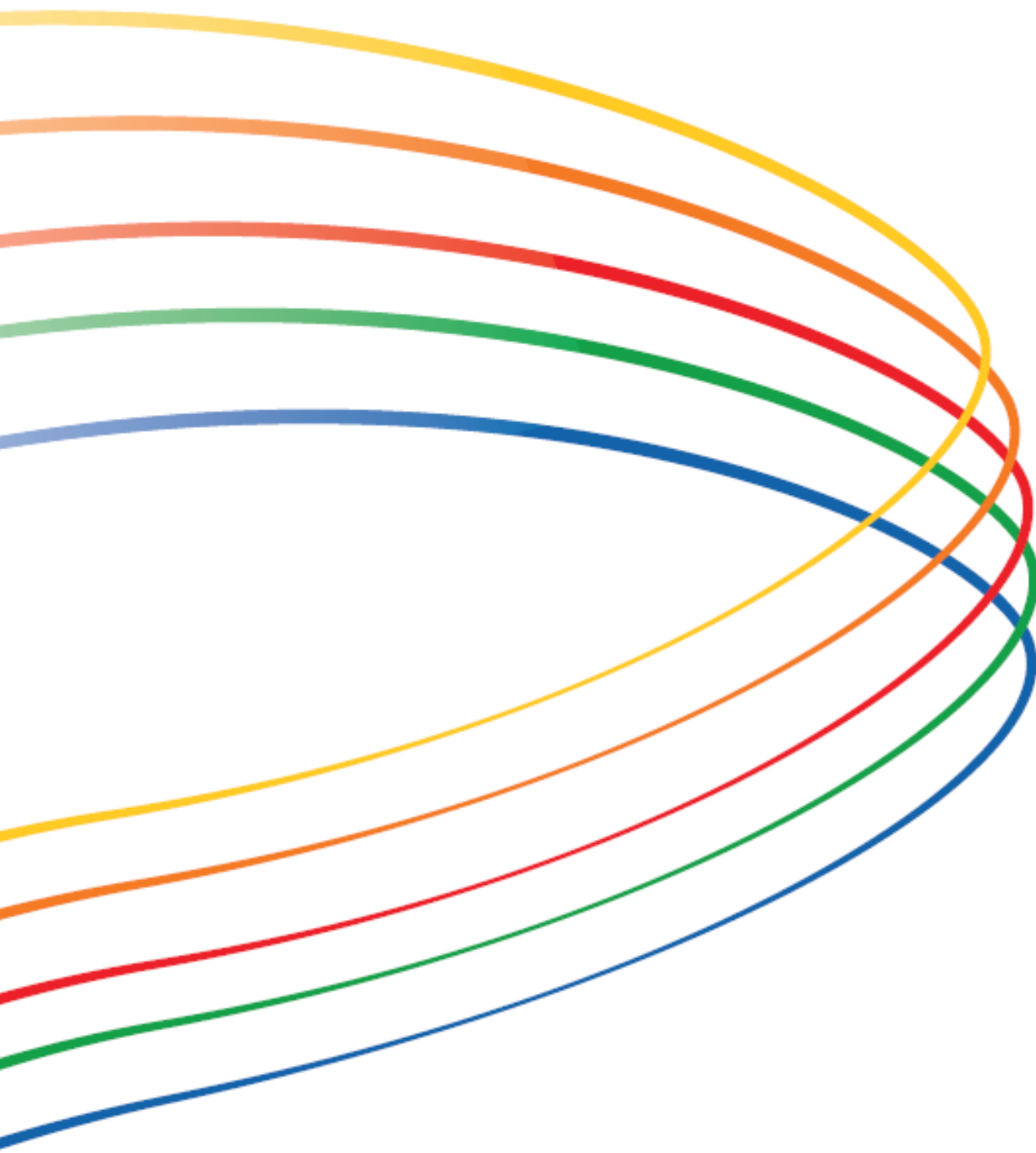


Interim Report

at 31 March 2016

Board of Directors of 12 May 2016



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INTRODUCTION

Italian Legislative Decree No. 25 of 15 February 2016 (OJ No. 52 of 3 March 2016) transposed Directive 2013/50/EU on the harmonisation of transparency requirements for issuers whose securities are admitted to trading (the so-called Transparency Directive), introducing a new package of amendments to the “Testo Unico della Finanza” [Consolidated Finance Act - CFA].

The adjustment to the community Directive provides, among other things, for substantial simplifications of the rules on the obligations to publish periodic financial reports borne, under the terms of Art. 154-ter CFA, by issuers of listed securities that have Italy as home Member State. The above amendments came into force on 18 March 2016.

The most significant change regards the end of the obligation to make available to the public quarterly financial reports; starting from 18 March 2016, listed companies are in fact no longer required to publish accounts every three months, even in a simplified form.

The reasons that led to the elimination of this obligation relate essentially to the need to reduce the costs associated with admission to trading on regulated markets, in particular borne by issuers of a smaller size, and the risk that the publication of interim reports may encourage an excessive attention to short-term results, to the detriment of investments with a longer-term vision (cf. Recital 4 of the Directive).

At the moment of transposition, Legislative Decree 25/2016 also attributed to Consob, in its function as Supervisory Authority on the financial markets, the power to impose, with a regulation, the obligation to publish additional periodic information in relation to issuers with Italy as their home Member State.

Before any introduction of such additional periodic disclosure obligations, Consob must carry out, and then make public, an impact analysis related to any additional financial information, to the expenses related to it, to its influence on investment decisions, to its potential excessive focus on short-term returns, to the ability of small and medium-sized issuers to access regulated markets.

The Decree also clarifies that the additional disclosure that Consob may require cannot be wider than a general description of the financial situation, the economic performance and the significant events and operations that have occurred in the period of reference for the issuer and its subsidiaries.

In this context and taking into account the principles of the Directive, on 14 April 2016 Consob published a consultation document aimed at gathering information and opinions needed for an impact analysis in preparation for assessing the exercise of its regulatory powers.

The deadline for sending responses to the consultation was set at 30 May 2016. Any exercise of the delegated regulatory powers by Consob could therefore not have occurred in time to affect the publication of financial information related to the first quarter of 2016. Therefore, the companies affected by the Decree are not formally obliged to publish the Interim Report relating to the first quarter of 2016.

While awaiting the complete definition of the regulatory framework of reference, the Iren Group has considered it in any case opportune to exercise the right to publish the present financial disclosure for the first quarter of 2016, which reflects in its content and form the previous Interim Reports. Although it reflects the principles enunciated, this choice in continuity with the past should not in any case be understood as formally binding for the future, and may be subject to revision on the basis of regulatory developments on the subject.

KEY FIGURES OF THE IREN GROUP

	First 3 months 2016	First 3 months 2015	Changes %
Income statement figures (millions of euro)			
Revenue	886	919	(3.6)
Gross Operating Profit (EBITDA)	239	211	13.3
Operating profit (EBIT)	154	133	15.8
Profit/(loss) before tax	124	102	21.6
Profit (loss) for the period - Group and non-controlling interests	78	63	23.8
Financial position figures (millions of euro)			
	At 31/03/2016	At 31/12/2015	
Net invested capital	4,674	4,231	10.5
Shareholders' equity	2,123	2,062	3.0
Net Financial Position	(2,551)	(2,169)	17.6
Financial/economic indicators			
	First 3 months 2016	First 3 months 2015	
GOP/Revenue	27.0%	23.0%	
	At 31/03/2016	At 31/12/2015	
Debt/Equity	1.20	1.05	
Technical and commercial figures			
	First 3 months 2016	First 3 months 2015	
Electricity sold (GWh)	3,955	3,415	15.8
Thermal energy produced (GWh _t)	1,308	1,360	(3.8)
District heating volume (mln m ³)	82	80	2.1
Gas sold (mln m ³)	934	958	(2.5)
Water distributed (mln m ³)	40	35	14.3
Waste collected (tonnes)	281,954	273,924	2.9
Waste disposed of (tonnes)	272,195	191,098	42.4

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

The Holding is responsible for the strategic, development, coordination and control activities, while the four Business Units (BUs) have been entrusted with the coordination and guidance of the Companies operating in their respective sectors:

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

The Group has an important customer portfolio and a significant number of plants in support of the operating activities:

Electricity production: a considerable number of electricity and heat production plants for district heating production; the overall production capacity is over 8,800 GWh/year.

Gas Distribution: through its network of more than 7,634 kilometres Iren serves approximately 715,000 customers.

Electricity Distribution: with 7,555 kilometres of high, medium and low voltage underground and overhead networks, the Group distributes electricity to approximately 684,000 customers in Turin and Parma.

Integrated water cycle: with around 16,500 kilometres of aqueduct networks, over 9,270 km of sewerage networks and 1,085 treatment plants, Iren provides services to more than 2,600,000 residents.

Environmental cycle: with 144 equipped ecological stations, 3 waste-to-energy plants, 3 landfill sites, 18 treatment, selection and storage plants and 1 composting plant, the Group serves 123 municipalities for a total of around 2,000,000 residents and around 1,754,000 tonnes managed.

District heating: through 883 kilometres of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 82 million m³, equivalent to a population served of over 820,000 people.

Sales of gas, electricity and heat: each year the Group sells over 2.5 billion m³ of gas, more than 12,000 GWh of electricity and more than 2,800 GWh_t of heat for the district heating networks.

COMPANY OFFICERS

Board of Directors

Chairperson	Paolo Peveraro
Deputy Chairperson	Ettore Rocchi ⁽¹⁾
Chief Executive Officer	Massimiliano Bianco ⁽²⁾
Directors	Moris Ferretti
	Lorenza Franca Franzino
	Alessandro Ghibellini
	Fabiola Mascardi
	Marco Mezzalama
	Paolo Pietrogrande
	Marta Rocco
	Licia Soncini
	Isabella Tagliavini
	Barbara Zanardi

Board of Statutory Auditors ⁽³⁾

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

Financial Reporting Manager

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A. ⁽⁴⁾

⁽¹⁾ Appointed Deputy Chairperson at the meeting of the Board of Directors of 9 May 2016

⁽²⁾ Appointed Chief Executive Officer at the meeting of the Board of Directors of 9 May 2016

⁽³⁾ Appointed by the Shareholders' Meeting of 28 April 2015 for the three years 2015–2016–2017

⁽⁴⁾ Appointed by the Shareholders' Meeting of 14 May 2012 for the nine years 2012–2020



MISSION AND VALUES OF THE IREN GROUP

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

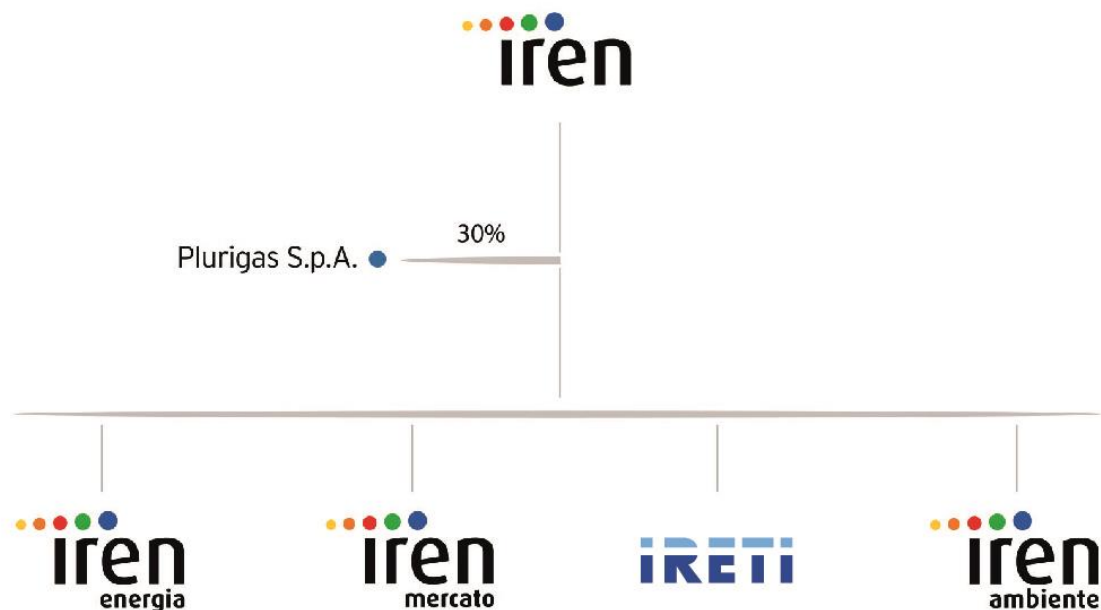




Directors' Report

at 31 March 2016

THE CORPORATE STRUCTURE OF THE IREN GROUP



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 presentation includes the Companies directly and entirely controlled by Iren S.p.A..

ENERGY BU

Cogeneration production of electricity and heat

Iren Energia has a total of approximately 3,000 MW of installed capacity (in electrical set-up), in particular it has 25 electricity production plants: 19 hydroelectric plants, 6 thermoelectric cogeneration plants and 1 thermoelectric plant, for a total capacity of approximately 2,800 MW of electricity and 2,300 MW of heat, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are 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 was in the region of 1,224 GWht during the first quarter of 2016, with district heating volumes of approximately 82 million m³.

Iren Energia oversees the Group's electricity and thermal energy planning and dispatching activities.

District heating

The total volume heated at 31 March 2016 amounted to 82.0 million cubic metres, up compared to 2015 by 2.1%.

In the Piedmontese capital Iren Energia has the largest district heating network in Italy, with 534.2 km of dual pipes (of which 23.7 km in the Municipality of Nichelino), and the networks of Genoa with an extension of 10.3 km, Reggio Emilia with approximately 218.4 km, Parma with approximately 98.0 km and Piacenza with approximately 21.6 km for a total of 882.5 km.

Starting from 1 October 2015 Iren Energia, following the transfer of the business unit from Iren Emilia, manages directly the operation and maintenance of the district heating plants of the cities in Emilia.

Services to Local Authorities and Global Service

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

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

MARKET BU

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

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

Iren Mercato handles the sale of the energy provided by the Group's various sources on the market represented by final customers, the Italian power exchange and other wholesale operators.

The Group's main power sources available for 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 electricity 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, Parma, Piacenza and Genoa together with sales development in new district heating areas.

Iren Mercato has operated historically 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 during the first quarter of 2016 were approximately 934 million m³ of which 436 million m³ were sold to end customers outside the Group and 498 million m³ were used within the Iren Group both for electricity and thermal energy production and for the provision of heating services.

At 31 March 2016 gas customers managed by the Market Business Unit totalled 772,000, spread throughout the traditional Genoa catchment area and surrounding development areas, the Turin catchment area and the traditional Emilia Romagna catchment areas.

Sale of electricity

The volumes sold in 2015 amounted to 3,955 GWh.

Electricity customers managed at 31 March 2016 were more than 740,000 distributed mainly in the areas traditionally served, corresponding to Turin and Parma, and in the areas covered commercially by the company.

Sale of heat through the district heating network

Iren Mercato manages heat sales to customers receiving district heating in the municipalities of Genoa, 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. under trading conditions that guarantee adequate remuneration.

The total district heating volumes at 31 March 2016 amounted to 82 million cubic metres.

Heat service management

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

NETWORKS BU

Following the extraordinary corporate rationalisation operations, carried out at the end of 2015 and with effect from 1 January 2016, the activities related to the Networks BU were performed mainly by the company IRETI. The company handles the integrated water cycle, electricity distribution, natural gas distribution and other minor activities.

Integrated Water Services

IRETI, directly and through the operating subsidiaries Mediterranea delle Acque and Idrotigullio, operates in the field of water supply, sewerage and waste water treatment in the provinces of Genoa, Savona, Piacenza, Parma and Reggio Emilia.

With acquisition of the business unit known as "Ramo Ligure" from Società Acque Potabili S.p.A. with effect from 1 July 2015, IRETI extended to 4 more municipalities (Camogli, Rapallo, Coreglia Ligure and Zoagli) in the Genoa ATO and to the Municipality of Bolano (La Spezia) management of the integrated water service consolidating its presence in the territory.

Overall in the Optimal Territorial Areas ("Ambiti Territoriali Ottimali" - ATOs) managed (Genoa Area, Reggio Emilia, Parma, Piacenza, Savona and La Spezia), the service is provided in 191 Municipalities serving over 2.6 million residents.

During the first quarter of 2016 the Networks BU sold approximately 40 million cubic metres of water, through a distribution network of more than 16,500 km. As regards waste water, the company manages a total sewerage network spanning approximately 9,300 km.

Gas distribution

IRETI distributes natural gas in 75 municipalities of the provinces of Reggio Emilia, Parma and Piacenza, in the municipality of Genoa and in 19 other municipalities nearby. The distribution network made up of approximately 7,634 km of high, medium and low pressure pipes serves a catchment area of approximately 719,000 customers. During the first quarter of 2016 IRETI distributed approximately 548 million cubic metres of gas of which approximately 381 million in the Emilia area and 167 million cubic metres in the Genoa area.

Electricity distribution

With approximately 7,555 km of network in medium and low voltage IRETI provides the electricity distribution service in the cities of Turin and Parma.

WASTE MANAGEMENT BU

The Waste Management Business Unit carries out the activities of waste collection and disposal mainly through three companies: IREN Ambiente operating in the Emilia area as well as AMIAT and TRM operating in the Piedmont area.

The Waste Management BU carries out all the activities of the municipal waste management chain (collection, selection, recovery and disposal) with particular attention to sustainable development and to environmental protection confirmed by growing levels of separate waste collection; it also manages an important customer portfolio to which it provides all the services for special waste disposal.

In the first quarter of 2016 the Group acquired control over TRM S.p.A., the company that received the contract to design, build and manage up to 2034 the waste-to-energy plant for municipal and similar waste serving the province of Turin. The TRM plant has a waste-to-energy capacity of approximately 500 thousand tonnes/year of waste with energy recovery.

Acquisition of control over TRM enabled the Group to triple its waste-to-energy capacity, confirming IREN as one of the top three groups in Italy in terms of treated waste.

We can also note the equity investment in the company Ecoprogetto Tortona, which manages an OFMSW (Organic Fraction of Municipal Solid Waste) anaerobic treatment plant, with a capacity of 32,000 ton/year of OFMSW.

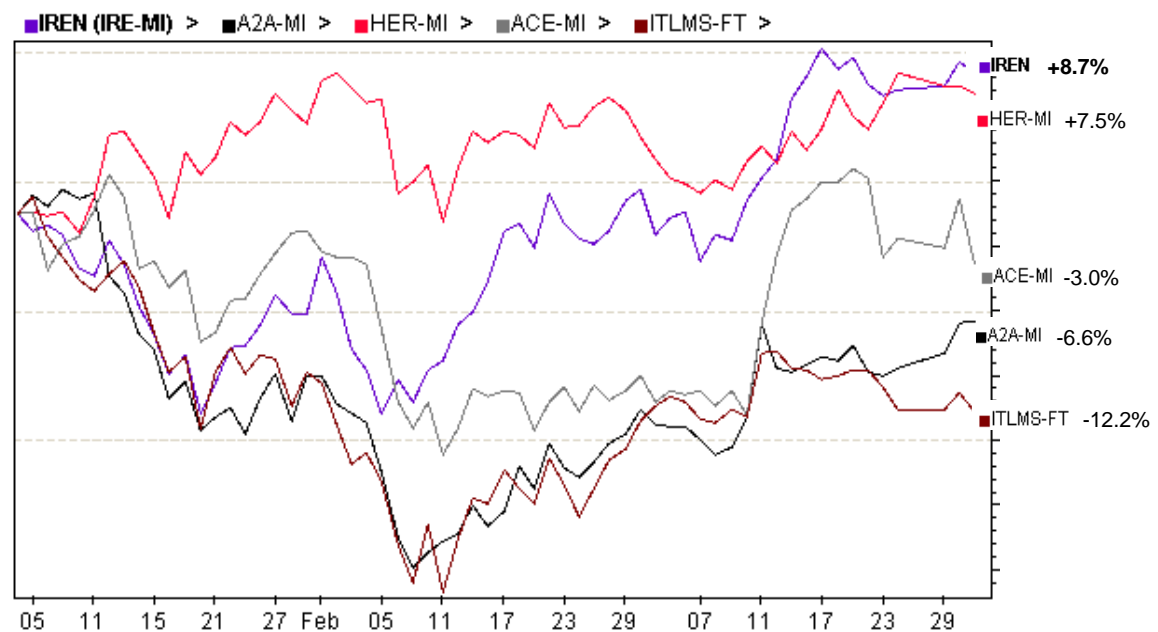
INFORMATION ON THE IREN SHARE IN THE FIRST THREE MONTHS OF 2016

Iren share performance on the Stock Exchange

In the first quarter of the year the FTSE Italia All-share (the main Borsa Italiana index), recorded a drop of 12.2%. This result, which partially corrected the positive performance recorded by the index in 2015 (+14.6%), can be attributed to the effects of a continuing scenario of global economic uncertainty and fragility made more acute by the falling prices of oil which reached the lowest levels for more than 10 years.

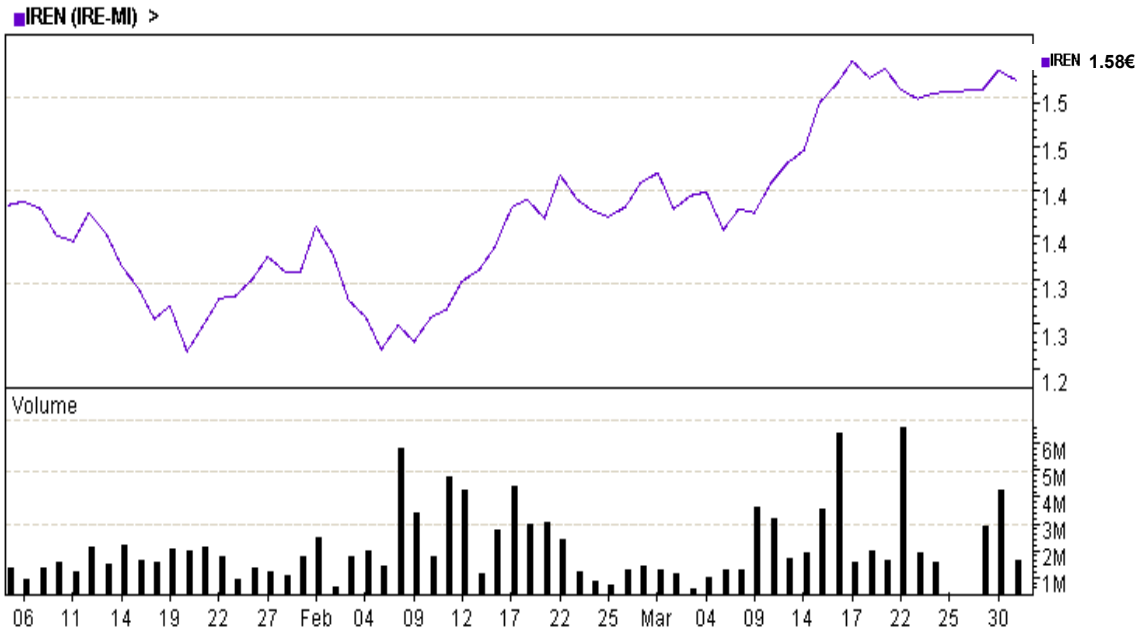
The performance of the IREN stock instead went the other way and confirmed the good trend already recorded last year. In this quarter too, in fact, IREN shares were those which showed the most growth compared to the most direct competitors, achieving at 31 March 2016 an increase of 8.7%. The performance derives mainly from the achievement of certain important objectives indicated in the business plan and from the excellent year-end results presented to the financial community in the middle of March.

PERFORMANCE OF IREN STOCK vs COMPETITORS



At the end of March 2016, the Iren stock stood at Euro 1.58 per share, with average trading volumes in the quarter of approximately 2.1 million units per day. During the first three months of the year the average price was Euro 1.42 per share reaching a peak at Euro 1.60 per share on 17 March and a low of Euro 1.27 per share on 20 January.

