquidation. The winding-up procedure was concluded at the beginning of January 2014 and on 20 January 2014 the company was cancelled from the register of companies.
- for Euro 500 thousand the investment in the associate GasEnergia Pluriservizi S.p.A., sold in January 2014.
- For Euro 310 thousand the equity investment in ACIAM, the sale of which was completed in 2014.

LIABILITIES

NOTE 18_EQUITY

Equity may be analysed as follows:

thousands of euro

	31/12/2014	31/12/2013
Share capital	1,276,226	1,276,226
Reserves and retained earnings	401,198	415,721
Net profit (loss) for the year	85,795	80,554
Total equity attributable to owners of the Parent	**1,763,219**	**1,772,501**
Share capital and reserves attributable to non-controlling interests	213,736	205,125
Profit (loss) of non-controlling interests	16,594	11,401
Total consolidated equity	**1,993,549**	**1,989,027**

Share capital

The share capital amounts to Euro 1,276,225,677 (unchanged compared to 31 December 2013), fully paid up, and consists of 1,181,725,677 ordinary shares with a nominal value of Euro 1 each and 94,500,000 savings shares without voting rights with a nominal value of Euro 1 each.

Savings shares

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

Reserves

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

thousands of euro

	31/12/2014	31/12/2013
Share premium reserve	105,102	105,102
Legal reserve	36,855	32,512
Hedging reserve	(39,695)	(24,028)
Other reserves and retained earnings (losses)	298,936	302,135
Total reserves	**401,198**	**415,721**

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 and to the risk of price changes in electrical energy and gas purchase contracts.

Other reserves and retained earnings (losses)

These mainly comprise the surplus generated from the merger of AMGA into AEM Torino and the later merger of Enìa into Iride, retained profits and losses and the reserve including actuarial gains and losses resulting from the measurement of post-employment benefits to employees.

NON-CURRENT LIABILITIES

NOTE 19_NON-CURRENT FINANCIAL LIABILITIES

These amount to Euro 2,210,821 thousand (Euro 1,841,116 thousand at 31 December 2013) and consist of:

Bonds

These amount to Euro 815,095 thousand (Euro 367,640 thousand at 31 December 2013), of which:

- Euro 156,621 thousand (Euro 157,354 thousand at 31 December 2013) relate to two non-convertible puttable bonds issued in 2008 with maturity in 2021. The bond, with a total term of 13 years, requires that after the third year and subsequently every two years, if the banks fail to exercise the option for redemption at par value, a competitive auction mechanism is activated to determine the credit spread for the following 2 years, to be applied at a pre-set fixed rate. The second auction was conducted in September 2013 with definition of the credit spread for the next 2 years. On the basis of the trend in interest rates, the probability of exercising the option of redemption at par at the theoretical maturity of September 2015 is considered zero. The amount refers to the amortised cost, in accordance with the IAS;
- Euro 658,474 thousand (Euro 210,286 thousand at 31 December 2013) referred to Private Placement and Public Bond issues. Private Placements: a) for a total of Euro 260 million, duration 7 years, annual coupon 4.37%, with main issue in October 2013 (intermediated by Mediobanca for Euro 125 million) and two subsequent re-openings in November 2013 (intermediated by BNP for Euro 85 million) and March 2014 (intermediated by BNP for Euro 50 million); b) for Euro 100 million, duration 5 years, annual coupon 3%, with issue in February 2014 (intermediated by Morgan Stanley). Public Bonds: in July 2014 the placing of an inaugural bond issue in Public Placement format for Euro 300 million, annual coupon 3% and duration 7 years was completed on the Eurobond market (Joint Bookrunners Banca IMI, BNP Paribas, Mediobanca, Morgan Stanley, Unicredit). The bond loans were subscribed by Italian and foreign institutional investors and are listed on the Irish Stock Exchange. The carrying amount refers to the amortised cost, pursuant to IAS.

Non-current bank loans

These exclusively relate to the non-current portion of bank loans and amount to Euro 1,352,935 thousand (Euro 1,433,219 thousand at 31 December 2013).

Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and expiry date, as shown in the following table:

thousands of euro

	fixed rate	floating rate	TOTAL
min/max interest rate	3.997% - 5.449%	0.262% - 2.972%	
maturity	2016-2027	2016-2028	
2016	88,556	70,463	159,019
2017	109,869	54,501	164,370
2018	62,129	290,460	352,589
2019	58,845	93,587	152,432
subsequent	429,678	94,847	524,525
Total payables at 31/12/2014	**749,077**	**603,858**	**1,352,935**
Total payables at 31/12/2013	**824,332**	**608,887**	**1,433,219**

All loans are in Euro.

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

thousands of euro

	31/12/2013 Total payables	Increases	Changes in the consolidation scope	Repayments	Amortised cost adjustments	31/12/2014 Total payables
- at fixed rate	**824,332**	0	0	(75,427)	172	**749,077**
- at floating-rate	**608,887**	300,130	11,118	(316,817)	540	**603,858**
TOTAL	**1,433,219**	**300,130**	**11,118**	**(392,244)**	**712**	**1,352,935**

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

- increases for a total of Euro 300,130 thousand, owing to disbursement to the Parent Company of new medium/long-term loans: Unicredit Euro 75 million in July and Euro 50 million in December, Mediobanca Euro 75 million in November, following the renegotiation of a line repaid in advance, as also with Banca Regionale Europea Euro 100 million in December. In addition, the consolidated company Bonifica Autocisterne contracted a loan of Euro 130 thousand;
- change in the consolidation scope, owing to the inclusion of the company Amiat SpA, following the increase in the equity interest during the year: the amount refers to the remaining debt of the loan that the company has in being with Dexia;
- reduction of a total of Euro 392,244 thousand, owing both to early repayments on loans renegotiated by the Parent Company, with alignment of new disbursements on market terms (Mediobanca Euro 40 million, BRE 100 million, Cassa depositi e Prestiti 50 million), and to the reclassification 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 Euro 42,792 thousand (Euro 40,257 thousand at 31 December 2013) of which Euro 39,884 thousand (Euro 37,176 thousand at 31 December 2013) refers to the fair value of derivative contracts entered into to hedge exposure to the risk of interest rate fluctuations on floating rate loans (described in the section “Group financial risk management”) and Euro 2,907 thousand (Euro 3,081 thousand at 31 December 2013) to sundry financial payables.

NOTE 20_EMPLOYEE BENEFITS

Changes in this item in 2014 were as follows:

thousands of euro

At 31/12/2013	**113,198**
Current service costs	745
Financial expense	3,107
Disbursements for the year	(3,748)
Advances	(1,073)
Actuarial profits (losses)	12,033
Changes in the scope of consolidation	25,240
Other changes	(531)
At 31/12/2014	**148,971**

The item Changes in consolidation scope includes the balances of the business unit related to the activity of distributing district heating acquired following the non-proportional spin-off of the joint venture AES Torino, the balances deriving from line-by-line consolidation of the company Amiat S.p.A. and the balances deriving from deconsolidation of the company Climatel.

Liabilities for employee benefits consist of:

Post-employment benefits

Post-employment benefits underwent the following movements during 2014:

thousands of euro

At 31/12/2013	**78,355**
Current service costs	299
Financial expense	2,091
Disbursements for the year	(2,064)
Advances	(1,073)
Actuarial profits (losses)	7,690
Changes in the scope of consolidation	24,841
Other changes	19
At 31/12/2014	**110,158**

Other benefits

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

Additional months' salaries (long-service bonus)

thousands of euro

At 31/12/2013	**4,531**
Current service costs	135
Financial expense	104
Disbursements for the year	(302)
Actuarial profits (losses)	406
Changes in the scope of consolidation	351
Other changes	(550)
At 31/12/2014	**4,675**

Loyalty bonus

	thousands of euro
At 31/12/2013	**2,256**
Current service costs	92
Financial expense	45
Disbursements for the year	(341)
Actuarial profits (losses)	149
At 31/12/2014	**2,201**

Tariff discounts

	thousands of euro
At 31/12/2013	**27,184**
Current service costs	219
Financial expense	846
Disbursements for the year	(964)
Actuarial profits (losses)	3,725
Changes in the scope of consolidation	48
At 31/12/2014	**31,058**

Premungas fund

	thousands of euro
At 31/12/2013	**872**
Financial expense	21
Disbursements for the year	(77)
Actuarial profits (losses)	63
At 31/12/2014	**879**

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

The following factors were considered in deciding which discount rate to adopt in the 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	0.72% - 1.49%
Annual inflation rate	0.60% - 2.00%
Annual rate of electrical energy price increase	0.60% - 2.00%
Annual increase rate of post-employment benefits	2.40% - 3.00%

Pursuant to provisions set out by the new 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 2015	Duration of the plan
	+0.25%	-0.25%		
Post-employment benefits	(2,258)	2,340	272	10
Additional monthly salaries	(138)	144	197	8
Loyalty bonus			99	6
Tariff discounts	(1,029)	1,237	510	14
Premungas	(18)	19	-	9

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	Change in consolidation scope	Increases	Decreases	(Income)/Expense from discounting	Closing balance	Current portion
Dilapidation provisions	108,437	-	11,954	(930)	2,832	122,293	2,615
Provisions for landfill post-closure	25,518	-	-	(2,331)	4,434	27,621	845
Provisions for dismantling and reclaiming sites	12,624	-	8,994	(133)	3,575	25,060	3,312
Provisions for CIG/CIGS	19,175	-	908	(4,732)	-	15,351	-
Provisions for former employees	1,258	-	-	-	-	1,258	-
Provisions for early retirement expenses	-	-	36,282	-	(187)	36,095	12,217
Provisions for risks on investments	10,695	-	-	-	-	10,695	10,651
Other provisions for risks and charges	180,687	22,007	41,122	(82,755)	1,957	163,018	52,090
Total	**358,394**	**22,007**	**99,260**	**(90,881)**	**12,611**	**401,391**	**81,730**

Dilapidation provision

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

Provisions for landfill post-closure

These are mainly provisions for future restoration expense, also including costs for post-operating management until complete conversion of the areas involved to green areas. These costs are supported by specific expert reports. Accruals and decreases for the period were performed to adjust existing provisions to the estimated future costs to be borne and accrued at 31 December 2014. Decreases also refer to the utilisation of the provision to cover costs incurred over the period with regard to the disposal of leachate (related to closed lots of operating landfills, both owned and under concession), as well as to the aggregate expense borne in the post-operating phase until the mineralization of waste and the conversion of landfills into green areas are completed.

Provisions for dismantling and reclaiming sites

The "Provisions for dismantling and reclaiming sites" partly refers to the prudential estimate of charges to be incurred in relation to the future restoration of former AMNU land on which an incinerator was located. The remainder refers to the estimated potential charges associated with future dismantling of certain Group plants.

Provisions for CIG/CIGS

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 Euro 15,352 thousand.

Provisions for former employees

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

Provisions for early retirement expenses

The provisions refer 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.

Provisions for risks on investments

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

Other provisions for risks and charges

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

- higher charges related to the construction of plants that are currently already finished or still to be completed (Euro 6,690 thousand);
- the estimate of charges related to the return of emission quotas (Euro 11,331 thousand);
- the IMU/ICI tax estimate to be paid on the value of the plants, calculated as provided by Article 1-*quinquies* of Italian Decree Law No. 44 of 31 March 2005 (Euro 3,042 thousand).

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

- charges related to the return of emission quotas (Euro 12,139 thousand);
- charges related to the construction of plants that are currently already completed or yet to be completed (Euro 19,191 thousand);
- the estimate of IMU/ICI tax to be paid on the value of the plants, calculated as provided by the Article 1-*quinquies* of the Decree Law No. 44 of 31 March 2005 (Euro 2,624 thousand);
- expenses related to the fees and surcharges for water shunting (Euro 44,897 thousand).

The current portion referring to the provisions described above was reclassified under “provisions, current portion” (Note 28).

NOTE 22_DEFERRED TAX LIABILITIES

Deferred tax liabilities of Euro 162,343 thousand (Euro 173,198 thousand at 31 December 2013) are due to the temporary difference between the carrying amount and tax value of assets and liabilities recognised in the financial statements.
Deferred taxation is calculated with reference to the expected tax rates applicable at the time the differences will reverse.
The reduction with respect to 31 December 2013 was due above all to the reversal of pre-paid taxes relating to the IRES surcharge (the Robin Hood Tax) which the judgement of the Constitutional Court of 11 February 2015 declared unconstitutional.
Reference should be made to the income statement, Note 43 “Income tax expense” shown in the annex, for further details.

NOTE 23_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

thousands of euro

	31/12/2014	31/12/2013
Payables after one year	42,092	43,560
Deferred income for grants related to plants – non current	154,889	144,261
Non-current accrued expenses and deferred income	3,644	663
Total	**200,625**	**188,484**

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

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

	31/12/2014	31/12/2013
Bank loans	605,122	694,352
Financial payables to joint ventures	5,378	1,699
Financial payables to associates	87	3
Financial payables to related-party shareholders	446	566
Financial payables to others	51,377	17,618
Derivative payables - current	1,794	82
Total	**664,204**	**714,320**

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

thousands of euro

	31/12/2014	31/12/2013
Loans - current portion	212,244	667,547
Other current payables to banks	381,128	22,242
Accrued financial expenses and deferred financial income	11,750	4,563
Total	**605,122**	**694,352**

Financial payables to joint ventures
This item relates to amounts due to the joint venture Iren Rinnovabili.

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

Financial payables to related-party shareholders
These refer to payables to the Municipalities of Genoa (Euro 439 thousand) and Piacenza (euro 7 thousand).

Financial payables to others
These regard mainly payables to factoring companies for advances on invoices issued and for the portions collected from customers and to be paid to the factor (Euro 47,979 thousand) and payables for dividends to be paid (Euro 2,424 thousand).

Derivative payables - current
These relate to the negative fair value of derivative contracts on commodities entered into by Iren Mercato.

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

	31/12/2014	31/12/2013
Trade payables to suppliers	788,426	850,279
Trade payables to joint ventures	3,043	24,596
Trade payables to associates	21,528	17,220
Trade payables to related-party shareholders	18,717	13,956
Trade payables to minor Group companies	21,794	19,332
Advances due within one year	6,486	5,630
Guarantee deposits due within one year	13,328	14,786
Charges to be reimbursed within one year	1,401	1,391
Total	**874,723**	**947,190**

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

	31/12/2014	31/12/2013
VAT payable	30,013	15,190
IRPEF payable	12,097	10,710
Other tax liabilities	8,523	15,488
Tax liabilities due within one year	**50,633**	**41,388**
Payables to employees	31,812	30,290
Payables to C.C.S.E.	52,072	52,017
Group VAT payables	-	57
Other current liabilities	73,308	50,476
Accounts payable to social security institutions within one year	24,479	17,856
Other payables due within one year	**181,671**	**150,696**
Accrued expenses and deferred income	16,279	13,264
Total	**248,583**	**205,348**

NOTE 27_CURRENT TAX LIABILITIES

Current tax liabilities amounting to Euro 1,869 thousand (Euro 10,952 thousand at 31 December 2013) consist of IRES and IRAP payables. In addition, the item includes the taxes estimated for this year, further details regarding the calculation of which can be found in Note 43.

NOTE 28_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounts to Euro 81,730 thousand (Euro 74,709 thousand at 31 December 2013) and refers to the following current portion of liabilities: provisions for risks including charges related to the obligation to return emission quotas (Euro 52,090 thousand), provisions for risks on investments primarily related to the associate Sinergie Italiane (Euro 10,651 thousand), dilapidation provisions (Euro 2,615 thousand), provisions for expenses associated with early retirement of employees (Euro 12,217 thousand), provisions for dismantling and reclaiming sites and provisions for landfill post-closure (Euro 4,157 thousand) meant to be used within the following 12 months.

NOTE 29_LIABILITIES RELATED TO ASSETS HELD FOR SALE

Zero at 31 December 2014. At 31 December 2013 these amounted to Euro 6 thousand and referred to reclassification of the liabilities of the subsidiary CELPI.

FINANCIAL POSITION

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

thousands of euro

	31/12/2014	31/12/2013
Non-current financial assets	(66,439)	(79,424)
Non-current financial indebtedness	2,210,821	1,841,116
Non-current financial indebtedness	**2,144,382**	**1,761,692**
Current financial assets	(522,902)	(468,629)
Current financial indebtedness	664,204	714,320
Current net financial indebtedness	**141,302**	**245,691**
Net financial indebtedness	**2,285,684**	**2,007,383**

Net Financial Position regarding related parties

Non-current financial assets relate for Euro 31,643 thousand to the long-term portion of the current account used to settle trade and financial relations between the subsidiary Iren Servizi e Innovazione and the Municipality of Turin, for Euro 2,164 thousand to receivables from associates, for Euro 30,839 thousand to receivables from joint ventures of the Iren Rinnovabili Group and for Euro 497 thousand to fixed-term deposits held with the Intesa Sanpaolo Group.

Non-current financial indebtedness refers for Euro 94,661 thousand to medium/long-term loans granted by the Intesa San Paolo Group.

Current financial assets relate for Euro 19,308 thousand to the short-term balance of the current account between the subsidiary Iren Servizi e Innovazione and the Municipality of Turin, for Euro 433,000 thousand to receivables from the joint venture OLT Offshore, for Euro 2,418 thousand to receivables from the joint venture Sviluppo Idrico, for Euro 2,343 thousand receivables from the joint venture Iren Rinnovabili and its subsidiaries, for Euro 4,082 thousand to receivables from the associate ASA, for Euro 1,212 thousand to receivables from the associates whose single amounts are negligible, for Euro 2,830 thousand to the positive balance of bank current accounts with the Intesa San Paolo Group. For further details reference is made to the schedule of transactions with related parties shown in the annex.

Current financial liabilities relate for Euro 61,403 thousand to short-term loans granted by the Intesa San Paolo Group and to the fair value of derivatives entered into with the Intesa San Paolo Group, for Euro 446 thousand to payables to the Municipality of Piacenza, to the Municipality of Reggio Emilia and to the Municipality of Genoa for insignificant single amounts. The remaining Euro 5,465 thousand refers to payables due to the Iren Rinnovabili Group (Euro 5,378 thousand) and to the associate Valle Dora Energia (Euro 87 thousand).

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

thousands of euro

	31/12/2014	31/12/2013
A. Cash in hand	(51,601)	(50,222)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**(51,601)**	**(50,222)**
E. Current financial receivables	**(471,301)**	**(418,407)**
F. Current bank debt	392,878	26,805
G. Current portion of non-current debt	212,244	667,547
H. Other current financial debt	59,082	19,968
I. Current financial indebtedness (F)+(G)+(H)	**664,204**	**714,320**
J. Net current financial indebtedness (I) – (E) – (D)	**141,302**	**245,691**
K. Non-current bank debt	1,352,935	1,433,219
L. Bonds issued	815,095	367,640
M. Other non-current debt	42,791	40,257
N. Non-current financial indebtedness (K) + (L) + (M)	**2,210,821**	**1,841,116**
O. Net financial indebtedness (J) + (N)	**2,352,123**	**2,086,807**

XI. NOTES TO THE INCOME STATEMENT

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

REVENUE

NOTE 30_REVENUE FROM GOODS AND SERVICES

This item amounts to Euro 2,633,866 thousand (Euro 3,163,905 thousand in 2013). For further details on the trend in revenues for business segments see the tables in paragraph XII Segment reporting

NOTE 31_CHANGE IN CONTRACT WORK IN PROGRESS

This item decreased by Euro 212 thousand (Euro 355 thousand decrease in 2013) and mainly refers to contract work in progress performed for road resurfacing after damage caused by works.

NOTE 32_OTHER REVENUE AND INCOME

Other revenue includes:

Grants

thousands of euro

	Financial year 2014	Financial year 2013
Grants related to plant	7,769	5,545
Other grants	1,281	1,038
Total	**9,050**	**6,583**

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 2014	Financial year 2013
Revenue from Emission Trading	2,293	91
Revenue from Green Certificates	84,723	100,509
Revenue from White Certificates	26,463	22,283
Total	**113,479**	**122,883**

The reduction in revenue from green certificates was due mainly to the natural expiry, which occurred as scheduled during 2014, of the IAFR qualification on one of the Group's plants.
The increase in revenues from Emission Trading was due to the assignment in the year, while in 2013 there had been no assignments.

Other income

	Financial year 2014	Financial year 2013
		thousands of euro
Revenue from service contracts	5,815	6,411
Revenue from rental income and leases	413	547
Capital gains on goods disposal	22,960	2,352
Prior year revenue/Contingent assets	89,022	30,422
Insurance reimbursement	144	255
Sundry repayments	10,951	11,881
Income from fair value of commodity derivatives	-	841
Other revenue and income	15,830	25,697
Total	**145,135**	**78,406**

The significant increase in other income was due to:

- the capital gain made on the sale of almost all the units held in the Core MultiUtilities Fund (approximately Euro 21 million);
- revenue for rights of the Integrated Water Service accruing to previous years (approximately Euro 18.5 million);
- electricity equalisation and adjustments of previous years (approximately Euro 17.8 million);
- recognition of receivables related to the Emission Trading System and assigned to plants known as “new entrants” and the assignment of certificates relating to previous years (approximately Euro 16.1 million);
- the positive result of legal disputes and penalties from suppliers (approximately Euro 9 million).

EXPENSE

NOTE 33_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

	Financial year 2014	Financial year 2013
		thousands of euro
Purchase of electrical energy	288,294	326,439
Purchase of gas	624,219	992,022
Purchase of heat	61	121
Purchase of other fuels	1,933	2,986
Purchase of water	713	826
Other raw materials	15,977	14,304
Sundry inventory mat. (including fuels and lubricants)	39,583	38,283
Emission Trading	13,651	17,594
Green certificates	3,782	9,729
White certificates	19,588	18,417
Change in inventories	20,097	35,519
Total	**1,027,898**	**1,456,240**

NOTE 34_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down in the following table:

thousands of euro	Financial year 2014	Financial year 2013
Transport of electrical energy	298,656	323,760
Electrical system costs	91,759	101,592
Tolling fees	-	51,194
Gas carriage	51,714	44,556
Heat carriage	50,920	96,990
Third party works for networks and plants	149,512	150,109
Collection and disposal, snow clearing, public parks	95,311	96,661
Maintenance expense	9,380	9,002
Expenses related to personnel (canteen, training, travel)	5,669	5,561
Professional services (studies, design, analysis)	10,515	7,491
Technical and administrative consulting	14,400	12,141
Trade and advertising expenses	5,124	5,988
Legal and notary fees	7,300	6,175
Insurance	10,856	9,474
Banking costs	8,836	9,213
Telephone costs	4,283	4,101
Costs related to service contracts	2,159	2,225
Reading and invoicing services	10,339	10,236
Fees of the Board of Statutory Auditors	1,124	1,362
Other costs for services	40,216	39,964
Total costs for services	**868,073**	**987,795**

Costs for electrical energy transport and electrical system costs decreased compared to financial year 2013 due to lower volumes of electrical energy sold in 2014.

In 2013 there were “Tolling fee” costs related to amounts paid to Edipower and to A2A in virtue of the agreements governing electricity production by Edipower in favour of the subsidiary trading companies. These costs were not present in 2014 because following the spin-off of Edipower the tolling contract was terminated.

Fees for heat carriage relate to the transport of heat by the company AES Torino S.p.A. In 2014 they fell because they refer exclusively to the first half of the year as a result of the spin-off, on 1 July 2014, of the company AES Torino S.p.A., through which Iren Energia acquired direct ownership of the business unit related to the activity of distributing district heating.

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

Costs for the use of third-party assets amount to Euro 46,363 thousand (Euro 46,166 thousand at 31 December 2013). These include instalments paid to the market operator of the Genoa district, instalments paid to the companies which own the assets of the integrated water service in the municipalities of Parma, Piacenza and Reggio Emilia, cross easement, operating lease rentals (including rents paid for the use of the buildings transferred to the Core Multiutilities fund during 2012), hiring and sundry rentals.

NOTE 35_OTHER OPERATING EXPENSE

Other operating expense is broken down in the following table:

thousands of euro

	Financial year 2014	Financial year 2013
General expense	10,745	7,778
Instalments and higher instalments for water shunting	13,794	11,478
Logistics expense	136	212
Taxes and duties	24,223	22,658
Prior year expense	39,276	32,290
Capital losses on goods disposal	1,602	1,999
Expense from fair value of commodity derivatives	-	764
Other sundry operating expense	12,405	8,835
Total	**102,181**	**86,014**

NOTE 36_CAPITALISED EXPENSES FOR INTERNAL WORK

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

thousands of euro

	Financial year 2014	Financial year 2013
Capitalised labour costs	(14,806)	(15,828)
Capitalised inventory materials	(8,363)	(6,581)
Total	**(23,169)**	**(22,409)**

NOTE 37_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

thousands of euro

	Financial year 2014	Financial year 2013
Gross remuneration	187,897	179,109
Social security charges	64,948	61,976
Post-employment benefits	299	315
Other long-term employee benefits	446	406
Other personnel expense	51,708	14,687
Directors' fees	1,465	1,933
Total	**306,763**	**258,426**

As described in Note 36, Euro 14,806 thousand of costs related to employees were capitalised.

Other personnel expense includes the amount related to provisions set aside for expenses associated with early retirement incentives. For more details see paragraph VIII Other Information. Other personnel expense also includes the social security and recreational contribution to ADAEM, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion of post-employment benefits and contributions to be paid by the employer to supplementary pension funds.

The personnel composition is shown in the following table.

	Financial year 2014	Financial year 2013	Average for the period
Senior managers	70	66	69
Junior managers	230	212	219
White collars	2,657	2,598	2,621
Blue collars	1,567	1,574	1,566
Total	**4,524**	**4,450**	**4,475**

We can note that the number of employees at 31 December 2014 does not include employees of the company Amiat, 1,748 people, because the company was acquired at the end of financial year 2014 and does not contribute to determining the Group's personnel expenses.

NOTE 38_DEPRECIATION/AMORTISATION

thousands of euro

	Financial year 2014	Financial year 2013
Property, plant and equipment and investment property	160,480	125,301
Intangible assets	77,833	73,359
Total	**238,313**	**198,660**

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

thousands of euro

	Financial year 2014	Financial year 2013
Allowance for impairment of accounts receivable	48,879	67,519
Provisions for risks and dilapidation provision	42,654	54,840
Provision releases	(42,172)	(25,267)
Impairment losses	67	6,944
Total	**49,428**	**104,036**

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”. The release of provisions for risks and charges refers mainly to allocations in previous years for higher charges relating to plant construction and expenses related to fees and surcharges for water shunting.

The impairment losses in financial year 2013 referred mainly to the reduction in the value of goodwill related to the investee OC Clim (Euro 1,000 thousand) and to the difference between the value of the equity investment in Edipower and the fair value of the net assets acquired following the spin-off (Euro 5,262 thousand).

NOTE 40_FINANCIAL INCOME AND EXPENSE

Financial income

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

thousands of euro

	Financial year 2014	Financial year 2013
Dividends	1,066	1,304
Bank interest income	264	285
Interest income from receivables/loans	20,712	18,192
Interest income from customers	4,575	5,635
Fair value gains on derivatives	151	887
Income on realised derivatives	14	35
Gains on financial assets disposal	360	-
Exchange rate gains	-	33
Other financial income	267	1,561
Total	**27,409**	**27,932**

Interest income from receivables/loans includes interest accrued on the current account between Iren Servizi e Innovazione (formerly Iride Servizi) and the Municipality of Turin for Euro 1,223 thousand. The remaining amount mainly refers to interest income from the joint venture OLT Offshore (Euro 17,143 thousand).

Financial expense

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

thousands of euro

	Financial year 2014	Financial year 2013
Interest expense on loans	63,848	65,695
Interest expense on bonds	28,952	12,183
Interest expense on bank current accounts	2,194	4,483
Other interest expense	3,842	5,353
Capitalised financial charges	(2,405)	(6,931)
Derivative fair value charges	119	-
Charges on realised derivatives	14,277	18,435
Loss on financial assets disposal	65	162
Interest cost – Employee benefits	3,106	3,065
Exchange rate losses	1	25
Other financial expense	15,896	5,419
Total	**129,895**	**107,889**

The increase in interest expense on bonds reflects the Private Placement issues completed in October 2013 and during 2014. This item includes amounts relating to the measurement at amortised cost.

The increase in financial expense was substantially due to a non-recurring expense components incurred in relation to the debt restructuring activities and to consolidation from 1 July 2014 of the business unit related to the activity of distributing district heating, acquired following the non-proportional partial spin-off of the joint venture AES Torino. The average cost of the debt for financial year 2014 fell slightly compared with that recorded in financial year 2013.
Reference should be made to the note to the statement of financial position line item “Employee benefits” for details of financial expense on employee benefits.
Other financial expense mainly includes financial expense for the discounting of provisions.

NOTE 41_SHARE OF PROFIT OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

The result is a profit of Euro 8,984 thousand (profit of Euro 46,772 thousand in 2013) and includes reversals of impairment losses for Euro 39,885 thousand and impairment losses totalling Euro 30,901 thousand.

NOTE 42_VALUE ADJUSTMENTS ON EQUITY INVESTMENTS

The item is a positive 26,493 and refers mainly to the positive difference between the fair value of the net assets of the heat distribution unit acquired and the value of the equity investment in AES Torino which was written off (Euro 22,616 thousand), to the positive difference between the fair value of the net assets of 31% of Amiat acquired and the cost of acquisition (Euro 3,897 thousand).
In financial year 2013 this item was a negative Euro 28,113 thousand and referred to impairment losses of the investees Energia Italiana (Euro 12,928 thousand), OLT Offshore (Euro 7,210 thousand), Fingas (Euro 5,683 thousand), Mestni Plinovodi (Euro 3,736 thousand), Atena (Euro 2,882 thousand), Atena Patrimonio (Euro 1,385 thousand), Acquaenna (Euro 1,380 thousand), Gas Energia (Euro 135 thousand), partly offset by the positive difference between the fair value of net assets of Amiat acquired and the acquisition cost (Euro 7,227 thousand).

NOTE 43_INCOME TAX EXPENSE

Income taxes for 2014 are estimated at Euro 116,069 thousand (Euro 103,204 thousand in 2013).

thousands of euro

	Financial year 2014	Financial year 2013
Current tax	98,944	115,349
Deferred tax assets	(3,868)	(17,990)
Prior year taxes	20,993	5,881
Total	**116,069**	**103,240**

Current tax includes Euro 74 million for Additional IRES (corporate income tax) and Euro 25 million for IRAP (regional business tax).
In 2014 the tax rate was affected both by higher non-deductible expenses relating to the negative effect on deferred tax assets and liabilities of the reversal of the IRES surcharge (the Robin Hood Tax) considered unconstitutional by the Constitutional Court with the judgement of 11 February 2015, and by the measurement at equity of the fiscally irrelevant joint ventures and associates.
The 2014 tax rate did not change significantly compared with 2013.

The following table shows the breakdown of the two tax rates.

	Financial year 2014		Financial year 2013	
Profit before tax	218,458		195,195	
IRES and Additional IRES (theoretical)	83,014	38%	74,174	38%
Permanent differences	(41,454)	-19%	10,820	6%
Rate recalculations	23,633	11%	1,335	1%
IRAP	24,974	11%	25,066	13%
Adjustment for companies not subject to Robin tax	(4,346)	-2%	(6,848)	-4%
Previous years' taxes and other differences	4,546	2%	5,401	3%
Total taxes in the income statement	**116,069**	**53.13%**	**103,240**	**52.89%**

The following table shows deferred tax assets and liabilities and their impact.

thousands of euro

	Financial year 2014	Financial year 2013
Deferred tax assets		
Directors' and statutory auditors' fees	889	903
Non-taxable provisions	114,603	125,739
Taxable contributions	197	362
Differences in value of fixed assets	115,527	133,856
Derivatives (IAS 39)	10,290	10,270
Tax losses carried forward indefinitely	-	1,084
Other	36,173	33,701
Total	**277,679**	**305,915**
Deferred tax liabilities		
Differences in value of fixed assets	75,386	74,682
Grants for plants	207	275
Allowance for impairment of tax assets, separate fin. stat.	576	1,142
Adjustment to post-employment benefits	512	1,198
Finance lease	407	1,303
Other	85,255	94,598
Total	**162,343**	**173,198**
Total net deferred tax assets (liabilities)	**115,336**	**132,717**
Total change	**(17,381)**	
of which:		
Equity	4,718	
Income statement (*)	(14,412)	
owing to changes in the consolidation scope	(7,687)	

(*) The change in the income statement is summarised in "Deferred tax liabilities" and partly in "Prior year taxes".

Recovery of State Aid

With reference to the question of recovery of state aid, discussed in detail in the notes to the financial statements at 31 December 2013 and previous years, there were no updates in financial year 2014.

NOTE 44_NET PROFIT FROM DISCONTINUED OPERATIONS

Not present in financial year 2014 and in financial year 2013.

NOTE 45_PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests, which amounts to Euro 16,594 thousand (Euro 11,401 thousand in 2013), relates to the share of profit of non-controlling interests in companies fully consolidated but not wholly owned by the Group.

NOTE 46_EARNINGS PER SHARE

In order to calculate the basic and diluted earnings per share, the number of ordinary shares for 2014 is the weighted average, unchanged compared to the previous year, of shares outstanding over the reference period based on the provisions of paragraph 20, IAS 33.

	Financial year 2014	Financial year 2013
Net profit/(loss) for the period (thousands of euro)	85,795	80,554
Weighted average number of shares outstanding over the year (thousand)	1,276,226	1,276,226
Basic earnings/(loss) per share (euro)	**0.07**	**0.06**

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 2014	Financial year 2013
Net profit/(loss) for the period (thousands of euro)	85,795	80,554
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)	**0.07**	**0.06**

NOTE 47_OTHER COMPREHENSIVE INCOME

The effective portion of changes in the fair value of cash flow hedges, a negative Euro 5,208 thousand, refers to derivatives hedging changes in interest rates and derivatives hedging changes in commodity prices (electrical energy and gas).
Actuarial losses, related to defined benefit plans, amounted to Euro 12,850 thousand.
The portion of other profits/(losses) of companies accounted for using the equity method, a negative Euro 12,198 thousand, refers to changes in the fair value of cash flow and commodity hedges and the actuarial losses of associates.
The tax effect of other comprehensive income is a positive Euro 4,718 thousand.

XII. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees relate to:

a) Sureties for own commitments of Euro 453,712 thousand (Euro 403,418 thousand at 31 December 2013); the most significant items refer to sureties issued in favour of:
   - SNAM Rete Gas for Euro 81,873 thousand, of which Euro 61,500 thousand in the interest of OLT Offshore LNG Toscana in relation to the construction of a delivery point;
   - Reggio Emilia Provincial Government for Euro 59,909 thousand for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation;
   - ENEL Distribuzione for Euro 43,963 thousand to guarantee the electrical energy transport service contract;
   - ATO-R, for Euro 41,000 thousand, as definitive guarantees in the Amiat/TRM tender procedure;
   - G.S.E. S.p.A., for Euro 27,590 thousand, for the proceeding for the auction to obtain incentives on the IEH plant in Parma;
   - the City of Turin for Euro 27,476 thousand as definitive guarantees in the Amiat/TRM tender procedure;
   - Terna, for Euro 27,009 thousand to guarantee injection and withdrawal dispatching contracts and to guarantee the electrical energy transport service contract;
   - the Electrical energy Market Operator (GME) for Euro 25,300 thousand to guarantee the market participation contract;
   - the Customs Authority, for Euro 17,520 thousand to guarantee the regular payment of revenue tax and additional local and provincial duties on electrical energy consumption and gas excise;
   - Lombardy Executive Committee for Euro 15,740 thousand to guarantee extended payment of payables on Turbigo Plant concessions;
   - IREN EMILIA SPA for Euro 14,253 thousand to guarantee the natural gas distribution contract as provided for in the Grid Code;
   - Parma Provincial Government, for Euro 13,869 thousand for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation;
   - the Ministry of the Environment, for Euro 8,292 thousand;
   - Genova Reti Gas for Euro 8,202 thousand to guarantee the natural gas distribution contract as provided for in the Grid Code;
   - the Piacenza Provincial Government, for Euro 3,796 thousand for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation;
   - TRM SpA, for Euro 3,000 thousand, as definitive guarantee in the Amiat/TRM tender procedure;
   - the Municipality of Parma for Euro 2,751 thousand to guarantee the Cornocchio plant and for maintenance contracts;
   - ATERSIR for Euro 2,720 for agreements with the Emilian areas S.I.I. and S.G.R.U.;
   - AES Torino for Euro 2,264 thousand to guarantee the natural gas distribution contract;
   - the Municipality of Moncalieri for Euro 1,486 thousand, to guarantee the construction of urbanisation works;
   - REAM Sgr SpA, for Euro 2,319 thousand, to guarantee future lease payments of properties transferred to the real estate fund called Fondo Core MultiUtilities;
   - FCT Holding, for Euro 2,000 thousand, as definitive guarantee in the Amiat/TRM tender procedure;
   - the Municipality of Genoa, for Euro 1,135 thousand, to guarantee works on the gas network;

b) Guarantees given on behalf of subsidiaries and associates, amounting to Euro 215,907 thousand, primarily to guarantee credit facilities;

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane (namely guarantees for credit facilities and letters of patronage for Euro 34,333 thousand at 31 December 2014 compared to Euro 57,167 thousand at 31 December 2013). The liquidators concluded the main procurement contracts and since 1 October 2012 the Company's operating activity therefore includes only the purchase of gas from the Russian Gazprom supplier and the sale of gas to shareholders or their subsidiaries, including Iren Mercato. Therefore the company's financial exposure is gradually falling with the consequent decrease in shareholders' guarantee obligations.
We can also note the sureties issued in favour of Banca Intesa for Euro 3,834 thousand to guarantee the mortgage of the associate company 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 Iren Acqua Gas is bound to pay damages in the event of liabilities, losses or damage suffered by F2i or Mediterranea delle Acque or its investees, resulting from incorrect or unfair statements included in the agreement, with specific reference to outstanding tax disputes among which the dispute with the Tax Authorities for the recognition of depreciation/amortisation deducted by Mediterranea delle Acque regarding the water operating segment transferred in December 1999 from Amga S.p.A. to the newly incorporated Genova Acque S.p.A. (later renamed Mediterranea delle Acque following the merger with Genoa private aqueducts).

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

CONTINGENT LIABILITIES

Mediterranea delle Acque: Dispute with the Tax Authorities

With reference to the legal dispute with the Tax Authorities, relating to the assessment notices for the years 2003, 2004, 2005, 2006, 2007, 2008 and 2009 under the terms of Art. 37 bis paragraph 4 Italian Presidential Decree 600/73 contribution of Business Unit, described in detail in the financial statements at 31 December 2013, the events and updates that occurred during 2014 and up until the approval of these financial statements by the Board of Directors are presented below.

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

On 4 June 2014 the request for clarifications under the terms of Art. 37-*bis* paragraph 4 Italian Presidential Decree 600/73 was notified for the years 2009 – 2010 – 2011 in relation to the deduction of depreciation/amortisation deriving from the business transfer on 23 December 1999 carried out by AMGA S.p.A. described in detail in the financial statements at 31 December 2013.
On 1 August 2014 the company presented its defensive briefs in keeping with the indications with reference to the years already covered by the notice of assessment.

On 9 September 2014 a notice of assessment was served for 2009, again relating to the deduction of the depreciation/amortisation for that year of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A. (higher taxes demanded Euro 1,267,248). The Company lodged the related appeal within the legal deadline.

In relation to the dispute described above the Tax Authority entered in the roll the amounts due on the basis of the law in relation to the years 2003-2004-2005-2006 for a total of Euro 4,745,569 including ancillary expenses. The related amounts were promptly paid within the respective expiry dates. The amounts paid were accounted for under the item other non-current receivables.

Also in the light of the opinion issued by the tax consultants that assist it, the Company believes that the risk deriving from the dispute can be classified as a contingent liability under the terms of IAS 37, as it is a possible but not probable expense: as a consequence, in keeping with the indications of the relevant accounting standard, it has been disclosed in the notes to the statements prepared from time to time, without setting aside any provisions. This is based on the opinion that it is unlikely that the Company will have to pay any amount in relation to this obligation taking into account the strong defence raised during the proceedings.

An examination of the grounds of the judgement of first instance, made also with the support of the Company's legal consultants, did not lead to a revision of the probabilistic opinion formulated above: they seem, in fact, faulty from a logical and legal point of view, and we believe that the decision will be overturned in the subsequent levels of judgement. The lawyers were therefore asked to prepare the appeal claim, which was lodged in accordance with law.
At this stage of proceedings, for the above-mentioned reasons (duly motivated in other deeds issued during the proceedings), and based on the reasons specified in the first instance judgement, which justified the lodging of the appeal, the Company believes that the appeal will be successful and that the assessment notices will be cancelled.
Therefore, the Company does not deem it necessary to set aside a specific provision as it is not probable that economic resources will be used to settle the tax claims.
Pursuant to paragraph 86 of IAS 37, the following information regarding contingent liabilities is supplied:

a) in the event that the orientation of the first instance rulings is consolidated, for all years still open for income tax purposes, the company will consider as non-tax deductible all amortisation/depreciation calculated by Mediterranea delle Acque on gains resulting from transfers from AMGA SPA, at that time not subject to taxation, and amounting to around Euro 93 million. This would result in a total tax payable plus interest of approximately Euro 32.0 million, of which around Euro 1.3 million in higher taxes for 2014;
b) if the outcome is unfavourable, it is however impossible to establish the time when the matter will become unfavourable for the Company and when the aforementioned amounts will become payable (also taking account of tax collection dynamics which, although in the presence of a pending ruling, provide for a preliminary payment of a portion of the tax assessed in the event that the case is lost);
c) the Company deems it a mere possibility that resources expected to produce economic benefits will have to be used to fulfil tax obligations.