PRICE TREND AND TRADING VOLUME OF IREN

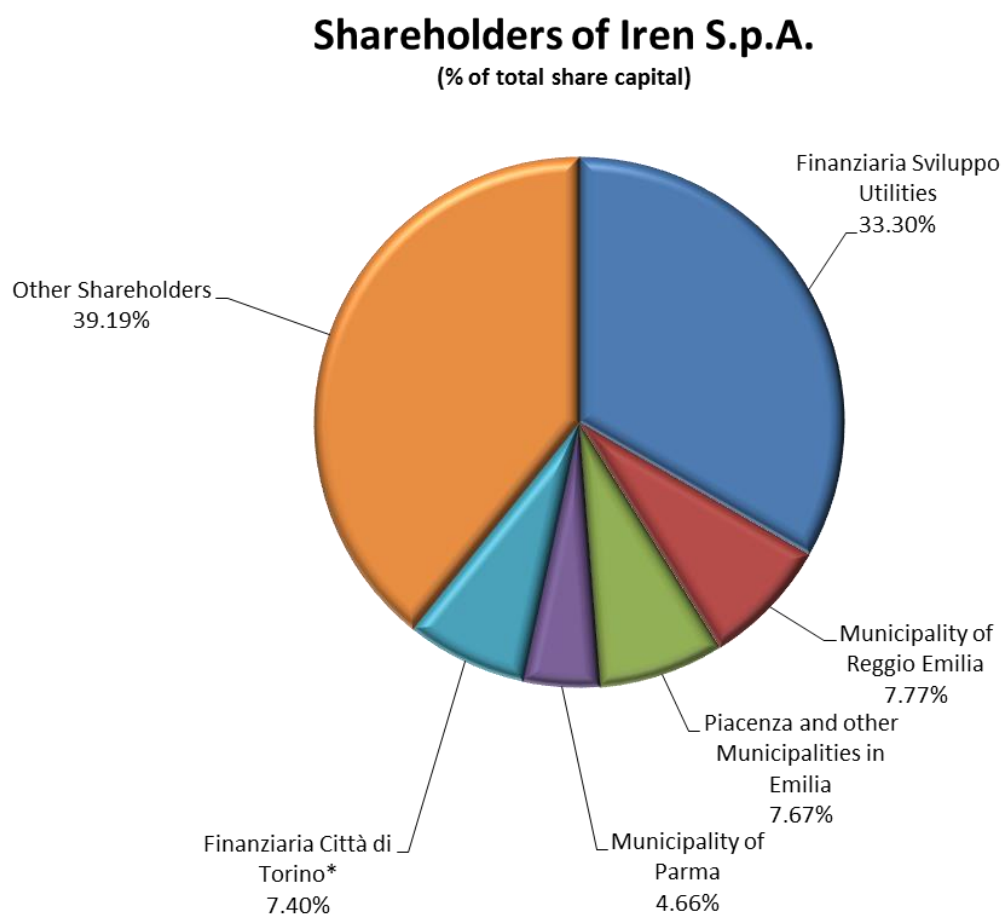


Share coverage

The Iren Group is currently covered by seven brokers: Banca IMI, Banca Akros, Equita, Fidentiis, Intermonte, KeplerCheuvreux and Mediobanca.

Shareholding structure

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



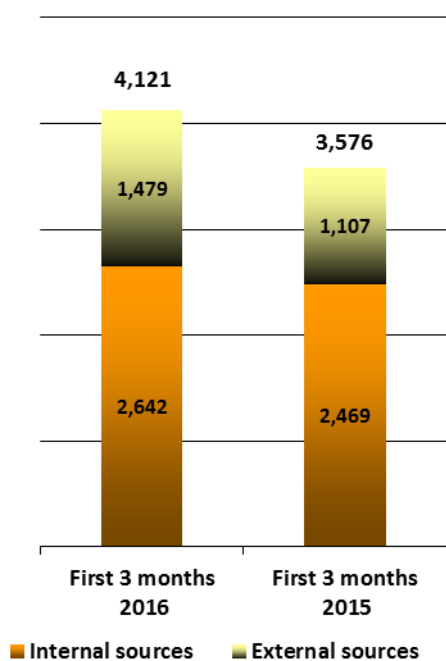
(*) Savings shares without voting rights

OPERATING DATA

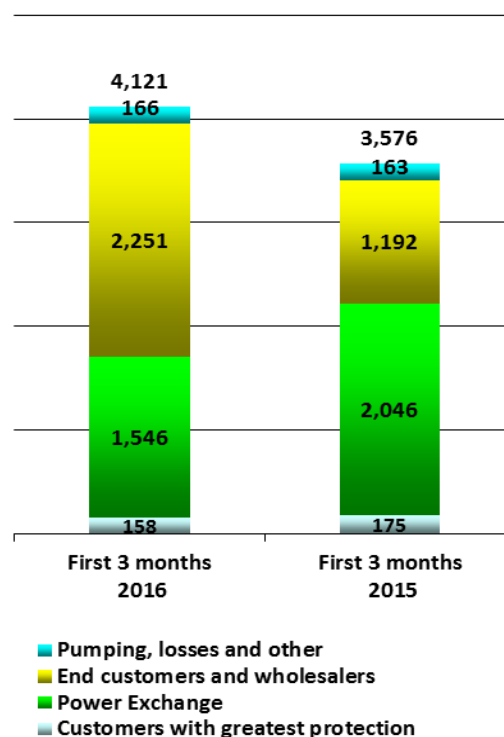
Electricity balance sheet

GWh	First 3 months 2016	First 3 months 2015	Changes %
SOURCES			
The Group's gross production	2,642	2,469	7.0
<i>a) Hydroelectric</i>	252	263	(4.2)
<i>b) Cogeneration</i>	1,823	1,813	0.6
<i>c) Thermoelectric</i>	442	269	64.3
<i>d) Production from WTE plants and landfills</i>	125	124	0.8
Purchases from <i>Acquirente Unico</i> [Single Buyer]	167	184	(9.2)
Energy purchased on the Power Exchange	795	415	91.6
Energy purchased from wholesalers and imports	517	508	1.8
Total Sources	4,121	3,576	15.2
USES			
Sales to protected customers	158	175	(9.7)
Sales on the Power Exchange	1,546	2,046	(24.4)
Sales to eligible final customers and wholesalers	2,251	1,192	88.8
Pumping, distribution losses and other	166	163	1.8
Total Uses	4,121	3,576	15.2

Composition of Sources



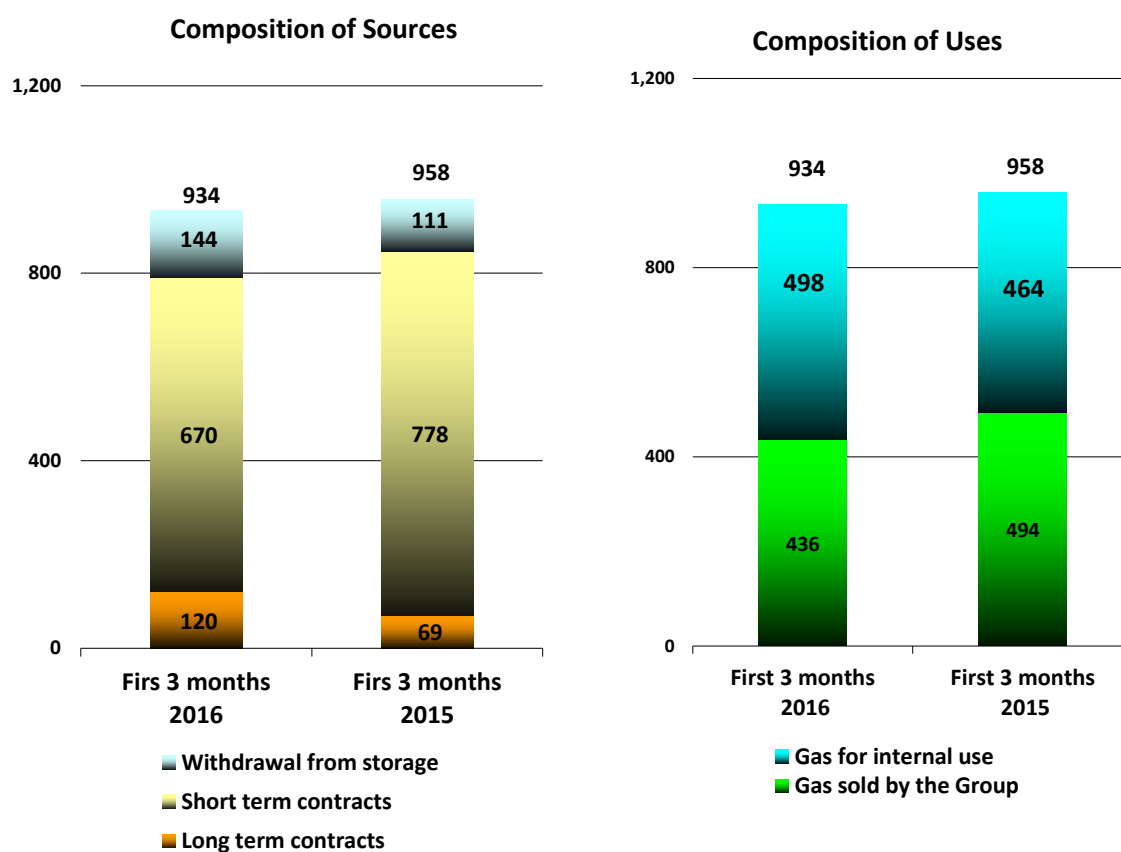
Composition of Uses



Gas Production

Gas Production Millions of m ³	First 3 months 2016	First 3 months 2015	Changes %
SOURCES			
Long-term contracts	120	69	73.9
Short-term contracts (annual and spot)	670	778	(13.9)
Withdrawals from storage	144	111	29.7
Total Sources	934	958	(2.5)
USES			
Gas sold by the Group	436	494	(11.7)
Gas for internal use (1)	498	464	7.3
Total Uses	934	958	(2.5)

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



Network services

	First 3 months 2016	First 3 months 2015	Changes %
ELECTRICITY DISTRIBUTION			
Electricity distributed (GWh)	1,062	999	6.3
No. of electronic meters	709,463	704,960	0.6
GAS DISTRIBUTION			
<i>Gas distributed in the Emilia area (mln m³)</i>	381	401	(5.1)
<i>Gas distributed in the Genoa area (mln m³)</i>	167	173	(3.5)
Total Gas distributed	548	574	(4.5)
DISTRICT HEATING			
District heating volume (mln m ³)	82.0	80.3	2.1
District heating network (Km)	886	866	2.3
INTEGRATED WATER SERVICE			
Water volume (mln m ³)	40	35	15.1

MARKET CONTEXT

Macroeconomic performance

In the euro area signs of moderate growth continued in the first quarter of 2016, thanks to an increase in industrial production, low inflation and an employment trend that boosted consumption. The climate of confidence indicator in the euro area, however, recorded in March the third consecutive drop.

The Italian economy shows signs of weakness on the side of growth in the supply of goods and services; on the demand side the growth in consumption remains stable, accompanied by a slight recovery in investments. In this context the leading indicator of the Italian economy is positive, supporting the hypothesis of a continuing period of moderate growth also in the first quarter. In particular, the quarterly change in real GDP estimated for the first quarter is +0.1%; private consumption contributes positively to the GDP increase, while a negative contribution comes from net foreign demand and from public consumption. In this scenario, the growth expected for 2016 is 0.4%.

National electricity scenario

In the period January - March 2016 the net production of electricity in Italy was 65,309 GWh, down (-0.7%) compared with the same period in 2015. The demand for electricity, 77,632 GWh (-1.5%) was met for 83.3% from domestic production (taking onto account the auxiliary services of production and consumption for pumping) and 16.7% from foreign production (-4.2%). At the national level, traditional thermoelectric production was 46,175 GWh, an increase of +2.5% compared to the same period of 2015 and represented 59.5% of the supply; hydroelectric production was 7,907 GWh (-17.6% compared to the first quarter of 2015) representing 10.2% while geothermal, wind and photovoltaic production was 11,227 GWh (+4.3%) covering 14.5% of total supply.

The first three months of 2016 saw a reduction in total of 1.5% of electricity demand compared to the same period in the previous year, while the same showed a slight increase compared to the previous quarter (+0.3%). The percentage decreases occurred mainly in the Centre-South zone of the country with the largest decreases recorded in the islands (-6.2%) and then in the Tuscany and Emilia Romagna zone (-2.9%).

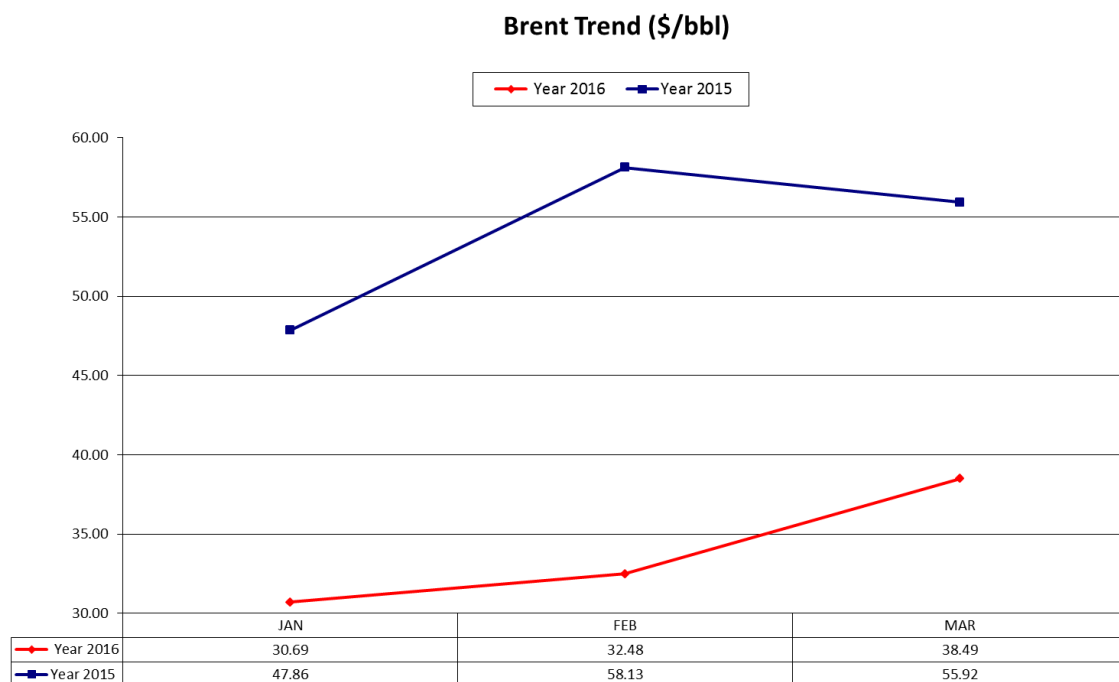
Demand and supply of accumulated electricity

	(GWh and changes in trends)		
	up to 31/03/2016	up to 31/03/2015	Change %
Demand	77,632	78,805	-1.5%
- North	36,666	36,650	0.0%
- Centre	22,628	23,150	-2.3%
- South	11,494	11,711	-1.9%
- Islands	6,844	7,294	-6.2%
Net production	65,309	65,756	-0.7%
- Hydroelectric	7,907	9,592	-17.6%
- Thermoelectric	46,175	45,058	2.5%
- Geothermoelectric	1,489	1,438	3.5%
- Wind and photovoltaic	9,738	9,668	0.7%
(-) Pumping consumption	-606	-450	34.7%
Foreign balance	12,929	13,499	-4.2%

Source: processing of Terna data

In the first 3 months of 2016 the average price of crude oil was 33.89 \$/bbl, sharply down compared to the same period of 2015 (53.97 \$/bbl, down by 37.2%). The average \$/€ exchange rate was 1.10, slightly down (-2%) compared to the average for the same period of 2015 (1.13). As a result of the previous trend, the average price of crude oil in euro was 30.7 €/bbl in 2016, down compared to the 2015 average (-35.7%).

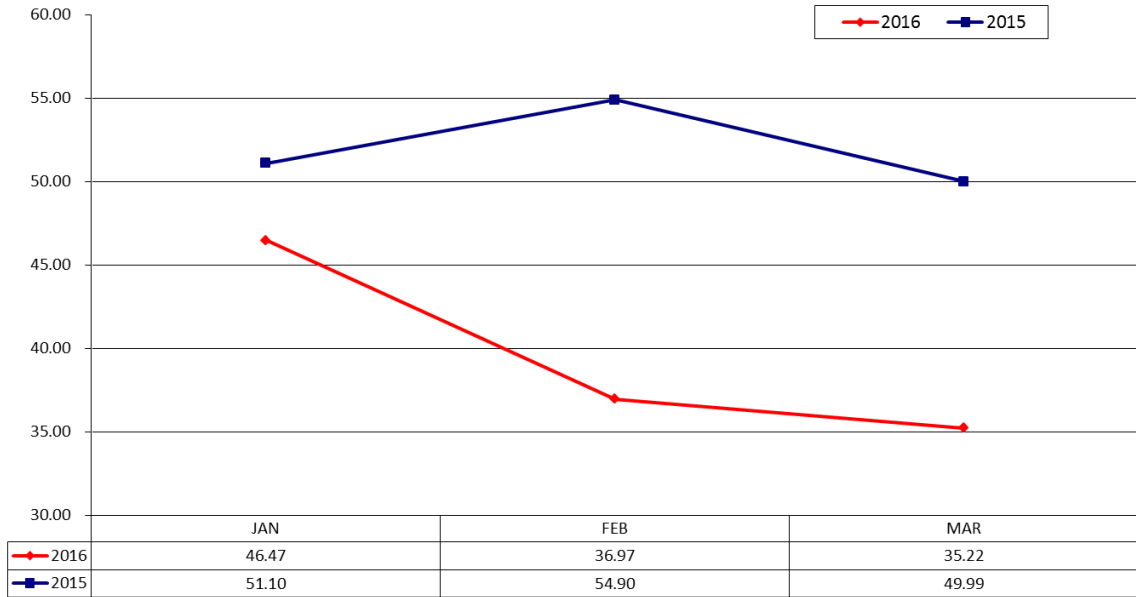
In the first quarter of 2016, the dollar prices of Brent followed a rising trend in February and March compared to the downward trend recorded in the previous quarter. Prices in January reached on average the minimum figure of 30.69 \$ /bbl, and then rose back to 32.5 \$/bbl in February and 38.5 \$/bbl in March.



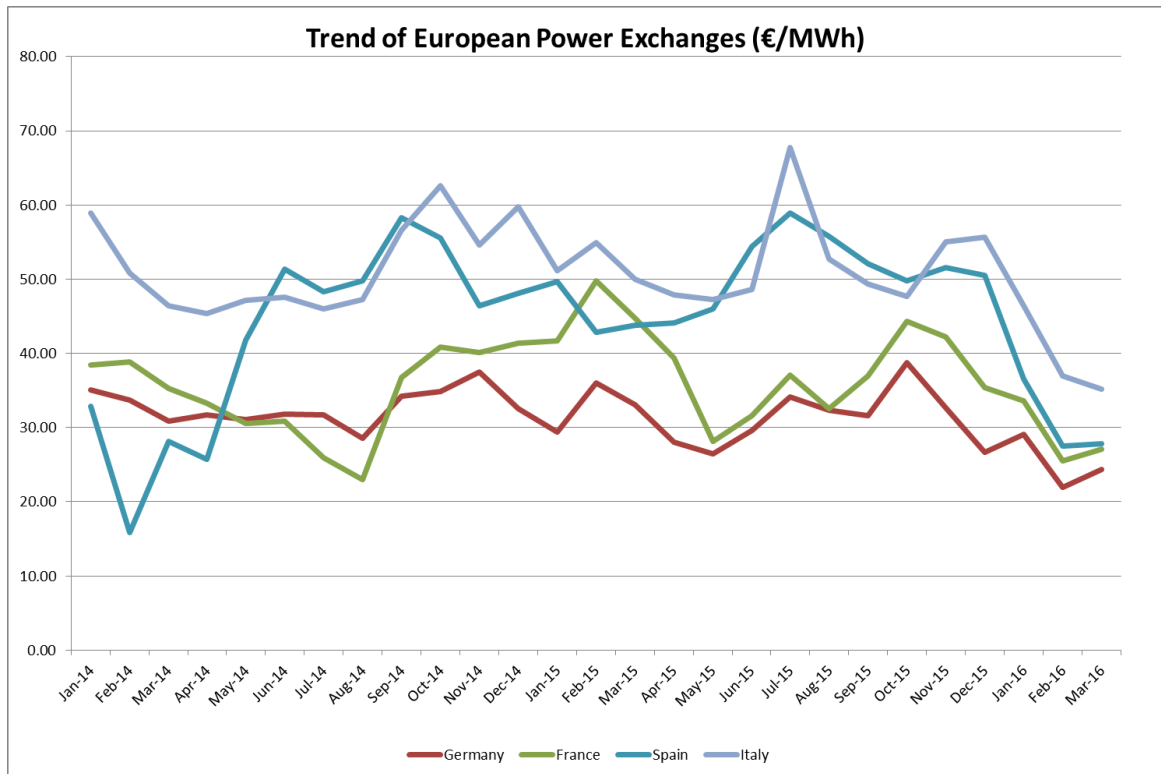
The first quarter of 2016 on the Power Exchange closed with an average price of 39.6 €/MWh. The average purchase price in March in particular fell to 35.22 €/MWh (-29.5% on an annual basis), a price that was for the second consecutive month the lowest ever recorded since the start of the organised market. The average figure for the quarter was down by 12.4 €/MWh, compared to the same period of 2015 with an average percentage drop of -24%.

In relation to zonal prices, the beginning of 2016 confirms, as for the past year, the South area as the minimum and the Sicily area as the maximum, with 36.34 €/MWh and 44.26 €/MWh respectively.

Average purchase price on the MGP Market – Single National Price (€/MWh)



The main European power exchanges have expressed, in the first quarter of 2016, an average price of 28.16 €/MWh with a spread from the average SNP of -11.40 €/MWh. This Spread stayed substantially in line both compared to the previous quarter (-11.48 €/MWh) and compared to the quarter in the previous year (-10.76 €/MWh).



With regard to the futures market, the following table shows the comparison among the monthly average prices. In the three months from January to March downward changes were recorded up to May and upward changes starting from June to the end of the year. The annual future (December 2017), which was quoted at 40 €/MWh in January 2016, fell to 37.9 €/MWh in February before finally reaching 36.9 €/MWh in March.

January 2016 Futures		February 2016 Futures		March 2016 Futures	
Monthly	€/MWh	Monthly	€/MWh	Monthly	€/MWh
feb-16	43.5	mar-16	30.0	apr-16	33.5
mar-16	41.9	apr-16	33.1	may-16	33.2
apr-16	40.1	may-16	33.0	jun-16	35.6
Quarterly	€/MWh	Quarterly	€/MWh	Quarterly	€/MWh
jun-16	39.5	jun-16	34.1	jun-16	34.1
sep-16	44.1	sep-16	39.3	sep-16	38.5
dec-16	43.6	dec-16	39.9	dec-16	39.4
Yearly	€/MWh	Yearly	€/MWh	Yearly	€/MWh
dec-17	40.0	dec-17	37.9	dec-17	36.9

The Natural Gas Market

In the first three months of 2016 Italian consumption remained in line with the same period of the previous year coming out at 23.6 bln m³. The most growth was recorded in thermoelectric use (+12.9%) which, despite the drop in demand for electricity in the quarter, seems to have been affected positively by the reduction in hydroelectric production (-1.7 TWh). Natural gas consumption of industries remained substantially constant (+0.1%), while withdrawals from urban distribution networks decreased (-5.3%) owing to the milder temperatures compared to the last winter season.

63.6% of the demand was covered by imports, up by 4.9%, while domestic production accounted for 6.5% (down by 3.1%); 30.1% was satisfied through the use of stocks the supply of which fell by 7.8%. For the whole of first quarter 2016 and in particular in January, the system supplied stored gas, which at the end of 2015 recorded stocks of just less than 9 bln m³. At the end of March 2016 the stock of stored gas was 532 mln m³.

Since the beginning of the year, the imported volumes came for 49.3% from Tarvisio (mainly from Russia), 21.9% from Mazara del Vallo (Algeria), 10.7% from Passo Gries (Northern Europe), 9.8% from the regasification plant in Rovigo (Qatar) and 8.4% from Gela (Libya).

Uses and sources of natural gas in the first quarter of 2016 and comparison with previous years

	2016	2015	2014	2013	2008	Change % '16/'15	Change % '16/'14	Change % '16/'13	Change % '16/'08
GAS USED (bln m³)									
Distribution plants	13.7	14.4	12.7	16.1	14.7	-4.9%	7.9%	-14.9%	-6.8%
Industrial use	3.5	3.5	3.5	3.5	4.2	0.0%	0.0%	0.0%	-16.7%
Thermoelectric use	5.6	5.0	4.6	5.9	8.9	12.0%	21.7%	-5.1%	-37.1%
Third party network and system consumption (*)	0.8	0.7	0.6	0.7	1.0	14.3%	33.3%	14.3%	-20.0%
Total withdrawn	23.6	23.6	21.4	26.2	28.8	0.0%	10.3%	-9.9%	-18.1%
GAS INPUT (bln m³)									
Domestic production	1.5	1.6	1.7	1.9	2.3	-6.3%	-11.8%	-21.1%	-34.8%
Imports	15.0	14.3	14.6	16.8	23	4.9%	2.7%	-10.7%	-34.8%
Storage	7.1	7.7	5.1	7.5	3.5	-7.8%	39.2%	-5.3%	102.9%
Total input	23.6	23.6	21.4	26.2	28.8	0.0%	10.3%	-9.9%	-18.1%

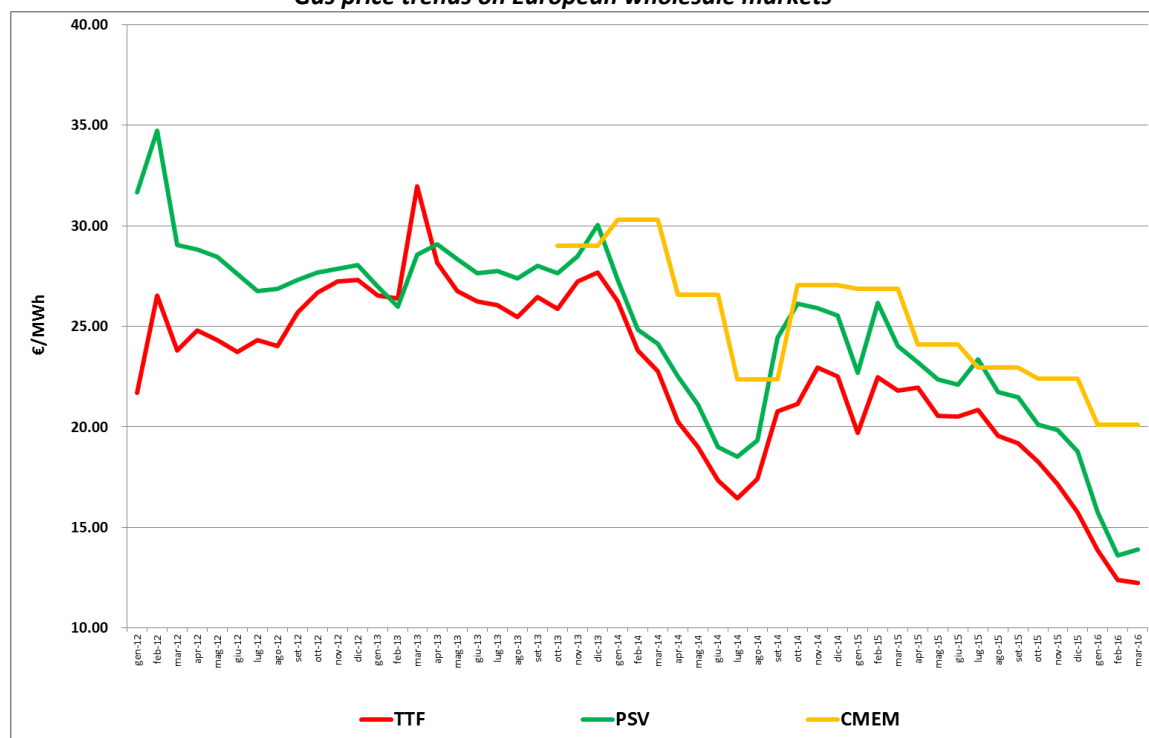
(*) Includes: transport, exports, transport company redeliveries, input/output changes, losses, consumption and gas not accounted for.

Source: processing of Snam Rete Gas figures.

The first quarter of 2016 was characterised by a downward trend in wholesale prices of natural gas in all the international market areas, with a slight recovery recorded only by the Italian hub in March – this was the first positive change in eight months (14 €/MWh, +3%).

In Europe in the early months of 2016 the declining phase in fact continued in a generalised manner. This has been going on for about a year and is confirmed by the sharp reductions compared to first quarter 2015 with average negative changes of more than 40% and compared to the previous quarter (on average approximately -25%).

Gas price trends on European wholesale markets



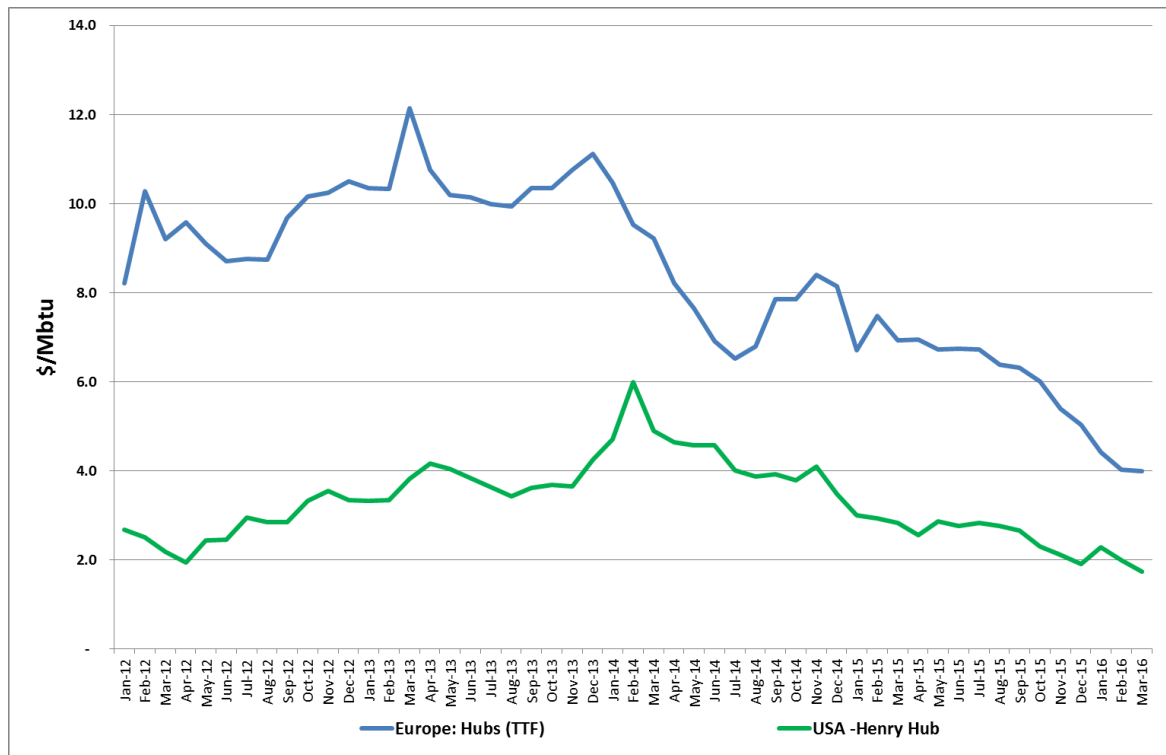
Note: the C_{MEM} prices were translated into Euro/MWh on the basis of a heating power of 38.52 Mj/m³

As regards the Italian context, besides the aforementioned trends on the PSV, the balancing market (PB-Gas) was confirmed in the first quarter of the year as the only liquid gas market among those organised by the Energy Markets Manager (Gestore dei Mercati Energetici - GME). In the two sectors that constitute it (G+1 and G-1) volumes were traded for approximately 1.3 billion cubic metres, with an average price of 14.3 €/MWh for the sector G+1 and 16.4 €/MWh for the G-1.

The so-called “CMEM component”, understood as reflecting the cost of procuring gas in the price on the protected market, defined by the AEEGSI starting from the forward prices of the Dutch TTF, was 20.1 €/MWh in the quarter, down 10% compared to the previous quarter and 25% compared to first quarter 2015.

In the US, the prices recorded declined and were increasingly lower than other market areas, albeit with differences further reduced compared to 2015 due to the greater price drops in Europe and Asia. On average, in the quarter, the Henry Hub, the main US market, showed a price of 2.0 \$/Mbtu (it was 2.9 \$/Mbtu in the same period in 2015).

Comparison between international natural gas prices



Source: processing of EIA data

LEGISLATION FIRST QUARTER 2016

GAS

AEEGSI Resolution 166/2016/R/gas: methods for calculating the CMEM and CCR components for the period between 1 October 2016 and 31 December 2017.

With this resolution the Authority expresses itself on the methods for determining the components related to the cost of procuring natural gas on the wholesale markets (CMEM) and of the related activities (CCR).

The AEEGSI confirms the current methods for calculating/updating the CMEM tariff component, to cover the cost of purchasing the raw material, keeping the reference to the TFF prices.

The method for quantifying the CCR was also updated confirming the “Balancing Risks” and “Profile and Weather Events” components and adjusting to them the “Level Risk” components - in consideration of an expected rate of leaving the protection service higher than that recorded in the last two years - and “Pro-Die Risk”.

The methods for determining the costs related to the national and international logistics are confirmed.

Finally the application of the GRAD component (for graduality in the application of the economic conditions of the protection service after the reform in 2013) envisaged for the HV 2016–17 is extended by one quarter with the same amount of expected revenues.

Ministerial Decree of 25 February 2016: urgent changes to the Rules on the Natural Gas Market

With this Decree, the MED approved the urgent changes to the Rules on the Natural Gas Market, resolved by the Energy Markets Manager (Gestore dei Mercati Energetici - GME). The changes in question were made in compliance with Art. 13 of Regulation (EU) 2015/703, following what had been communicated by Snam in relation to the change in the unit of measurement from GJ to MWh.

CD 103/2016/R/gas: gas balancing

The CD assumes that the gas balancing system will evolve in such a way that there will be greater flexibility and renomination possibilities during the gas day. Four subjects are tackled in the CD:

- 1) definition of the criteria for SNAM’s intervention on the market with the objective of clarifying the integration between the physical balancing needs of the network and the new market to which SNAM and the users accede at the same time to balance their positions, by buying and selling short-term products;
- 2) integration of the rules for operation of the intra-day market with the methods of trading locational products;
- 3) definition of the small adjustments: the Authority expresses the two positions that have emerged. The first is the one expressed by SNAM which maintains that the small adjustments are an incentive to balance its positions *ex-ante*; according to the Users, they are a sort of “penalty” imposed, which the users have no way of controlling;
- 4) possible actions on the question of settlements: the document suggests some possible solutions on the consistency of the chain of forecasts and allocations. The AEEGSI envisages that the new system will come into force from 1 October 2016.

CD 12/2016/R/gas: Changes relating to gas settlement rules

The Energy Authority intervenes to resolve the operating anomalies of gas settlement, issuing for consultation its proposals on algorithms, invoicing, disclosure obligations and penalties. In particular, the question of the algorithm needed to determine the physical and economic items after the adjustment session is tackled, with two options proposed. The first provides for keeping the current algorithm, shifting however the use of the information on the “correspondence matrix” to the end of the process (known as “reascending the chains”). The second option extends instead the application of the algorithm used today for the balancing sessions.

GME Communication of 22 February 2016: changes in the Gas Exchange position settlement times

The GME communication, on which the AEEGSI expressed a positive opinion, proposes settlement of the payments related to the net debit and credit position held in relation to the GME every week and no longer every month for both the gas and the electricity commodity

With Notice 86/2016/l/gas AEEGSI expresses its position to the Institutional Entities on gas tenders, the rules of which were recently modified by the Thousand Extensions Law (Italian Law 21/16).

This law extends the publication of the calls for tenders (from 5 to 12 months compared to those previously provided for in paragraph 3.1 of the regulation pursuant to Ministerial Decree No. 226 of 12 November 2011).

The law, in addition, abolishes the sanctions for Municipalities that do not publish the calls for tenders in time.

It states finally that the MED must appoint a commissioner to call the tender if not even the Region has acted in the 8 months after the deadline for the tender.

ELECTRICITY

CD 75/2016: reform of the price protections in the retail markets for electricity and natural gas: protection similar to the free market for electricity for final domestic customers and small enterprises

In the CD the AEEGSI identifies two lines of action to arrive at superseding Higher Protection:

- the reform of higher protection in order to make it more consistent with the universal service role that it will be destined to assume: the AEEGSI intends to keep the AU's procurement function and marketing under the responsibility of the current higher protection operators; this service would be provided to domestic users and small enterprises that do not have a supplier on the free market. The energy price would be defined *ex ante* with reference to the price formed on the DAM (Day-Ahead Market).
- the maturation of the retail segment of small customers, facilitating their access to the market through an evolution "guided and supervised" by the Authority (so-called Similar Protection). The AEEGSI intends to launch a voluntary acceptance process for customers and vendors through the centralised management of access. For vendors that intend to accept specific requirements are laid down in terms of solidity (economic/financial), honourability and operations in keeping with the maximum number of customers that they are willing to supply. Access to Similar Protection is permitted only for customers that are included in the reformed higher protection service and takes place through a specific website managed by the AU in its capacity as central administrator. Similar Protection regards only the supply of electricity and involves standard contractual conditions for all customers, irrespective of the supplier selected. The price charged is equal to that of the reformed higher protection service minus a discount defined by the supplier for each type of customer.

We must stress that the proposals in the CD are embedded in a context of great evolutionary instability because the measure by which the proposals can potentially be influenced, that is the Draft Competition Law, is still awaiting approval by the Senate, which must be followed by a further measure of the Ministry of Economic Development (MED).

Stability Law (No. 208 of 28 December 2015) and MED Decree – TV licence fee in bills

The 2016 Stability Law introduces starting from 2016 new ways to pay the RAI TV licence fee which, for the owners of an electricity system for residential domestic use, will happen by direct debit on the invoices issued by the electricity companies. The Law also leaves to a subsequent MED decree (not yet issued), in agreement with the Ministry of the Economy and Finance (MEF) the definition of the specific technical measures needed to implement the new rules.

At the end of March, the Revenues Agency made public the form with which the holders of an electricity supply contract for residential domestic use can certify that they do not own a television by 30 April 2016.

In a meeting called on 5 April the AU illustrated, to the representatives of the Associations involved, the route that it intends to follow for the transmission of the data necessary for the invoicing process for which the vendor companies are responsible.

Resolution 138/2016/R/eel: launch of procedure for the revision of the general system expenses for non-domestic customers.

The resolution begins a consultation procedure to determine the general system expenses for all non-domestic customers according to the rules of the electricity distribution tariffs (higher proportion of the power quota with respect to that of the variable quota) in accordance with paragraph 3.2.b. of the Thousand Extensions Law (Italian Law 21/16).

In practice, the measure supersedes the previous Res. 13/2016/R/eel, which defined the first transitory rules for the general system expenses to be charged from January 2016 to HV and VHV customers (the Thousand Extensions Law extends its scope also to customers at lower voltage levels).

Operationally, the resolution applies temporarily and subject to adjustment the General System Expenses (GSEs) for all non-domestic customers provided for in the previous Res. 657/2015/R/com and subsequent updates (it governed the GSEs from January 2016).

Resolution 87/2016/R/eel: functional and performance specifications for 2G Smart Meters.

The resolution (which will come into force after 3 months have passed from notification to the European Community) governs electricity meters for LV customers (known as 2G smart meters) with a view to their replacement after the complete depreciation of the previous ones currently installed (known as “1G”), defining their 7 necessary functions and the expected levels of system performance (and related full installation times).

The measure provides for a first version 2.0 (immediately available), which must have both a communication channel to the “electricity system” which can use the Power Line Carrier (PLC) in band A or in radio frequency, and a second channel to the user devices to be installed in homes, which must be able to use at least the PLC in band C.

The resolution is also aimed at assessing the effective availability of standardised technological solutions with incremental and evolutionary functions for the communication of the meters and for the power limiter that makes it possible to interrupt the supply of electricity in the event that the available power is exceeded without opening the magneto-thermal switch.

The new meters must therefore offer important benefits to customers (precision of consumption, personalisation of offers, innovative management of withdrawals) and to the electricity system as a whole (energy efficiency, better dispatching of the energy in the network).

Resolution AEEGSI 29/2016/R/efr: determination of the average selling price of electricity in 2015

The AEEGSI determined the average selling price of electricity recorded in 2015 at 51.69 €/MWh; this price is used to calculate the price of withdrawal by the GSE of the GCs related to production in 2015 (100.08 €/GC) and, using the same formula, minus a coefficient K depending on the date of entry into operation of the individual plant, the figure, for 2016, of the post-GC incentive.

GAS/EE

GME CD No. 2/2016: operating principles Integrated Regulations on GME guarantees, invoicing and payments

The GME launched a consultation on the TIGSI - Integrated Regulations on guarantees, settlement and non-fulfilments that will be applied to the various markets managed by the GME: ME, MGAS and PCE for integrated management of guarantees, invoicing and payments

- Guarantees: the TIGSI will govern the total net exposure of the operator to the GME, deriving from its operations on all markets;
- Invoicing: the TIGSI will govern the method of calculating a single balance to be settled for all markets and to make possible the use of credits as a coverage instrument;
- Payments: the TIGSI states that in the event of non-fulfilment an operator would be suspended on all markets.

Italian Law No. 21 of 25 February 2016 (converting Italian Law Decree No. 210 of 30 December 2015): “Thousand Extensions 2016”

Among the measures contained in the law, some are of interest for the Iren Group; we can note in particular:

- the lower taxation in force up to 31/12/2015 for fuels used in cogeneration plants is confirmed for the whole of 2016.
- The “double-track” mechanism (traditional and SISTRI computerised) for tracing special waste is extended for a year (up to 31/12/2016); up to the end of 2016 the traditional paper method will be applied to the production of hazardous and non-hazardous special waste, applying the penalties provided for in the TUA (Consolidated Environmental Act), while the SISTRI will be applied only for per hazardous special waste, for the unit registered on the System, without applying the penalties; from 2017 the traditional tracing method will be applied only for non-hazardous special waste, while the SISTRI will be used for hazardous special waste and the penalties provided for in the TUA will be applied.

- The deadlines for publication of gas calls for tenders are extended; in addition, the penalties for Municipalities that publish the calls in time are eliminated, and it is stated that the MED must appoint a commissioner to call the tender if, in the 8 months after expiry of the deadline, not even the Region has acted.

REGASIFICATION

Ministerial Decree of 25 February 2016, Res. No. 77/2016 and AEEGSI Res. No. 135/2016: auctions for regasification capacity allocation

With these measures the Ministry authorised industrial final customers to procure LNG directly from abroad. The MED decided to hold the auction for regasification capacity at the same time as the auction for storage capacity. To implement the above Ministerial Decree, with Resolution No. 135/2016 the AEEGSI regulated the methods for calculating the reserve price for the auction procedures for conferment of capacity for the integrated regasification and storage service for the year 2016/2017.

SIGNIFICANT EVENTS OF THE PERIOD

IRETI S.p.A.

Following the extraordinary operations carried out at the end of 2015 with effects from 1 January 2016, IRETI S.p.A. began to operate.

The company handles the water services in the provinces of Genoa, Savona, La Spezia, Parma, Piacenza and Reggio Emilia where it operates in the fields of water supplies, sewerage and purification of waste water. With more than 18,000 km of aqueduct networks, over 9,300 km of sewerage networks and 1,085 treatment plants, the company serves more than 2,550,000 inhabitants of 219 municipalities, distinguishing itself as the third largest operator in Italy in the water services sector by number of cubic metres managed.

Through more than 7,600 km of network the company distributes natural gas in the Municipality of Genoa and in 19 other surrounding municipalities, as well as in 72 municipalities of the provinces of Parma, Piacenza and Reggio Emilia, for a total of approximately 726,000 customers served.

With approximately 7,283 km of medium and low voltage networks IRETI distributes electricity in the cities of Turin and Parma; with a portfolio of more than 1.5 million customers, IRETI is the fifth largest operator in Italy in the electricity sector in terms of quantity of distributed electricity.

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

TRM

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

IREN Ambiente S.p.A. already held 48.8% of the share capital of the company TRM V S.p.A. and through this operation the latter becomes a subsidiary of the IREN Group.

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

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

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

Sale of the TLC network in the territory of Emilia

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

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

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

BASIS OF PREPARATION

CONTENT AND STRUCTURE

Italian Legislative Decree No. 25 of 15 February 2016 (OJ No. 52 of 3 March 2016) transposed Directive 2013/50/EU on the harmonisation of transparency requirements for issuers whose securities are admitted to trading (the so-called Transparency Directive), introducing a new package of amendments to the “Testo Unico della Finanza” [Consolidated Finance Act - CFA], the most significant of which regards the end of the obligation to make available to the public quarterly financial reports; starting from 18 March 2016, listed companies are in fact no longer required to publish accounts every three months, even in a simplified form.

As explained at length in the “Introduction” to the present document, while awaiting the complete definition of the regulatory framework of reference, the Iren Group has considered it in any case opportune to exercise the right to publish the present financial disclosure for the first quarter of 2016, which reflects in its content and form the previous Interim Reports.

The accounting standards used in the preparation of the Report are the “International Financial Reporting Standards – IFRSs” issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union. “IFRSs” also means the International Accounting Standards (“IASs”) that are still in force, as well as all interpretative documents issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and by the former Standing Interpretations Committee (“SIC”).

ACCOUNTING PRINCIPLES

The accounting standards and measurement criteria, as well as the consolidation principles adopted in the preparation of the interim report are the same as those used in the preparation of the Consolidated Financial Statements of the IREN Group at 31 December 2015, to which reference is made for completeness of coverage, with the exception of what follows.

Starting from 1 January 2016 the following accounting standards and amendments to accounting standards are obligatorily applicable, as they have completed the EU endorsement process:

- Amendments to IAS 19 - Employee benefits: Defined benefit plans: employee contributions (Regulation 29/2015). Document issued by IASB on 21 November 2013, applicable as of financial years starting on 1 February 2015 or later. The objective of the amendments is to simplify recognition of contributions that are independent of the number of years of service for employees, for example contributions from employees that are calculated on the basis of a fixed percentage of their salary.
- Amendments to IFRS 11 - Joint arrangements: Acquisition of an interest in a joint operation (Regulation 2173/2015). Amendments issued by IASB on 6 May 2014, applicable as of financial years starting on 1 July 2016, with early application allowed. The document establishes that the standards contained in IFRS 3 - Business Combinations relating to recognition of the effects of a business combination must be applied to recognise the acquisition of an interest in a joint operation, in which the activity constitutes a business.
- Amendments to IAS 16 and IAS 38 - Clarifications on acceptable methods of depreciation and amortisation (Regulation 2231/2015). Amendments issued by IASB on 12 May 2014, applicable as of financial years starting on 1 January 2016. The document specifies that the use of a revenue-based method for calculating depreciation or amortisation of property, plant and equipment and intangible assets is not appropriate, because 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. The amendment is applicable starting from 1 January 2016.

On 25 September 2014, the International Accounting Standards Board (IASB) published the document “Improvements to the International Financial Reporting Standards (2012–2014 Cycle)”, subsequently adopted by the European Union with Regulation 2343/2015. These improvements, applicable as of financial years starting on 1 January 2016 or later, include amendments to the main international accounting standards:

- Improvement to IFRS 5 - Non-current assets held for sale and discontinued operations: change in disposal plan. The amendment establishes the guidelines to follow in the case an entity reclassifies an asset (or group being discontinued) from the held for sale category to the held for distribution

category (or vice versa), or when the requirements for classifying an asset as held for distribution no longer exist.

- Improvement to IFRS 7 - Financial instruments: Disclosures. The document governs the introduction of additional guidelines to clarify whether a servicing contract constitutes residual involvement in a transferred asset for the purposes of the required disclosure. In addition, relative to offsetting of financial assets and liabilities, the document clarifies that this disclosure is not explicitly required for interim financial statements.
Nonetheless, the disclosure could be necessary to respect the requirements foreseen under IAS 34, if it is significant information.
- Improvement to IAS 19 - Employee Benefits: discount rate issues. The document introduces amendments to IAS 19 in order to clarify that high-quality corporate bonds used to determine the discount rate for subsequent benefits must be issued in the same currency used to pay the benefits. The amendments specify that the depth of the market for high-quality corporate bonds should be assessed at the currency level.
- Improvement to IAS 34 - Interim Financial Reporting: placement of additional disclosures. The document introduces amendments to clarify the requirements when the required disclosure is presented in the interim report, but outside of the financial statement sections. The amendment specifies that this disclosure is included through cross-references made between the two documents, provided that they are available to readers of the financial statements with the same method and in the same time.