XIII. SEGMENT REPORTING

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

OPERATING SEGMENTS

The Iren Group operates in the following business segments:

- Generation and District Heating (Hydroelectric Production, Cogeneration of Electrical Energy and Heat, District Heating Networks)
- Market (Sale of electrical energy, gas, heat)
- Energy Infrastructures (Electricity distribution networks, Gas distribution networks)
- Integrated Water Service (sale and distribution of water, water treatment and sewerage)
- Waste Management (Waste collection and disposal)
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

These operating segments are disclosed pursuant to IFRS 8. Under this standard, the disclosure about operating segments should be based on the elements which management uses in making operational and strategic decisions.
For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.
Given the fact that the Group mainly operates in the North-West area, the following segment information does not include a breakdown by geographical area.
The statements below show the net invested capital compared to the figures at 31.12.2013 and the income statements (up to the operating profit) by business segment, compared with the data of financial year 2013 restated in order to take into account the deconsolidation of the assets related to the companies AES Torino, OLT, SAP and Iren Rinnovabili previously consolidated using the proportional method and now measured using the equity method.

Statement of financial position restated by operating segment at 31 December 2014

millions of euro

	Generation and District heating	Market	Energy infrastructures	Integrated Water Service	Environment	Other services	Non-allocable	Total
Non-current assets	1,998	66	870	985	420	27	253	4,619
Net working capital	107	18	-71	120	58	-3	8	238
Other non-current assets and liabilities	-101	30	-58	-311	-109	-18	-11	-578
Net invested capital (NIC)	**2,004**	**114**	**741**	**794**	**369**	**6**	**250**	**4,279**
Equity								1,993
Net financial position								2,286
Own funds and net financial indebtedness								**4,279**

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

millions of euro

	Generation and District heating	Market	Energy infrastructures	Integrated Water Service	Environment	Other services	Non-allocable	Total
Non-current assets	1,820	62	850	951	335	29	279	4,326
Net working capital	129	20	-56	86	-31	-11	7	144
Other non-current assets and liabilities	-95	36	-61	-272	-50	-14	-18	-474
Net invested capital (NIC)	**1,854**	**118**	**733**	**765**	**254**	**4**	**268**	**3,996**
Equity								1,989
Net financial position								2,007
Own funds and net financial indebtedness								**3,996**

Income Statement by segment at 31 December 2014

millions of euro

	Generation and District heating	Market	Energy infrastructures	Integrated Water Service	Environment	Other services	Netting and adjustments	Total
Total revenue and income	773	2,388	341	464	238	96	-1,399	2,901
Total operating expense	-625	-2,297	-189	-314	-190	-112	1,399	-2,328
Gross Operating Profit (EBITDA)	**148**	**91**	**152**	**150**	**48**	**-16**	**0**	**573**
Net am./depr., provisions and impairment losses	-84	-41	-45	-74	-34	-10	0	-288
Operating profit (EBIT)	**64**	**50**	**107**	**76**	**14**	**-26**	**0**	**285**

Income Statement by segment at 31 December 2013

millions of euro

	Generation and District heating	Market	Energy infrastructures	Integrated Water Service	Environment	Other services	Netting and adjustments	Total
Total revenue and income	950	3,098	334	426	214	90	-1,741	3,371
Total operating expense	-807	-2,991	-180	-309	-178	-88	1,741	-2,812
Gross Operating Profit (EBITDA)	**143**	**107**	**154**	**117**	**36**	**2**	**0**	**559**
Net am./depr., provisions and impairment losses	-98	-55	-47	-68	-30	-5	0	-303
Operating profit (EBIT)	**45**	**52**	**107**	**49**	**6**	**-3**	**0**	**256**

XIV. ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FULLY CONSOLIDATED COMPANIES

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

INVESTMENTS IN OTHER COMPANIES

ACCOUNTING DATA OF THE MAIN COMPANIES CONSOLIDATED LINE-BY-LINE AND MEASURED AT EQUITY

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

DEFERRED TAX ASSETS AND LIABILITIES

TRANSACTIONS WITH RELATED PARTIES

INDEPENDENT AUDITORS' FEES

FULLY CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Iren Acqua Gas S.p.A.	Genoa	Euro	386,963,511	100.00	Iren
Iren Ambiente Holding S.p.A.	Piacenza	Euro	1,000,000	100.00	Iren
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00	Iren
Iren Emilia S.p.A.	Reggio Emilia	Euro	196,832,103	100.00	Iren
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00	Iren
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00	Iren
AEM Torino Distribuzione S.p.A.	Turin	Euro	126,127,156	100.00	Iren Energia
AGA S.p.A.	Genoa	Euro	11,000,000	99.64	Iren Emilia
Amiat S.p.A.	Turin	Euro	46,326,462	80.00	Amiat V
Amiat V. S.p.A.	Turin	Euro	1,000,000	93.0592	Iren Emilia
				0.0008	Iren
Bonifica Autocisterne	Piacenza	Euro	595,000	51.00	Iren Ambiente Holding
Iren Gestioni Energetiche S.p.A.	Genoa	Euro	10,000,000	100.00	Iren Mercato
Consorzio GPO	Genoa	Euro	20,197,260	62.35	Iren Emilia
Eniatel S.p.A.	Piacenza	Euro	500,000	100.00	Iren Emilia
GEA Commerciale S.p.A.	Grosseto	Euro	340,910	100.00	Iren Mercato
Genova Reti Gas S.r.l.	Genoa	Euro	1,500,000	100.00	Iren Acqua Gas
Idrotigullio S.p.A.	Chiavari (GE)	Euro	979,000	66.55	Mediterranea delle Acque
Immobiliare delle Fabbriche S.r.l.	Genoa	Euro	90,000	100.00	Mediterranea delle Acque
Iren Servizi e Innovazione S.p.A.	Turin	Euro	52,242,791	100.00	Iren Energia
Laboratori Iren Acqua Gas S.p.A.	Genoa	Euro	2,000,000	90.89	Iren Acqua Gas
Mediterranea delle Acque S.p.A.	Genoa	Euro	19,203,411	60.00	Iren Acqua Gas
Monte Querce	Reggio Emilia	Euro	100,000	60.00	Iren Ambiente
Nichelino Energia S.r.l.	Turin	Euro	8,500,000	100.00	Iren Energia
O.C.Clim S.r.l.	Savona	Euro	100,000	100.00	Iren Gestioni Energetiche
Tecnoborgo S.p.A.	Piacenza	Euro	10,379,640	99.50	Iren Ambiente
				0.50	Iren
TLR V. S.p.A.	Turin	Euro	120,000	99.996	Iren Energia
				0.001	Iren
				0.001	Iren Ambiente
				0.001	Iren Emilia

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Joint ventures

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Iren Rinnovabili (Group)	Reggio Emilia	Euro	285,721	70.00	Iren Ambiente Holding
Olt Offshore Toscana LNG S.p.A.	Milan	Euro	145,750,700	43.99	Iren Mercato
Società Acque Potabili (Group)	Turin	Euro	3,600,295	30.86	Iren Acqua Gas
Sviluppo Idrico S.r.l.	Turin	Euro	2,000,000	50.00	Iren Acqua Gas

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	Iren Emilia
Acquaenna S.c.p.a.	Enna	Euro	3,000,000	46.00	Iren Acqua Gas
Aguas de San Pedro S.A.	S.Pedro Sula (Honduras)	Lempiras	159,900	30.00	Iren Acqua Gas
Aiga S.p.A.	Ventimiglia	Euro	104,000	49.00	Iren Acqua Gas
Amat S.p.A.	Imperia	Euro	5,435,372	48.00	Iren Acqua Gas
Amter S.p.A.	Cogoleto	Euro	404,263	49.00	Mediterranea delle Acque
ASA S.p.A.	Livorno	Euro	28,613,414	40.00	AGA
ASTEA	Recanati	Euro	76,115,676	21.32	Consorzio GPO
Atena S.p.A.	Vercelli	Euro	8,203,255	40.00	Iren Emilia
Domus Acqua S.r.l.	Domusnovas	Euro	96,000	29.00	Iren Acqua Gas
Fata Morgana S.p.A. (**)	Reggio Calabria	Euro	1,402,381	25.00	Iren Emilia
Fin Gas S.r.l.	Milan	Euro	10,000	50.00	Iren Mercato
GICA s.a.	Lugano	CHF	4,000,000	24.99	Iren Mercato
Global Service Parma	Parma	Euro	20,000	30.00	Iren Emilia
Il Tempio S.r.l.	Reggio Emilia	Euro	110,000	45.50	Iren Emilia
Iniziative Ambientali S.r.l.	Novellara	Euro	100,000	40.00	Iren Ambiente Holding
Mestni Plinovodi	Koper (Slovenia)	Euro	15,952,479	49.88	Iren Acqua Gas
Mondo Acqua	Mondovì	Euro	1,100,000	38.50	Iren Acqua Gas
Nord Ovest Servizi	Turin	Euro	7,800,000	10.00	Iren Acqua Gas
				15.00	Amiat
Piana Ambiente S.p.A. (**)	Gioia Tauro	Euro	1,719,322	25.00	Iren Emilia
Plurigas (**)	Milan	Euro	800,000	30.00	Iren
Rio Riazzone S.p.A.	Reggio Emilia	Euro	103,292	44.00	Iren Ambiente Holding
S.M.A.G. (*)	Genoa	Euro	20,000	30.00	Iren Acqua Gas
Salerno Energia Vendite	Salerno	Euro	2,447,526	39.40	GEA Commerciale
Sea Power & Fuel S.r.l.	Genoa	Euro	10,000	50.00	Iren Mercato
Sinergie Italiane S.r.l. (***)	Milan	Euro	1,000,000	30.94	Iren Mercato
So. Sel. S.p.A.	Modena	Euro	240,240	24.00	Iren Emilia
Tirana Acque (***)	Genoa	Euro	95,000	50.00	Iren Acqua Gas
TRM V. S.p.A.	Turin	Euro	1,000,000	48.80	Iren Ambiente
				0.10	Iren Emilia
				0.10	Iren Energia
Valle Dora Energia S.r.l.	Turin	Euro	537,582	49.00	Iren Energia
VEA Energia e Ambiente (*)	Pietra Santa	Euro	96,000	37.00	Iren Mercato

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

INVESTMENTS IN OTHER COMPANIES

Company	Registered office	Currency	Share capital share	% stake	Company company
Acque Potabili Siciliane	Palermo	Euro	5,000,000	56.77	Società Acque Potabili
				9.83	Mediterranea delle Acque
Astea Energia	Osimo (AN)	Euro	117,640	6.00	Iren Mercato
Atena Patrimonio	Vercelli	Euro	73,829,295	14.65	Iren Emilia
Autostrade Centro Padane	Cremona	Euro	30,000,000	1.46	Iren Emilia
BT ENIA Telecomunicazioni	Parma	Euro	4,226,000	12.01	Iren Emilia
C.R.P.A. S.p.A.	Reggio Emilia	Euro	1,851,350	5.40	Iren Emilia
CIDIU S.p.A.	Collegno (TO)	Euro	4,335,314	4.87	Amiat
CONSORZIO COMPOST CIC	Bologna	Euro	287,948		Amiat
Consorzio L.E.A.P.	Piacenza	Euro	1,192,079	0.84	Iren Ambiente Holding
Consorzio Topix	Turin	Euro	1,685,000	0.30	Iren Energia
Cosme S.r.l.	Genoa	Euro	320,000	1.00	Iren Acqua Gas
CSP Scrl	Turin	Euro	641,000	6.10	Iren Energia
Energia Italiana S.p.A.	Milan	Euro	26,050,000	11.00	Iren Energia
Environment Park S.p.A.	Turin	Euro	11,406,780	3.39	Iren Energia
				7.41	Amiat
RE Innovazione	Reggio Emilia	Euro	882,872	0.87	Iren Ambiente Holding
Rupe S.p.A.	Genoa	Euro	3,057,898	0.39	Immobiliare delle Fabbriche
S.D.B. S.p.A.	Turin	Euro	536,000	1.00	Iren Servizi e Innovazione
Stadio Albaro	Genoa	Euro	1,230,000	2.00	CAE Amga Energia
T.I.C.A.S.S.	Genoa	Euro	98,000	4.08	Iren Acqua Gas
Valfontanabuona Sport S.r.l. (*)	Genoa	Euro	45,250	51.00	O.C.Clim S.r.l.

(*) equity investment held for sale

ACCOUNTING DATA OF THE MAIN COMPANIES CONSOLIDATED LINE-BY-LINE AND MEASURED AT EQUITY

Fully consolidated companies

Company	Currency	Total Assets	Equity	Total Revenues	Profit/loss
Iren Acqua Gas S.p.A.	Euro	1,273,080,319	616,082,326	194,672,812	21,919,095
Iren Ambiente Holding S.p.A.	Euro	16,239,000	9,178,814	176,743	186,798
Iren Ambiente S.p.A.	Euro	518,751,499	232,938,553	165,995,970	61,162
Iren Emilia S.p.A.	Euro	639,494,439	271,049,066	370,949,868	16,908,508
Iren Energia S.p.A.	Euro	2,659,861,200	1,426,382,721	773,337,543	55,206,394
Iren Gestioni Energetiche S.p.A.	Euro	55,825,036	24,081,892	26,411,545	(413,550)
Iren Mercato S.p.A.	Euro	1,288,701,369	123,489,499	2,346,924,484	21,910,031
AEM Torino Distribuzione S.p.A.	Euro	478,405,905	207,697,979	149,722,884	17,834,472
AGA S.p.A.	Euro	19,789,160	6,627,817	-	(278,006)
Amiat	Euro	246,209,613	84,831,978	195,744,545	11,289,708
Amiat V. S.p.A.	Euro	52,869,511	30,283,379	6,344	928,146
Bonifica Autocisterne	Euro	1,129,062	569,285	1,203,647	55,304
Consorzio GPO	Euro	21,953,853	21,908,835	-	261,274
Eniatel S.p.A.	Euro	2,190,543	1,387,758	989,517	237,758
GEA Commerciale S.p.A.	Euro	8,553,765	3,927,471	14,292,085	863,490
Genova Reti Gas S.r.l.	Euro	56,320,097	15,108,800	59,331,382	12,099,223
Idrotigullio S.p.A.	Euro	37,982,785	11,673,385	16,923,951	1,980,819
Immobiliare delle Fabbriche S.r.l.	Euro	10,519,210	10,401,994	-	(82,851)
Iren Servizi e Innovazione S.p.A.	Euro	145,060,904	80,498,305	64,503,014	(2,926,264)
Laboratori Iren Acqua Gas S.p.A.	Euro	9,842,920	4,994,773	8,342,657	290,427
Mediterranea delle Acque S.p.A.	Euro	670,887,212	460,047,313	136,176,781	36,163,246
Monte Querce	Euro	728,974	100,000	28,964	-
Nichelino Energia S.r.l.	Euro	23,119,892	9,556,591	3,887,562	648,804
O.C.Clim S.r.l.	Euro	8,601,823	3,379,842	7,747,397	76,161
Tecnoborgo S.p.A.	Euro	32,073,763	22,803,754	18,925,043	2,442,678
TLR V. S.p.A.	Euro	353,467	52,001	-	(39,836)

Companies measured using the equity method

Joint ventures

Company	Currency	Total Assets	Equity	Total Revenues	Profit/loss
Iren Rinnovabili S.p.A.	Euro	37,668,297	21,819,261	3,470,210	35,814
Olt Offshore Toscana LNG S.p.A.	Euro	996,793,384	69,239,029	50,293,755	(65,243,692)
Società Acque Potabili S.p.A. (*)	Euro	256,086,421	98,221,939	57,768,348	(4,820,245)
Sviluppo Idrico S.p.A.	Euro	17,051,778	12,105,178	32	(944,822)

(*) Accounting data at 31/12/2013

Associates

Company	Currency	Total Assets	Equity	Total Revenues	Profit/loss
A2A Alfa S.r.l. (*)	Euro	1,573,130	1,544,476	-	(40,359)
Acos Energia S.p.A. (*)	Euro	17,057,206	3,536,504	27,551,871	1,220,330
Acos S.p.A. (*)	Euro	100,661,873	30,374,576	51,478,835	2,253,606
Acquaenna S.c.p.a. (*)	Euro	62,052,786	2,189,228	19,091,261	(402,598)
Aguas de San Pedro (*)	Lempiras	959,949,838	526,357,426	372,791,782	77,249,073
Aiga S.p.A. (*)	Euro	4,500,652	581,506	2,191,407	(336,061)
Amat S.p.A. (*)	Euro	35,106,418	6,289,435	7,676,304	53,854
Amter S.p.A. (*)	Euro	5,204,532	1,460,722	4,206,942	217,891
ASA S.p.A. (*)	Euro	250,773,965	63,081,557	84,793,004	24,170,850
ASTEA (*)	Euro	160,309,852	86,119,646	89,710,520	3,311,215
Atena S.p.A. (*)	Euro	76,875,466	13,940,099	83,686,335	2,090,212
Domus Acqua S.r.l. (*)	Euro	1,068,640	239,623	375,937	4,195
Fin Gas srl (*)	Euro	12,017,948	12,012,873	-	(10,436,151)
GICA s.a. (*)	CHF	324,276	(4,050,926)	233	(73,388)
Global Service Parma	Euro	8,806,628	20,000	5,439,713	-
Il Tempio S.r.l. (*)	Euro	3,741,269	332,241	357,519	106,032
Iniziative Ambientali S.r.l.	Euro	6,739,135	1,239,480	-	(47,559)
Mestni Plinovodi (*)	Euro	31,227,142	18,088,905	9,005,907	141,102
Mondo Acqua (**)	Euro	6,250,415	1,190,209	3,959,952	7,951
Nord Ovest Servizi	Euro	17,793,231	17,772,913	209	77,528
Plurigas (in liquidation) (*)	Euro	74,039,565	42,576,772	53,320,877	651,276
Rio Riazzone S.p.A. (*)	Euro	772,205	502,564	173,733	1,752
S.M.A.G. S.r.l. (*)	Euro	1,835,034	231,262	2,652,286	71,404
Salerno Energia Vendite (*)	Euro	24,011,934	5,498,781	42,533,770	1,767,036
Sea Power & Fuel S.r.l. (*)	Euro	13,982	5,959	-	(710)
Sinergie Italiane (in liquidation) (*)	Euro	43,347,158	(22,866,523)	308,882,763	2,011,983
So. Sel. S.p.A.	Euro	10,898,662	2,867,287	13,314,557	273,081
Tirana Acque (in liquidation) (**)	Euro	302,409	(597,124)	-	(6,598)
TRM V. S.p.A. (*)	Euro	497,000,041	121,448,967	26,426,522	(5,106,533)
Valle Dora Energia S.r.l.	Euro	671,612	572,493	104,000	13,634
VEA Energia e Ambiente (*)	Euro	4,272,633	2,212,487	6,542,333	579,584

(*) Accounting data at 31/12/2013
(**) Accounting data at 31/12/2012
(**) Data at 30/09/2014

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

thousands of euro

IAS/IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	2,992,246		
Investment property	14,427		
Intangible assets	1,234,670		
Goodwill	124,407		
Investments accounted for using the equity method	235,102		
Other investments	17,817		
Total (A)	**4,618,669**	**Non-Current Assets (A)**	**4,618,669**
Other non-current assets	47,006		
Other payables and other non-current liabilities	(200,625)		
Total (B)	**(153,619)**	**Other non-current assets (liabilities) (B)**	**(153,619)**
Inventories	81,659		
Non-current trade receivables	51,232		
Trade receivables	977,964		
Current tax assets	19,334		
Other receivables and other current assets	233,434		
Trade payables	(874,723)		
Other payables and other current liabilities	(248,583)		
Current tax liabilities	(1,869)		
Total (C)	**238,448**	**Net working capital (C)**	**238,448**
Deferred tax assets	277,678		
Deferred tax liabilities	(162,343)		
Total (D)	**115,335**	**Deferred tax assets (liabilities) (D)**	**115,335**
Employee benefits	(148,971)		
Provisions for risks and charges	(319,661)		
Provisions for risks and charges - current portion	(81,730)		
Total (E)	**(550,362)**	**Provisions and employee benefits (E)**	**(550,362)**
Assets held for sale	10,762		
Liabilities related to assets held for sale	-		
Total (F)	**10,762**	**Assets (Liabilities) held for sale (F)**	**10,762**
		Net invested capital (G=A+B+C+D+E+F)	**4,279,233**
Equity (H)	**1,993,549**	**Equity (H)**	**1,993,549**
Non-current financial assets	(66,439)		
Non-current financial liabilities	2,210,821		
Total (I)	**2,144,382**	**Non-current financial indebtedness (I)**	**2,144,382**
Current financial assets	(471,301)		
Cash and cash equivalents	(51,601)		
Current financial liabilities	664,204		
Total (L)	**141,302**	**Current financial indebtedness (L)**	**141,302**
		Net financial indebtedness (M=I+L)	**2,285,684**
		Own funds and net financial indebtedness (H+M)	**4,279,233**