Amendments to IAS 1 – Presentation of Financial Statements (Regulation 2406/2015). Document issued by the IASB on 18 December 2014. The amendments, which apply as of financial years which start on 1 January 2016, have the goal of making financial statements clearer and more intelligible. The amendments introduced involve:

- materiality and aggregation - it is clarified that information must not be obscured by aggregation or disaggregation and that the concept of materiality applies to the accounting statements, the notes to the statements and the specific disclosure requirements foreseen in the individual IFRSs. It is clarified that disclosures specifically requested in the IFRS need to be provided only if the information is material;
- statement of financial position and statement of comprehensive income - it is clarified that the list of items specified in IAS 1 for these statements can be disaggregated and aggregated as necessary. In addition, guidelines are provided on the use of subtotals within the statements;
- presentation of other components in the statement of comprehensive income (OCI: Other Comprehensive Income) - it is clarified that the portion of OCI for associates and joint ventures consolidated with the equity method must be presented in aggregate in a single item, distinguished based on whether they are components that could be reclassified to the income statement in the future or not;
- notes to the statements - it is clarified that entities can be flexible in defining the structure of the notes to the statements, and guidelines are provided on how to develop the structure of the notes.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

Endorsement is currently in progress by the relevant bodies of the European Union for the following standards, updates and amendments to the IFRSs (already approved by the IASB), as well as the following interpretations (already approved by the IFRIC):

IFRS 9 - Financial Instruments. 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:

- the criteria for classification and measurement of financial assets and liabilities. In particular, as regards financial assets, the new standard uses a single approach based on management models of financial instruments and characteristics of contractual cash flows of financial assets, with the aim of determining the measurement criteria, 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 carried at fair value through profit or loss, in the event that these are due to a change in the credit risk of the liability itself. According to the new standard, these changes should be recognised under Other comprehensive gains/(losses) and will no longer be entered in the income statement;

- impairment of financial assets. The standard establishes that the entity must recognise the expected losses on its financial assets, where “loss” means the present value of all future lost revenue, and provide adequate information on the estimation criteria used;
- hedging operations (hedge accounting). IFRS 9 introduces a number of significant changes that mainly regard the effectiveness test, as the 80–125% threshold is abolished and replaced by an objective test that verifies the economic relationship between the hedged instrument and the hedging instrument, accounting only for the cost of the hedge, and extending the hedged elements and the disclosure required.

IFRS 9 will be applicable prospectively starting from 1 January 2018.

IFRS 15 – Revenue from Contracts with Customers. Standard published by the IASB on 28 May 2014, replacing IAS 18 - Revenue, IAS 11 - Construction Contracts, and interpretations SIC 31, IFRIC 13 and IFRIC 15. The new standard applies to all contracts with customers, with the exception of contracts that fall under the scope of IAS 17 - Leases, for insurance contracts and financial instruments. The purpose of the new standard is to establish the criteria to be adopted in order to provide users of financial statements with information about the nature, amount and uncertainties associated with revenue and cash flows deriving from existing contracts with customers. The standard in question applies if all the following conditions are met:

- i. the parties have approved the contract and have undertaken to perform their respective obligations;
- ii. each party’s rights in relation to the goods or services to be transferred and the payment terms have been identified;
- iii. the contract signed has commercial substance (the risks, timing or amount of the future cash flows of the entity can change as a result of the contract);
- iv. it is probable that the amounts associated with performance of the contract will be collected and paid.

The new standard will be applicable starting from 1 January 2018.

Amendments to IFRS 10, IFRS 11 and IAS 28 – Investment Entities: Applying the Consolidation Exception. The document, published by IASB on 18 December 2014, introduces the following amendments:

- exemption from preparing consolidated financial statements for an intermediate parent entity is granted also for a parent entity that is a subsidiary of an investment entity;
- a subsidiary that provides services related to the parent’s investment activities should not be consolidated if the subsidiary itself is an investment entity;
- when applying the equity method to an associate or a joint venture that is an investment entity, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries;
- an investment entity measuring all of its subsidiaries at fair value must provide the disclosures relating to investment entities required by IFRS 12.

IFRS 16 – Leases. Standard published by the IASB on 13 January 2016, intended to replace IAS 17 - Leases, as well as the interpretations IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC 15 “Operating Leases - Incentives” and SIC 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The new standard provides a new definition of lease and introduces criteria based on the right of use for an asset to distinguish leasing contracts from services contracts, identifying as discriminating factors: identification of the asset, the right to replace the same, the right to obtain substantially all economic benefits deriving from the use of the asset and the right to control the use of the asset underlying the contract. It will be applied as of 1 January 2019. Early application is allowed for entities that apply IFRS 15. In the coming months, detailed analysis will be done to assess the effects the introduction of IFRS 16 will have on the Group.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses. Document issued by the IASB on 19 January 2016. The amendments, which apply for financial years starting on 1 January 2017, clarify how to recognise a deferred tax asset related to a financial liability measured at fair value. Early application is allowed.

Amendments to IAS 7 - Disclosure Initiative. Document issued by the IASB on 29 January 2016. The amendments, which apply to financial years starting on 1 January 2017, requires entities to provide information about changes in their financial liabilities, in order to allow users to better assess the reasons underlying changes in the entity's debt.

As regards the new standards applicable starting from subsequent financial years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.

USE OF ESTIMATES

The preparation of the interim report has required the use of estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities. The later results that derive from occurrence of events could differ from these estimates.

It should also be noted that certain complex valuation processes, such as the determination of any impairment losses on non-current assets, are generally carried out in full only on preparing the annual financial statements, when all the information that may be needed is available, except in cases when there is evidence of impairment that requires an immediate measurement of any losses. In the same way, the actuarial valuations necessary to determine employee benefit funds are normally carried out when preparing the annual financial statements.

It should also be remembered that the interim report on operations is not subject to independent auditing.

CONSOLIDATION SCOPE

On 1 January 2016 a series of business combinations among the subsidiaries of the Parent Company Iren S.p.A. came into effect. These occurred as part of the Group's "overall" Corporate Rationalisation and Organisational Project (the so-called "100% Operations" Project), aimed at simplifying the equity investment structure and reducing the number of business Companies held wholly, directly or indirectly, by the Parent Company and at integrating/optimising the business processes/activities with uniform operating characteristics.

These operations did not entail a change in the consolidation scope, but in any case had effects on the Group's structure.

Specifically, the operations involved were the following:

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

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

Parent Company:

Iren S.p.A.

Companies consolidated on a line-by-line basis

The four Companies directly controlled by the Parent Company are consolidated on a line-by-line basis:

- 1) IRETI and its subsidiaries:
 - Consorzio GPO
 - Laboratori Iren Acqua Gas
 - Mediterranea delle Acque and its subsidiaries:
 - Idrotigullio
 - Immobiliare delle Fabbriche
- 2) Iren Ambiente and its subsidiaries:
 - Amiat V and the subsidiary:
 - AMIAT
 - Bonifica Autocisterne
 - Montequerce
 - F2i Ambiente, and the subsidiaries;
 - TRM V, and its subsidiary
 - TRM
- 3) Iren Energia, and the subsidiary:
 - Iren Servizi e Innovazione
- 4) Iren Mercato and its subsidiaries:
 - Iren Gestioni Energetiche
 - GEA Commerciale

CHANGES IN CONSOLIDATION SCOPE

The consolidation scope changed in the first quarter of 2016 following the acquisition, in January, by IREN Ambiente S.p.A. of 100% of the company F2i Ambiente S.p.A., which holds as its only equity investment 51% of TRM V S.p.A.

TRM V S.p.A., in which the Iren Group already held 49% of the share capital, is therefore 51% owned also by F2i Ambiente.

TRM V S.p.A. holds 80% of the share capital of TRM S.p.A., the company which owns the waste-to-energy plant using urban and similar waste serving the province of Turin.

As a result of the operation described above, F2i Ambiente, TRM V, carried at equity up to 31 December 2015, and TRM come into the full consolidation scope.

While awaiting the assessment to be carried out under the terms of IFRS 3 - Business Combinations, the difference between the purchase price and the carrying amount of the net assets acquired in continuity of values, was provisionally allocated to goodwill.

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

Income statement

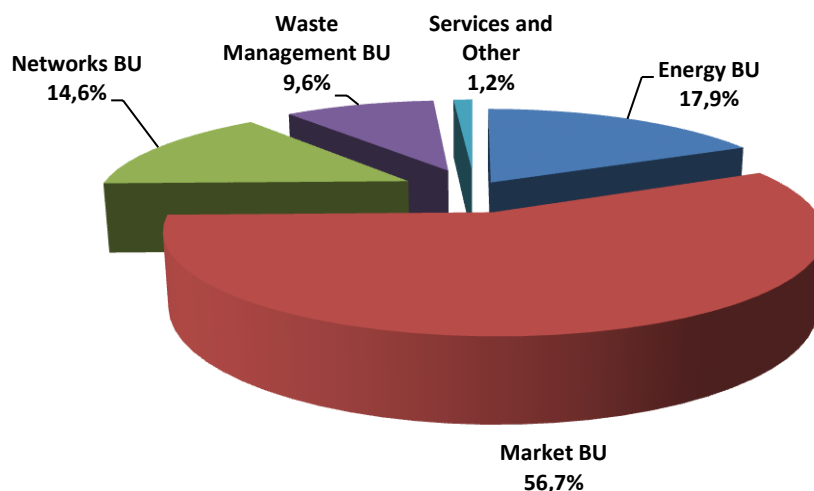
IREN GROUP CONSOLIDATED INCOME STATEMENT

	thousands of euro		
	First 3 months 2016	First 3 months 2015	Change %
Revenue			
Revenue from goods and services	837,515	875,315	(4.3)
Change in work in progress	368	34	(*)
Other income	48,342	43,770	10.4
Total revenue	886,225	919,119	(3.6)
Operating expense			
Raw materials, consumables, supplies and goods	(303,847)	(367,090)	(17.2)
Services and use of third-party assets	(245,180)	(234,035)	4.8
Other operating expenses	(14,005)	(20,923)	(33.1)
Capitalised expenses for internal work	6,562	5,903	11.2
Personnel expenses	(90,611)	(91,543)	(1.0)
Total operating expense	(647,081)	(707,688)	(8.6)
GROSS OPERATING PROFIT (EBITDA)	239,144	211,431	13.1
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(70,567)	(65,740)	7.3
Provisions and impairment losses	(14,311)	(12,511)	14.4
Total amortisation, depreciation, provisions and impairment losses	(84,878)	(78,251)	8.5
OPERATING PROFIT (EBIT)	154,266	133,180	15.8
Financial income and expense			
Financial income	5,806	8,054	(27.9)
Financial expenses	(36,096)	(36,436)	(0.9)
Total financial income and expense	(30,290)	(28,382)	6.7
Share of Profit (loss) of associates accounted for using the equity method	(356)	(2,929)	(87.8)
Impairment losses on investments	-	-	-
Profit/(loss) before tax	123,620	101,869	21.4
Income tax expense	(45,874)	(39,036)	17.5
Net profit/ (loss) from continuing operations	77,746	62,833	23.7
Net profit/(loss) from discontinued operations	-	-	-
Net profit/(loss) for the period	77,746	62,833	23.7
attributable to:			
- Profit (loss) - Group	72,947	58,589	24.5
Profit (loss) - non-controlling interests	4,799	4,244	13.1

(*) Change of more than 100%

Revenue

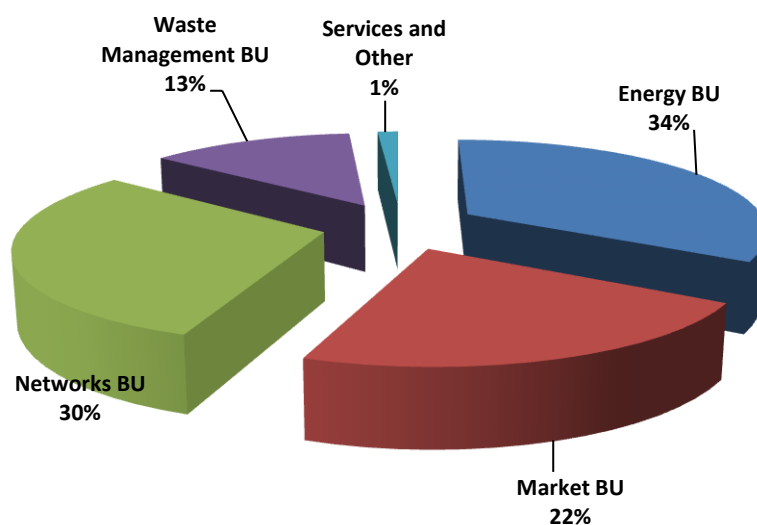
At 31 March 2016 the Iren Group achieved revenue of 886.2 million euro down -3.6% compared to the 919.1 million euro in first quarter 2015 owing mainly to a reduction in commodity prices and to the lower gas and heat volumes sold as a result of a milder winter season.



Gross Operating Profit (EBITDA)

The gross operating profit amounted to 239.1 million euro, up by +13.8% compared to 211.4 million euro in the first quarter of 2015.

All the business areas contributed to the positive change with the sole exception of Gas Sales, which was affected by a particularly mild thermal season compared to first quarter 2015 and the Electricity Networks segment which in first quarter 2015 had benefited from the accounting for a contingent asset.



Operating profit (EBIT)

Operating profit totalled 154.3 million euro, an improvement of +15.8% compared to the figure of 133.2 million euro in the first quarter of 2015. The result reflects amortisation/depreciation higher by -4.9 million euro owing mainly to the consolidation of TRM, and provisions and impairment losses higher by 2.3 million euro.

Financial income and expense

Financial income and expense showed a balance of -30 million euro. Financial expenses amounted to 36 million euro and were substantially stable compared to first quarter 2015 (-1%), in particular owing to the combined effect of lower expenses for discounting provisions to the present and the consolidation of the financial expenses of TRM.

Financial income amounted to 6 million euro (it came out at 8 million euro in first quarter 2015, which included, among other things, a capital gain of 1.9 million deriving from the sale of a non-controlling interest).

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

The result of associates accounted for using the equity method amounted to -0.4 million euro. The change compared to the corresponding period of 2015 was a positive 2.5 million because, besides the changes in the results of certain associates, the 2015 figure (-2.9 million euro) included the proportion of the result of TRM V (-1.4 million euro), a company fully consolidated starting from January 2016.

Impairment losses on investments

The item is not present in the first quarter of 2016 or in the corresponding comparative period.

Profit/(loss) before tax

As a result of the above trends the consolidated profit before tax came out at 123.6 million euro, up on the 101.9 million euro recorded in the first quarter of 2015.

Income tax expense

Income taxes for the period amounted to 45.9 million euro, up by 17.5% compared to same period of 2015 in relation to the higher pre-tax profit. The effective tax rate was 37% (38% in the corresponding period of 2015) and represents an estimate, as of today, of the proportion of the cost of taxes for 2016.

Net profit/(loss) for the period

The net profit amounted to 77.7 million euro, up by 23.7% compared with the same period of 2015 (62.8 million euro).

Segment reporting

The Iren Group operates in the following business segments:

- Energy (Hydroelectric Production, Combined Heat and Power, District Heating Networks, Thermoelectric Production)
- Market (Sale of electricity, gas, heat)
- Networks (Electricity Distribution Networks, Gas Distribution Networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Other services (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.

Below are the main income statement items with relative comments broken down by operating segment compared to the figures of the first three months of 2015.

In first quarter 2016 non-regulated activities contributed to the formation of gross operating profit for 25% (in line with the 2015 figure), regulated activities accounted for 35% (41% in 2015), while semi-regulated activities grew, going up from 35% in 2015 to 40% in 2016.

Energy BU

At 31 March 2016, the revenue of the period totalled 236 million euro, down by -11.5% compared to the 267 million euro of the first quarter of 2015.

		First 3 months 2016	First 3 months 2015	Δ %
Revenue	€/mln	236	267	-11.5%
Gross Operating Profit (EBITDA)	€/mln	80	70	15.3%
<i>EBITDA Margin</i>		<i>34.0%</i>	<i>26.1%</i>	
Operating profit (EBIT)	€/mln	51	39	32.3%
Investments	€/mln	7	4	75.7%
Electricity produced	GWh	2,517	2,345	7.4%
<i>from hydroelectric sources</i>	<i>GWh</i>	<i>252</i>	<i>263</i>	<i>-4.1%</i>
<i>from cogeneration sources</i>	<i>GWh</i>	<i>1,823</i>	<i>1,813</i>	<i>0.6%</i>
<i>from thermoelectric sources</i>	<i>GWh</i>	<i>442</i>	<i>269</i>	<i>64.1%</i>
Heat produced	GWh _t	1,224	1,286	-4.8%
<i>from cogeneration sources</i>	<i>GWh_t</i>	<i>1,079</i>	<i>1,141</i>	<i>-5.4%</i>
<i>from non-cogeneration sources</i>	<i>GWh_t</i>	<i>145</i>	<i>145</i>	<i>0.0%</i>
District heating volumes	Mm ³	82	80	2.1%

2,517 GWh of electricity was produced at 31 March 2016, up by 7.4% compared to the 2,345 GWh of financial year 2015, as a result of higher thermoelectric production at the Turbigio plant and at the cogeneration plants.

In particular, thermoelectric production was 2,265 GWh, of which 1,823 GWh from cogeneration, up by 0.6% compared to the 1,813 GWh of 2015 and 442 GWh from thermoelectric sources in the strict sense, connected with the contribution of the Turbigio plant up by 64.1% compared to the 269 GWh of 2015. Hydroelectric production was 252 GWh, down by -4.1% compared to 263 GWh in 2015.

Heat production in the period amounted to 1,224 GWh_t down by -4.8% compared to 1,286 GWh_t in 2015, as a result of a particularly mild thermal season compared to that of first quarter 2015 which more than offset the increase in volumes connected. Overall the district heating volumes amounted to approximately 82 million m³ up by +2.1% compared to the 80 million m³ of 2015.

Gross operating profit (EBITDA) amounted to 80 million euro, up +15.3% on the 70 million euro of 1st quarter 2015.

The improvement that characterised the first quarter of 2016 was mainly due to the recovery in the margins of both electricity production in cogeneration, and thermoelectric production. This made it possible to absorb completely the effect on heat production of the particularly mild thermal season, and also the fact that in 2015 significant contingent assets related to former Edipower adjustments became manifest.

The operating profit (EBIT) of the Generation and District Heating segment totalled 51 million euro, an improvement of 32.3% compared to the 39 million euro of the corresponding period of 2015. The trend of gross operating profit (EBITDA) was improved by lower amortisation/depreciation and by the release of provisions, owing to cessation of the related risk, which more than offset the higher provisions set aside in the period.

Technical investments made in this sector amounted to 7 million euro.

Market BU

At 31 March 2016, the revenue of the sector totalled 747 million euro, down by 8% compared to the 812 million euro of the corresponding period of financial year 2015.

Gross operating profit (EBITDA) amounted to 53 million euro and was up 7.8% compared to 49 million euro recorded in 2015.

		First 3 months 2016	First 3 months 2015	Δ %	
Revenue	€/mln	747	812	-8.0%	
Gross Operating Profit (EBITDA)	€/mln	53	49	7.8%	
<i>EBITDA Margin</i>		7.1%	6.1%		
	<i>from electricity</i>	€/mln	16	6	(*)
	<i>from gas</i>	€/mln	36	41	-12.2%
	<i>from heat</i>	€/mln	2	2	-314%
Operating profit (EBIT)	€/mln	43	39	8.6%	
Investments		5	3	40.6%	
Electricity sold	GWh	3,955	3,415	15.8%	
Electricity sold net of Power Exchange purchases/sales	GWh	3,568	3,235	10.3%	
Gas purchased	Mm ³	934	958	-2.5%	
	<i>Gas sold by the Group</i>	Mm ³	436	494	-11.7%
	<i>Gas for internal use</i>	Mm ³	498	464	7.4%

Sale of electricity

The volumes of electricity sold amounted to 3,955 GWh (net of pumping, network leaks and dedicated withdrawals) up by +15.8% compared to the 3,415 GWh euro of the corresponding period of financial year 2015.

The volumes sold on the free market, including the segments of free business and free retail customers, wholesalers and net exchange, amounted to a total of 3,410 GWh up +11.5% compared to the 3,057 GWh of 2015. The increase is mainly attributable to the segment of sales to wholesalers with a quantity of 1,396 GWh compared to 465 GWh in 2015. Sales to free business customers were also up, by +24.0% at 518 GWh, compared to 418 GWh in 2015 and to free retail customers by +9.1% at 337 GWh compared to 309 GWh in 2015. Sales on the exchange fell by -37.9% to 1,159 GWh compared with 1,865 GWh in 2015. The volumes sold on the protected market were 158 GWh, down by -9.5%, compared to the 175 GWh of 2015.

The gross operating profit (EBITDA) of the sale of electricity amounted to 16 million euro, an improvement compared to 6 million euro in financial year 2015. The trend in gross operating profit was characterised by a first margin of the electricity sales sector up, as a result of an improvement of the procurement conditions and of the tariff revision on the sales component. There was an increase also in the margins of the higher protection market deriving from the revision related to the recovery of expenses on the arrears of customers and from the revision of the sales revenue related to an earlier period.

Sale of Natural Gas

The volumes sold amounted to 934 million m³, down by -2.5% compared to the 958 million m³ of financial year 2015. The drop regarded both gas sold, -11.7% at 436 million m³ compared to the 494 million m³ of 2015, while internal consumption increased, +7.4% at 498 million m³ compared to the 464 million m³ of financial year 2015.

The gross operating profit (EBITDA) of the sector amounted to 36 million euro, down by -12.2% compared to 41 million euro in the first quarter of 2015. The contraction of the profit is mainly attributable to the

thermal effect consequent to particularly mild weather conditions with lower volumes sold compared to first quarter 2015.

Sale of heat through district heating networks:

The sale of heat showed a profit of 2 million euro, substantially in line with first quarter 2015.

Networks BU

At 31 March 2016 the segment of Network activities, which comprises the businesses of Gas Distribution, Electricity and the Integrated Water Service, recorded revenue of 192 million euro, slightly down compared to first quarter 2015 when it was 197 million euro.

Gross operating profit (EBITDA) amounted to 72 million euro, slightly down (-1.4%) from the 73 million euro of 2015.

The net operating profit (EBIT) amounted to 43 million euro, down by 7.6% compared to the 1st quarter of 2015.

The main changes in the segments concerned are illustrated below.

		First 3 months 2016	First 3 months 2015	Δ %	
Revenue	€/mln	192	197	-2.5%	
Gross Operating Profit (EBITDA)	€/mln	72	73	-1.4%	
<i>EBITDA Margin</i>		37.7%	37.6%		
	<i>from electricity networks</i>	€/mln	17	20	-17.9%
	<i>from gas networks</i>	€/mln	18	17	1.3%
	<i>from Integrated Water Service</i>	€/mln	38	36	4.5%
Operating profit (EBIT)	€/mln	43	47	-7.6%	
	Investments	€/mln	25	29	-14.7%
	<i>in Electricity Networks</i>	€/mln	4	8	-40.6%
	<i>in Gas Networks</i>	€/mln	8	7	8.4%
	<i>in Integrated Water Service</i>	€/mln	13	14	-12.1%
Electricity distributed	GWh	1,062	999	6.3%	
Gas distributed	Mm ³	548	575	-4.6%	
Water sold	Mm ³	40	35	15.1%	

Networks BU - Electricity

The gross operating profit amounted to 17 million euro, down by -17.9% compared to 20 million euro in the first quarter of 2015.

The drop in the profit was mainly due to the accounting effect on first quarter 2015 of the contingent asset related to equalisation of previous years, as well as the reduction of the Gas distribution revenue constraint deriving from the reduction of the remuneration of invested capital for tariff purposes defined by the AEEGSI for the new regulatory period.

During the period investments for 4 million euro were made, mainly related to new connections, the construction of new LV/MV substations and LV/MV lines.

Networks BU - Gas Distribution

Gross operating profit of gas distribution networks amounted to 18 million euro, up by 1.3% compared to 17 million euro in financial year 2015. The increase in the profit was mainly due to a reduction in operating expense which more than offset the reduction in the distribution revenue constraint due to the reduction, established by the AEEGSI, of the remuneration of invested capital.

Investments made in the period amounted to 8 million euro and regarded the provisions of AEEGSI resolutions, in particular making the network compliant with cathodic protection, the installation of electronic meters and replacement of grey cast iron pipes.

Networks BU - Water Cycle

The gross operating profit of the period amounted to 38 million euro up by 4.5% compared to 36 million euro in the corresponding period of 2015. The increase was mainly due to the change in the consolidation scope deriving from the acquisition of the Ligurian business unit of Società Acque Potabili (SAP). The negative change deriving from the reduction in the remuneration of invested capital in the tariffs, applicable also to this business segment, was offset by an increase in other revenue.

Investments in the period totalled 13 million euro and concerned the construction, development and maintenance of distribution networks and systems, the sewerage network and in particular water treatment plants.

Waste Management BU

At 31 March 2016 the turnover of the segment amounted to 127 million euro up by 9.5% compared to the 116 million euro of the same period of 2015 principally as a result of the entry into the consolidation scope of TRM SpA from 1 January 2016 the company which manages the waste-to-energy plant in Turin. This increase was partially offset by the lower revenue from special waste of the PAI WTE plant and lower energy revenue of the Tecnoborgo WTE plant.

		First 3 months 2016	First 3 months 2015	Δ %
Revenue	€/mln	127	116	9.5%
Gross Operating Profit (EBITDA)	€/mln	31	20	56.2%
<i>EBITDA Margin</i>		24.3%	17.0%	
Operating profit (EBIT)	€/mln	15	11	44.4%
Investments	€/mln	3	3	2.5%
Electricity produced	GWh	133	45	(*)
	Waste collected tonnes	281,954	273,924	2.9%
	Waste disposed of tonnes	272,195	191,098	42.4%
<i>Urban waste</i>	tonnes	180,160	63,674	(*)
<i>Special waste</i>	tonnes	92,035	127,424	-27.8%

(*) Change of more than 100%

Gross operating profit of the segment amounted to Euro 31 million, up 56.2% on the Euro 20 million of the corresponding period of 2015. The increase was mainly due to the consolidation of the TRM waste-to-energy plant in Turin.

The operating profit was 15 million euro, up 44.4% compared to the 11 million euro recorded in 2015.

The investments made in the period amounted to Euro 3 million and refer to investments for maintenance of the various plants and investments in equipment and vehicles supporting waste collection with the door-to-door and separated method.

Services and other

		First 3 months 2016	First 3 months 2015	Δ %
Revenue	€/mln	16	17	-4.3%
Gross Operating Profit (EBITDA)	€/mln	3	-1	(*)
<i>EBITDA Margin</i>		15.4%	-7.7%	
Operating profit (EBIT)	€/mln	1	-3	(*)
Investments	€/mln	2	4	-43.9%

(*) Change of more than 100%

At 31 March 2016, the revenue totalled 16 million euro, down by -4.3% compared to the 17 million euro of the first quarter of 2015.

Gross operating profit (EBITDA) amounted to 3 million euro and was improved compared to 2015 owing to the development of initiatives connected with energy efficiency and to the capital gain made on the sale of minor assets.

Investments in the period amounted to 2 million euro and related to information systems and telecommunications.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE IREN GROUP

	thousands of euro		
	31.03.2016	31.12.2015	Change %
Non-current assets	5,063,432	4,648,465	8.9
Other non-current assets (liabilities)	(157,307)	(161,911)	(2.8)
Net Working Capital	213,876	153,888	39.0
Deferred tax assets (liabilities)	91,257	110,972	(17.8)
Provisions for risks and employee benefits	(538,247)	(525,799)	2.4
Assets (Liabilities) held for sale	920	5,420	(83.0)
Net invested capital	4,673,931	4,231,035	10.5
Shareholders' equity	2,122,812	2,061,666	3.0
<i>Non-current financial assets</i>	<i>(62,009)</i>	<i>(53,012)</i>	<i>17.0</i>
<i>Non-current financial indebtedness</i>	<i>3,127,950</i>	<i>2,698,648</i>	<i>15.9</i>
Non-current net financial indebtedness	3,065,941	2,645,636	15.9
<i>Current financial assets</i>	<i>(741,277)</i>	<i>(690,878)</i>	<i>7.3</i>
<i>Current financial indebtedness</i>	<i>226,455</i>	<i>214,611</i>	<i>5.5</i>
Current net financial indebtedness	(514,822)	(476,267)	8.1
Net financial debt	2,551,119	2,169,369	17.6
Own funds and net financial indebtedness	4,673,931	4,231,035	10.5

The main changes in the statement of financial position of first quarter 2016 are commented on below.

Non-current assets at 31 March 2016 amounted to 5,063 million euro, an increase of 415 million euro (+8.9%) compared to 31 December 2015 (4,648 million euro). Besides investments (41 million euro) and amortisation/depreciation (71 million), the change in the period was due essentially to the consolidation of the non-current assets of TRM (waste-to-energy plant) and to the differences deriving from consolidation of TRM V and F2i Ambiente, temporarily allocated to goodwill.

For further details on investments, see the section "Segment Reporting".

The Net Working Capital at 31 March 2016 was 214 million euro (154 million euro at 31 December 2015); the change was substantially due to the trend in Trade receivables and payables, balanced by the seasonal trend in gas storage and by the effect of tax payables and other current assets/liabilities.

Shareholders' equity at 31 March 2016 was 2,123 million euro, up by 3% compared to 31 December 2015 (2,062 million euro); the increase was essentially due to the combined effect of the profit for the period (77.7 million euro) partially offset by the reduction in the cash flow hedging reserve related to hedging derivatives.

Net financial debt at 31 March 2016 was 2,551 million euro, an increase of 382 million compared to 31 December 2015. The change relates substantially to non-current financial indebtedness and derives from the consolidation of TRM.

The statement of cash flows, presented below, provides an analytical breakdown of the reasons for the changes in financial items in the first quarter of 2016.

CASH FLOW STATEMENT OF THE IREN GROUP

	thousands of euro		
	First 3 months 2016	First 3 months 2015	Change %
A. Opening cash and cash equivalents	139,576	51,601	(*)
Cash flows from operating activities			
Profit (loss) for the period	77,746	62,833	23.7
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	70,567	65,740	7.3
Capital gains (losses) and other changes in equity	2,102	3,038	(30.8)
Net change in post-employment benefits and other employee benefits	(2,966)	(1,155)	(*)
Net change in provision for risks and other charges	6,916	6,370	8.6
Change in deferred tax assets and liabilities	(2,303)	(2,236)	3.0
Change in other non-current assets and liabilities	(4,604)	(9,206)	(50.0)
Dividends accounted for net of adjustments	-	(66)	(100.0)
Share of profit (loss) of associates and joint ventures	356	2,929	(87.8)
Net impairment losses (reversals of impairment losses) on assets	2,425	-	-
B. Cash flows from operating activities before changes in NWC	150,239	128,247	17.1
Change in inventories	30,610	22,881	33.8
Change in trade receivables	(133,907)	(85,580)	56.5
Change in tax assets and other current assets	(3,139)	3,150	(*)
Change in trade payables	(52,349)	55,152	(*)
Change in tax liabilities and other current liabilities	105,473	27,209	(*)
C. Cash flows from changes in NWC	(53,312)	22,812	(*)
D. Cash flows from /(used in) operating activities (B+C)	96,927	151,059	(35.8)
Cash flows from /(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(41,256)	(43,167)	(4.4)
Investments in financial assets	(31)	(385)	(91.9)
Proceeds from the sale of investments and changes in assets held for sale	1,509	4,067	(62.9)
Changes in the scope of consolidation	(425,526)	-	-
Dividends received	4,850	66	(*)
E. Total cash flows from /(used in) investing activities	(460,454)	(39,419)	(*)
F. Free cash flow (D+E)	(363,527)	111,640	(*)
Cash flows from /(used in) financing activities			
Dividends paid	-	-	-
New non-current loans	-	150,000	(100.0)
Repayment of non-current loans	(7,575)	(3,808)	98.9
Change in financial liabilities	430,498	(222,853)	(*)
Change in financial assets	(10,891)	(52,030)	(79.1)
G. Total cash flows from /(used in) financing activities	412,032	(128,691)	(*)
H. Cash flows for the period (F+G)	48,505	(17,051)	(*)
I. Closing cash and cash equivalents (A+H)	188,081	34,550	(*)

(*) Change of more than 100%

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

	thousands of euro		
	First 3 months 2016	First 3 months 2015	Change %
Free cash flow	(363,527)	111,640	(*)
Dividends paid	-	-	-
Change in fair value of hedging derivatives	(18,223)	1,725	(*)
Change in net financial debt	(381,750)	113,365	(*)

(*) Change of more than 100%

The increase in net financial debt is related mainly to the free cash flow of the period.

The free cash flow was -364 million euro following essentially the extraordinary effect of the operation to acquire control over TRM, which absorbed the positive net cash flows of the period.

In particular, the free cash flow derives from the combined effect of the following determinants.

- the operating cash flow was 97 million euro and is made up of cash flows from operating activities before changes in net working capital of a positive 150 million euro and a cash flow deriving from changes in net working capital of a negative 53 million;
- the cash flow from investing activities, a negative 461 million, was generated mainly by the aforesaid change in the financial position resulting from the acquisition of control over and full consolidation of F2i Ambiente, TRM V and TRM for 426 million. The other components of the flow of investing activities are related to the combined effect of investments in the period of 41 million euro, the disposal of non-current assets for 2 million euro and dividends received by associates (mainly Plurigas) for a total of 5 million.

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

Shareholders' Meeting of Iren S.p.A.

On 9 May 2016 the Shareholders' Meeting of Iren S.p.A., in the ordinary session, approved the Company's Financial Statements in relation to financial year 2015 and resolved to distribute a dividend of Euro 0.055 per share, confirming what had been proposed by the Board of Directors. The dividend of Euro 0.055 for each ordinary and savings share will be paid starting from 22 June 2016 (ex-dividend date 20 June 2016 and record date 21 June 2016).

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

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

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

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

In the extraordinary session the Shareholders' Meeting approved:

- (i) the amendments to Articles 6, 9, 10, 16, 18, 19, 21, 25, 27, 28 and 38 and the insertion of Articles 6-bis, 6-ter and 6-quater of the Articles of Association to introduce increased voting rights ("loyalty shares") and
- (ii) the insertion of Paragraph 4 in Article 5 of the Articles of Association to delegate to the Board of Directors, under the terms of Article 2443 of the Italian Civil Code, capital increases with exclusion of the option right up to a maximum amount of a nominal Euro 39,470,897.00.

BUSINESS OUTLOOK

The first quarter of 2016 was characterised by low commodity prices, with oil oscillating between 30 and 40 dollars a barrel signalling a weakness of the international economic situation impacted negatively by a low level of growth and of demand in the main industrial systems. These trends were confirmed also at the national level.

In this scenario in the first three months of the year the Group completed a number of important operations aimed at growth in the environmental integrated cycle segment, according to the guidelines set forth in the business plan presented last June.

The Group's commitment to implementing the growth projects in its areas of reference in a manner in keeping with the monitoring of financial stability is confirmed also for the rest of the year.

REGULATORY FRAMEWORK

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

Regulations relating to local public services of economic importance

The rules on local public services resulting from the regulatory framework are contained in the 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. By way of exception to 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*).

In addition with Italian Law No. 115 of 29 July 2015 "Rules for fulfilling the obligations deriving from Italy's membership of the European Union - European Law 2014, Art. 8", in force since 18 August 2015, paragraph 22 of *Article 34 of Italian Law Decree No. 179 of 18 October 2012*, converted, with amendments, by *Italian Law No. 221 of 17 December 2012*, is replaced by the following:

"22. Direct assignments authorised as of 31 December 2004 to public companies already listed in regulated markets at that date and those controlled by them under the terms of Article 2359 of the Italian Civil Code at the same date, cease at the expiry provided for in the service contract or in the other deeds that govern the relationship; assignments that do not provide for an expiry date cease, with no extension possible and with no need for a specific resolution of the assigning body, on 31 December 2020. Direct assignments to companies placed, after 31 December 2004, under the control of listed companies following corporate operations carried out in the absence of procedures compliant with the principles and rules of the European Union applicable to the specific assignment cease, with no extension possible and with no need for a specific resolution of the assigning body, on 31 December 2018 or at the expiry provided for in the service contract or in the other deeds that govern the relationship, if earlier".

In paragraph 23 of Art. 34 it is specified that "After paragraph 1 of *Article 3-bis of Decree Law No. 138 of 13 August 2011*, converted with amendments, by *Law No. 148 of 14 September 2011*, and subsequent amendments, the following is inserted: "1-bis. 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, standardised geographic areas, established or designated in accordance with para. 1 of this article”.

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 have not joined the aforesaid Government bodies by 1 March 2015 or within sixty 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 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 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 the next paragraph, 612, of the same Law states, with a view to a reorganisation and reduction of investee companies, that the presidents of regions and the autonomous provinces of Trento and Bolzano, the presidents of provinces, mayors and other top management of the administrations pursuant to paragraph 611, in relation to the respective fields of competence, must define and approve, by 31 March 2015, an operational plan to rationalise the companies and equity investments directly or indirectly held, the methods and implementation times, and a detailed description of the savings to be achieved. This plan, accompanied by a specific technical report, must be sent to the competent regional auditing section of the Court of Auditors and published on the institutional website of the administration involved. By 31 March 2016, the 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; in this sense the Council of State, Section II, expressed itself in Opinion No. 298 of 30 January 2015, according to which it is essential to take into account the detailed rules introduced by the European legislators; besides, Section VI of the Council of State, with Judgement No. 2660 of 26 May 2015, considered not yet directly applicable the above directives as the deadline for transposing them is still pending, affirming only the existence of a “negative obligation” which in practice is a duty to abstain from a different interpretation potentially prejudicial to the results that the directive is intended to achieve.

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 shareholders and if the awarding body can exercise the same control that the body exercises over its own offices (“in house” companies with analogous control).

On 13 August 2015 Italian Law 124/2015 containing “Powers delegated to the Government on the reorganisation of the public administrations”, better known as the Madia Law on Reform of the PA, was published in Official Journal No. 187.

The measure contains 14 important delegated legislative powers: public management, reorganisation of central and peripheral state administration, digitalisation of the PA, simplification of administrative procedures, rationalisation and control of investee companies, countering corruption, and transparency. In particular, Articles 18 and 19 contain guiding criteria for defining consolidated legislative decrees on local public services of general economic interest and on public investee companies.

Italian Law No. 208 of 28 December 2015 “Stability Law for 2016” in paragraphs 672–676 placed limits on fees for directors of publicly-controlled companies, amending paragraph 1 of Art. 23 bis of Italian Law Decree 201/2011 converted with Italian Law 214/2011 which is now worded as follows:

“Subject to the provisions Article 19, paragraph 6, of Italian Law Decree No. 78 of 1 July 2009, converted, with amendments, by Italian Law No. 102 of 3 August 2009, with a decree of the Ministry of the Economy and Finance, to be issued by 30 April 2016, after consulting the Unified Conference for the aspects with which it is concerned, after obtaining the opinion of the competent Parliamentary Commissions, for companies directly or indirectly controlled by State administrations or by other public administrations pursuant to Article 1, paragraph 2, of Italian Legislative Decree No. 165 of 30 March 2001, and subsequent amendments, with the exclusion of companies that issue financial instruments quoted on regulated markets and their subsidiaries, quantitative and qualitative dimensional indicators are defined in order to identify up to five bands for the classification of the aforesaid companies.

For each band the limit of the maximum fees to which the boards of directors of the said companies must make reference in determining the all-inclusive annual remuneration to be paid to directors, managers and employees is determined, in proportion, according to objective and transparent criteria. This remuneration may not in any case exceed the maximum limit of Euro 240,000 per year including pension and social security contributions and taxes payable by the beneficiary, taking into account also the fees paid by other public administrations.

The companies as per the first sentence verify observance of the maximum limit of all-inclusive annual remuneration of their directors and employees set with the decree pursuant to the present paragraph. This is in any case subject to the legislative and regulatory provisions that set limits on fees lower than those provided for in the decree pursuant to the present paragraph”.

The same stability law also states in paragraphs 675–676 that “companies controlled directly or indirectly by the State or by other public administrations pursuant to Article 1, paragraph 2, of Italian Legislative Decree No. 165 of 30 March 2001, and subsequent amendments, with the exclusion of companies that issue financial instruments quoted on regulated markets and their subsidiaries, must publish, within thirty days from the conferment of collaboration, consultation or professional appointments, including arbitrators, and for the two years following their cessation, the information on the appointments conferred, as a condition for effectiveness of the payment itself and, in the event of omitted or partial

publication, the entity responsible for the publication and the entity which has made the payment are subject to a penalty equal to the amount paid”.

Code on public works contracts

The text of Italian Legislative Decree 163/2006 (Code on Public Works Contracts) has been subject over time to additions and amendments. While awaiting the issue of the new Legislative Decree containing the “Code on Work and Concession Contracts, under the terms of Article 1 paragraph 3 of Italian Law No. 11 of 28 January 2016”, the amendments introduced in the meantime, of most significance, are presented below:

- for bidding companies, a declaration of “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 became obligatory to verify the requisites through the Database for contracts in the ordinary sectors (e.g. Solid Urban Waste collection);
- in tenders with award to the lowest price, this price is determined net of the expense related to personnel expenses under the terms of Article 82, Section 3-*bis*, of Italian Legislative Decree 163/2006; on this point we can note that the Piedmont Regional Administrative Court – Sect. 1, with a judgement filed on 6 February 2015 introduced the principle of necessary not literal, but substantial and systematically logical interpretation of the law, in order to avoid, among other things, distortionary effects on tender procedures;
- the anti-corruption law introduces new disclosure obligations for public administrations and companies controlled by public bodies, with the exclusion, until new rules are issued, of companies already listed on the Stock Exchange and companies controlled by them, as specified by the circular of the Minister for the Public Administration and Simplification No. 1/2014 and confirmed by the ANAC in the draft resolution subject to online consultation “*Guidelines for implementation of the legislation on the subject of prevention of corruption and transparency by companies and private law bodies controlled and invested in by public administrations and economic public bodies*”;
- 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.

The European Commission issued Regulation No. 2342/2015 which changed the application limits on procedures for the award of public works contracts: 211,000 euro for ordinary sectors and 422,000 euro for special sectors for all public contracts for supplies and services and 5,278,000 euro (for both ordinary sectors and special sectors) for public works contracts.

Once they are transposed (by 18 April 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).

The enabling act for implementing the directives was approved definitively on 14 January 2015 with a number of changes such as a reduction in the Commissioning Bodies, the limitation of integrated

contracts, use of the criterion of maximum discount only in exceptional cases (the rule becoming that of the economically most advantageous offer) and new powers for the Anti-Corruption Authority which in practice becomes the market regulator.

We can note:

- the suppression of the Authority for Supervision of Public Contracts, which was replaced by the National Anti-Corruption Authority (A.N.A.C.) pursuant to Art. 19 of Italian Law Decree 90/2014, converted into Italian Law No. 114/2014;
- A.N.A.C. Communication 2/9/2014 and A.N.A.C. Communication 17/03/2015: “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 A.N.A.C. 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). Italian Law 114/2014 also introduces rules on accelerating the administrative process (Art. 40) and contrasting abuse of the process (Art. 41) the “vexatious litigation”. Again on the subject of the administrative process and its streamlining, we can note also the recent Prime Ministerial Decree No. 40/2015 related to conciseness of defence papers.
- Italian Law Decree 133 /2014 of 12 September 2014, known as “Sblocca Italia” 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 concession”, 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, to Art. 9 on measures for simplifying bureaucracy for non-deferrable projects with a value below the community threshold.

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.

Following publication of the decree of the Ministry of Employment of 30 January 2015, from 1 July the online DURC [Single Contribution Payment Certificate] came into force with advantages in terms of times and costs for the Commissioning Bodies.

With the publication in the Official Journal of Italian Law Decree No. 210 of 30 December 2015, the so-called “Thousand Extensions”, among other things, an extension to 1 January 2017 of entry into force of the rule on online publication of notices and calls for tenders is provided for and extensions are provided for on the subject of regulations on technical and economic requirement for participation in contract tenders and public works.

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 of anti-Mafia laws and prevention measures, which consolidates all provisions of the fight against organised crime into one law.

In particular, we can note elimination of the “atypical information”, annual validity of anti-Mafia information, rather than half-yearly, and obtainment of anti-Mafia communications solely from the Prefecture, and no longer from the Chamber of Commerce.

Italian Law Decree 90/2014, converted into Italian Law 114/2014 in Art. 29, amending Art. 1 paragraph 52 of Italian Law 190/2012, states that it becomes obligatory to consult the “White list”, established at the Prefectures and that registration in the lists takes into account the anti-Mafia communications and information required by Italian Legislative Decree 159/2011, also for activities other than those for which the lists were established. The activities defined as at higher risk of infiltration are listed in paragraph 53 of Art. 1 of Italian Law 190 /2012 (e.g.: hot charters, waste transport and disposal for third parties, road transporters for third parties, extraction, supply and transport of soil and inert materials, etc.)

The Single National Anti-Mafia Database provided for in Articles 87 and 90 of Italian Legislative Decree 159/2011 and subsequent amendments and additions, 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*", should have been operational from January 2015, but currently it is still not possible to acquire the anti-Mafia information online.

An A.N.A.C. communication of 23 June 2015 provides for annotation in the electronic criminal records and in the Database of Anti-Mafia Disqualifying Information.

Cash transfers

The limit above which transfers in cash, or of bank or post office savings books payable to the bearer are not permitted, fixed up to 31 December 2015 at 999.99 euro was set by the Stability Law for 2016 at 2,999.99 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.

In a Decree of 19 January 2011 the Ministry of Economic Development determined the geographical areas for the natural gas distribution sector. With Ministerial Decree 12/11/2011, No. 226, 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 Chief Municipality is the Commissioning Body for managing the tender. The deadline for identifying the Commissioning Body 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 areas, 24 months for the Genoa 2 area, 30 months for the Genoa 1 area and 36 months for the Piacenza 2 East area.

The related tenders must be launched within 15 months of the above deadlines by the Chief Municipality, or within 18 months by an entity identified by the Municipalities belonging to the territorial area (if this does not include the Chief Municipality).

In 2013 the "Decreto del 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 rules for conducting area-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, as results from the rules indicated below.

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

Italian Law Decree 145/2013 converted into Italian Law No. 9 of 21 February 2014 established in Art. 1 paragraph 16 that "The expiry terms provided for in paragraph 3 of Article 4 of 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."

Article 30-*bis* of Italian Law Decree 91/2014 the "competitiveness decree", converted with amendments by Italian Law 116/2014, established an extension of the deadlines for publication of the calls for 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 March 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.

In addition, with Italian Law No. 11 of 27 February 2015, converting, with amendments, Italian Law Decree No. 192 of 31 December 2014, containing extension of terms provided for by legislative measures, the *Thousand Extensions*, published in O.J. No. 49 of 28-2-2015, in the coordinated text, in force since 1 March 2015, in Art. 3, *Extension of terms on the subject of economic development*, established in para. 3-ter that *"The term beyond which the provision pursuant to paragraph 4 of Article 30-bis of Italian Law Decree No. 91 of 24 June 2014, converted, with amendments, by Italian Law No. 116 of 11 August 2014, applies in relation to the first and the second group as per Annex 1 to the regulation pursuant to the decree of the Ministry of Economic Development No. 226 of 12 November 2011, is extended to 31 December 2015"*, and in the subsequent para. 3-quater, that *"The terms pursuant to Article 3, paragraph 1, of the regulation pursuant to paragraph 3-ter, related to failure to publish the call for tenders, for the areas of the first group as per Annex 1 to the same regulation are extended to 11 July 2015 (OMISSIS)"*.

Italian Law No. 21 of 25 February 2016 (containing Conversion with amendments, of Law Decree No. 210 of 30 December 2015, containing an extension of terms provided for in legislative measures published in the OJ General Series No. 47 of 26 February 2016) establishes that the terms pursuant to Art. 3, paragraph 1, of the regulation pursuant to the decree of the Ministry of Economic Development and of the Ministry for Relations with the Regions and Territorial Cohesion No. 226 of 12 November 2011, on non-publication of the call for tenders pursuant to Annex 1 of the said regulation, are extended respectively by twelve months for the areas of the first group, by fourteen months for the areas of the second group, by thirteen months for the areas of the third, fourth and fifth group, by nine months for the areas of the sixth and seventh group and by five months for the areas of the eighth group, in addition to the extensions current at the date of entry into force of the law converting the present decree.

The launch of tenders for ATEM are therefore as of today envisaged (unless extended) according to the following calendar, which takes into account the term for publication of the call for tenders:

- Reggio Emilia - tender extended for two years owing to earthquake, no change - 11 November 2016
- Parma – 11 July 2016
- Piacenza 1 West – 11 December 2016
- Piacenza 2 East – 11 September 2017
- Genoa – 11 April 2017

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 Electricity, Gas and Water Service – AEEGSI) regarding:

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

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

On 24 July 2014 the AEEGSI published Resolution No. 367/2014 and Annex A – concerning the Gas distribution services tariff regulation system, with reference to the regulation period 2014-2019 for Territorial Area managements and other rules on the subject of tariffs.