DEFERRED TAX ASSETS AND LIABILITIES FOR 2014

	differences			
	initial	formation	payment	remainder
Deferred tax assets				
Directors' and statutory auditors' fees	3,463	1,051	1,090	3,424
Non-taxable provisions	369,227	197,594	126,066	440,755
Taxable contributions	1,138	-	326	812
Differences in value of fixed assets	590,976	37,311	47,091	581,196
Derivatives (IAS 39)	39,453	417	1,751	38,119
Tax losses carried forward indefinitely	8,531	-	5,112	3,419
Other	93,823	68,613	28,187	134,249
Total taxable base/deferred tax assets	**1,106,611**	**304,986**	**209,623**	**1,201,974**
Deferred tax liabilities				
Differences in value of fixed assets	299,602	81,638	18,738	362,502
Grants for plants	1,260	-	-	1,260
Allowance for impairment of tax assets, separate fin. stat.	3,291	-	806	2,485
Adjustment to post-employment benefits	7,516	2,472	2,517	7,471
Derivatives (IAS 39)	(1,005)	-	-	(1,005)
Finance lease	3,840	3,447	6,513	774
Other	338,698	40,746	40,620	338,824
Total taxable base/deferred tax liabilities	**653,202**	**128,303**	**69,194**	**712,311**
Net deferred tax assets (liabilities)	**453,409**	**176,683**	**140,429**	**489,663**

thousands of euro

taxes to inc/stat	taxes to equity	taxes IRES (corporate income tax)	IRAP	total
(63)	-	820	69	889
(18,913)	2,864	108,891	5,712	114,603
(203)	-	173	24	197
(18,659)	-	107,081	8,446	115,527
28	1,508	10,290	-	10,290
(14)	-	-	-	-
(4,594)	-	34,651	1,522	36,173
(42,418)	**4,372**	**261,906**	**15,773**	**277,679**
(7,425)	-	66,908	8,478	75,386
(69)	-	179	28	207
(430)	-	576	-	576
(153)	(346)	512	-	512
276	-	-	-	-
-	-	373	34	407
(20,207)	-	74,495	10,760	85,255
(28,008)	**(346)**	**143,043**	**19,300**	**162,343**
(14,410)	**4,718**	**118,863**	**(3,527)**	**115,336**

DEFERRED TAX ASSETS AND LIABILITIES FOR 2013

YEAR 2013

	differences			
	initial	formation	payment	remainder
Deferred tax assets				
Directors' and statutory auditors' fees	3,545	2,034	2,116	3,463
Non-taxable provisions	301,833	187,350	119,956	369,227
Taxable contributions	1,360	-	222	1,138
Differences in value of fixed assets	188,529	437,927	35,480	590,976
Derivatives (IAS 39)	63,202	-	23,749	39,453
Tax losses carried forward indefinitely	9,044	4,771	5,284	8,531
Other	90,293	31,948	28,418	93,823
Total taxable base/deferred tax assets	**657,806**	**664,030**	**215,225**	**1,106,611**
Deferred tax liabilities				
Differences in value of fixed assets	311,235	53,254	64,887	299,602
Grants for plants	1,260	-	-	1,260
Allowance for impairment of tax assets, separate fin. stat.	3,264	118	91	3,291
Adjustment to post-employment benefits	6,844	903	231	7,516
Derivatives (IAS 39)	-	-	1,005	(1,005)
Finance lease	3,565	309	34	3,840
Other	78,404	281,981	21,687	338,698
Total taxable base/deferred tax liabilities	**404,572**	**336,565**	**87,935**	**653,202**
Net deferred tax assets (liabilities)	**253,234**	**327,465**	**127,290**	**453,409**

thousands of euro

taxes to inc/stat	taxes to equity	taxes IRES (corporate income tax)	IRAP	total
5	-	828	75	903
6,880	1,014	119,422	6,317	125,739
(132)	-	324	38	362
3,965	-	124,767	9,089	133,856
(162)	(10,302)	10,270	-	10,270
(1,104)	-	1,084	-	1,084
736	-	32,699	1,002	33,701
10,188	**(9,288)**	**289,394**	**16,521**	**305,915**
(5,397)	-	65,811	8,871	74,682
-	-	248	27	275
15	-	1,142	-	1,142
164	(118)	1,198	-	1,198
-	(276)	-	-	-
(2)	-	1,179	124	1,303
281	-	84,328	10,270	94,598
(4,939)	**(394)**	**153,906**	**19,292**	**173,198**
15,127	**(8,894)**	**135,488**	**(2,771)**	**132,717**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial receivables and Cash and cash equivalents	Other receivables	Trade payables	Financial payables
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	5,710	-	885	7,642	439
Municipality of Parma	14,535	-	-	1,763	-
Municipality of Piacenza	1,830	-	-	1,868	7
Municipality of Reggio Emilia	3,103	-	-	3,933	-
Municipality of Turin	152,649	50,952	84	3,510	-
Finanziaria Sviluppo Utilities	62	-	-	-	-
Intesa Sanpaolo Group	-	3,327	-	-	156,064
JOINT VENTURES					
OLT Offshore LNG	1,382	433,000	-	-	-
Sviluppo Idrico	4	2,418	-	-	-
Società Acque Potabili	15,918	-	-	2,123	-
Iren Rinnovabili S.p.A.	372	33,182	-	921	5,378
ASSOCIATES					
Acos Energia S.p.A.	3,170	246	-	8	-
Acos S.p.A.	23	-	-	-	-
Acquaenna S.c.p.a.	3,513	302	-	384	-
Aguas de San Pedro S.A.	-	454	-	-	-
Aiga S.p.A.	174	466	-	-	-
Amat S.p.A.	95	-	-	1	-
Amter S.p.A.	2,560	-	-	281	-
ASA S.p.A.	6,559	4,083	-	1,731	-
ASTEA	1	533	-	-	-
Atena S.p.A.	117	92	-	16	-
Domus Acqua S.r.l.	38	-	-	-	-
Global Service Parma	2,595	-	-	2,522	-
Il Tempio S.r.l.	-	312	-	-	-
Mondo Acqua	196	-	-	-	-
Nord Ovest Servizi	-	970	-	-	-
Piana Ambiente S.p.A.	62	-	-	-	-
Plurigas S.p.A. (in liquidation)	44	-	-	-	-
S.M.A.G. S.r.l.	102	-	-	979	-
Salerno Energia Vendite	2,854	-	-	-	-
Sea Power & Fuel S.r.l.	2	-	-	-	-
Sinergie Italiane S.r.l.	64	-	11,041	4,483	-
So. Sel. S.p.A.	6	-	-	2,490	-
TRM V	5,194	-	-	8,482	-
Valle Dora Energia S.r.l.	33	-	-	151	87
VEA Energia e Ambiente	10	-	-	-	-
OTHER RELATED PARTIES					
Agac Infrastrutture	-	-	-	-	-
Parma Infrastrutture	14,176	-	-	373	-
Piacenza Infrastrutture	6	-	-	571	-
Fondo Pensionistico Pegaso	-	-	-	-	-
TOTAL	**237,159**	**530,337**	**12,010**	**44,232**	**161,975**

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expense
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	-	10,608	3,112	-	-
Municipality of Parma	-	35,078	1,917	-	-
Municipality of Piacenza	-	17,450	1,886	-	-
Municipality of Reggio Emilia	-	30,531	2,133	-	-
Municipality of Turin	1,822	40,520	4,506	1,223	-
Finanziaria Sviluppo Utilities	-	28	-	-	-
Intesa Sanpaolo Group	-	604	696	2	7,104
JOINT VENTURES					
OLT Offshore LNG	-	392	-	17,143	-
Sviluppo Idrico	-	4	-	-	-
Società Acque Potabili	-	5,644	1,221	-	-
Iren Rinnovabili S.p.A.	113	638	1,075	1,211	-
ASSOCIATES					
Acos Energia S.p.A.	-	11,407	-	-	-
Acos S.p.A.	-	38	-	-	-
Acquaenna S.c.p.a.	-	63	-	13	-
Aguas de San Pedro S.A.	-	-	-	-	-
Aiga S.p.A.	-	16	-	12	-
Amat S.p.A.	-	175	14	-	-
Amter S.p.A.	-	2,647	282	58	-
ASA S.p.A.	-	516	88	-	-
ASTEA	-	230	-	-	-
Atena S.p.A.	-	224	6	92	-
Domus Acqua S.r.l.	-	-	-	-	-
Global Service Parma	-	478	1,979	-	-
Il Tempio S.r.l.	-	-	-	3	-
Mondo Acqua	-	431	-	-	-
Nord Ovest Servizi	-	-	-	-	-
Piana Ambiente S.p.A.	-	-	-	-	-
Plurigas S.p.A. (in liquidation)	-	-	2,665	-	-
S.M.A.G. S.r.l.	-	85	2,484	-	-
Salerno Energia Vendite	-	15,853	47	-	-
Sea Power & Fuel S.r.l.	-	1	-	-	-
Sinergie Italiane S.r.l.	-	85	77,263	-	-
So. Sel. S.p.A.	-	6	4,730	-	-
TRM V	-	6,017	13,711	-	-
Valle Dora Energia S.r.l.	-	8	104	-	-
VEA Energia e Ambiente	-	-	-	-	-
OTHER RELATED PARTIES					
Agac Infrastrutture	-	-	6,900	-	-
Parma Infrastrutture	-	6,121	2,205	20	-
Piacenza Infrastrutture	-	10	1,973	-	-
Fondo Pensionistico Pegaso	2,827	-	-	-	-
TOTAL	**4,762**	**185,908**	**130,997**	**19,777**	**7,104**

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	85
Attestation services	Parent auditor	Parent	21
Tax consulting services	Parent auditor	Parent	-
Other services	i) Parent auditor	Parent	51
	ii) Parent auditor network	Parent	117
Audit	i) Parent auditor	i) Subsidiaries	588
	ii) Parent auditor network	ii) Subsidiaries	-
Attestation services	i) Parent auditor	i) Subsidiaries	150
	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	35
	ii) Parent auditor network	ii) Subsidiaries	-
Total Independent Auditors' fees			**1,047**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS UNDER THE TERMS OF ART. 81-*TER* OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

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 2014 of the administrative and accounting procedures in preparing the consolidated financial statements.

2. Furthermore, it is hereby declared 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.

13 March 2015

The Chief Executive Officer

Massimiliano Bianco

Administration, Finance and Control Manager
and Financial Reporting Manager
appointed under Law 262/05

Massimo Levrino

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the Shareholders of
Iren SpA

1 We have audited the consolidated financial statements of Iren SpA and its subsidiaries ("Iren Group") as of 31 December 2014 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Iren SpA are responsible for the preparation of these consolidated financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 18 April 2014.

3 In our opinion, the consolidated financial statements of the Iren Group as of 31 December 2014 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Iren Group for the year then ended.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: **Milano** 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

www.pwc.com/it

4 The directors of Iren SpA are responsible for the preparation of the report on operations and a report on corporate governance and ownership structure published in the Investor Relations section of Iren SpA's website, in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Iren Group as of 31 December 2014.

Turin, 3 April 2015

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

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

Iren S.p.A.
Via Nubi di Magellano, 30 – 42 123 Reggio Emilia
Share capital € 1,276,225,677.00 fully paid up
Companies' Register of Reggio Emilia No. 07129470014
Tax ID and VAT No. 07129470014

Separate Financial Statements and Notes to the Financial Statements

at 31 December 2014

STATEMENT OF FINANCIAL POSITION

Amounts in Euro

	Notes	31.12.2014	of which related parties	31.12.2013	of which related parties
ASSETS					
Property, plant and equipment	(1)	1,520,716		1,605,598	
Intangible assets with a finite useful life	(2)	5,791,670		1,269,216	
Investments in subsidiaries, associates and joint ventures	(3)	2,544,508,361		2,507,961,874	
Other investments	(4)	-		-	
Non-current financial assets	(5)	1,728,477,075	1,728,477,075	1,484,945,013	1,483,975,013
Other non-current assets	(6)	10,690,037		10,562,858	-
Deferred tax assets	(7)	21,630,158		20,030,159	
Total non-current assets		**4,312,618,017**		**4,026,374,718**	
Trade receivables	(8)	28,330,017	28,001,459	13,992,077	13,896,656
Current tax assets	(9)	5,031,602		-	
Other receivables and other current assets	(10)	41,608,690	35,849,185	39,537,505	29,446,925
Current financial assets	(11)	24,060,376	23,879,804	105,615,608	105,506,903
Cash and cash equivalents	(12)	19,196,933	178,463	31,057,574	1,382,367
Total current assets		**118,227,618**		**190,202,764**	
Assets held for sale	(13)	240,000		-	
TOTAL ASSETS		**4,431,085,635**		**4,216,577,482**	

Amounts in Euro

	Notes	31.12.2014	of which related parties	31.12.2013	of which related parties
EQUITY					
Share capital		1,276,225,677		1,276,225,677	
Reserves and retained earnings		190,583,731		173,692,360	
Net profit (loss) for the year		50,096,527		86,859,395	
TOTAL EQUITY	**(14)**	**1,516,905,935**		**1,536,777,432**	
LIABILITIES					
Non-current financial liabilities	(15)	2,161,594,617	59,525,336	1,791,845,353	100,092,225
Employee benefits	(16)	11,956,331		11,475,246	
Provisions for risks and charges	(17)	10,091,928		10,491,239	
Deferred tax liabilities	(18)	2,477,355		4,375,952	
Other payables and other non-current liabilities	(19)	13,554,288	8,498,810	16,738,493	8,861,996
Total non-current liabilities		**2,199,674,520**		**1,834,926,283**	
Current financial liabilities	(20)	649,033,859	109,128,184	800,227,749	162,869,603
Trade payables	(21)	20,025,425	6,263,475	12,816,169	2,191,308
Other payables and other current liabilities	(22)	43,880,193	19,875,070	24,563,093	16,439,881
Current tax liabilities	(23)	-		7,266,756	
Provisions for risks and charges - current portion	(24)	1,565,703		-	
Total current liabilities		**714,505,180**		**844,873,767**	
Liabilities related to assets held for sale					
TOTAL LIABILITIES		**2,914,179,700**		**2,679,800,050**	
TOTAL EQUITY AND LIABILITIES		**4,431,085,635**		**4,216,577,482**	

INCOME STATEMENT

Amounts in Euro

	Notes	Financial Year 2014	of which related parties	Financial Year 2013	of which related parties
Revenue					
Revenue from goods and services	(25)	14,145,089	13,954,201	10,445,959	10,445,959
Other revenue and income	(26)	4,960,491	3,762,666	3,981,094	2,969,889
Total revenue		**19,105,580**		**14,427,053**	
Operating expense					
Raw materials, consumables, supplies and goods	(27)	(11,266)	(467)	(10,481)	(397)
Services and use of third-party assets	(28)	(18,497,480)	(6,998,903)	(11,076,228)	(4,296,120)
Other operating expense	(29)	(6,696,949)	(125,081)	(3,785,131)	(136,052)
Capitalised expenses for internal work	(30)	584,849		369,815	
Personnel expense	(31)	(22,329,437)	(61,207)	(21,232,449)	(29,829)
- of which non-recurring		*(1,789,009)*			
Total operating expense		**(48,739,292)**		**(35,734,474)**	
GROSS OPERATING PROFIT (EBITDA)		**(29,633,712)**		**(21,307,421)**	
Amortisation, depreciation, provisions and impairment losses					
Depreciation and amortisation	(32)	(331,462)		(187,367)	
Provisions and impairment losses	(33)	(2,582,223)		(793,614)	
Total depreciation, amortisation, provisions and impairment losses		**(2,913,686)**		**(980,981)**	
OPERATING PROFIT (EBIT)		**(32,547,397)**		**(22,288,402)**	
Financial management	**(34)**				
Financial income		175,417,166	175,149,334	197,388,670	197,102,915
Financial expense		(109,400,746)	(5,744,546)	(99,294,517)	(7,496,494)
Total financial income and expense		**66,016,420**		**98,094,153**	
Impairment losses on investments	(35)	-		-	
- of which non-recurring		-		-	
Profit before tax		**33,469,023**		**75,805,751**	
Income tax expense	(36)	16,627,504		11,053,644	
Net profit/(loss) from continuing operations		**50,096,527**		**86,859,395**	
Net profit/(loss) from discontinued operations					
Net profit (loss) for the year		**50,096,527**		**86,859,395**	

STATEMENT OF COMPREHENSIVE INCOME

Amounts in Euro

	Notes	Financial Year 2014	Financial Year 2013
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)		**50,096,527**	**86,859,395**
Other comprehensive income to be subsequently reclassified to the Income Statement	**(37)**		
- effective portion of changes in fair value of cash flow hedges		(3,706,716)	20,726,780
- changes in fair value of available-for-sale financial assets		-	-
Tax effect of other comprehensive income		1,019,347	(8,220,795)
Total other comprehensive income, net of tax effect (B1)		**(2,687,369)**	**12,505,985**
Other comprehensive income which will not be subsequently reclassified to the Income Statement			
- actuarial gains/(losses) on employee defined benefit plans (IAS 19)		(736,627)	(984,051)
Tax effect of other comprehensive income		202,574	270,613
Total other comprehensive income, net of tax effect (B2)		**(534,053)**	**(713,438)**
Total comprehensive income/(expense) (A)+(B1)+(B2)		**46,875,105**	**98,651,942**

STATEMENT OF CHANGES EQUITY

thousands of euro

	Share capital	Share premium reserve	Legal reserve
31/12/2012	**1,276,226**	**105,102**	**28,996**
Legal reserve			3,516
Dividends to shareholders			
Retained earnings			
Total profit (loss) for the period			
of which:			
- Net profit (loss) for the period			
- Other comprehensive income			
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**

thousands of euro

Hedging reserve	AFS reserve	Other reserves and retained earnings (losses)	Total reserves and retained Profits (losses)	Profit (loss) for the year	Equity
(37,090)	**-**	**61,327**	**158,335**	**70,311**	**1,504,872**
			3,516	(3,516)	-
			-	(66,747)	(66,747)
		48	48	(48)	-
12,506		(713)	11,793	86,859	98,652
					-
				86,859	86,859
12,506	-	(713)	11,793		11,793
(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**

STATEMENT OF CASH FLOWS

thousands of euro

	Financial Year 2014	Financial Year 2013
A. Opening balance of cash and cash equivalents and centralised treasury management	**(74,632)**	**79,628**
Cash flows from operating activities		
Profit (loss) for the year	50,097	86,859
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	331	187
Capital gains (losses) and other changes in equity	(1,121)	
Net change in post-employment benefits and other employee benefits	(256)	(99)
Net change in provision for risks and other charges	1,167	(9,180)
Change in deferred tax assets and liabilities	(2,277)	1,199
Change in other non-current assets and liabilities	(3,311)	8,001
Dividends received	(171,444)	(130,575)
Net impairment losses (reversals of impairment losses) on fixed assets	-	-
B. Cash flows from operating activities before changes in NWC	**(126,814)**	**(43,608)**
Change in trade receivables	(14,338)	2,021
Change in tax assets and other current assets	(7,101)	8,161
Change in trade payables	7,206	(7,328)
Change in tax liabilities and other current liabilities	12,050	(5,767)
C. Cash flows from changes in NWC	**(2,183)**	**(2,913)**
D. Cash flows from/(used in) operating activities (B+C)	**(128,997)**	**(46,521)**
Cash flows from/(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(4,769)	(934)
Investments in financial assets	(35,665)	(97,720)
Proceeds from the sale of investments	-	-
Dividends received	171,444	130,575
E. Total cash flows from/(used in) financing activities	**131,010**	**31,921**
F. Free cash flow (D+E)	**2,013**	**(14,600)**
Cash flows from/(used in) financing activities		
Dividends paid	(66,747)	(66,747)
New non-current loans	750,000	468,000
Repayment of non-current loans	(835,331)	(272,697)
Change in financial receivables (*)	(175,478)	(20,760)
Change in financial liabilities	362,909	(247,456)
G. Total cash flows from/(used in) financing activities	**35,354**	**(139,660)**
H. Cash flows for the period (F+G)	**37,367**	**(154,260)**
I. Closing balance of cash and cash equivalents and centralised treasury management (A+H)	**(37,265)**	**(74,632)**
L. Current balance of centralised treasury management - subsidiaries (*)	**56,462**	**105,690**
M. Closing cash and cash equivalents (I+L)	**19,197**	**31,058**

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

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 electrical energy, 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)
- Environment (Waste collection and disposal)
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

Iren S.p.A. is structured as 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.