On 13 March 2015 the AEEGSI issued clarifications in relation to Resolution 367/2014.

Both the Ministerial Decree of 22 May 2014, and Resolution No. 367/2014 were appealed by the Iren Group respectively the former to the Lazio Regional Administrative Court (henceforth RAC) and the latter to the Lombardy RAC.

The Lombardy RAC, Second Section, handed down - rejecting the appeals lodged by Iren Emilia and Genova Reti Gas against AEEGSI Resolution No. 367/14 - respectively Judgements Nos 2740/2015 and 2736/2015, filed on 22 December 2015, with which it rejected both appeals with costs compensated.

Appeals were lodged against the above judgements.

As regards the Ministerial Decree of 22 May 2014 and subsequent amendments and additions containing "Approval of the document 'Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants'", we can specify that in the context of the same judgement pending before the Lazio RAC against the Guidelines, an appeal was also lodged with recourse for additional reasons against Ministerial Decree 106/2015, which modifies numerous provisions of Ministerial Decree 226/2011 (known as the Criteria Decree).

The "Sblocca Italia" Law Decree in Art. 37 provides for "*Urgent measures for natural gas procurement and transport*" and in Art. 38 "*Measures for enhancing national energy resources*".

The Ministerial Decree of 20 May 2015 updates the regulation on the criteria for tenders for gas distribution (MD 226/2011), completing the legislative framework of reference. In addition, the decree clarifies the methods of recognition of expenses related to the energy efficiency certificates that the incoming Operator must pass on to the Commissioning Body.

On 22 June 2015 the AEEGSI issued Resolution 296/2015/R/com with which it approved the "AEEGSI Rules on functional separation (unbundling) obligations for companies operating in the electricity and gas sectors (TIUF)". With the said Resolution 296/2015/R/COM the AEEGSI establishes functional unbundling obligations for electricity and gas operators. In particular, we can note the obligation to unbundle the communication policy and the brand between sale and distribution companies. It is specified that interfacing with final customers must involve the use of distinct information channels, physical spaces and personnel.

With the Resolution of 30 July 2015 – 407/2015/R/gas the AEEGSI Ordered "Amendments to the Resolution of 26 June 2014, 310/2014/R/gas on determining the repayment value of natural gas distribution networks".

In particular, these amendments are attributable, on the one hand, to the changes, on the sales of portions of grid by the outgoing to the incoming operator, introduced by Ministerial Decree No. 106 of 20 May 2015 containing an amendment to Italian Decree No. 226 of 12 November 2011, on the other to the introduction of the possibility for the commissioning bodies, following a justified request and in a logic of administrative simplification, to present the data on the VIR and the RAB, needed for assessments of differences by the Authority, with reference to 31 December of year t-2.

We can note finally the following resolutions:

- Resolution of 22 December 2015 No. 631/2015/R/gas containing "Observations on the tender documentation sent, under the terms of the provisions pursuant to Article 9, paragraph 2, of Decree No. 226 of 12 November 2011, by the Municipality of Milan, awarding party of the Atem Milan 1 – City and Plant of Milan";
- Resolution of 22 December 2015 No. 645/2015/R/gas containing "Update of the tariffs for the gas distribution and metering services for the year 2016 and amendments to the GDTR"; in particular amendments to the Gas Distribution Tariffs Regulation (GDTR) are introduced on determining the stratification of the refund value following the tenders for concession areas"
- Resolution of 20 November 2015 No. 554/2015/R/GAS containing "Rules on obligations to bring into operation smart gas meters and amendments and additions to the GDTR".

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 RAC, Resolution 99/11 was deemed illegitimate 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 the 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, the 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 table commenced with operators in the meantime.

The Council of State then adjourned discussion of the precautionary suspension application to the hearing in Chambers 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 February 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 June 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 TIVG 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 supplier the distribution companies which perform the service in areas

where it should have been performed by the supplier are responsible for the activity of economic settlement of the physical gas items attributable to direct withdrawals made by the final customer.

AEEGSI Resolution No. 258/2015/R/com of 29 May provides for “first actions on default in the electricity and natural gas retail markets and revision of switching times in the natural gas sector”.

In particular, the documentation transmission procedure between vendor and distributor in order to facilitate legal initiatives was implemented.

It should be noted that the resolution in a “recital” qualifies as an obligation of result - on the distribution company - the physical disconnection of the redelivery point.

A fourth appeal on additional grounds was launched against the resolution in question, 258/2015/R/com, and at the moment the judgement on the merit is pending and a public hearing has not yet been fixed to discuss the same.

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

Electricity distribution

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

Specifically, the Bersani Decree:

- deregulated production, imports, exports, purchases and sales of electricity from 1 January 2003, provided that no company is authorised to produce or to directly or indirectly import more than 50% of the total electricity generated or imported into Italy, with a view to increasing market competition in the production of electricity;
- 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 electricity, the safety and efficiency of the entire system and equal treatment in terms of tariffs;
- envisaged the setup 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 set prices through a tender procedure;
- envisaged the creation of an entity to manage the Power Exchange (i.e. the Electricity Market Operator or Market Operator) and assigned transmission and dispatch activities under concession to the national transmission grid operator (Terna); electricity distribution activities are performed under concession granted by the Ministry of Economic Development.

Italian Law No. 290 of 27 October 2003 established the re-unification of ownership and management of the transmission grid.

Measures were adopted in 2007 to guarantee unbundling.

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 electricity 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 which 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 electricity 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 electricity in the event of a change of vendor at the same active supply point, or assignment of a new or previously deactivated supply point to a vendor (switching).

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

- a) the correct accounting and economic valuation of energy withdrawn by each dispatching user;
- b) 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 electricity and gas concerning administrative and accounting unbundling obligations for companies operating in the electricity 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 electricity or gas sector, performs at least one activity under a concession agreement (e.g. the electricity distribution and/or gas) and at least one deregulated activity (e.g. the sale of electricity and/or gas) - essentially acknowledging the content of EU directives 2003/54/EC (for the electricity 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, pursuing objectives of efficiency, cost-effectiveness, neutrality and non-discrimination.

The Independent Operator nominates a Guarantor for the correct management of commercially sensitive information (Data Guarantor), 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 already specified in the section Gas distribution above, with Resolution 296/2015/R/COM the AEEGSI establishes functional unbundling obligations for electricity and gas operators. More specifically we can note the obligation to unbundle the communication policy and the brand between sale and distribution companies and, in particular in the electricity sector, also between sales on the free market and greater protection service. It is specified that interfacing with final customers must involve the use of distinct information channels, physical spaces and personnel.

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 final customer, regardless of the change of vendor requested by the final customer.

Major hydroelectric shunt concessions

Constitutional Court Judgement No. 205 of 4 July 2011 pronounced the unconstitutionality of the provisions of Italian Law Decree No. 78 of 31 May 2010, converted to Italian Law No. 122 of 30 July 2010, which extended major water shunting concessions for the production of electricity by five years, with the option of extension by a further seven years if a combined private/public company was established by certain provinces.

As a result of the declaration of constitutional illegitimacy, the concessions expiring on 31 December 2010 are subject to continued management by the operator until takeover by the new operator, which must be chosen through a public tender.

The duration of future concessions, to be issued following a tender process, will vary between twenty and thirty years, in accordance with criteria to be established in an 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). The Italian Government’s reply to the European Commission’s objections is being prepared.

The Decree of the President of the Piedmont Regional Executive No. 2/R of 9 March 2015 approved the new regional regulation on public water shunting concessions which changes the rules on proceedings for issuing concessions for which the Province or the metropolitan City is responsible and introduces the possibility of overcoming the “*presumption of incompatibility owing to proximity*” producing specific documentation.

Integrated Water Service

The Integrated Water Service (IWS) reform process, which began with Italian Law No. 36/94 (the Galli Law), was revised with the approval of Italian Legislative Decree No. 152 of 3 April 2006, 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, while 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 (Optimal Territorial Areas), the Emilia Romagna Region with Regional Law No. 23 of 23-12-2011 set forth the “Rules for the territorial organisation of the functions related to local public environmental services”, which lays down the rules relating to regulation of public environmental services and in particular to the territorial organisation of the integrated water service and the integrated urban waste management service in Emilia-Romagna, and states that on the basis of the principles of subsidiarity, differentiation and adequacy, the entire regional territory constitutes the optimal territorial area in accordance with Articles 147 and 200 of *Italian Legislative Decree No. 152 of 2006*.

The Liguria Region, with Law No. 1 of 24 February 2014, attributed the functions on the subject of organisation and management of the Integrated Water Service and Integrated Waste Management.

As regards the IWS, the Law identified 5 ATOs:

- ATO West – Province of Imperia;
- ATO Centre/West 1 - Province of Savona;
- ATO Centre/West 2 - Province of Savona;
- ATO Centre/East – Province of Genoa;
- ATO East – Province of La Spezia.

The Law (Article 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.

With Judgement No. 31 of 10 February 2015 the Constitutional Court declared unconstitutional Article 10 paragraph 1 of Liguria Regional Law No. 1/2014.

The Integrated Water Services segment was also affected by the Referendum held on 12 and 13 June 2011, the result of which partially repealed Article 154 paragraph 1 (integrated water service tariff) of Italian 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 “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 Electricity, Gas and Water services.

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 AEEGSI 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 made by the Authority is censurable from various points of view, in particular the fact that it conflicts with EU rulings that envisage coverage of this cost item. Instead, the Authority appears to have eliminated the return on invested capital from the tariff without envisaging any alternative means of covering the financial expense. 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 (current expenses -OPEX- and capital expenses -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 “Sblocca Italia” 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 entities of the area by 31 December 2014 - otherwise the government’s substitutive powers would apply;
- the local authorities must take part in the governing entity of the area (which replaces the Area Authority) - failure to join the governing entities 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 entities 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 entity 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 entities 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 entity 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, but 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.

Finally, the AEEGSI adopted, among other things, the following resolutions of interest to the Group:

- Resolution No. 6/2015/R/IDR of 15 January 2015 regarding the launch of a proceeding for defining the water tariff method for the second regulatory period with reunification of the proceeding pursuant to Resolution 374/2014/R/IDR and identification of a single term for completion of the proceeding.
- Resolution No. 8/2015/R/IDR of 15 January 2015 regarding the launch of a proceeding for defining the criteria for structuring the tariffs applied to users of the water services.
- Resolution No. 83/2015/A of 5 March 2015 regarding the establishment and operation of the Permanent Observatory on regulations covering energy, water and district heating;
- Resolution No. 107/2015/R/IDR of 12 March 2015 containing the list of managements excluded owing to failure to deliver the plants from the tariff update for the first regulatory period 2012–2015. The list also includes the Group's associates AMAT of Imperia and AIGA of Ventimiglia. These Companies have presented to the AEEGSI a plea for a revision of the decision and are preparing an appeal to the RAC in the event of a negative reply or no reply within the terms for proceeding with an appeal.
- Resolution No. 122/2015/R/IDR of 19 March 2015 regarding the launch of a proceeding for the creation of solidaristic economic and financial equalisation systems covering the tariffs of the integrated water service also on the national scale.
- Resolution No. 656/2015/R/IDR of 23/12/2015 regarding the Standard Agreement for regulating relations between awarding bodies and operators of the Integrated Water Service - Rules on the essential minimum contents.

With this measure - taking into account the observations received on the previous Consultation Documents 274/2015/R/idr and 542/2015/R/idr - the Authority adopts the Standard Agreement for regulating relations between awarding bodies and operators of the integrated water service, with which besides the operating agreements currently in force must be made compliant.

We can note the consultation document 274/2015/R/IDR of 4 June 2015 of the AEEGSI containing "Criteria for preparing one or more model agreements for management integrated water service" and the consultation document 273/2015/R/IDR of 4 June 2015 of the same Authority, containing "Regulation of the contractual quality of the integrated water service or of each of the single services that make it up". Both texts govern the actions on the subjects of launching and managing the contractual relationship and obligations of recording contractual quality data.

It is worth noting the judgement of the Council of State, Section V, No. 3236 of 26 June 2015 which ruled that Municipalities have no legitimate competence in management of the integrated water service, already devolved to the old optimal territorial area authorities (ATOs), today replaced by the area governing bodies, as organisational structures having a distinct legal subjectivity, in the light of the constant administrative and constitutional jurisprudence. This was established by the Council of State, rejecting the appeal lodged by a Municipality at the Lazio Regional Administrative Court (henceforth RAC), to challenge the silence/non-fulfilment in relation to its request to adopt a measure necessary to ensure immediate payment to the Municipality of the compensation for use of certain water springs, as well as the adoption of the measures indispensable to conclude the proceeding for renewal of the concession for use.

In challenging the lack of active legitimation of the Local Authority in the proceeding, as the case in question involved a matter devolved to the competence and responsibility in the regulation of interference of the ATOs, the Council of State affirmed that these latter are the only subjects holding the power of representation, also in relation to all the subjects that obligatorily are part of the said Area Authority.

On 30 September 2015 the Province of Savona approved Resolution No. 70/2015, with which it approved the Plans of the 3 sub-areas and defined the subjects to which they were to be assigned through an in-

house procedure (and therefore excluding Acquedotto di Savona, the Savona water company, merged into Ireti with effect from 1 January 2016). The Resolution is being appealed.

We can note finally Resolution No. 656/2015/R/IDR of 23 December 2015 regarding the Standard Agreement for regulating relations between awarding bodies and operators of the integrated water service - Rules on the essential minimum contents.

With this measure - taking into account the observations received on the previous Consultation Documents 274/2015/R/idr and 542/2015/R/idr - the Authority adopts the Standard Agreement for regulating relations between awarding bodies and operators of the integrated water service, with which besides the operating agreements currently in force must be made compliant.

Waste Management Service

Integrated Waste Management is understood as all the activities of transportation, treatment and disposal of waste, including street sweeping and the management of these operations.

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

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

The Piedmont Region adopted the Regional Waste Management Plan on 30/09/2009, completing a process launched in 2007. The Plan has a 2009–2015 time horizon.

At the same time as adopting the Plan, the establishment of 3 Optimal Territorial Areas, combining the 8 previous areas divided by Province, was provided for.

Regional Law 7/2012 further modified the structure of the Areas, providing for their division into 4. The 4 current Areas are made up as follows:

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

The ATOs have a role of planning the activities and applying the provisions of the Regional Waste Management Plan, and planning the flows and disposal tariffs.

In turn the ATOs are divided into Catchment Area Consortia which have a significant role at the management level.

The Legislative Assembly of the Emilia-Romagna Region approved Regional Law 16/2015 for municipal waste management, which promotes recycling and the prevention of waste production. Among the objectives to be achieved within five years, are: an increase in separate waste collection to 73%, a 25% reduction in per-capita waste production, recycling at 70%, limiting of landfills and regional self-sufficiency. Among the changes introduced by the new law: precise tariffs, that is payment on the basis of how much is conferred, incentives aimed at the most virtuous Municipalities and bonuses for companies that do better disposal. Incentives are provided for information and education activities, with the possibility for Municipalities that plan information and education initiatives to destine to these activities a proportion of the income deriving from applying the tariff. With the new law the Region intends to transit from a linear economic model based on the exploitation of natural resources to a circular economy, in which materials are constantly reused. And to do this it identifies instruments such as precise tariffs and

puts in place incentives aimed at Municipalities that send less waste for disposal and bonus schemes for businesses.

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. Following the approval of Italian Law Decree No. 210 of 30 December 2015 (“Thousand Extensions”) the term for compliance with SISTRI (Waste Traceability Control Computer System) is extended by a year and the so-called “twin-track regime” is extended to 31 December 2016, keeping in force the registers and forms and the related penalty system. The term for application of the emission limits for industrial plants is extended to 1 January 2017 to enable the competent Authority to update the authorisation. The SISTRI sanctions, exclusively related to failure to register or pay the annual contribution, apply for a reduced amount of 50% starting from 1 April 2015 (following Italian Law 11/2015 converting the “Thousand Extensions Decree” Italian Law Decree No. 192 of 31 December 2014). The SISTRI sanctions for all the other breaches apply from 1 January 2017.

Italian Law Decree No. 10 of 22 January 2016 “Amendment and abrogation of legal measures that provide for the adoption of non-legislative implementing measures, under the terms of Article 21 of Italian Law No. 124 of 7 August 2015”, in particular with Article 1, paragraph 9, provides for the suppression of the second sentence of Article 11, paragraph 2, of Italian Law Decree No. 101 of 31 August 2013, converted, with amendments, by Italian Law No. 125 of 30 October 2013. With this intervention the following rule is therefore abolished: *“A decree of the Ministry for the Environment and Protection of the Territory and the Sea, adopted within sixty days from the date of entry into force of the law converting the present decree, after consulting the Ministry of Economic Development and the Ministry of Infrastructures and Transport, shall govern the methods for a stage of experimentation for application of the SISTRI, starting from 30 June 2014, to entities or businesses that collect or transport hazardous municipal waste professionally, including foreign carriers that carry out transports of hazardous municipal waste in Italy or cross-border transports starting from this country, or that carry out operations to process, recover, dispose of, sell and intermediate hazardous municipal waste, starting from the moment in which the said waste is conferred to municipal collection centres or ecological stations or other gathering or storage areas”.*

The European Investment Bank has just published a guide (on line) to financial Instruments available to green projects – some together with the European Commission - dedicated to financing projects in the environmental field.

The “Sblocca Italia” 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 Ministerial Decree implementing “Sblocca Italia” is still being prepared, and we are awaiting its approval and consequent publication so that it can be considered effective.

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 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 remains permitted, *“in a complementary manner”* and observing the principle of proximity, on condition that the plant is fitted with a dedicated loading system that *“excludes also all contact between the personnel involved and the waste”* (to this end the Integrated Environmental Authorisations - IEAs - are made compliant).

The 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 Environmental Impact Assessment and the IEA was not confirmed, but the new law establishes that the terms set by law for these procedures *“must be considered peremptory”*. 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 of non-hazardous urban waste that the President of the Region considers necessary to send for disposal out of the Region *“to deal with emergency situations caused by natural calamities for which a state of emergency is declared”*.

In January 2015 Ministerial Decree No. 272 of 13 November 2014 came into force; this makes known the methods for preparing the reference report at the moment of requesting or renewing the IEA. The managers of companies that run a plant subject to IEA, if the activity entails the use, production or discharge of hazardous substances, must in fact present a report containing information on the quality of the soil and underground waters, indicating the hazardous substances. It follows that, if an IEA procedure is pending, it will be necessary to supplement the application with the reference report, which enable also a comparison on the state of Contamination of soil and waters at the moment of definitive cessation of the activity, so as to permit an assessment on any obligations to reclaim.

The *“Thousand Extensions Decree”* (Italian Law Decree No. 192 of 31 December 2014, converted into Law No. 11 of 27 February 2015) moves to 30 June 2015 the term of the prohibition on conferring to landfills waste with LCV (Lower Calorific Value) of more than 13,000 Kj/kg. Following the so-called *“Thousand Extensions 2016”* (Italian Law Decree No. 210 of 30.12.2015), the term for prohibition of the aforesaid conferment is postponed to 29 February 2016.

Italian Law No. 190 of 2014 has also been in force since the first of January. This states that in polluted sites not yet reclaimed the work required by the legislation on workplace safety and ordinary and extraordinary maintenance activity can be done, provided that it does not prejudice the reclamation activity and workers' health.

Regulation (EU) No. 1357/2014 of the European Commission came into force on 1 June 2015; this innovates the hazardous waste classification system. The Regulation replaces Annex III of Directive 2008/98/EC, and consequently the entire Annex I to Part IV of Italian Legislative Decree No. 152/2006.

On 1 June 2015 the Decision of the European Commission 2014/955/EC came into force. This introduces a new European List of Waste that modifies Decision 2000/532/EC, transposed at the national level by Annex D of part IV of Italian Legislative Decree 152/06.

Directive No. 2015/1127, which starting from 31 July 2015 made a number of changes to Annex II of Directive 2008/98/EC on waste (containing a non-exhaustive list of recovery operations), was rectified with a deed published in November 2015.

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

On 17 June 2015 the Ministry of the Environment published Circular No. 12422, containing “Further criteria on the methods of applying the rules on integrated prevention and reduction of pollution in the light of the amendments introduced by Italian Legislative Decree No. 46 of 4 March 2014”.

The Prime Ministerial Decree of 27 March 2015 establishes the methodological notes and standard needs for Municipalities of ordinary-statute Regions in the fields of roads, transport, management of the territory and the environment (including waste).

At the end of 2015 the 2016 Stability Law (Italian Law No. 208 of 28 December 2015) was published, and it has been in force since 1 January 2016. There were various measures in the Environmental field: incentives and subsidies are introduced for renewable energies as well as actions on the subject of urban regeneration; on the subject of reclamations a fund of 10 million euro was established for each of the years 2016, 2017 and 2018, in part destined for sites of national interest for which it is necessary to act urgently in order to fulfil European obligations; as regards unauthorised landfill sites an increase is introduced for the assets of the fund set up to finance an extraordinary reclamation plan for landfill sites identified by the competent state authorities in relation to EU Infringement Procedure No. 2003/2007; spending of 5 million euro is authorised for the year 2016 for the launch of an extraordinary programme aimed at verifying the effectiveness of the polluting emission levels of vehicles. Again on the subject of emissions, the legislative changes involve, in addition, the income from auctions of greenhouse gas emission quotas.

The stability law also makes changes to Italian Legislative Decree 152/2006: in Art. 6, paragraph 17, regarding the prohibition of search activities, prospecting and extracting liquid and gaseous hydrocarbons in the sea within the perimeter of protected marine and coastal areas, the exceptions currently provided for are abolished.

At the end of the year the Draft Law known as “*Green Economy*”: “*Rules on the environment to promote green economy measures and to limit the excessive use of natural resources*” was also approved; this provides for - among numerous other measures – amendments to Italian Legislative Decree 152/06 and subsequent amendments and additions and to other laws on the subject of waste. In particular, the main action areas regard supervision on waste management, the collection and processing of metal waste, measures to increase separate collection and recycling, changes to the special levy for unloading in landfills and incinerators. In addition, different rules are introduced for the use of excavated land and rocks and rules to prevent waste production; the rule that provided from 1 January 2016 for a prohibition on conferring to landfills waste with LCV (Lower Calorific Value) of more than 13,000 Kj/kg is abrogated and the objectives of reducing conferral to landfills, and other rules, are updated.

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

Since 2 February Italian Law No. 221 of 28 December 2015 has been in force. This is the so-called “Environmental Annex”, which introduces numerous and important changes among its 79 articles in numerous fields but especially on Waste Management, not only amending the Consolidated Environmental Act itself (modifying for example Articles 183, 187, 188, 190, 193), but also introducing new and important changes on the subjects of WEEE (e-waste), Compost, Mixing, Landfills, etc. For sustainable mobility 35 million euro is allocated, in an experimental programme involving home-school and home-work travel. The fund for planning actions against hydrogeological risk is created and 11 million euro is made available to municipalities for the demolition of buildings in zones at risk built without the necessary permits. A series of measures are introduced to increase separate collection and recycling, including experimental and voluntary ‘returnable recipients’, and the asbestos reclamation process is strengthened through a tax credit of 5.6 million a year up to 2019 for businesses that handle its removal. The action that regards ‘green public procurement’ is significant. This entails minimum green criteria with which all state administrations must comply in their purchases: from toners to heating, from lighting to catering. The guarantee fund for waterworks, including sewerage and purification networks, is also created, while domestic users of the integrated water service in disadvantaged economic and social conditions are guaranteed access to water supplies for fundamental needs at subsidised conditions. Finally, unattachability is extended also to pets and companion animals, such as those used for therapeutic or assistance purposes.

In the field of SMEs, in 2015, the European Commission adopted various initiatives to encourage small and medium-sized enterprises to assess the commercial opportunities that can arise from greater efficiency in the use of resources and green entrepreneurship. These initiatives are brought together in the Commission's Green Action Plan for SMEs. A further definition of the themes of the plan is expected in 2016 and in subsequent years.

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 30 December 2013 "performed the service of waste management or TARES ascertainment and collection".