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 ("IFRS") 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 "IFRS" also include the International Accounting Standards ("IAS") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In drawing up these financial statements, the same accounting standards were applied as those adopted for the Financial Statements at 31 December 2013, with the exceptions highlighted in the section "Accounting standards, amendments and interpretations effective from 1 January 2014".

The separate financial statements at 31 December 2014 consist of a statement of financial position, an income statement, a statement of 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.

The financial statements have been drawn up based on 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 2014 of Iren S.p.A. are indicated below; the aforesaid accounting standards have not changed with respect to those adopted at 31 December 2013, except for those indicated in the section "Accounting standards, amendments and interpretations effective from 1 January 2014".

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 costs directly attributable to bringing the asset to the location and condition necessary for it to be 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 restoring 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; therefore, 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:

	Min. rate	Max. rate
Buildings	3%	3%
Auxiliary systems of buildings	5%	10%

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, compares these operations to purchase and financing agreements. Based on the above-mentioned method, property, plant and equipment are recognised at the lease principal 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.

Investment property
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 IFRS, 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
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

IAS/IFRS 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 to 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 a 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 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 1 January 2005, there is a 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 (overhedging);

- 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). They are recognised at fair value (equal to their nominal amount) and are subsequently 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.

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 1 January 2012, the amendment to the international accounting standard IAS 19 "Employee Benefits", endorsed on 6 June 2012, was applied in advance. This amendment is applicable starting from 1 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 1 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 revenue and 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:

- interests are 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 recognised in the income statement. Any net gain is allocated to a special reserve unavailable until realisation.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2014

On 13 May 2011 the IASB published the so-called 'Consolidation Package', which comprises the standards and amendments listed below, endorsed by the European Commission on 29 December 2012:
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosures of Involvement with Other Entities
Revised IAS 27 – Separate Financial Statements
Revised IAS 28 – Investments in Associates and Joint Ventures

- The standard IFRS 10 "Consolidated Financial Statements" replaces SIC-12 "Consolidation – Special Purpose Entities" and parts of IAS 27 – Consolidated and Separate Financial Statements. The new standard is based on the existing standards, defining the concept of control as the key factor for including a company in the parent's consolidated financial statements. Control is obtained only if the investor has simultaneously: a) the power to direct the relevant activities of the investee through voting rights and/or contractual agreements; b) exposure to the future returns of the investee (dividends, fiscal benefits,…); c) the ability to use its power over the investee to affect the amount of the investor's returns.
- The standard IFRS 11 – "Joint Arrangements" , replaces IAS 31 – "Interests in Joint Ventures" and SIC-13 – "Jointly Controlled Entities – Non-monetary Contributions by Venturers". The new standard establishes that, in a joint venture, two or more parties hold joint control if the decisions on relevant activities require the unanimous consent of the parties. IFRS 11 sets out two distinct types of arrangements:
  - a Joint Venture (JV) is an arrangement whereby the parties have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method, as provided for in IAS 28 "Investments in Associates and Joint Ventures";
  - 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.
- The standard IFRS 12 – Disclosures of Involvement with Other Entities is a new and complete standard on additional information that must be supplied on any type of equity interest, including disclosures on subsidiaries, joint arrangements, associates, special purpose entities and other non-consolidated vehicle companies.
- At the same time as the standard IFRS 10 "Consolidated financial statements" was introduced, IAS 27 Revised "Separate Financial Statements" was published. This retains the role of the general standard of reference for separate financial statements. This standard applies in the measurement of investments in subsidiaries, associates and joint ventures in the separate financial statements of the parent company. Joint ventures, just as with investments in subsidiaries and associates, can be recognised in the separate financial statements either at cost or on the basis of IFRS 9 "Financial Instruments" (and IAS 39 "Financial Instruments: Recognition and Measurement"). When, in accordance with the provisions of IFRS 10 "Consolidated Financial Statements", a parent company chooses not to prepare consolidated financial statements, the separate financial statements must provide information regarding the investments in subsidiaries, associates and joint ventures, the main offices (and the registered office if different), their assets, the percentage interest in the single investees and disclosure regarding the method used to recognise them in the financial statements.
- After the issue of IFRS 11, IAS 28 – "Investments in Associates" was amended to include also equity investments in companies under joint-control in its scope of application, as from the effective date of the standard. IAS 28 Revised "Investments in Associates and Joint Ventures" establishes in fact that, if an entity exercises joint control or significant influence over another subject, it must recognise its investment in the consolidated financial statements using the Equity method.

The other new the Standards and Interpretations endorsed by the EU and in force starting from
1 January 2014 are presented below:

- On 16 December 2011 the IASB issued a number of amendments to IAS 32 "Financial Instruments: Presentation", to clarify the application of certain criteria for offsetting financial assets and financial liabilities present in IAS 32.
- The amendment to , IAS 36 "Impairment of Assets", issued on 29 May 2013, regards the information requirements when assets are impaired and where the recoverable value is determined on the basis of the fair value, net of costs of disposal. This amendment removes the disclosure requirements with respect to the recoverable value of the asset if the CGU (cash-generating unit) includes goodwill or intangible assets with indefinite useful life, but there is no indication that the asset is permanently impaired. Disclosure is also required regarding the recoverable value of an asset or a CGU and regarding the way to calculate the fair value net of costs of disposal when the asset is permanently impaired.
- On 27 June 2013 the IASB published an amendment to IAS 39 "Financial Instruments: Recognition and Measurement", which regards accounting for derivative hedging instruments in the event of novation of the counterparty. Prior to introduction of this amendment, if there was a novation of the designated hedging derivatives, IAS 39 required interruption of the application of cash flow hedge accounting, assuming that the novation involved the conclusion or termination of the pre-existing hedging instrument.
- On 20 May 2013 IFRIC 21 "Levies" was issued. This interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" endorsed on 13 June 2014, regards the accounting for levies that do not fall within the scope of application of IAS 12 "Income Taxes". IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" establishes the criteria regarding recognition of a liability, one of which is the presence of a present obligation for the entity as the result of a past event. This interpretation clarifies that the obligation that results in the liability for the levy to be paid is the activity described in the legislation of the activity from which payment of the levy originates.

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

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

- In July 2014 the IASB published the standard IFRS 9 "Financial Instruments". 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:
  - <u>the criteria for classification and measurement of financial assets and liabilities</u>. In particular, as regards financial assets, the new standard uses one 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, by 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 measured 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;
  - <u>impairment of financial assets</u>. 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;
  - <u>hedging operations (hedge accounting)</u>. 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 9 will be applicable prospectively starting from 1 January 2018.

- On 21 November 2013 the IASB published certain minor amendments to IAS 19 "Employee Benefits". These amendments, endorsed on 17 December 2014 and applicable retrospectively from 1 February

2015, regard the simplified accounting treatment of contributions to defined benefit plans by employees or third parties in specific cases.

- On 12 December 2013, the IASB issued a series of amendments to the IFRSs (*Annual Improvements to IFRSs - 2010-2012 Cycle and Annual Improvements to IFRSs - 2011-2013 Cycle*). Among others, the most significant subjects dealt with in these amendments are: a) definition of the vesting conditions in *IFRS 2 - Share-based Payment*; b) grouping of operating segments in *IFRS 8 - Operating Segments*; c) definition of key management personnel in *IAS 24 - Related Party Disclosures*; d) exclusion from the scope of application of *IFRS 3 - Business Combinations* of all forms of joint arrangements and e) certain clarifications regarding exceptions to the application of *IFRS 13 - Fair Value Measurement*.
- In May 2014 the IASB issued an amendment to the standard IFRS 11 "Joint Arrangements" which provides the guidelines on the accounting treatment to be adopted in the case of acquisitions of equity interests in joint operations, the activity of which meets the definition of a "business" as defined in IFRS 3 "Business Combinations". The amendment is applicable starting from 1 January 2016.
- The amendments to the standards IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" issued by the IASB in May 2014, clarify that use of a revenue-based method as the parameter for calculating depreciation or amortisation of property, plant and equipment and intangible assets is not appropriate, because revenues generated by an asset which entails the use of property, plant and equipment and intangible assets generally reflect factors other than deterioration of the economic benefits embodied in the assets themselves.
- In January 2014 the IASB published the standard IFRS 14 "Regulatory Deferral Accounts", which permits an entity which is a first-time adopter of the IAS/IFRS International Financial Reporting Standards to continue to measure accounting items associated with regulated activities in accordance with the accounting standards used previously. The present standard will be applicable starting from 1 January 2016.
- On 28 May 2014 the IASB issued the standard IFRS 15 "Revenue from Contracts with Customers". 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, which will replace IAS 18 "Revenue" and IAS 11 "Construction Contracts", will be applicable starting from 1 January 2017.
- In August 2014 the IASB issued an amendment to the standard *IAS 27 - Separate Financial Statements* which reintroduces the possibility of measuring equity investments in subsidiaries, associates and joint arrangements using the equity method in separate financial statements.
- On 11 September 2014 the IASB issued an amendment to IAS 28 which governs the treatment of gains/losses deriving from "upstream" or "downstream" transactions between a company and one of its associates or joint ventures, distinguishing between sales of businesses as defined by IFRS 3 (total recognition) and simple assets (partial recognition).
- On 24 September 2014 the IASB issued a collection of amendments to the IFRSs (*Annual Improvements to IFRSs – 2012-2014 Cycle*) which regard mainly: a) specific guidance on "assets held for distribution to owners" in the context of *IFRS 5 – Assets Held for Sale*; b) definition of the discount rate for the purposes of *IAS 19 – Employee Benefits*.

Use of estimates

In order to prepare the financial statements in compliance with IFRS, estimates and related assumptions are based on previous experience and other case factors, which are deemed reasonable and were adopted to define the carrying amount of assets and liabilities to which they refer. 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.

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 31/12/2014	Carrying amount	Contractual cash flows	within one year	1-5 years	Over 5 years
Mortgage and bond payables (*)	2,324,742	(2,809,423)	(282,704)	(1,159,854)	(1,366,865)
Hedging of interest rate risk (**)	38,718	(38,410)	(11,117)	(24,917)	(2,375)

(*) The carrying amount of the "Mortgage and bond payables" includes the nominal amount of the mortgages and bonds (both current and non-current shares).
(**) The carrying amount of "Hedging of interest rate risk" includes the fair value of hedges (both positive and negative).

Cash flows required to settle other financial liabilities, other than those to banks, 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 indebtedness;
- 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 2014.

thousands of euro

	Financial expense		Cash Flow Hedge Reserve	
	100 bps increase	**100 bps decrease**	**100 bps increase**	**100 bps decrease**
Cash flow sensitivity (net)				
Net financial indebtedness (including hedges)	4,590	(4,288)	-	-
Change in fair value				
Hedges (assessment components only)	(42)	42	14,027	(14,899)
Total impact from sensitivity analysis	**4,548**	**(4,246)**	**14,027**	**(14,899)**

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	31/12/2014		31/12/2013	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
Non-current loans to related parties	1,728,477	1,829,623	1,479,764	1,484,147
Hedges – long-term assets	-	-	-	-
Bonds due at more than 12 months (*)	(815,095)	(903,692)	-	-
Non-current bank loans	(1,307,781)	(1,362,254)	-1,756,586	-1,729,572
Hedges – long-term liabilities	(38,718)	(38,718)	-35,259	-35,259
Loans - current portion	(201,866)	(243,631)	-655,331	-699,496
Total	**(634,983)**	**(718,672)**	**-967,412**	**-980,180**

(*) At 31.12.2014, the fair value of the Put Bond was Euro 196,106 thousand (Euro 188,929 thousand at 31.12.2013)

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

31/12/2014	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				-
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets		-		-
Total assets	**-**	**-**	**-**	**-**
Derivative financial liabilities		(38,718)		(38,718)
Gross total	**-**	**(38,718)**	**-**	**(38,718)**

thousands of euro

31/12/2013	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				-
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets		-		-
Total assets	**-**	**-**	**-**	**-**
Derivative financial liabilities		(35,259)		(35,259)
Gross total	**-**	**(35,259)**	**-**	**(35,259)**

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

IV. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Consequently, on 3 December 2013 Iren's Board of Directors, with the opinion in favour of the Control and Risk Committee, adopted a new version of the "Internal Regulation on transactions with related parties" (hereinafter also the "TRP Regulation"), already approved on 30 November 2010 and amended on 6 February 2013, in implementation:

- of the provisions relating to transactions with related parties pursuant to Article 2391-bis of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of Italian Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance" or TUF);
- the regulation containing provisions on transactions with related parties, adopted by Consob with its resolution 17221 of 12 March 2010 and subsequently amended with resolution 17389 of 23 June 2010 (the "Consob Regulation").

Iren and its subsidiaries disclose related party transactions in accordance with transparency and fairness principles. A good part of these relations concern services provided to the customers in general (gas, water, electrical energy, heat, etc.) and are governed by contract rules normally applicable to these situations.

Where the services provided are not current, the relations are governed by specific agreements whose terms are established in accordance with normal market conditions. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.

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

According to the "Internal regulation on transactions with related parties", Iren's Directors defined the Intesa Sanpaolo Group as a related party.

The Company has financial relations with the Intesa Sanpaolo 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

Intercompany Services - In order to take advantage from the organisational synergies arising from the merger of IRIDE and Enìa, the Iren structure was designed in accordance with a holding model, with sufficient staff structures to support the coordination activity of the Group and to deal with the most challenging matters of general interest. Therefore, Iren can provide professional services to the first-level companies and subsidiaries, according to their needs, based on service agreements signed by the parties.

All these activities are governed by special supply contracts at arm's length terms.

Financial management - Organisational solutions were adopted with the aim of centralising financial management for the entire Group under the direct responsibility of Iren S.p.A., in order to optimise the structure and conditions of access to third party financing.

To this end, loans are taken out by Iren with financial institutions, whereby the funds are subsequently transferred to the Group's companies to support the investments made by these companies based on intercompany facility agreements.

The Board of Directors approved the regulation of financial transactions between the Parent and the First-level Companies, regarding both the cash pooling of resources available within the Group for day to day requirements (working capital), and the management of resources needed to support non-current investments. The conditions of intercompany contracts, signed based on the above regulation, were defined according to the conditions at which the Parent procures on the financial market.

Tax consolidation scheme - Starting from 2010, Iren S.p.A. adopted the tax consolidation scheme pursuant to 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 new tax consolidation scheme therefore includes, in addition to the consolidating company Iren S.p.A., the following companies: AEM Torino Distribuzione, Iren Servizi e Innovazione, Iren Acqua Gas, Iren Mercato, Iren Energia, Iren Gestioni Energetiche, AGA, Mediterranea delle Acque, Immobiliare delle Fabbriche, Nichelino Energia, Eniatel, Tecnoborgo, Iren Ambiente, Iren Ambiente Holding, Iren Emilia, Genova Reti Gas, Iren Rinnovabili, Green Source, Enìa Solaris, Varsi Fotovoltaico, Millenaria Fotovoltaico, Agriren and TLR V.
In particular, this contract covers the way in which the IRES taxable amounts are transferred and the related remuneration, as well as the effects of any suspension of the above-mentioned regime or of its non-application in future years.
Italian Law No. 244 of 24 December 2007 (2008 Budget Law), with effect starting from the 2008 tax period, radically changed the group taxation rules. It abolished all consolidation adjustments provided for by Art. 122 of the Consolidated Income Tax Act, abrogated the rules regarding intra-group transfers pursuant to Art. 123 of the Consolidated Income Tax Act and introduced the possibility, under certain conditions, to deduct from the consolidated income the surplus interest expense of the participating companies that may have accrued due to the new interest expense deductibility provisions set forth in Art. 96 of the said Act.
By reason of regulatory amendments, the Regulations in force were drawn up taking into account the above-mentioned criteria, pursuant to provisions set out by Art. 22 of the same Regulations.
After the companies chose to adhere to the tax consolidation scheme, in return for the taxable income earned and transferred to the parent, the consolidated company commits to pay to the parent "tax settlements" equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.
The other obligations of the parties are also pointed out in the Regulation, including the consolidated entities having to send information flows so that the parent is able to determine the total group Income for IRES purposes.
The consequences regarding early interruption of the consolidation, failure to renew and the responsibilities of the parties in the case of errors attributable to them, pursuant to art. 127, paragraph 2 of the Consolidated Income Tax Act, are indicated in specific paragraphs.
With reference to Group companies that operate in the production, trading, transportation or distribution sectors of natural gas or electrical energy, also generated from renewable sources, these (still for 2014, because from 2015 it has been considered unconstitutional by the judgement of 11 February 2015 of the Constitutional Court) are subject to the IRES tax surcharge of 6.5%. This additional tax must be paid autonomously by the above-mentioned companies, even if they are party to the tax consolidation.

Group VAT option - In terms of procedures, for 2014, the payment of Group VAT involved the transfer to the parent Iren S.p.A. of all obligations regarding VAT settlements and periodic payments.
The companies that took part in the settlement procedure are the parent Iren S.p.A. and the following companies: Iren Energia S.p.A., Iren Servizi e Innovazione S.p.A., Iren Acqua Gas S.p.A., Iren Mercato S.p.A., AEM Torino Distribuzione S.p.A., Iren Gestioni Energetiche S.p.A. (formerly CAE AMGA Energia S.p.A.), AES Torino S.p.A. (only for the first half of the year because from 1 July 2014, following the demerger of the district heating unit in favour of Iren Energia, it is no longer part of the Iren group), Genova Reti Gas S.r.l., Iren Ambiente S.p.A., Iren Emilia S.p.A., ENA Solaris S.p.A., Idrotigullio S.p.A., Mediterranea delle Acque S.p.A. and Nichelino Energia S.r.l., Iren Rinnovabili S.p.A. and TLR Veicolo S.p.A.

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. SIGNIFICANT SUBSEQUENT EVENTS

Organisational Rationalisation Work
Starting from 1 January 2015 the Iren Group companies were involved in a number of reorganisation projects that saw a strong commitment of the new Governance which considered a priority the objective of strengthening the unitary nature of Group governance and identifying clearly the main activities and responsibilities related to each structure ensuring a rapid and real integration process, indispensable for tackling the challenges of the Market.

The Parent Company's organisation was involved in a first rationalisation project which, from 1 January 2015, entailed a simplification of the head office departments which were reorganised as follows:

- “Corporate Secretariat, Internal Audit and Compliance”, “Communication and External Relations”, “Local Institutional Relations” and “Internationalisation and Innovation” reporting to the Chairperson;
- “Procurement and Contracts”, “Administration, Finance and Control”, “Legal Affairs”, “Personnel, Organisation and Information Systems” and “Strategy and Regulatory Affairs” reporting to the Chief Executive Officer;
- “Corporate Social Responsibility and Territorial Committees”, “Risk Management” and “Corporate Affairs” reporting to the Deputy Chairperson.

From the same date the hierarchical structure of all the Departments and staff organisational units of all the first level companies and subsidiaries were defined by the corresponding head office departments.

Starting from 1 February 2015 the Organisational Units of the various Parent Company Departments were created, the activities and responsibilities of all the structures were defined and the complete staff structure of Iren S.p.A. was published. 422 new resources from the group's various first-level companies and subsidiaries were absorbed into this by secondment, in keeping with the centralised activities. Iren S.p.A.'s staff structure in force at 1 February thus consisted of 784 people.

Starting from March the organisation of the first-level companies was also redefined, although only marginally, presenting the staff structures by Business Unit and defining the activities and responsibilities of the said companies' structures.

It was also decided to begin a review of the processes, structures and systems at the single BU level to revise the organisation of the said BUs, by the end of April 2015, assessing also the opportunity for further combinations – mergers between companies and revision of the business model.

Bank Loans
In January 2015 the second tranche of 50 million of the Unicredit bank loan agreed at the end of 2014 was used and a new medium-term loan from Cassa Depositi e Prestiti of 100 million was agreed and used.

VI. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions
No significant non-recurring events and transactions occurred in 2014.

Positions or transactions deriving from atypical and/or unusual operations
In 2014 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.

TREASURY SHARES
At 31 December 2014 the company did not hold treasury shares.

PUBLICATION OF THE FINANCIAL STATEMENTS
The Financial Statements were approved for publication by Iren's Board of Directors at its meeting of 13 March 2015. The Board of Directors authorised the Chairman, the CEO and the Managing Director 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 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 Finance Act.

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

	31/12/2013	Increases	Depreciation	Disposals and other changes	31/12/2014
Land	278	-	-	-	278
Buildings	1,327	-	(85)	-	1,242
Total	**1,605**	**-**		**-**	**1,520**

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

	31/12/2013	Increases	Depreciation	Disposals and other changes	31/12/2014
Industrial patents and similar rights	367	720	(247)	-	840
Assets under development	902	4,049		-	4,951
Total	**1,269**	**4,769**	**(247)**	**-**	**5,791**

Industrial patents and similar rights
This item primarily relates to costs incurred in the year for the purchase of management software. This asset is amortised over a five-year period.