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

District Heating Service

With Resolution 411/2014/R/com of 7 August 2014, the Authority for Electricity, Gas and Water Services (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 of Economic Development, in order to promote the development of district heating and district cooling and of competition:*

- a) defines the standards of continuity, quality and security of the district heating and district cooling service, including plants supplying heat and the related accounting systems [...];*
- b) establishes the criteria for determining the tariffs and connection of users to the district heating network and the methods for exercising the right to disconnect;*
- c) subject to the provisions 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 on the actual situation of the sector in question.

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

Energy efficiency

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

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

The following articles are particularly significant:

- Article 5. Improvement of the energy performance of properties belonging to the Government (starting from 2014 and up to 2020, energy requalification work will be done on buildings owned by the central Government and occupied by it for at least 3 per cent annually of the usable covered area air conditioned, with Euro 30 million 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 on this point the paragraph “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).

With a communication of 1 July 2015 the Ministry of Economic Development made known that three decrees were about to be published in the Official Journal implementing European directives on the subject of energy efficiency in buildings which come into force on 1 October 2015 to define:

- adjustment of the national guidelines for the energy certification of the buildings;
- the methods for compiling the technical project report, for the purposes of applying the prescriptions and minimum energy performance requirements in buildings;
- the methods for calculating energy performance and defining the prescriptions and minimum requirements of buildings.

The first decree is aimed at defining the new methods for calculating energy performance and the new minimum efficiency requirements for new buildings and those being restored.

The second decree adjusts the formats of the technical project report to the new legislative framework, according to the different types of works: new constructions, significant restorations, energy requalifications.

The third decree updates the guidelines for the certification of the energy performance of buildings (APE). The new APE model will be valid over the whole country and, together with a new commercial announcement template and the national energy certificates database (SIAPE), will offer more information on the efficiency of buildings and systems, enabling easier comparison of the energy quality of different property units and orienting the market towards buildings with better energy quality. With the issue of these measures, starting from 1 January 2021 new buildings and those being significantly restored must be built in such a way as to reduce energy consumption to a minimum covering them mostly with the use of renewable sources. For public buildings this deadline will be brought forward to 1 January 2019.

On 15 July 2015 the Ministerial Decree of 26 June 2015, containing national guidelines for the energy certification of the buildings, was published in the EU Official Journal;

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 policies 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 certain sectors. Specific 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, up to now the targets for 2016 have been 58.6% achieved.

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

Post-Green Certificates Incentive

As established by the Ministerial Decree of 6 July 2012, starting from 2016 the incentive mechanism using Green Certificates has been replaced by a new form of incentive. The subjects that have gained the right to GCs (owners of plants with IAFR – Impianto Alimentato da Fonti Rinnovabili - Plant Powered by Renewable Sources qualification) conserve the benefit up to the end of the subsidy period, but in a different form.

The new mechanism, in fact, instead of being based on the issue of tradeable certificates, guarantees on electricity production the payment by the GSE of an additional tariff in euro with respect to the revenue deriving from selling the energy.

For the transition to the new incentive mechanism, owners of IAFR plants that have gained the right to make use of Green Certificates, must sign an Agreement with the GSE to benefit from the tariff incentive for the remaining period of the right.

Non-PV RES incentives

The Ministerial Decree of 6 July 2012 establishes the new methods of providing incentives for electricity 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-entry plants, fully reconstructed or reactivated plants, those subject to enhancements or upgrading, which come into operation from 1 January 2013.

The Ministry of Economic Development is about to issue the “new RES Ministerial Decree”, which, closing the MD of 6 July 2012, will establish the new incentive methods for electricity production for plants powered by renewable sources (other than photovoltaic solar). The structure of the incentive methods should, according to the drafts of the MD currently in circulation, repeat those of the MD of 6 July 2012 (direct access, registers, auctions). Publication in the OJ is expected in the second quarter of 2016.

With Resolution No. 29/2016/R/efr (“Determination of the average selling price of electricity in 2015”), the AEEGSI determined the average selling price of electricity recorded in 2015 at 51.69 €/MWh; this price is used to calculate the price of withdrawal by the GSE of the GCs related to production in 2015 (100.08 €/GC) and, using the same formula, minus a coefficient K depending on the date of entry into operation of the individual plant, the figure, for 2016, of the post-GC incentive.

Spread Incentives Decree

In November 2014 the Ministry of Economic Development 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 electricity 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 two 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:
 - c) 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);
 - d) the regions and local authorities, each for the part they are responsible for, adjust to the duration of the incentive the validity over time of the permits issued 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.

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% will apply to expenses incurred from 6 June 2013 to 31 December 2015 for energy performance upgrading works on existing buildings.

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 electricity and gas distributors (with at least 100,000 customers at year end 2001) to increase the energy efficiency of end users of energy.

Provision was made for the transfer to Società Gestore dei Servizi Energetici S.p.A. of energy saving evaluation and certification management activities relating to projects presented under the energy efficiency certificate mechanism.

Emission Trading System

In accordance with the Kyoto Protocol, from 2008 to 2012 industrialised countries and transition economies are committed to reducing the global emission of greenhouse gases by an overall 5%, compared to the levels for 1990.

The reduction targets, different for each member country, are 8% for the European Union and 6.5% for Italy.

To meet the reduction obligations established by the Kyoto Protocol, Directive 2003/87/EC defined a trading system for the greenhouse gas emission quotas within the European Union, i.e. the “Emission Trading System” (ETS). The Italian law transposing Directive 2003/87/EC is Legislative Decree No. 216 of 4 April 2006.

The Emission Trading System provides that a maximum limit is established for emissions from industrial plants producing greenhouse gas, by allocating each plant (through the National Assignment Plans) a given number of emission quotas, which give the right to emit a corresponding quantity of tonnes of carbon dioxide into the atmosphere during the year to which the quotas refer.

Italian Legislative Decree No. 30 of 13 March 2013 transposed Directive 2009/29/EC into Italian law. This directive introduces new rules for the European ETS (Emission Trading Scheme) 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:

- provided for the possibility of excluding small plants;
- introduced the possibility of establishing simplified rules for the monitoring, reporting and checking;
- modified the method of assigning the quotas providing for the quotas to be assigned through auctions. More precisely, for thermoelectric plants and carbon capture and storage plants, assignment is totally by auctioning, except for cogeneration plants which can receive certificates free of charge for heat energy used in district heating.

With the Ministerial Decree of 21 February 2014, the Ministry of Economic Development defined the methods for reimbursing credits payable to operators for ETS quotas due to new-entrant plants for the period 2008–2012 but not released owing to exhaustion of the stock.

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.

With Resolution 100/2016/R/com of 10 March 2016 the AEEGSI laid down Rules on issuing closing invoices for cessation of the supply of electricity or natural gas.

The AEEGSI issued the consultation document of 10 March 2016 No. 93/2016/R/gas where it illustrates the Authority's new orientations in relation to the insurance in favour of final gas customers, currently governed by Resolution 191/2013/R/gas of 9 May 2013, which expires on 31 December 2016, by activating a new policy with effects starting from 1 January 2017.

With Resolution 17/2016/R/com of 21.01.2016 the AEEGSI issued rules on the minimum content of grounded replies to customer complaints, on the subject of invoicing of anomalous amounts for electricity and gas.

CONCESSIONS AND ASSIGNMENTS

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

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

Emilia Romagna area

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

Other geographical areas

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

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

The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (21.32% controlled by the G.P.O. Consortium of which Ireti holds 62.35%): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC) assignment expired on 31 December 2010 and in *prorogatio*;
- Municipality of Vercelli - ATENA S.p.A. (in which Ireti has a 40% stake): award of 1999 expired on 31 December 2010 and in *prorogatio*;
- Province of Livorno - ASA S.p.A. (40% owned by Ireti): Municipalities of Livorno, Castagneto Carducci, Collesalveti, Rosignano Marittima and San Vincenzo – award expired on 31 December 2010 and in *prorogatio*;

Natural gas sales

In accordance with the provisions of the "Letta" Decree on the subject of unbundling, the IREN Group carries on the business of selling natural gas mainly through Iren Mercato - which also sells electricity.

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

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

Electricity sector

Ireti (using the assets previously owned by AEM Torino Distribuzione, incorporated from 1 January 2016) manages in the City of Turin the public electricity distribution service on the basis of a ministerial concession. This concession expires on 31 December 2030. Ireti also distributes electricity in the Municipality of Parma, with the same expiry date.

Through its local business combinations, the Iren Group distributes Electricity in the following main areas:

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

District heating sector

The district heating distribution service in the municipalities of Turin and Moncalieri, from 1 July 2014 has been managed by Iren Energia as a result of the spin-off of the heat distribution unit of the City of Turin of AES Torino.

By agreement dated 29 December 2008, the municipality of Nichelino (Turin) assigned the concession for use of the public soil and subsoil for the laying of networks, plants and infrastructures for the district heating service for a period of 30 years, to the temporary association of companies established between Iren Energia S.p.A., Iren Mercato S.p.A. and AES Torino S.p.A., which together established Nichelino Energia S.r.l. The company, 100% controlled by the Group, was merged by incorporation into Iren Energia with effect from 1 October 2015.

Besides the existing assignment of the distribution of district heating in the city of Turin on the basis of the Framework Agreement signed with the Municipality, and in the town of Nichelino following what was described above, Iren Energia acquired an equity investment in the company Asti Energia Calore, incorporated on 18 May 2015, to which the district heating service in the city of Asti is assigned in sub-concession.

Integrated Water Service

Genoa area

Ireti S.p.A. (company deriving from the merger by incorporation, among other things, of Iren Acqua Gas into Iren Emilia) holds the management assignment for the integrated water service in the 67 municipalities of the province of Genoa, serving a total of 880,000 residents. The assignment was granted by Decision No. 8 of the Genoa ATO Authority on 13 June 2003 and will expire in 2032.

The integrated water service in the territory of the Municipalities of the Province of Genoa is managed by Ireti through the safeguarded operators. The authorised and/or safeguarded companies of the IREN Group that perform the function of operator are *Mediterranea delle Acque S.p.A.* (60% controlled by Ireti), *IdroTigullio S.p.A.* (66.55% controlled by *Mediterranea delle Acque S.p.A.*) and *AMTER S.p.A.* (49% owned by *Mediterranea delle Acque S.p.A.*).

On 23 April 2015 the business unit made up of the set of assets and the related legal relationships regarding the drinking water distribution activity in the Municipalities of Camogli, Rapallo, Coreglia and Zoagli in the Genoan ATO and the integrated water service in the Municipality of Bolano in the Province of La Spezia was sold, with effect from 1 July 2015, by *Acque Potabili S.p.A.* to *Iren Acqua Gas S.p.A.*, today *IRETI S.p.A.*.

At the same time, with a deed dated 19 June 2015 and with effect from 1 July 2015 the company *Acque Potabili S.p.A.* sold to *Iren Acqua Gas S.p.A.* (today *IRETI S.p.A.*) at the conditions provided for in the deed of sale, the equity investment held in the company *Acquedotto di Savona S.p.A.* representing 100% of the share capital of the same. The company was merged by incorporation into Ireti with effect from 1 January 2016.

Emilia Romagna area

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

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

The Integrated Water Services in the Parma, Piacenza and Reggio Emilia ATOs are managed by the companies of the Ireti Group.

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

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

ATO	REGIME	SIGNING DATE	EXPIRY DATE
<i>Genoa area</i>	ATO/operator		31 December 2032
<i>Reggio Emilia</i>	agreement	16.04.2004/5.10.2009	31 December 2011 (*)
	ATO/operator	30 June 2003	
	agreement		
<i>Parma</i>	ATO/operator	27 December 2004	31 December 2025
	agreement		
<i>Piacenza</i>	ATO/operator	20 December 2004	31 December 2011 (*)
	agreement		

(*) 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:

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

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
<i>Reggio Emilia</i>	ATO/operator agreement	10 June 2004	31 December 2011 (*)
<i>Parma</i>	ATO/operator agreement	27 December 2004	31 December 2014 (*)
<i>Piacenza</i>	ATO agreement/operator	18 May 2004	31 December 2011 (*)
<i>Turin</i>	ATO/operator agreement	21 December 2012	30 April 2033 (*)

(*) Service extended until new agreements are defined

(**) the term is 20 years running from the end of provisional operation of the Waste-to-energy plant of TRM S.p.A.

In a temporary grouping of companies with F2i and ACEA Pinerolese, the Iren Group was awarded the tender offer launched by the city of Turin in 2012 for the sale of 80% of the share capital of TRM S.p.A. and 49% of AMIAT S.p.A. (the stake is currently 80% following a further acquisition of 31% from Municipality of Turin at the end of 2014).

Two SPVs were set up for the purchase of investments (TRM V and AMIAT V). The company TLR V. (merged by incorporation into Iren Energia starting from 1 January 2016) was also set up, for the creation of the infrastructural and commercial district heating system between the waste-to-energy plant and the district heating operators of the Municipality of Grugliasco and Beinasco.

TRM is the company that built the Turin waste-to-energy plant and is responsible for waste disposal for the city and for municipalities in Turin province.

AMIAT is the company responsible for waste collection and transport in Turin.

Services provided to the Municipality of Turin

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

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

By a resolution of 3 November 2010, the Turin City Council decided to assign service agreements to Iren Servizi e Innovazione for the thermal plants and electrical and special systems for municipal buildings until 31 December 2017.

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

During the first quarter of 2016 the downward trend of interest rates continued, repeating the tendency already seen in the year 2015. In particular, it remained steady for the short-term part of the rate curve, while the medium-long term part saw a sharp and temporary turnaround before declining again in a context of volatility. After a period of stability that lasted for the whole of 2015, the European Central Bank intervened with a further cut in the base rate which in March 2016 came down to 0%.

Examining the trend in the six-month Euribor rate we can note that the parameter continued on the trend of slow but progressive decline, in negative-rate territory since November 2015 and now at -0.14%. The quotations of fixed rates, reflected in the values of the IRS at 5 and 10 years, recorded a downward trend, although in a context of volatility, and have reached levels in the historical minimum area.

Activities performed

During the first quarter of 2016, activities aimed at consolidating the financial structure of the Iren Group continued. The development of funding needs is monitored through careful financial planning, which enables requirements for new financial resources to be anticipated, taking into account the repayments of outstanding loans, the development of indebtedness, the investments, the trend in working capital and the balance of short-term and long-term sources.

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

Moving on to discuss in detail the financing transactions completed in the first quarter of 2016, we can note that no new medium/long-term loans were finalised and used.

The direct loans with the European Investment Bank, duration up to 15 years, agreed in December 2014 and December 2015, remain unused and available for a total of 230 million euro.

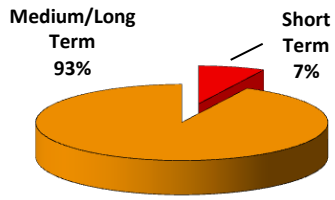
In the Group context, following the acquisition of control over TRM S.p.A., debt positions, mainly at medium/long term, came into the consolidation scope, for a total of 325 million euro with an equivalent Interest Rate Swap position.

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.

In the first quarter of 2016 a new Interest Rate Swap contract was signed hedging a total of 50 million euro of debt, with maturity at 2027 and effects starting from December 2017.

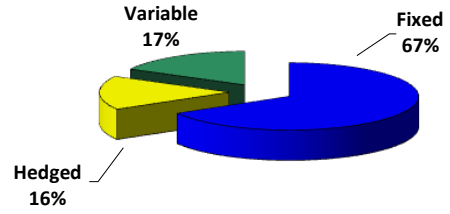
At 31 March 2016, the portion of floating rate debt not hedged by exchange rate derivatives was 18% of consolidated gross financial debt, in line with the objective of the Iren Group which is to maintain a balance between positions at floating rate and at fixed rate or in any case protected from significant increases in interest rates.

**Gross Financial Indebtedness
by maturity**



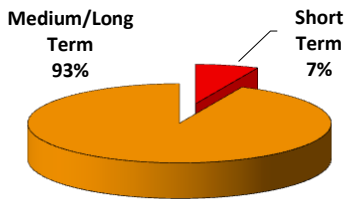
Euro 2,913 million

**Gross Financial Indebtedness
by rate type**

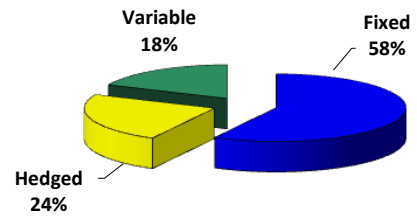


Euro 2,913 million

**Situation at
31/12/2015**



Euro 3,354 million



Euro 3,354 million

**Situation at
31/03/2016**

TRANSACTIONS WITH RELATED PARTIES

On 13 March 2015 the Board of Directors of IREN, with the opinion in favour of the Transactions with Related Parties Committee, adopted a new version of the *“Internal Regulation on Transactions with Related Parties”* (already approved on 30 November 2010 and amended on 6 February and 3 December 2013) in implementation:

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

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

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

Where the services provided are not current, the transactions are governed by specific agreements whose terms are established in accordance with normal market conditions. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.

RISKS AND UNCERTAINTIES

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

For each of the following risk types:

- Financial Risks (liquidity, interest rate, exchange rate);
- Credit Risk
- Energy Risks, attributable to the procurement of gas for thermoelectric generation and to the sale of electricity and gas, and to the hedging derivative markets;
- Operational risks, associated with asset ownership, involvement in business activities, processes, procedures and information flows.

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

As the Iren Group pays particular attention also to maintaining trust and a positive image of the Group, the Enterprise Risk Management model manages also “reputational risks”, which relate to the impacts on stakeholders of any malpractices.

The “Risk Management” department, reporting to the Deputy Chairperson, was set up within the Holding. This department is formally entrusted with the following activities:

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

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

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

1. FINANCIAL RISKS

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

a) Liquidity risk

Liquidity risk is the risk that the financial resources available to the company will be insufficient to cover financial and commercial commitments in accordance with the agreed terms and deadlines.

The procurement of financial resources was centralised in order to optimise their use. In particular, centralised management of cash flows in IREN makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense.

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

The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored; no critical points have emerged regarding the coverage of current financial commitments. At the end of the period short-term bank credit facilities used by the Parent totalled 107 thousand euro.

Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suited to its needs, and the best market conditions. During the period no new medium/long-term loans were granted to the Iren Group.

Financial indebtedness at the end of the period is made up 65% of loans and 35% of bonds.

b) Exchange rate risk

Except as indicated under the section on energy risk, the Iren Group is not significantly exposed to exchange rate risk.

c) Interest rate risk

The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expense related to indebtedness. The IREN Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

With a non-speculative outlook, the risks connected with the growth of interest rates are monitored and, if it is considered opportune, reduced or eliminated signing with financial counterparties of high credit standing, specific contracts (swap and collar) which pursue exclusively the purpose of limiting exposure to the risk of oscillating interest rates and, except for certain positions with insignificant impacts, also satisfy the formal requirements for the application of hedge accounting.

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 82% of gross financial indebtedness against interest rate risk, in line with the Iren Group target of maintaining a balance between loans at floating rate and at fixed rate or in any case protected against significant increases in the interest rate.

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

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of water and environmental services. The receivables show no particular concentration since the exposure is spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public entities).

In carrying on its business, the Group is exposed to the risk that the receivables may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in receivables subject to arrangement procedures or unenforceable. This risk reflects the current unfavourable economic and financial situation.

To limit exposure to credit risk, a number of tools have been introduced and identified. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes.

The receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and types of service provided.

Credit risk is hedged, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing.

An interest-bearing guarantee deposit is paid for some types of services (water, natural gas, "protected customer" electricity sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.

The payment terms generally applied to customers are related to the legislation or regulations in force or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation.

Provisions set aside for impairment of receivables accurately reflect the effective credit risk through assessments based on analysis of the individual receivable items recorded in the databases, specifically taking into account ageing, as well as comparison with historical losses on receivables and determination of the average non-payment rate.

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

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

3. ENERGY RISK

The IREN Group is exposed to price risk, including the related currency risk, on the energy commodities traded, (that is electricity, natural gas, heat, etc.) as both purchases and sales are impacted by price fluctuations 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 the production of its plants and purchases and sales of energy, in relation to both volumes and price formulae.

The objective is to balance opportunely self-production and energy from the futures market with respect to the demand coming from the Group's customers, with adequate recourse to the spot market and sufficient stability of the margins.

4. OPERATIONAL RISKS

This category includes all the risks which, in addition to those already noted in the previous paragraphs, may influence achievement of the targets, i.e. relating to the effectiveness and efficiency of business transactions, levels of performance, profitability and protection of the resources against losses.

The Group's Enterprise Risk Management model has as its objective the integrated and synergistic management of risks.

The process of managing the Group's risks entails that, for each business line and operating area, the activities performed are analysed and the main risk factors connected with achievement of the objectives are identified. Following the identification activity, the risks are assessed qualitatively and quantitatively (in terms of magnitude and probability of occurrence), thus making it possible to identify the most significant risks. The analysis also involves an assessment of the current and prospective level of control of the risk, monitored by means of specific key risk indicators.

The above stages make it possible to structure specific treatment plans for each risk factor.

Along all the management phases, each risk is subjected on a continuous basis to a process of control and monitoring, which checks whether the treatment activities approved and planned have been correctly and effectively implemented, and whether any new operational risks have arisen. The process of managing operational risks is associated with a comprehensive and structured reporting system for presenting the results of the risk measurement and management activity.

Each process stage is performed in accordance with standards and references defined at Group level.

The Group's risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, credit and energy risks.

The risk reporting is sent to the top management and to the risk owners, who are involved in the management activity.

The risk analysis also supports the preparation of planning tools.

Of particular note are:

a. Legal and regulatory risks

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

b. Plant-related risks

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

For the most important plants the Risk Management department periodically conducts surveys, from which it can accurately detail the events to which such plants could be exposed and consequent preventive action.

The risk is also hedged by insurance policies designed considering the situation of the single plants.

c. IT Risks

The main operational IT risks are related to the availability of core systems which regard accounting operational management and invoicing processes and the energy commodity trading platforms. The Iren Group is, in fact, one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers.

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.

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

5. STRATEGIC RISKS

The Iren Group has adopted a Business Plan with a time horizon at 2020 which defines its strategic orientations. It is articulated according to the following macro-drivers which determine its targets for economic, capital and financial figures:

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

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

ORGANISATION AND IT SYSTEMS

Organisation

From 1 January 2016, after the corporate operations carried out during 2015, the IREN Group is made up of four sub-holding Companies, 100% controlled by the Parent Company IREN SpA, which head up the corresponding Business Units:

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

During the first quarter of 2016 work continued on reorganising the Group; this is aimed at strengthening the unitary nature of governance and accelerating the integration process, making operations more efficient and focusing on the business in keeping with the provisions of the Business Plan approved by the Board of Directors of IREN SpA on 16 June 2015.

The numerous projects in progress for pursuing savings included in the Business Plan are both for corporate rationalisation, and for business process re-engineering and performance improvement and involve both the corporate staff Departments and the Business Units.

Information Technology

During 2015 the first stage of the project to revise and integrate the systems in support of the processes of the administrative-accounting area and of management control was completed, launching the new transactional environment common to the main Group companies, the single treasury management system enabling the single treasury model centralised under Iren SpA, and the new Enterprise Performance Management (EPM) platform for managing the Planning, Budgeting, Forecasting and Final Consolidation processes.

The overall programme, entitled *IrenOne*, continued with a second “go-live” moment for the new transactional environment at 1 January 2016, and during the 1 quarter of 2016 was completed with the post-launch activities; in this second stage of the Programme the activities were carried out harmonising the action areas of the programme with Iren’s corporate evolutions - “100%Operations”. The second stage of *Iren One* included the roll-out of the group payroll system on AMIAT. In the coming months it will continue with the “porting” on the *Iren One* platform of the new companies that are coming into the Group’s consolidation scope.

In relation to the Energy BU, as part of the “Torino In Luce” (Turin in Light) project, the project was completed to create the App for the reporting by residents of any poor services of public lighting and to manage the consequent maintenance actions.

On the front of the Environment BU the project was completed to revise the system for calculating the precise tariff for the municipality of Reggio Emilia and the first stage of the GEOSAI project, relating to the creation of the datawarehouse prototype for analysing the collection and sweeping services.

For Iren Mercato the projects related to Bill 2.0 and to managing the instalment (LED) packages were completed and the project for automating the electrical switches was launched. The project activities are continuing for calculating the gas accrual and for automation of the credit processing processes.

In the area of Territorial Information Systems the planning stage of the new single group system architecture was completed. In the second half of the year work will begin which will lead to a single consultation system within the first quarter of 2017.

On the infrastructure level the consolidation and rationalisation initiatives are continuing. In particular: the first stage of modernising the videoconference rooms was completed and the project to consolidate the group's data centres went live with the closure of the AMIAT data centre and the call for tenders for the new geographical network.