Assets under development
These are costs incurred over the year to implement new software.

NOTE 3_INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Investments in subsidiaries
The list of investments in subsidiaries at 31 December 2013 is annexed.

The total of this item is broken down as follows:

thousands of euro

	31/12/2013	Increases	Decreases	31/12/2014
Iren Acqua Gas S.p.A.	581,158			581,158
Iren Ambiente S.p.A.	88,044	147,209		235,253
Iren Ambiente Holding S.p.A.	9,145			9,145
Iren Emilia S.p.A.	341,512		-79,209	262,303
Iren Energia S.p.A.	1,314,398			1,314,398
Iren Mercato S.p.A.	142,065			142,065
Tecnoborgo S.p.A.	186			186
Total	**2,476,508**	**147,209**	**-79,209**	**2,544,508**

The increase in the value of the equity investment in Iren Ambiente S.p.A. is due to:
- the spin-off of the waste collection unit from the subsidiary Iren Emilia to Iren Ambiente which entailed an increase in Equity for Iren Ambiente (Euro 79,209 thousand) and a reduction of the same amount in equity for Iren Emilia;
- the contribution of the equity investment held by Iren S.p.A. in TRM V to Iren Ambiente S.p.A. (Euro 68,000 thousand).

The reduction in the value of the equity investment in Iren Emilia S.p.A. is due to the spin-off of the waste collection unit from the subsidiary Iren Emilia to Iren Ambiente.

We can also note that the equity investments in Amiat V S.p.A. (0.001 %) and TLR V S.p.A. (0.001%), which are not shown in the table due to the insignificance of the related amount, are indirectly controlled by Iren S.p.A. through the first level companies Iren Emilia and Iren Energia.

The Tecnoborgo investment is controlled indirectly through shares held by Iren Ambiente.

Investments in associates
The list of investments in associates at 31 December 2014 is annexed.
Changes during the year are reported in the following table:

thousands of euro

	31/12/2013	Increases	Decreases	Reclassifications	31/12/2014
Plurigas S.p.A.	240	-		-240	0
TRM V. S.p.A.	31,214	35,665	-66,879		0
Total	**31,454**	35,665	**-66,879**	-240	**0**

As regards the equity investment in Plurigas, on 27 March 2013 the Shareholders' Meeting resolved on the liquidation of the company and from the fourth quarter of 2014 the company is no longer operating. Therefore the equity investment was reclassified among assets to be discontinued. Iren's Directors believe that at the end of the liquidation procedure, Iren will collect an amount which is substantially equal to the interest in the company's equity, which is significantly higher than the carrying amount at 31 December 2014.

The increase in the equity investment in TRM V S.p.A. refers to the exercise of the call option by F2i Ambiente S.p.A. on a 24% interest in the company. In September 2014 the equity investment was contributed to the subsidiary Iren Ambiente S.p.A. at a value of Euro 68,000 thousand making a capital gain of Euro 1,121 thousand.

NOTE 4_OTHER 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.
At 31 December 2014 there were no investments in other companies.

NOTE 5_NON-CURRENT FINANCIAL ASSETS

Non-current financial receivables

The total for this item, unchanged since 31 December 2013 as a result of the new centralised treasury management agreement, which envisages the recognition of cash-pooling receivables under "non-current financial receivables", amounts to Euro 1,728,477 thousand (Euro 1,484,945 thousand at 31 December 2013).

To summarise, the new contract envisages that the loan granted by Iren to subsidiaries covers overall financial needs, deriving from current needs and future development, as established in the Budget and the Business Plans.

thousands of euro

	31/12/2014	31/12/2013
Receivables from subsidiaries and joint ventures	462,349	577,443
For centralised treasury management and cash pooling	1,265,158	906,532
Receivables from other Group companies	970	970
Total	**1,728,477**	**1,484,945**

Financial receivables from subsidiaries and joint ventures relate to amounts due from:
- Iren Mercato, for Euro 433,000 thousand (Euro 363,000 thousand at 31 December 2013),
- Enia Solaris, for Euro 18,000 thousand (Euro 20,000 thousand at 31 December 2013),
- Idrotigullio, for Euro 6,349 thousand (Euro 6,508 thousand at 31 December 2013),
- Iren Rinnovabili for Euro 5,000 thousand (unchanged with respect to 31 December 2013),

At 31 December 2013 there were also receivables from Iren Ambiente for Euro 178,435 thousand and from Greensource for Euro 4,500 thousand.

Financial receivables from other Group companies refer to a non-interest bearing capital injection into Nord Ovest Servizi.

NOTE 6_OTHER NON-CURRENT ASSETS

These amount to Euro 10,690 thousand (Euro 10,563 thousand at 31 December 2013) and comprise tax receivables for IRES rebate, following the IRAP deduction related to years 2007-2011 of Euro 10,475 thousand (Euro 10,321 thousand at 31 December 2013) and receivables from personnel as the non-current portion of loans granted to employees of Euro 216 thousand (Euro 242 thousand at 31 December 2013).

NOTE 7_DEFERRED TAX ASSETS

This item amounts to Euro 21,630 thousand (31 December 2013: Euro 20,030 thousand) 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

	31/12/2014	31/12/2013
Receivables from customers	209	35
Receivables from subsidiaries and joint ventures	27,701	13,595
Receivables from associates	238	271
Receivables from shareholders - related parties	62	31
Receivables from other Group companies	120	60
Total	**28,330**	**13,992**

Receivables from customers
These primarily relate to receivables for refunds of expenses. They amounted to Euro 209 thousand (Euro 35 thousand at 31 December 2013).

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 Euro 62 thousand (Euro 31 thousand at 31 December 2013) and refer to receivables for work performed for FSU.

Receivables from other Group companies

These amount to Euro 120 thousand (Euro 60 thousand at 31 December 2013) and refer to receivables from Tirreno Power for reversible fees for positions held by employees of Iren in this company

NOTE 9_CURRENT TAX ASSETS

The item amounted to Euro 5,032 thousand (zero at 31 December 2013) and refers to IRES tax assets.

NOTE 10_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2014	31/12/2013
Receivables from personnel	36	134
Receivables from subsidiaries for Group VAT	12,742	10,749
Receivables from subsidiaries for tax consolidation scheme	23,107	18,698
VAT credit	0	5,223
Other receivables	1,259	758
Tax assets	112	1,473
Prepaid expenses	4,353	2,503
Total	**41,609**	**39,538**

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

	31/12/2014	31/12/2013
For invoices issued	0	195
For invoices to be issued	23,642	21,574
For loans granted	409	236
For centralised treasury management and cash pooling	0	13,502
For dividends to be received	0	70,000
Total	**24,051**	**105,507**

The item related to loans granted amounted to Euro 409 thousand and refers for Euro 238 thousand (Euro 236 thousand at 31 December 2013) to the short-term portion of the loan disbursed to the subsidiary Idrotigullio and for Euro 171 thousand to a receivable from the BRE bank related to a refund of interest on a loan.

Other financial receivables
These amount to Euro 10 thousand (Euro 109 thousand at 31 December 2013) and primarily relate to financial prepayments.

NOTE 12_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

thousands of euro

	31/12/2014	31/12/2013
Bank and postal accounts	18,965	30,794
Cash in hand and cash equivalents	232	264
Total	**19,197**	**31,058**

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 Euro 240 thousand and refer to the equity investment in Plurigas in liquidation. The investment was classified among assets held for sale since during 2014 the company ceased to do business. At 31 December 2013 the investment was classified among equity investments in associates.

LIABILITIES

NOTE 14_EQUITY

Equity may be analysed as follows:

thousands of euro

	31/12/2014	31/12/2013
Share capital	1,276,226	1,276,226
Reserves and retained earnings	190,584	173,692
Net profit (loss) for the year	50,096	86,859
Total	**1,516,906**	**1,536,777**

Share capital
The share capital amounts to Euro 1,276,225,677 (unchanged compared to 31 December 2013), fully paid up, and consists of 1,181,725,677 ordinary shares with a nominal value of Euro 1 each and 94,500,000 savings shares without voting rights with a nominal value of Euro 1 each.

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

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

thousands of euro

	31/12/2014	31/12/2013
Share premium reserve	105,102	105,102
Legal reserve	36,855	32,512
Hedging reserve	(27,272)	(24,584)
Other reserves and retained earnings (losses)	75,899	60,662
Total	**190,584**	**173,692**

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. There were no significant changes in 2014. 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 18 June 2014, the distribution of a Euro 0.0523 per share dividend was approved. The dividend amounting to Euro 66,747 thousand was paid from 26 June 2014.

NON-CURRENT LIABILITIES

NOTE 15_NON-CURRENT FINANCIAL LIABILITIES

These amount to Euro 2,161,595 thousand (Euro 1,791,845 thousand at 31 December 2013) and consist of:

Bonds
These amount to Euro 815,095 thousand (31 December 2013: Euro 367,640 thousand) and are positions related:

- For Euro 156,621 thousand (Euro 157,354 thousand at 31 December 2013) to two puttable non-convertible bonds, issued in 2008 with maturity in 2021. The bond, with a total term of 13 years, requires that after the third year and subsequently every two years, if the banks fail to exercise the option for redemption at par value, a competitive auction mechanism is activated to determine the credit spread for the following 2 years, to be applied at a pre-set fixed rate. The second auction was conducted in September 2013 with definition of the credit spread for the 2 years thereafter. On the basis of the trend in interest rates, the probability of exercising the option of redemption at par at the theoretical maturity of September 2015 is considered zero. The amount refers to the amortised cost, in accordance with the IASs;
- For Euro 658,474 thousand (Euro 210,286 thousand at 31 December 2013) to Private Placement and Public Bond issues. Private Placements: a) for a total of Euro 260 million, duration 7 years, with main issue in October 2013 (intermediated by Mediobanca for Euro 125 million) and two subsequent re-openings in November 2013 (intermediated by BNP for Euro 85 million) and March 2014 (intermediated by BNP for Euro 50 million); b) for Euro 100 million, duration 5 years, with issue in February 2014 (intermediated by Morgan Stanley). Public Bonds: in July 2014 the placing of an inaugural bond issue in Public Placement format for Euro 300 million and duration 7 years was completed on the Eurobond market (Joint Bookrunners Banca IMI, BNP Paribas, Mediobanca, Morgan Stanley, Unicredit). The bond loans were subscribed by Italian and foreign institutional investors and are listed on the Irish Stock Exchange. The carrying amount refers to the amortised cost, pursuant to IAS.

Non-current bank loans
These exclusively relate to the non-current portion of bank loans and amount to Euro 1,307,781 thousand (Euro 1,388,946 thousand at 31 December 2013).
Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and expiry date, as shown in the following table:

			thousands of euro
	fixed rate	**floating rate**	**TOTAL**
min/max interest rate	3.997% - 5.449%	0.262% - 2.972%	
maturity	2016-2027	2016-2028	
2016	88,556	60,574	149,130
2017	109,869	44,679	154,548
2018	62,129	281,085	343,214
2019	58,845	81,085	139,930
subsequent	429,678	91,281	520,959
Total payables at 31/12/2014	**749,077**	**558,704**	**1,307,781**
Total payables at 31/12/2013	**824,332**	**564,614**	**1,388,946**

All loans are denominated in Euro.

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

					thousands of euro
	31/12/2013				**31/12/2014**
	Total payables	**Increases**	**Repayments**	**Amortised cost adjustments**	**Total payables**
- at fixed rate	**824,332**	-	(75,427)	172	**749,077**
- at floating-rate	**564,614**	300,000	(306,439)	529	**558,704**
TOTAL	**1,388,946**	**300,000**	**(381,866)**	**701**	**1,307,781**

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

- increases for a total of Euro 300 million, owing to disbursement of new medium/long-term loans: Unicredit Euro 75 million in July and Euro 50 million in December, Mediobanca Euro 75 million in November, following the renegotiation of a line repaid in advance, as also with Banca Regionale Europea Euro 100 million in December;
- reduction of a total of Euro 381,866 thousand, owing both to early repayments on loans renegotiated with alignment of new disbursements on market terms (Mediobanca Euro 40 million, BRE 100 million, Cassa depositi e Prestiti 50 million), and to the reclassification 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 Euro 38,719 thousand (Euro 35,259 thousand at 31 December 2013) 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 2014 were as follows:

thousands of euro

At 31/12/2013	**11,475**
Current service costs	41
Financial expense	314
Disbursements for the year of releases and withdrawals	(591)
Actuarial (gains)/losses	755
Other changes	(38)
At 31/12/2014	**11,956**

Liabilities for employee benefits consist of:

Post-employment benefits
Changes in this item in 2014 were as follows:

thousands of euro

At 31/12/2013	**4,843**
Current service costs	-
Financial expense	118
Disbursements for the year of releases and withdrawals	(249)
Actuarial (gains)/losses	501
Other changes	(5)
At 31/12/2014	**5,208**

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

At 31/12/2013	**371**
Current service costs	15
Financial expense	9
Disbursements for the year of releases and withdrawals	(25)
Actuarial (gains)/losses	70
Other changes	(33)
At 31/12/2014	**407**

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
At 31/12/2013	**240**
Current service costs	10
Financial expense	6
Disbursements for the year of releases and withdrawals	(30)
Actuarial (gains)/losses	19
Other changes	-
At 31/12/2014	**245**

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
At 31/12/2013	**5,150**
Current service costs	16
Financial expense	160
Disbursements for the year of releases and withdrawals	(210)
Actuarial (gains)/losses	102
Other changes	-
At 31/12/2014	**5,218**

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
At 31/12/2013	**871**
Current service costs	-
Financial expense	21
Disbursements for the year of releases and withdrawals	(77)
Actuarial (gains)/losses	63
Other changes	-
At 31/12/2014	**878**

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

The following factors were considered in deciding which discount rate to adopt in the 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	0.72% - 1.49%
Annual inflation rate	0.60% - 2.00%
Annual rate of electrical energy price increase	0.60% - 2.00%
Annual increase rate of post-employment benefits	2.40% - 3.00%

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 2014	Duration of the plan
	+0.25%	-0.25%		
Post-employment benefits	(116)	121	-	9.8
Additional monthly salaries	(10)	10	15	11.2
Loyalty bonus	-	-	10	7
Tariff discounts	(34)	172	16	13.2
Premungas	(18)	19	-	9

NOTE 17_PROVISIONS FOR RISKS AND CHARGES

Details and variations are shown in the table below:

thousands of euro

	31/12/2013	Increases	Decreases	31/12/2014	Current portion
Provisions for CIG/CIGS	6,709	-	(2,953)	3,756	-
Provisions for Early Retirement Expenses	-	1,759		1,759	385
Other provisions	3,782	2,720	(358)	6,144	1,181
Total	**10,491**	**4,479**	**(3,311)**	**11,659**	**1,566**

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.

The decreases are due mainly to tax demands for contributions for C.I.G.-C.I.G.S. redundancy benefits paid during 2014.

NOTE 18_DEFERRED TAX LIABILITIES

Deferred tax liabilities of Euro 2,477 thousand (Euro 4,376 thousand at 31 December 2013) are due to the temporary difference between the carrying amount and tax value of assets and liabilities recognised in the financial statements.
Deferred taxation is calculated with reference to the expected tax rates applicable at the time the differences will reverse.
Reference should be made to the income statement, note 36 “Income tax expense”, for further details.

NOTE 19_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item amounted to Euro 13,554 thousand (Euro 16,738 thousand at 31 December 2013) and refers to payables to companies adopting the tax consolidation regime for reimbursements of IRES and the IRAP claim for 2007-2011 for Euro 8,499 thousand (Euro 8,862 thousand at 31 December 2013) and payables to Equitalia and to INPS for CIG, CIGS and mobility contributions for Euro 5,055 thousand (Euro 7,876 thousand at 31 December 2013).

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

	31/12/2014	31/12/2013
Bank loans	592,473	680,988
Financial payables to subsidiaries	56,464	119,227
Financial payables to joint ventures	-	-
Financial payables to related-party shareholders	-	-
Financial payables to associates	87	3
Other financial liabilities	10	10
Total	**649,034**	**800,228**

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

thousands of euro

	31/12/2014	31/12/2013
Loans - current portion	201,866	655,331
Other current payables to banks	378,858	21,344
Accrued financial expenses and deferred financial income	11,749	4,313
Total	**592,473**	**680,988**

Financial payables to subsidiaries
Payables to subsidiaries can be broken down as follows:

thousands of euro

	31/12/2014	31/12/2013
For invoices to be received	2	35
For cash-pooling	56,462	119,192
Total	**56,464**	**119,227**

Financial payables to associates
These amount to Euro 87 thousand (31 December 2013: Euro 3 thousand) and refer to payables due to Valle Dora Energia.

Financial payables to others
These amount to Euro 10 thousand (31 December 2013: Euro 10 thousand) and refer to payables due to Monte Titoli.

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

	31/12/2014	31/12/2013
Trade payables to suppliers	13,429	10,511
Trade payables to subsidiaries	6,262	2,190
Trade payables to associates	1	1
Payables to related-party shareholders	0	-
Trade payables to other Group companies	333	114
Total	**20,025**	**12,816**

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

	31/12/2014	31/12/2013
Social security charges payable	6,411	2,037
Amounts payable to subsidiaries for tax consolidation scheme	14,144	875
Payables to subsidiaries for group VAT	5,781	15,565
VAT payables	6,841	-
IRPEF payables	984	976
Payables to employees	4,108	3,549
Other payables	5,611	1,562
Total	**43,880**	**24,564**

Payables to social security agencies consist mainly of payment in instalments of CIG and CIGS redundancy payables.
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 23_CURRENT TAX LIABILITIES

Zero at 31 December 2014. At 31 December 2013 they were Euro 7,267 thousand and referred to tax liabilities for IRES.

NOTE 24_PROVISIONS FOR RISKS – CURRENT PORTION

The item amounted to Euro 1,566 thousand (zero at 31 December 2013). For more details see Note 17 Provisions for risks and charges.

FINANCIAL POSITION

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

thousands of euro

	31/12/2014	31/12/2013
Non-current financial assets	(1,728,477)	(1,484,945)
Non-current financial indebtedness	2,161,595	1,791,845
Non-current financial indebtedness	**433,118**	**306,900**
Current financial assets	(43,257)	(136,674)
Current financial indebtedness	649,034	800,228
Current net financial indebtedness	**605,777**	**663,554**
Net financial indebtedness	**1,038,895**	**970,454**

Net Financial Position regarding related parties

Non-current financial assets were Euro 1,728,477 thousand and concern loans and centralised treasury and cash-pooling transactions with subsidiaries for Euro 1,704,507 thousand and loans to joint ventures for Euro 23,970 thousand.

Non-current financial indebtedness for Euro 100,092 thousand refer to relations with the Intesa Sanpaolo Group regarding loans granted.

Current financial assets relate for Euro 23,075 thousand to invoices to be issued to subsidiaries and for Euro 534 thousand to receivables from joint ventures for invoices to be issued.

Current financial liabilities for Euro 200,198 thousand refer to financial payables to subsidiaries for interest expense on financial movements and for centralised treasury and cash-pooling transactions and to payables to the Intesa Sanpaolo Group for loans.

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

	31/12/2014	31/12/2013
A. Cash in hand	(19,197)	(31,058)
B. Other cash and cash equivalents (details)		-
C. Securities held for trading		-
D. Cash and cash equivalents (A) + (B) + (C)	**(19,197)**	**(31,058)**
E. Current financial receivables	**(24,060)**	**(105,616)**
F. Current bank debt	390,608	25,657
G. Current portion of non-current debt	201,866	655,331
H. Other current financial debt	56,560	119,240
I. Current financial indebtedness (F) + (G) + (H)	**649,034**	**800,228**
J. Current net financial indebtedness (I) + (E) + (D)	**605,777**	**663,554**
K. Non-current bank debt	1,307,781	1,388,946
L. Bonds issued	815,095	367,640
M. Other non-current debt	38,719	35,259
N. Non-current financial indebtedness (K) + (L) + (M)	**2,161,595**	**1,791,845**
O. Net financial indebtedness (J) + (N)	**2,767,372**	**2,455,399**

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 2014	Financial year 2013
Services provided to subsidiaries and associates	13,926	10,418
Services to related-party shareholders and other companies	219	28
Total	**14,145**	**10,446**

The revenues for services provided to related-party shareholders regards services in favour of FSU for Euro 28 thousand (unchanged with respect to 31 December 2014) and revenues from third companies for Euro 191 thousand.

Revenue from services to subsidiaries and associates relate to administrative and technical services provided in accordance with a specific contract. For additional information, see the annexed tables on transactions with related parties.

NOTE 26_OTHER REVENUE AND INCOME

Other revenue includes:

thousands of euro

	Financial year 2014	Financial year 2013
Revenue from previous years	587	943
Capital gains on disposals of assets	0	-
Sundry repayments	4,373	3,038
Total	**4,960**	**3,981**

Prior year revenue mainly derives from 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.

EXPENSE

NOTE 27_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This amounts to Euro 11 thousand (Euro 10 thousand in 2013) and mainly refers to purchases of stationery material.

NOTE 28_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down in the following table:

thousands of euro

	Financial year 2014	Financial year 2013
Professional services	4,105	2,611
Fees and refunds of expenses to statutory auditors	128	135
Services from subsidiaries and Group companies	6,316	3,483
Insurance	419	300
Travel by personnel, training, canteen	639	717
Bank and postal expenses	1,723	1,865
Advertising and public relations	200	248
Supplies of electrical energy by Iren Mercato	49	12
Other costs for services	4,181	1,013
Total	**17,760**	**10,384**

Costs for the use of third-party assets amount to Euro 738 thousand (Euro 692 thousand in 2013) and include vehicle hire and sundry rents.

NOTE 29_OTHER OPERATING EXPENSE

Other operating expense is broken down in the following table:

thousands of euro

	Financial year 2014	Financial year 2013
Membership fees	1,015	938
Taxes and duties	631	626
Donations	1,550	1,510
Prior year expense	2,954	558
Prior year taxes and duties	0	5
Other sundry operating expense	547	148
Total	**6,697**	**3,785**

Donations primarily relate to contributions paid to the Teatro Regio of Turin and the Teatro Carlo Felice of Genoa.
Prior year expense mainly refers to differences on estimates.

NOTE 30_CAPITALISED EXPENSES FOR INTERNAL WORK

The costs for capitalised internal work amounted to Euro 585 thousand (Euro 370 thousand in 2013).

NOTA 31_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

thousands of euro

	Financial year 2014	Financial year 2013
Wages and salaries	14,307	14,466
Social security charges payable	4,544	4,257
Defined benefit plans - Other defined benefit plans	42	40
Other personnel expense	4,566	1,766
Directors' fees	660	704
Total	**24,119**	**21,233**

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:

	31/12/2014	31/12/2013	Average of the year
Senior managers	20	20	20
Junior managers	54	53	53
White collars	180	188	183
Total	**254**	**261**	**256**

NOTE 32_DEPRECIATION/AMORTISATION

Depreciation of property, plant and equipment and investment property amounted to Euro 85 thousand (unchanged compared to 2013) and refer to the depreciation of properties owned by the company. Amortisation of intangible assets amounted to Euro 247 thousand (Euro 102 thousand in 2013).

NOTE 33 _ PROVISIONS AND IMPAIRMENT LOSSES

The provisions amount to Euro 2,582 thousand (Euro 794 thousand in 2013), and refer to provisions for risk (Euro 732 thousand in 2013). The analysis of the provisions and changes therein are given in the comment to the Statement of Financial Position item "Provisions for risks and charges".

NOTE 34_FINANCIAL INCOME AND EXPENSE

Financial income

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

thousands of euro

	Financial year 2014	Financial year 2013
Income from investments	102,566	131,562
Bank interest income	106	49
Interest income from Group companies	72,583	65,541
Interest income on interest rate hedges	13	35
Actuarial gains on measuring employee benefits	0	-
Fair value gains on derivatives	0	15
Changes in fair value of equity investments	-	-
Other financial income	149	187
Total	**175,417**	**197,389**

For further information, reference is made to Note 3 – Investments in subsidiaries, associated companies and joint ventures.

Financial expense

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

thousands of euro

	Financial year 2014	Financial year 2013
Bank interest expense on loans	92,186	76,656
Bank interest expense on credit facilities	2,162	4,431
Interest expense on interest rate hedging derivatives	13,806	17,615
Interest expense to subsidiaries	97	156
Financial expense to related-party shareholders	-	-
Employee benefits	313	331
Financial expense related to discounting of provisions for risks	-	-
Financial expense on derivatives	28	-
Actuarial loss on measuring employee benefits	19	17
Other financial expense	789	89
Total	**109,400**	**99,295**

Reference should be made to the note on “Employee benefits” in the Statement of financial position for details of financial expense on employee benefits.

NOTE 36_INCOME TAX EXPENSE

Income taxes amount to Euro 16,628 thousand (Euro 11,054 thousand in 2013) and may be analysed as follows:

- current taxes of Euro 14,159 thousand (2013: Euro 15,016 thousand);
- positive net deferred tax assets and liabilities amounting to Euro 2,148 thousand (a negative Euro 1,796 thousand in 2013);
- positive prior year taxes of Euro 321 thousand (2013: a negative Euro 2,166 thousand), related to current taxes.

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 Euro 36,549 thousand 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 was Euro 10,051 thousand.
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 2014	***Financial year 2013***
A	Profit before tax	33,469	75,806
B	Theoretical tax charge (27.5% rate)	9,204	20,847
C	Temporary differences taxable in future years	-	-
D	Temporary differences deductible in future years	5,909	2,394
	Fees to independent auditors and directors	137	164
	Depreciation/amortisation, capital losses and gains	85	23
	Provisions set aside and interest expense	5,687	2,208
	Other		
E	Transfer of prior year temporary differences	4,482	(74,238)
	Dividends not received over the year		(66,549)
	Use of provisions	(3,500)	(10,090)
	Fees to independent auditors and directors	(154)	(586)
	Other	8,136	2,987
F	Differences not recoverable in future years	(95,347)	(58,567)
	Non-taxable share of dividends (95%) received at 31/12	(97,438)	(58,567)
	Contingent assets and liabilities	-	-
	Other	2,090	
G	Taxable income (A+C+D+E+F)	(51,488)	(54,605)
H	Current taxes for the year	(14,159)	(15,016)
I	Rate	-42%	-20%

During the year just ended, Iren SpA settled through the method of assessment with acceptance, in discussion with the Reggio Emilia Provincial Department of the Tax Authority, in relation to the 2009-2011 tax years the objections on the subject of IRES and VAT deriving from the Inspection Report notified to the Company on 24 July 2014. In particular, the main objections that emerged in the Inspection Report regard:
- in relation to IRES, undue deduction in a single sum of consultancy costs for training, for corporate reorganisation operations, for the information system recognised in the Income Statement, considered, instead, by the assessing Office multi-annual expenses. In this regard, for completeness

we must specify that the objection does not dispute the deduction of consultancy costs recognised in the income statement, but only the method of fiscal distribution of these expenses over several years.
- in relation to VAT, undue deduction of VAT owing to pro-rata redetermination of VAT deductibility deriving from the procedure of distributing miscellaneous costs pursuant to Art. 36 of Italian Presidential Decree 63/72. On this point, we must specify that the assessing office's objection derives from a different interpretation of the legislative provision and not from errors or omissions of the company.

Recovery of State Aid

With reference to the question of recovery of state aid, discussed in detail in the notes to the financial statements at 31 December 2013 and previous years, there were no updates in financial year 2014.

NOTE 37_OTHER COMPREHENSIVE INCOME

This item relates to:

- negative change in interest rate hedges for Euro 3,707 thousand (a positive Euro 20,727 thousand at 31 December 2013);
- actuarial losses related to post-employment benefit plans for employees, in the amount of Euro 737 thousand (Euro 984 thousand at 31 December 2013);
- the aggregate tax effect is a positive Euro 1,222 thousand (31 December 2013: a negative Euro 7,950 thousand).

IX. GUARANTEES AND CONTINGENT LIABILITIES

Personal guarantees given amount to Euro 440,653 thousand (31 December 2013: Euro 514,660 thousand) to be divided as follows:

- Euro 36,376 thousand 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 Euro 27,476 thousand, as definitive guarantee in the
- Amiat/TRM tender procedure;
- REAM Sgr S.p.A., for Euro 2,318 thousand, to guarantee future lease payments of properties transferred to the fund named Fondo Core MultiUtilities;
- FCT Holding, for Euro 2,000 thousand, as definitive guarantee in the Amiat/TRM tender procedure;
- the Tax Authority for Euro 1,390 thousand guaranteeing annual VAT rebates

- Euro 349,106 thousand 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.).

- Euro 55,171 thousand of guarantees given on behalf of associated companies, primarily related to the associate Sinergie Italiane.

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane (namely guarantees for credit facilities and letters of patronage totalling Euro 34,333 thousand at 31.12.2014 compared to Euro 57,167 thousand at 31.12.2013). The liquidators concluded the main procurement contracts and since 1 October 2012 the Company's operating activity therefore includes only the long-term purchase of gas from the Russian Gazprom supplier and the sale of gas to their shareholders or subsidiaries, included Iren Mercato. Therefore the company's financial exposure is gradually falling with the consequent decrease in shareholders' guarantee obligations.
Also of note is the Euro 3,834 thousand in guarantees given on the Mestni loan.

Lastly, it is worth noting that Iren S.p.A., as partner of AES S.p.A., signed a put option contract to support a bank loan entered by AES S.p.A.
The fair value of this instrument is equal to zero as the events that regulate the exercise are highly improbable.

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 2014

RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' FEES

LIST OF INVESTMENTS

Company	Registered office	Currency	Share capital	% interest
SUBSIDIARIES				
Iren Acqua Gas S.p.A.	Genoa	Euro	386,963,511	100.00
Iren Ambiente Holding S.p.A.	Piacenza	Euro	1,000,000	100.00
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00
Iren Emilia 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
Tecnoborgo S.p.A.	Piacenza	Euro	10,379,640	0.50
TLR V. S.p.A.	Turin	EUR	120,000	0.001
Amiat V. S.p.A.	Turin	Euro	1,000,000	0.0008
ASSOCIATES				
Plurigas (**)	Milan	Euro	800,000	30.00

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

STATEMENT OF CHANGES IN EQUITY, WITH ADDITIONAL INFORMATION

Amounts in Euro

Nature/Description	31/12/2014	31/12/2013	31/12/2012
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	36,854,896	32,511,926	28,996,367
Other reserves:			
Extraordinary reserve	20,107,045	4,337,223	4,288,198
Contribution reserve	-	-	-
Fair value reserve	-	-	-
Other reserves taxable on distribution	1,402,976	1,402,976	1,402,976
Hedging reserve	(27,271,529)	(24,584,160)	(37,090,146)
Actuarial reserve, IAS 19	(2,404,810)	(1,870,758)	(1,157,319)
Retained earnings (losses)	-	-	-
TOTAL	**1,466,809,408**	**1,449,918,037**	**1,434,560,906**
Unavailable portion	1,418,182,779	1,413,839,809	1,410,324,250
Remaining available portion	48,626,629	36,078,228	24,236,656

(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

31/12/2011 Restated	Possible use	Available portion	Summary of uses over the last three years	
			Coverage of losses	Other reasons
1,276,225,677	B	1,276,225,677		
105,102,206	A, B	105,102,206		
56,792,947	A, B, C	56,792,947		
28,996,367	B	36,854,896		
13,324,099	A, B, C	20,107,045		9,035,902
7,555,032	A, B, C	-		7,555,032
-	A, B	-		
94,952,422	A, B, C	1,402,976	93,549,446	
(25,910,916)		(27,271,529)		
250,789		(2,404,810)		
(36,506,746)	A, B, C	-		
1,520,781,877		**1,466,809,408**		
1,410,575,039		1,418,182,779		
110,206,838		48,626,629		

DEFERRED TAX ASSETS AND LIABILITIES

	2014			
	differences			
	initial	formation	payment	remainder
Deferred tax assets				
Directors' fees	73	94	64	103
Independent Auditors' fees	91	91	91	91
provisions for IRES IRAP risks	1,431	1,980	98	3,313
provisions for IRES risks	7,122	1,789	2,954	5,957
Provisions for personnel	4,195	95	287	4,003
Provisions for personnel	2,056	396	33	2,419
Surplus amortisation & depreciation	221	85	-	306
Other	23,948	4	-	23,952
Derivatives	31,788	-	-	31,788
Provisions for termination benefits	1,941	620	72	2,489
Multi-annual costs	-	228	-	228
Total taxable base/deferred tax assets	**72,866**	**5,382**	**3,599**	**74,649**
Deferred tax liabilities				
Surplus IRES amortisation & depreciation	506	-	-	506
Surplus IRAP amortisation & depreciation	467	-	-	467
Allowance for impairment of accounts receivable	44	-	-	44
Dividends not received	3,500	-	3,500	-
Capital gains on disposal of IRES assets	9,379	-	3,404	5,975
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	**16,044**	-	**6,904**	**9,140**
TAX LOSSES				
Net deferred tax assets (liabilities)	**56,822**	**5,382**	**(3,305)**	**65,510**

thousands of euro

2014				
taxes				
taxes to IS	taxes to equity	IRES (corporate income tax)	IRAP	total
8	-	28	-	28
-	-	25	-	25
608	-	1,213	212	1,425
(320)	-	1,638	-	1,638
(3)	19	96	-	96
(15)	45	1,670	-	1,670
23	-	84	-	84
1	-	6,074	81	6,155
-	1,019	9,761	-	9,761
13	138	685	-	685
63	-	63	-	63
-	-	-	-	-
378	**1,221**	**21,337**	**293**	**21,630**
-	-	139	-	139
-	-	-	22	22
-	-	12	-	12
(963)	-	-	-	-
(936)	-	1,643	-	1,643
-	-	128	-	128
-	-	209	37	246
-	-	276	-	276
-	-	10	2	12
-	-	-	-	-
(1,899)	-	**2,417**	**60**	**2,477**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,277	**1,221**	**18,920**	**233**	**19,153**

DEFERRED TAX ASSETS AND LIABILITIES

	2013			
	differences			
	initial	formation	payment	remainder
Deferred tax assets				
Directors’ fees	607	73	607	73
Independent Auditors’ fees	485	91	485	91
provisions for IRES IRAP risks	1,431			1,431
provisions for IRES risks	16,335	694	9,907	7,122
Provisions for personnel	4,584	48	437	4,195
Provisions for personnel	1,119	937	-	2,056
Surplus amortisation & depreciation	199	22	-	221
Other	22,973	975	-	23,948
Derivatives	52,515	-	20,727	31,788
Provisions for termination benefits	1,554	387	-	1,941
Total taxable base/deferred tax assets	**101,802**	**3,227**	**32,163**	**72,866**
Deferred tax liabilities				
Surplus IRES amortisation & depreciation	506	-	-	506
Surplus IRAP amortisation & depreciation	467	-	-	467
Allowance for impairment of accounts receivable	44	-	-	44
Dividends not received	3,905	3,500	3,905	3,500
Capital gains on disposal of IRES assets	12,366	-	2,987	9,379
Adjustment to post-employment benefits	615	-	151	464
Previous land/buildings depreciation	760	-	-	760
Derivatives	887	-	-	887
Provisions for risks	37	-	-	37
Total taxable base/deferred tax liabilities	**19,587**	**3,500**	**7,044**	**16,044**
TAX LOSSES				
Net deferred tax assets (liabilities)	**82,215**	**(273)**	**25,120**	**56,822**

thousands of euro

2013				
		taxes		
taxes to inc/stat	taxes to equity	IRES (corporate income tax)	IRAP	total
(147)	-	20	-	20
(109)	-	25	-	25
355	-	695	122	817
(2,534)	-	1,958	-	1,958
(20)	33	80	-	80
(264)	402	1,639	-	1,639
6	-	61	-	61
268	-	6,073	81	6,154
-	8,742	8,742	-	8,742
(160)	266	534	-	534
-	-	-	-	-
(2,604)	**9,443**	**19,828**	**203**	**20,031**
-	-	139	-	139
-	-	-	22	22
-	-	12	-	12
(111)	-	963	-	963
(822)	-	2,579	-	2,579
(42)	-	128	-	128
-	-	209	37	246
(10)	-	276	-	276
-	-	10	2	12
-	-	-	-	-
(985)	**-**	**4,316**	**60**	**4,376**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(1,619)	**9,443**	**15,512**	**143**	**15,655**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial receivables and Cash and cash equivalents	Other receivables	Trade payables	Financial Payables
Municipality of Genoa	-	-	-	-	-
Municipality of Parma	-	-	-	1	-
Finanziaria Sviluppo Utilities	62	-	-	-	-
Intesa Sanpaolo Group	-	179	-	-	112,103
Aem To Distribuzione SpA	563	62,358	2,467	12	-
AGA	11	-	-	-	-
Amiat	4	-	-	-	-
Amiat Veicolo	762	-	-	-	-
Bonifica Autocisterne	3	-	-	-	-
Consorzio GPO	2	-	-	-	-
EniaTel	7	-	-	-	-
Genova Reti Gas	865	-	2,120	-	-
Idrotigullio	113	6,620	-	-	-
Immobiliare delle Fabbriche	6	-	-	-	-
Iren Acqua Gas	3,632	265,527	1,813	858	-
Iren Ambiente	864	-	-	3	-
Iren Ambiente Holding	19	-	-	-	-
Iren Emilia	6,605	138,624	6,937	1,292	4,851
Iren Energia	9,402	801,439	5,573	1,981	-
Iren Gestioni Energetiche	104	-	95	23	-
Iren Mercato	1,990	443,398	10,256	796	1,149
Iren Servizi e Innovazione	999	-	-	1,265	50,464
Laboratori Idrici Acqua Gas	80	-	-	-	-
Mediterranea delle Acque	1,260	-	6,429	32	-
Nichelino Energia	40	9,886	21	-	-
O.C.Clim	5	-	-	-	-
Tecnoborgo	109	-	138	-	-
TLR Veicolo S.p.A.	67	-	-	-	-
Acquedotto Monferrato	5	-	-	-	-
Acquedotto Savona	15	-	-	-	-
Acque Potabili Crotone	5	-	-	-	-
ENìA Solaris	1	18,405	-	-	-
Greensource	-	17	-	-	-
Iren Rinnovabili S.p.A.	42	5,113	-	-	-
Società Acque Potabili	116	-	-	-	-
Sviluppo Idrico	4	-	-	-	-
Varsi Fotovoltaico	-	-	-	-	-
Acos	9	-	-	-	-
Acquaenna	12	-	-	-	-
Amter	72	-	-	-	-
ASA	21	-	-	-	-
Atena	2	-	-	-	-
Domus Acqua	37	-	-	-	-
Nord Ovest Servizi	-	970	-	-	-
Piana Ambiente	62	-	-	-	-
Plurigas	-	-	-	-	-
Sea Power & Fuel	1	-	-	-	-
So. Sel.	4	-	-	1	-
TRM Veicolo	13	-	-	-	-
Valle Dora Energia Srl	6	-	-	-	87
Total	**28,001**	**1,752,536**	**35,849**	**6,264**	**168,654**

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expense
Municipality of Genoa					
Municipality of Parma	-	-	1		-
Finanziaria Sviluppo Utilities	-	28	-		-
Intesa Sanpaolo Group	-	-	378		5,648
Aem To Distribuzione SpA	878	103	12	4,061	-
AGA	106	11	-		-
Amiat	-	15	-	-	-
Amiat Veicolo	-	362	-	-	-
Bonifica Autocisterne	-	-	-	-	-
Consorzio GPO	-	2	-	-	-
EniaTel	63	5	-	-	-
Genova Reti Gas	2,040	360	-	-	-
Idrotigullio	107	35	-	67	-
Immobiliare delle Fabbriche	-	6	-	-	-
Iren Acqua Gas	1,886	2,545	1,004	25,447	-
Iren Ambiente	2,225	371	-	9,709	-
Iren Ambiente Holding	64	11	-	-	-
Iren Emilia	3,456	5,980	1,476	16,589	39
Iren Energia	13,708	5,087	2,104	87,436	-
Iren Gestioni Energetiche	126	31	23	-	-
Iren Mercato	632	1,568	548	27,368	37
Iren Servizi e Innovazione	1,312	417	1,599	-	21
Laboratori Idrici Acqua Gas	-	14	-	-	-
Mediterranea delle Acque	1,406	341	33	-	-
Nichelino Energia	164	22	-	340	-
O.C.Clim	-	5	-	-	-
Tecnoborgo	87	16	-	7	-
TLR Veicolo S.p.A.	1	46	-	-	-
Acquedotto Monferrato	-	5	-	-	-
Acquedotto Savona	-	5	-	-	-
Acque Potabili Crotone	-	5	-	-	-
ENìA Solaris	61	-	-	792	-
Greensource	-	-	-	113	-
Iren Rinnovabili S.p.A.	29	27	-	220	-
Società Acque Potabili	-	39	-	-	-
Sviluppo Idrico	-	4	-	-	-
Varsi Fotovoltaico	23	-	-	-	-
Acos	-	9	-	-	-
Acquaenna	-	10	-	-	-
Amter	-	5	-	-	-
ASA	-	17	-	-	-
Atena	-	2	5	-	-
Domus Acqua	-	-	-	-	-
Nord Ovest Servizi	-	-	-	-	-
Piana Ambiente	-	-	-	-	-
Plurigas	-	-	-	3,000	-
Sea Power & Fuel	-	1	-	-	-
So. Sel.	-	4	3	-	-
TRM Veicolo	-	197	-	-	-
Valle Dora Energia Srl	-	6	-	-	-
Total	**28,374**	**17,717**	**7,186**	**175,149**	**5,745**

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

thousands of euro

IAS/IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	1,521		
Intangible assets	5,792		
Investments in subsidiaries, associates and joint ventures	2,544,508		
Other investments	-		
Total (A)	**2,551,821**	**Non-Current Assets (A)**	**2,551,821**
Other non-current assets	10,690		
Other non-current liabilities	(13,554)		
Total (B)	**(2,864)**	**Other non-current assets (liabilities) (B)**	**(2,864)**
Trade receivables	28,330		
Current tax assets	5,032		
Other receivables and other current assets	41,609		
Trade payables	(20,025)		
Other payables and other current liabilities	(43,880)		
Current tax liabilities	-		
Total (C)	**11,066**	**Net working capital (C)**	**11,066**
Deferred tax assets	21,630		
Deferred tax liabilities	(2,477)		
Total (D)	**19,153**	**Deferred tax assets (liabilities) (D)**	**19,153**
Employee benefits	(11,956)		
Provisions for risks and charges	(10,092)		
Provisions for risks and charges - current portion	(1,566)		
Total (E)	**(23,614)**	**Provisions for risks and employee benefits (E)**	**(23,614)**
		Net invested capital (G=A+B+C+D+E)	**2,555,562**
Equity (F)	**1,516,906**	**Equity (F)**	**1,516,906**
Non-current financial assets	(1,728,477)		
Non-current financial liabilities	2,161,595		
Total (G)	**433,118**	**Non-current financial indebtedness (G)**	**433,118**
Current financial assets	(24,060)		
Cash and cash equivalents	(19,197)		
Current financial liabilities	649,034		
Total (H)	**605,777**	**Current financial indebtedness (H)**	**605,777**
		Net financial indebtedness (I=G+H)	**1,038,895**
		Own funds and net financial indebtedness (F+I)	**2,555,801**

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	85
Attestation services (1)	Parent auditor	Parent	21
Tax consulting services	Parent auditor	Parent	-
Other services (2)	i) Parent auditor	Parent	51
	ii) Parent auditor network	Parent	117
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			**274**

(1) Attestation services refer to the limited half-year audits and the audit and certification of the unbundling financial statements.