On the ICT security front configuration of the new firewalls began and the assessment and study stage to identify improvement actions was terminated.

RESEARCH AND DEVELOPMENT

In the IREN Group technological innovation is central in strategic decisions and in defining the products and services offered by the Group.

The Business Plan to 2020 approved by the Board of Directors of IREN S.p.A. on 16 June 2015 provides for the implementation of an open innovation model which is intended to be: operational, covering all the businesses and focused on achieving the objectives of increasing efficiency, improving service quality and creating development opportunities, in order to anticipate people's, customers' and communities' new needs.

In particular, the IREN Group is investing in terms of research, development and innovation to optimise and improve operating applications and to introduce technological innovation into its processes and products. The Business Plan to 2020 envisages that approximately 25% of total operating investments will be dedicated to investments with innovative characteristics (approximately 3% of accumulated revenue).

The main research, development and innovation lines on which the IREN Group is investing regard:

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

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

To supervise Innovation, from the beginning of 2015 IREN has put in place a corporate structure (Internationalisation and Innovation Department) with the task of promoting and coordinating research and development projects within the Group, including the management of the research projects financed. As regards these last, those in progress are illustrated below.

FINANCED RESEARCH PROJECTS IN PROGRESS

Water Services

BlueSCities (Horizon 2020 Programme)

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

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

Status: the project is in the thirteenth month of activity and IREN is involved in the work on developing the practical guide for the stakeholders involved and in collecting benchmarking data for the city of Genoa, a pilot site of the project together with other European cities.

Geosmartcity (FP7)

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

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

Status: the project is currently two thirds of the way through its duration (three years) and a pilot development is planned soon in Genoa in which the Municipality will tackle the subject of interoperability of its land register; in this context IREN is carrying out surveys in the field with a total station with automatic error correction returning the figure acquired to the corporate information system and is defining an operating procedure for the integration of this data.

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

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

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

Status: At the end of 2015 the MEUR – National Smart Cities sent the results of the new technical and scientific assessment of the concession application specifying that the project had been approved and admitted to financing. The project will begin its specific activities in 2016 in the Provinces of Genoa and Parma.

Waste Management

Biometh-ER (Life+)

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

Partners: IREN Rinnovabili, Centro Ricerche Produzioni Animali - C.R.P.A. S.p.A., HerAmbiente S.p.A., SOL S.p.A..

Status: A new amendment for the introduction of IRETI as a partner in the project was proposed to the lead manager. This decision is with a view to facilitating the applications for authorisation to the competent authorities and to streamlining the design and installation operations. This process of preparing the applications for installing the purification system in the Roncofiesi purification plant is in progress.

Energy

CELSIUS (FP7)

The project pursues increasing energy efficiency in high-density urban areas by recovering the heat produced by various emission sources.

Each city has been given the task of producing a pilot plant to create and verify a particular method of obtaining increased energy efficiency. Specifically the demonstrator for which IREN is responsible, through the subsidiary Genova Reti Gas, aims at achieving energy recovery using the pressure jump of the natural gas distribution network to produce electricity and heat for a small district heating network.

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

Status: the project has a duration of 57 months and ends in December 2017. The project activities provide for the definitive delivery of the plant in May 2016 and the subsequent startup stages aimed at acquiring operating data of the system and the Key Performance Indicators.

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

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

Partners: IREN, Turin Polytechnic, CSI, Turin University, Manchester University, sponsored by the Municipality of Turin, Italian and European SMEs.

Status: IREN carried out experiments aimed at optimising the management of thermal demand for the buildings related to the districts indicated in the project during the second half of the heating season and the results are being processed.

EMPOWERING (Intelligent Energy Europe programme)

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

Partners: IREN, Turin Polytechnic, Municipality of Reggio Emilia, Danish, French and Spanish utility providers, Italian and European SMEs.

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

FABRIC - FeAsiBility analysis and development of on-Road charging solutions for future electric vehicles (FP7 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: IREN, Turin Polytechnic, FIAT, Pininfarina, Energrid and Scania Nissan research centres, other international industrial partners, Italian and European SMEs.

Status: the project is now in the stage of technical implementation of the induction recharging systems in the different pilot sites. IREN continues to support the partners tasked with developing the Italian demonstrator for all the questions related to the impact of the solution on the electricity grid

FLEXMETER (Horizon 2020 Programme)

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

Partners: IREN, Turin Polytechnic, E-On, University of Grenoble, Siveco, University of Bucharest, Telecom Italia, University of Bologna, ST Microelectronics.

Status: The first quarter of 2016 was characterised by the technical choice of the different metering systems which will be tested both in a number of MV/LV cabins of the Turin electricity network and at a number of end users, including the EnviPark micro-grid (third party of IREN on the project).

Store&Go – (Horizon 2020 Programme)

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

Partners: IREN, Turin Polytechnic, HST, Atmosstat, Climeworks; Studio BFP, DWGV, HSR, other university and industrial partners.

Status: The project is in its initial stages. After the Kick Off Meeting each Work Package is beginning to define the time schedule of the activities.

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

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

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

Status: The software application is being developed with the aim of assisting the IREN control room in the management of emergency calls, and the preparation of tests.

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

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

Partners: IREN, Turin Environment Park, Agencia Andalus de l'Energia, Institut Andaluzo de Tecnologia, SP Technical Research Institute of Sweden, Lombardy Region, The European House Ambrosetti Spl, Nemzeti Innovacios Hivatal, Miskolk Holding Önkormányzati Vagyonkezelő Zártkörűen Működő Részvénytársasá, Borlänge Kommun.

Status: The stage of describing the energy needs and of proposals for making the building involved in the pilot more efficient has ended; this led to the drafting of a prospectus. An energy accounting system has also been installed; this will be completed while the work is being done, for an initial assessment of consumption. The preparation of the contract tender documents is at an advanced stage, and the call for tenders should be issued soon.

OTHER INNOVATION ACTIVITIES

Water Services

During the first three months of 2016 IREN continued to take part in the WssTP (Water Supply and Sanitation Technology Platform) project, launched by the European Commission in order to oversee the research in the water sector, participating also in the TICASS (Tecnologie Innovative per il Controllo Ambientale e lo Sviluppo Sostenibile - Innovative Technologies for Environmental Control and Sustainable Development) Consortium, a technological innovation hub of the Liguria region. In this context numerous project proposals have been submitted which also aim to finance research grants relating to the subject of water quality.

In the same period, IREN oversaw technological innovation hubs in the context of specific research projects to be carried out in collaboration with the Amga Foundation, with companies in the business and with Universities and national and international research entities. More specifically, the research projects launched and completed concerned:

Water demonstrator

In the early months of 2016 IREN began the work on studying and creating a water demonstrator as part of which “low cost” hydrophones and high-resolution pressure sensors will be studied and tested; these will be integrated into Iren’s ICT architecture for the monitoring of water leaks. This will make it possible to have available an innovative technological nucleus to be integrated into the context of future pilot sites to be developed on a wider scale possibly financed by EU tenders (i.e. IoT). The project results acquired in the various steps (self-financed project and subsequent European project) will make it possible to consolidate the know-how acquired increasing Iren’s advantage over its competitors.

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

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

Projects included in the Amga Foundation's research programme

Through the AMGA Foundation, IREN is working on a number of projects related to purification plants and the removal of Endocrine Disruptors, to Algae Microcystins in water destined for human consumption, to the study of the residual capacity of existing lakes for storage of electricity integrating production for the photovoltaic source, to projects in the area of the Iren-Hera-Smat framework agreement. Further subjects of a regulatory economic nature regard a review of the theoretical basis on which the principle of standard costs is based as the foundation of regulation, standard costs as the reference for the costs of capital in businesses, the comparison of incentive systems in the photovoltaic sector in Italy and in Germany, studies on the approaches to financial problems in the water sector including a comparative analysis of the application of the Water Framework Directive in England and Wales and of the possible implications for application in Italy; a study on financing strategies for the water sector in the major European countries; an analysis of the implications on the efficiency of treatment of the remuneration of investments in the regulatory approach of OFWAT; proposals for methods and instruments for financing the Italian water sector; the Data Envelopment Analysis model for estimating efficiency in the water sector.

Energy

Turin LED Project

A project is in progress to replace in the City of Turin approximately 54,000 lighting points fitted with discharge lamps with new LED lamps. The project is completely financed by IREN on an ESCo basis; approximately 40,000 lamps have been replaced from the start of the project to 31 March 2016. In energy terms, when the project is completed, the saving will be approximately 19.6 GWh per year, with lower emissions of approximately 3,600 TOE.

Remote control of district heating plants

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

At 31 March 2016, on the Turin district heating network, 5,136 plants out of 5,220 had been installed.

Tests and experiments are continuing for the installation of the same system on the other district heating networks operated by the Group.

Installation of storage systems on the district heating network

In the city of Turin, IREN has begun the work necessary for the creation of two heat storage systems serving the district heating network, which, added to the currently existing 12,500 m³, will take the total capacity to 17,500 m³. The two systems, each with a capacity of 2,500 m³, and of which one already under construction, will enable a further optimisation of the network and a maximisation of the heat produced in cogeneration reducing the use of supplementary and reserve boilers.

Flexibilisation of combined cycle plants

IREN is proceeding with work on flexibilising its combined cycle plants, to respond better to the ever-increasing needs of the electrical system and to become increasingly competitive in offering services on

the auxiliary services market. These activities involve improvements on gas turbines, steam turbines, steam generators with recovery and control systems, with the purpose of keeping the plant hot, reducing the start-up and shutdown times and increasing the intake/load reduction ramps.

Dam seismic research contract

During 2015 a research contract with the Department of Structural, Building and Geotechnical Engineering of the Turin Polytechnic for seismic testing of dams was activated. The activities of the research programme were oriented to developing methods for the seismic testing of dams and of the related accessory structures, in the current scenario of the changing legislative context on the subject. An annual research grant has been activated to study the stability of the Ceresole Reale dam in seismic conditions, as have two traineeships aimed at characterising the materials of the said dam built at the end of the 1920s and the subject over the years of a certain amount of renewal and extraordinary maintenance work and four dissertations on the seismic testing of the dam and certain accessory works (guard house, intake and generator/compressor unit building). This activity was completed at the end of 2015. A research contract will be signed in 2016 to develop analogous activities on the dam made of loose material in Contrada Sabetta, serving the Bussento (SA) plant.

Monitoring of the Ciardoney glacier

In the early months of 2016 research activities continued on the behaviour of the Valle Orco glaciers, through monitoring of the Ciardoney glacier in the Gran Paradiso National Park. This is an initiative launched at the beginning of the 1990s in collaboration with the Italian Meteorological Society which has continued regularly through annual campaigns to check the mass balance of the glacier. The research is oriented to monitoring the reduction of glaciers in the Alps supporting the planning of the production of hydroelectric plants in Valle Orco.

PERSONNEL AND TRAINING

Personnel

At 31 March 2016 the Iren Group had 6,111 employees; with the same perimeter as 31 December 2015 there was a reduction compared to the previous 6,132 employees. The table below provides a breakdown of personnel at 31 March 2016, divided into Holding and First-level companies (with related subsidiaries), compared with the figure at 31 December 2015.

Company	Workforce at 31.03.2016	Workforce at 31.12.2015
Iren S.p.A.	842	821
Ireti and subsidiaries	1,817	-
Iren Acqua Gas and subsidiaries	-	865
Iren Emilia and subsidiaries	-	794
Iren Ambiente and subsidiaries	2,308	2,257
Iren Energia and subsidiaries	625	915
Iren Mercato and subsidiaries	519	480
Total	6,111	6,132

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

- continuation of the plan to reorganise the Iren Group subsidiaries, implementing the Business Plan adopted, which starting from 1 January 2016, besides transferring a number of business units, entailed the incorporation into IREN Emilia S.p.A. (the company name of which changed on the same date to IRETI S.p.A.) of the following Companies operating in the sector of electricity and gas distribution and of the integrated water service: Genova Reti Gas, AEM Torino Distribuzione (up to then controlled by Iren Energia), IREN Acqua Gas, Acquedotto di Savona, Eniatel and AGA;
- entry into the Group, starting from 1 March 2016, of the company TRM S.p.A. as part of the Environment Business Unit (57 resources);
- continuation of the voluntary retirement incentive process, pursuant to Art. 4 of Italian Law 92/2012, which, with the objective of creating a generational change in the context of the Iren Group, will in any case take into account the organisational need to guarantee maintenance of the policy on the subject of limiting workforces.

Training

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, in order to make a firm contribution to the development of the entire Group.

We can report that on 1 March approval was received from Fonservizi, Fondo Paritetico Interprofessionale Nazionale per la Formazione Continua nei Servizi Pubblici Industriali (National Joint Interprofessional Fund for Continuing Education in the Industrial Public Services), of the training plan entitled *“Update and development of knowledge and technical-professional skills and of those relating to workplace health and safety”*, presented at the end of 2015.

The training plan will be implemented during 2016 and will involve approximately 2500 employees, both technical and administrative, of the various group companies, in initiatives related to technical and specialist subjects and Safety, for a total of approximately 200 course editions and a total of approximately 22,000 hours. According to the type and number of participants, the courses will be held at the various Group offices (Genoa, Turin, Parma, Reggio Emilia and Piacenza) or at offices of external bodies, with different teaching methods (face-to-face lessons, practical exercises, operating simulations, etc.).

In relation to the first quarter of 2016, a total of approximately 20,000 hours of training were provided, with 38% of Group employees taking part in at least one training course, and a per-capita average of 3.2 hours.

QUALITY, ENVIRONMENT AND SAFETY

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

- customer satisfaction;
- attention to the social and environmental aspects;
- personnel 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 personnel and has created strong synergies between the operating structures.

The Parent Company, all first-level companies and the investees have systems that are certified in accordance with international standard ISO 9001 (Quality).

The Parent Company, the first-level companies Iren Energia, Ireti and Iren Ambiente and the main investees are certified in accordance with the international standards ISO 14001 (Environment).

The Parent Company, Ireti, Iren Energia, Iren Mercato and their main subsidiaries and AMIAT are in possession of the Certification under the terms of the OHSAS 18001 Standard (Safety).

Iren Ambiente has certified the provision of the services of cleaning and sweeping public roads and roads used by the public, collection and transport of municipal and similar waste, management of waste collection centres, provision of the waste-to-energy service with production of heat and power at the Parma Environmental Hub.

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

The projects were launched for revision of the processes of Iren, Ireti and Iren Mercato in relation to the corporate and organisational changes that have occurred, with the objective of using the certified systems as an effective instrument for improvement.

In this logic, besides numerous projects for expansion of the certifications mentioned, activities were carried out aimed at maintaining or acquiring:

- accreditation under the terms of UNI EN ISO/IEC 17025 and Accredia for the chemical-biological analysis laboratories;
- certification according to Reg. EC No. 303/2008 - FGAS for Iren Gestioni Energetiche, operating in the heat management sector, for the service provided on devices containing fluorinated greenhouse gases;
- certification for the sales of electricity produced solely from renewable sources, in compliance with the Certiquality Technical Document No. 66, by Iren Mercato;
- transition to the new edition of the standard according to the new standard UNI CEI 11352:2014 by Iren Rinnovabili;
- UNI 11352 certification by Iren Gestioni Energetiche and Iren Servizi e Innovazione.





Consolidated Financial Statements

At 31 March 2016

Statement of financial position

thousands of euro

	31.03.2016	31.12.2015
ASSETS		
Property, plant and equipment	3,341,230	2,907,076
Investment property	13,702	14,148
Intangible assets with a finite useful life	1,383,352	1,363,451
Goodwill	153,209	126,723
Investments accounted for using the equity method	154,118	219,246
Other equity investments	17,821	17,821
Non-current trade receivables	71,725	73,788
Non-current financial assets	62,009	53,012
Other non-current assets	43,265	43,298
Deferred tax assets	284,242	252,812
Total non-current assets	5,524,673	5,071,375
Inventories	66,352	96,337
Trade receivables	1,012,491	841,022
Current tax assets	14,151	19,991
Other receivables and other current assets	193,829	163,366
Current financial assets	553,196	551,302
Cash and cash equivalents	188,081	139,576
Total current assets	2,028,100	1,811,594
Assets held for sale	920	5,420
TOTAL ASSETS	7,553,693	6,888,389

thousands of euro

	31.03.2016	31.12.2015
SHAREHOLDERS' EQUITY		
Equity attributable to owners of the Parent		
Share capital	1,276,226	1,276,226
Reserves and retained earnings (Losses)	529,281	429,444
Net profit /(loss) for the period	72,947	118,193
Total equity attributable to owners of the Parent	1,878,454	1,823,863
Non-controlling interests	244,358	237,803
TOTAL EQUITY	2,122,812	2,061,666
LIABILITIES		
Non-current financial liabilities	3,127,950	2,698,648
Employee benefits	132,498	135,092
Provisions for risks and charges	310,234	292,302
Deferred tax liabilities	192,985	141,840
Other payables and other non-current liabilities	200,572	205,209
Total non-current liabilities	3,964,239	3,473,091
Current financial liabilities	226,455	214,611
Trade payables	773,691	798,696
Other payables and other current liabilities	306,422	220,233
Current tax liabilities	64,559	21,687
Provisions for risks and charges - current portion	95,515	98,405
Total current liabilities	1,466,642	1,353,632
Liabilities related to assets held for sale	-	-
TOTAL LIABILITIES	5,430,881	4,826,723
TOTAL EQUITY AND LIABILITIES	7,553,693	6,888,389

Income statement

thousands of euro

	First 3 months 2016	First 3 months 2015
Revenue		
Revenue from goods and services	837,515	875,315
Change in work in progress	368	34
Other income	48,342	43,770
Total revenue	886,225	919,119
Operating expense		
Raw materials, consumables, supplies and goods	(303,847)	(367,090)
Services and use of third-party assets	(245,180)	(234,035)
Other operating expenses	(14,005)	(20,923)
Capitalised expenses for internal work	6,562	5,903
Personnel expenses	(90,611)	(91,543)
Total operating expense	(647,081)	(707,688)
GROSS OPERATING PROFIT (EBITDA)	239,144	211,431
Amortisation, depreciation, provisions and impairment losses		
Amortisation/depreciation	(70,567)	(65,740)
Provisions and impairment losses	(14,311)	(12,511)
Total amortisation, depreciation, provisions and impairment losses	(84,878)	(78,251)
OPERATING PROFIT (EBIT)	154,266	133,180
Financial income and expense		
Financial income	5,806	8,054
Financial expenses	(36,096)	(36,436)
Total financial income and expense	(30,290)	(28,382)
Share of Profit (loss) of associates accounted for using the equity method	(356)	(2,929)
Impairment losses on investments	-	-
Profit/(loss) before tax	123,620	101,869
Income tax expense	(45,874)	(39,036)
Net profit/ (loss) from continuing operations	77,746	62,833
Net profit /(loss) from discontinued operations	-	-
Net profit /(loss) for the period	77,746	62,833
attributable to:		
- Profit (loss) - Group	72,947	58,589
Profit (loss) - non-controlling interests	4,799	4,244

Statement of other comprehensive income

	thousands of euro	
	First 3 months 2016	First 3 months 2015
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)	77,746	62,833
Other comprehensive income to be subsequently reclassified to the Income Statement		
- effective portion of changes in fair value of cash flow hedges	(18,223)	1,725
- changes in fair value of available-for-sale financial assets	-	-
- share of other profits/(losses) of companies accounted for using the equity method	-	(2,754)
Tax effect of other comprehensive income	4,596	(494)
Total other comprehensive income to be subsequently reclassified to the Income Statement, net of tax effect (B1)	(13,627)	(1,523)
Other comprehensive income that will not be subsequently reclassified to the Income Statement		
- actuarial gains/(losses) on employee defined benefit plans (IAS 19)	-	-
- portion of other profits/(losses) of companies accounted for using the equity method related to employee defined benefit plans (IAS 19)	-	-
Tax effect of other comprehensive income	-	-
Total other comprehensive income that will not be subsequently reclassified to the Income Statement, net of tax effect (B2)	-	-
Total comprehensive income/(expense) (A)+(B1)+(B2)	64,119	61,310
attributable to:		
- Profit (loss) - Group	61,322	57,066
Profit (loss) - non-controlling interests	2,797	4,244

Statement of changes in equity

	Share capital	Share premium reserve	Legal reserve
31/12/2014	1,276,226	105,102	36,855
Retained earnings			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
31/03/2015	1,276,226	105,102	36,855
31/12/2015	1,276,226	105,102	39,360
Retained earnings			
Changes in the scope of consolidation			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
31/03/2016	1,276,226	105,102	39,360

thousands of euro

Hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
(39,695)	298,936	401,198	85,795	1,763,219	230,330	1,993,549
	85,795	85,795	(85,795)	-		-
	511	511		511		511
	(2)	(2)		(2)	(1)	(3)
(1,523)		(1,523)	58,589	57,066	4,244	61,310
			58,589	58,589	4,244	62,833
(1,523)	-	(1,523)		(1,523)		(1,523)
(41,218)	385,240	485,979	58,589	1,820,794	234,573	2,055,367
(36,654)	321,636	429,444	118,193	1,823,863	237,803	2,061,666
	118,193	118,193	(118,193)	-		-
(2,432)	(2,840)	(5,272)		(5,272)	3,765	(1,507)
	(1,286)	(1,286)		(1,286)		(1,286)
	(173)	(173)		(173)	(7)	(180)
(11,625)		(11,625)	72,947	61,322	2,797	64,119
			72,947	72,947	4,799	77,746
(11,625)	-	(11,625)		(11,625)	(2,002)	(13,627)
(50,711)	435,530	529,281	72,947	1,878,454	244,358	2,122,812

Statement of cash flows

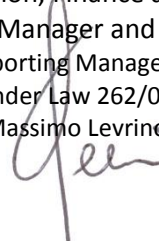
	thousands of euro	
	First 3 months 2016	First 3 months 2015
A. Opening cash and cash equivalents	139,576	51,601
Cash flows from operating activities		
Profit (loss) for the period	77,746	62,833
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	70,567	65,740
Capital gains (losses) and other changes in equity	2,102	3,038
Net change in post-employment benefits and other employee benefits	(2,966)	(1,155)
Net change in provision for risks and other charges	6,916	6,370
Change in deferred tax assets and liabilities	(2,303)	(2,236)
Change in other non-current assets and liabilities	(4,604)	(9,206)
Dividends accounted for net of adjustments	-	(66)
Share of profit (loss) of associates and joint ventures	356	2,929
Net impairment losses (reversals of impairment losses) on assets	2,425	-
B. Cash flows from operating activities before changes in NWC	150,239	128,247
Change in inventories	30,610	22,881
Change in trade receivables	(133,907)	(85,580)
Change in tax assets and other current assets	(3,139)	3,150
Change in trade payables	(52,349)	55,152
Change in tax liabilities and other current liabilities	105,473	27,209
C. Cash flows from changes in NWC	(53,312)	22,812
D. Cash flows from /(used in) operating activities (B+C)	96,927	151,059
Cash flows from /(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(41,256)	(43,167)
Investments in financial assets	(31)	(385)
Proceeds from the sale of investments and changes in assets held for sale	1,509	4,067
Changes in the scope of consolidation	(425,526)	-
Dividends received	4,850	66
E. Total cash flows from /(used in) investing activities	(460,454)	(39,419)
F. Free cash flow (D+E)	(363,527)	111,640
Cash flows from /(used in) financing activities		
Dividends paid	-	-
New non-current loans	-	150,000
Repayment of non-current loans	(7,575)	(3,808)
Change in financial liabilities	430,498	(222,853)
Change in financial assets	(10,891)	(52,030)
G. Total cash flows from /(used in) financing activities	412,032	(128,691)
H. Cash flows for the period (F+G)	48,505	(17,051)
I. Closing cash and cash equivalents (A+H)	188,081	34,550

Certification by the Financial Reporting Manager pursuant to Article 154-bis, paragraph 2 of Italian Legislative Decree No. 58/1998 (“Testo Unico della finanza” [Consolidated Finance Act]);

The undersigned Massimo Levrino, Financial Reporting Manager of IREN S.p.A declares, pursuant to paragraph 2 of Article 154-bis of the “Testo Unico della Finanza” [Consolidated Finance Act], that the accounting information contained in this Interim Report at 31 March 2016 corresponds to the documentary records, books and accounting entries.

12 May 2016

IREN S.p.A.
Administration, Finance and Control
Manager and
Financial Reporting Manager appointed
under Law 262/05
Massimo Levrino





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