(2) Other services refer to checking translations of the financial statements and assistance activities related to Italian Law 262/05, methodological assistance activities for the assessment of certain aspects of the IT general audits and the activity performed on the occasion of the issue of the Private Placement.

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 2014 of administrative and accounting procedures in preparing the separate financial statements.

2. Furthermore, it is hereby declared 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.

13 March 2015

The Chief Executive Officer

Massimiliano Bianco

The Administration, Finance
and Control Manager
and Financial Reporting Manager
appointed under Law 262/05

Massimo Levrino

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the Shareholders of
Iren SpA

1 We have audited the separate financial statements of Iren SpA as of 31 December 2014 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Iren SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

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

For the opinion on the separate financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 18 April 2014.

3 In our opinion, the separate financial statements of Iren SpA as of 31 December 2014 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Iren SpA for the year then ended.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: **Milano** 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

www.pwc.com/it

4 The directors of Iren SpA are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure published in the Investor Relations section of Iren SpA's website, in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, with the separate financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Iren SpA as of 31 December 2014.

Turin, 3 April 2015

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

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

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING
(under the terms of Art. 153 of Italian Legislative Decree 58/1998 and Art. 2429 of the Italian Civil Code)

Dear Shareholders,
in financial year 2014 the Board of Statutory Auditors performed its supervisory activities in accordance with regulations in force, in compliance with the duties pursuant to Art. 149, Italian Legislative Decree No. 58 of 24 February 1998, and subsequent amendments and additions (Consolidated Law on Finance) and with the rules pursuant to Italian Legislative Decree No 39 of 27 January 2010, according to the rules of conduct recommended by the Italian National Association of Business Consultants and Accounting Experts.
This report refers to the activities carried out in fulfilment of our duties, as required by Art. 2429 of the Italian Civil Code and in compliance with Art. 153 of the Consolidated Law on Finance, taking into account the Consob Communications relating to corporate controls and the Code of Conduct of Borsa Italiana S.p.A..

The activity of the Board of Statutory Auditors involved, amongst other things:
- attendance at the Shareholders' Meeting held on 18 June 2014 and at the 19 meetings of the Board of Directors;
- attendance of the Chairman of the Board of Statutory Auditors at: (i) 7 meetings of the Control and Risk Committee; (ii) 9 meetings of the Committee for Transactions with Related Parties; (iii) 14 meetings of the Remuneration and Appointments Committee; and (iv) 1 meeting of the Independent Directors;
- 16 meetings of the Board of Statutory Auditors which, in cases deemed necessary, involved the attendance of the executive directors, the members of the Independent Auditors, the Financial Reporting Manager and the Internal Audit Unit Manager and other senior managers of the Company in charge of key functions for the audit activity of the Board of Statutory Auditors;
- information gathering and exchange of opinions with PricewaterhouseCoopers S.p.A., the company assigned the task of auditing the financial statements and of expressing an opinion thereon for the nine-year period 2012-2020, with the Financial Reporting Manager, with the Control and Risk Committee, and with the Managers of various company departments, in particular Internal Audit. In 2014, information gathering on the administration and control systems and the general business performance of the subsidiaries, pursuant to Art. 151 of the Consolidated Law on Finance, was facilitated by the presence of a Statutory Auditor of the Parent at each Board of Statutory Auditors Meeting of the first-level subsidiaries.

The Board of Statutory Auditors also acknowledges the following changes that occurred in the composition of the IREN S.p.A. Board of Directors during financial year 2014:
- on 18 June 2014, to replace the Director Mr Roberto Walter Firpo (co-opted by the Board of Directors on 17 September 2013), the IREN S.p.A. Shareholders' Meeting appointed Mr Augusto Buscaglia until the expiry of the current administrative body (and, more precisely, until the Shareholders' Meeting called to approve the financial statements at 31 December 2015). On 4 July 2014, the Company's Board of Directors verified that Mr Buscaglia respectively had the requisites of independence under the terms of the Consolidated Law on Finance rules and did not have the requisites pursuant to Art. 3 of the Code of Conduct;
- with effect from 30 November 2014 (inclusive), Mr Nicola De Sanctis resigned from the positions of Director and Chief Executive Officer. The employment relationship of the same as a senior manager of IREN S.p.A. will continue until 31 December 2015;
- on 1 December 2014, on the basis of the indications of the Shareholders' Agreement Committee pursuant to Art. 4.1.8 (ii) of the current Voting and Block Shareholders' Agreement between FSU and the ex Enia shareholders, the IREN S.p.A. Board of Directors co-opted, with the favourable opinion of the Board of Statutory Auditors, as new Director to replace Mr De Sanctis who had resigned, Mr Vito

Massimiliano Bianco and appointed him Chief Executive Officer, conferring on him the same powers attributed previously to Mr De Sanctis.

IREN S.p.A. operates as Parent, through the First-Level Companies (FLCs) over which it exercises management and coordination activity in accordance with the provisions of Art. 2497 et seq. of the Italian Civil Code.
The information provided by the Board of Statutory Auditors in the following remarks is for the most part confirmed in the Notes to the Consolidated Financial Statements.
As part of the supervisory activities carried out in the manner described above, the Board would like to report the following, in accordance with the sequence of topics indicated in Consob Communication DEM/1025564 of 6 April 2001, as amended.

1. *Remarks on the main economic, financial and equity transactions*
   In relation to activities performed directly by the Parent or the FLCs, in the Directors' Report of the Group Iren S.p.A. has illustrated the more significant economic and financial transactions completed during the year and after year end. Particularly important among these were:
   - the acquisition, following the non-proportional partial spin-off of AES Torino S.p.A. in favour of IREN Energia S.p.A. (with effect from 1 July 2014), of the business unit related to the activity of distributing district heating in the Municipalities of Turin, Moncalieri and Nichelino;
   - exercise of the option to purchase from F2i Ambiente S.p.A. a 24% interest in TRM V S.p.A., a company in which IREN S.p.A. already held an interest of 25% and which controls TRM S.p.A., the company which received the assignment to design, build and manage the urban and similar waste-to-energy plant to serve the south of the province of Turin.
   - placing on the Eurobond market of a bond issue in Public Placement format for an amount of Euro 300 million. The bond loan, listed on the Irish Stock Exchange, has a duration of 7 years and a fixed annual coupon of 3% (effective gross rate of return on maturity of 3.125%);
   - recognition of the Terminal of the company OLT Offshore LNG Toscana (in the share capital of which the Iren Group has a 46.79% interest) as an essential and indispensable infrastructure for the security of the National Gas System, following the issue of the ministerial decree by the Ministry of Economic Development which accepted the waiver of exemption of access by third parties;
   - exercise of the right of pre-emption for the purchase from FCT Holding S.r.l. of a 31% interest in the share capital of Amiat S.p.A., a company in which IREN S.p.A. already held an interest of 49%. This operation enabled the Group to acquire control over the company that manages environmental services for the Municipality of Turin;
   - the launch of a plan to encourage voluntary early termination of the employment relationship of its personnel , as part of a multi-annual project for demographic and professional rebalancing of the personnel. As of 31 December 2014, 496 employees had shown an interest in consensual termination of the employment relationship with an expense estimated and set aside of Euro 36.1 million.

2. *Atypical or unusual transactions*
   No atypical or unusual transactions were carried out either with third parties, related parties or intra-group.

3. *Supervisory activities on related-party transactions*
   At its meeting of 13 March 2015 IREN S.p.A.'s Board of Directors approved the updated version of the "Internal Regulations on Transactions with Related Parties" adopted by the Company on 1 January 2011, in compliance with Consob Resolution No. 17221 of 12 March 2010 on the adoption of the rules envisaged in Art. 2391-*bis* of the Italian Civil Code.
   The Notes and related tables attached to the separate Financial Statements provide an adequate description of this type of transaction, showing the extent of the commercial, financial or other relations between IREN S.p.A. and the various subjects. From the information obtained and statements provided it emerges that a sizeable part of these relations concern services provided to customers in general (gas, water, electricity, heat, etc.) and are governed by contracts normally applicable to these situations. Where they do not concern current services, the Directors confirm that the transactions are governed by specific contracts, whose terms are established in accordance with normal market conditions.
   In accordance with the IASs/IFRSs, all related-party transactions have also been described in the Notes

to the consolidated financial statements. The Board considers adequate the procedures adopted by the Board of Directors on this matter and believes that the related decision-making and operating processes, adopted by the Company and its Subsidiaries in accordance with the criteria set out in the Directors' Report, ensure observance of the principles of procedural and substantial transparency and correctness and of the obligations of disclosure to the public.

4. *Supervisory activities on compliance with the principles of correct management*

   The Board, independently or through specific meetings with Senior Management, obtained information on changes in company processes and received information on general business performance and the most significant transactions performed by the Company and its subsidiaries.

   Based on information received and the analyses performed, the Board can reasonably state that the action decided was implemented in compliance with the law, the Articles of Association and the principles of correct management, and were not manifestly imprudent, risky or potentially in conflict of interest or likely to compromise the integrity of corporate assets.

   The Board also acknowledged that, after examination by the Board of Statutory Auditors as part of its internal control duties assigned pursuant to Art. 19 of Italian Legislative Decree 39/2010, after obtaining the opinion in favour of the Control and Risk Committee and in compliance with the recommendations in the joint Consob-Isvap-Bank of Italy Document No. 4 of 3 March 2010, the IREN S.p.A. Board of Directors approved the impairment test procedure applied by the Company to goodwill, equity investments and available-for-sale securities recognised in the financial statements, taking into consideration the results for the correct expression of such assets in the separate Financial Statements at 31 December 2014.

5. *Supervisory activities on adequacy of the organisational structure*

   To the extent of its responsibilities, the Board examined and monitored the adequacy of the Company's organisational structure by receiving information from the heads of the company departments or the competent Bodies and by consulting the internal documentation, where necessary.

   In this regard the Board notes that, starting from 1 January 2015, an organisational restructuring process was launched with the aim of strengthening the unitary nature of governance and identifying clearly the main activities and responsibilities of each structure ensuring a rapid and real Group integration process.

   As part of the supervisory work, the Board of Statutory Auditors carried out the annual assessment of its own composition, with particular reference to the independence of it members, to the size and operation of the board itself and as regards the adequacy of the composition, size and operation of the Board of Directors and of the internal Committees, with particular reference to the qualification of the independent members of the board and the determination of the remuneration of the directors and key management personnel.

6. *Supervisory activities on adequacy of the internal control system*

   With constructive input from the Internal Auditing Department, the Board evaluated and monitored the adequacy of the internal control system by attending the meetings of the related Committee and meeting with the managers of the various departments involved.

   As far as the Board is aware and although with improvement margins, the internal control system appears overall to be capable of identifying, managing and monitoring adequately the main risks and has shown no signs of shortcomings, defects or malfunctions which might adversely affect its reliability and jeopardise the positive performance of business processes. This opinion is confirmed in the compliant resolutions carried on this matter by the Board of Directors and in the indications provided by the Control and Risk Committee.

   The Oversight Committee performed regular controls, reporting on a half-yearly basis to the Control and Risk Committee and the Board of Directors on the content and results of its action. The Board of Statutory Auditors acknowledged that, on the basis of the activity performed, the said Committee, in noting that updating and implementation activities are in progress, found no significant critical elements in the Organisation, Management and Control model adopted by the Company under the terms of Italian Legislative Decree 231/01.

7. *Supervisory activities on adequacy of the administrative/accounting system and on the activity of independent auditing of the accounts*

   The Board monitored on the adequacy of the administrative/accounting system to correctly represent operating events through discussions and the exchange of information with the various bodies responsible for internal controls and with the independent auditing firm.

   In its supervisory work, the Board of Statutory Auditors, as Internal Control and Auditing Committee, verified the adequacy and concrete operation of the risk management, internal control and internal auditing system and of the financial disclosure process and monitored the independent auditing of the annual and consolidated accounts and the independence of the auditing firm.

   The Board acknowledges that the project which aims to harmonise the Group's IT processes has entered the implementation stage.

   The information obtained and the statements made by PricewaterhouseCoopers S.p.A., the firm appointed for the independent auditing, to the Board of Statutory Auditors reveal that in addition to auditing the separate and consolidated financial statements and reviewing the interim report, and auditing the tax and audit models of the annual separate financial statements (unbundling), the Independent Auditors were assigned additional tasks. These mainly related to audit procedures performed on the occasion of the bond issues, procedures for the appraisal of receivables from a Municipality, assistance for certain checks relating to Italian Law 262/05 and methodological assistance in assessing some aspects of the segregation of roles. The total fees for these services, in addition to auditing and other services as per the proposal examined by the Shareholders' Meeting, was Euro 202,000.

   Based on the information obtained by the Board, no other tasks were assigned to the directors, members of the control bodies and employees of the independent auditors or their network partners.

8. *Supervisory activities on transactions with subsidiaries and parent companies*

   The Company has adopted a special “Regulation for the internal management and external communication of reserved and/or privileged information”, with respect to which the Board has reported the opportunity of formalising in a specific procedure the transmission methods for information flows from Group companies to the Parent. The transmission to the Parent by the Subsidiaries of the information necessary to comply with the disclosure obligations in accordance with law is today essentially guaranteed by transmission of the respective Board of Directors' resolutions.

9. *Claims or complaints pursuant to Art. 2408 of the Italian Civil Code.*

   During the year, the Board of Auditors received no complaints pursuant to Art. 2408 of the Italian Civil Code or claims.

10. *Opinions issued during the year.*

    During the year, the Board issued opinions on the remuneration of directors holding special office and on the replacement of directors pursuant to Art. 2386 of the Italian Civil Code.

11. *Methods of concrete implementation of the corporate governance rules*

    At its meeting of 13 March 2015 IREN S.p.A.’s Board of Directors approved the updated version of the Company’s Code of Conduct, also in alignment with the revisions issued on 14 July 2014 by the Corporate Governance Committee of Borsa Italiana S.p.A..

    In the Board's opinion, the Board of Directors prepared adequately with respect to the obligations of disclosure to Shareholders and the market the Report on Corporate Governance and Ownership Structures as established by Art. 123-*bis* of the Consolidated Law on Finance and by the instructions contained in the Regulations for Organized Markets managed by Borsa Italiana S.p.A.

    The Board also supervised the concrete implementation of the corporate governance rules, monitoring the effective and correct application of these in the company's business.

12. *Remarks and proposals regarding the separate and consolidated financial statements*

    The separate and consolidated financial statements at 31 December 2014 were prepared in application of the IAS/IFRS international accounting standards, as duly described by the Directors in the Notes to the financial statements.

    The auditing of the accounts and of the technical correctness of the separate and consolidated financial statements is the duty and responsibility of the Independent Auditing Firm

PricewaterhouseCoopers S.p.A., which was assigned the task in accordance with Articles 155 and 156 of the Consolidated Law on Finance.
PricewaterhouseCoopers S.p.A. expressed an unqualified opinion in its report issued today, confirming that the separate financial statements were clearly stated and give a true and fair view of the financial position of the Company, the results of its operations and its cash flows.
Having verified the preparation process for the separate and consolidated financial statements and the related opinions issued by PricewaterhouseCoopers S.p.A., the Board has no remarks to make concerning the technical correctness of these financial statements.
Where deemed useful, the Board expressed indications and recommendations with a view to enhancing the methods and tools used in running the company, and on the correct application of regulations in force.
During the supervisory activity carried out and based on information obtained from the independent auditors, no censurable event, omissions or irregularities worthy of note and that require comment have been reported.

In view of the above, the Board acknowledges that the information provided by the Board of Directors was complete and adequate, and was consistent with the figures shown in the financial statements. It makes no remarks as regards the approval of the financial statements at 31 December 2014 and the proposal of the Board of Directors to allocate the profit for the year.

With the Shareholders' Meeting called to approve the financial statements for financial year 2014 the mandate conferred on the current Board of Statutory Auditors has expired; the Shareholders are therefore invited to resolve on the matter.

Turin, 3 April 2015

The Board of Auditors

Paolo Peveraro, Chairman

Annamaria Fellegara, Standing Auditor

Aldo Milanese, Standing Auditor

SUMMARY OF RESOLUTIONS PASSED BY THE SHAREHOLDERS' MEETING

The Ordinary Shareholders' Meeting:

- having viewed the Financial Statements as 31 December 2014 and the Board of Directors' Report on Operations;

- having viewed the Report by 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. EUR 50,096,527.17, as follows:
  - EUR 2,504,826.36, i.e. 5% of the profit for the year, to the legal reserve;
  - EUR 47,475,595.18 to Shareholders' dividends, i.e. EUR 0.0372 for each of the 1,181,725,677 ordinary shares and 94,500,000 savings shares payable from 24 June 2015, with coupon detachment date of 22 June 2015 and record date of 23 June 2015;
  - the residual amount, i.e. EUR 116,105.63 to the extraordinary reserve;

- having acknowledged the proposed approval of the distribution of an extraordinary unit dividend of EUR 0.0151, taken from the Extraordinary Reserve, for the 1,181,725,677 ordinary shares and the 94,500,000 savings shares of a nominal amount of EUR 1 to be paid starting from 24 June 2015, for a total of EUR 19,271,007.72;

resolves

1) to approve the Financial statements of Iren S.p.A. as at 31 December 2014 and the Report on Operations prepared by the Board of Directors;

2) to approve the proposed allocation of the profit for the year, i.e. EUR 50,096,527.17, as follows:
   - EUR 2,504,826.36, i.e. 5% of the profit for the year, to the legal reserve;
   - EUR 47,475,595.18 to Shareholders' dividends, i.e. EUR 0.0372 for each of the 1,181,725,677 ordinary shares and 94,500,000 savings shares payable from 24 June 2015, with coupon detachment date of 22 June 2015 and record date of 23 June 2015;
   - the residual amount, i.e. EUR 116,105.63 to the extraordinary reserve;

3) to approve the distribution of an extraordinary unit dividend of EUR 0.0151, taken from the Extraordinary Reserve, for the 1,181,725,677 ordinary shares and the 94,500,000 savings shares of a nominal amount of EUR 1 to be paid starting from 24 June 2015, for a total of EUR 19,271,007.72.

Therefore, the total unit dividend assigned to each of the 1,181,725,677 ordinary shares and the 94,500,000 savings shares to be paid starting from 24 June 2015, with coupon date of 22 June 2015 and record date of 23 June 2015, will be EUR 0.0523, for a total of EUR 66,746,602.91.

Iren S.p.A.
Via Nubi di Magellano, 30
42123 Reggio Emilia - Italy
www.gruppoiren.it