Annual Report

2021

At 31 december 2021

iren

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Introduction

1

Company officers

Board of Directors[1]

Chairperson
Renato Boero[2]
Deputy Chairperson
Moris Ferretti[3]
Chief Executive Officer and General Manager
Gianni Vittorio Armani[4]
Directors
Sonia Maria Margherita Cantoni[5]
Enrica Maria Ghia[6]
Pietro Paolo Giampellegrini[7]
Alessandro Giglio[8]
Francesca Grasselli[9]
Maurizio Irrera[10]
Cristiano Lavaggi[11]
Ginevra Virginia Lombardi[12]
Giacomo Malmesi[13]
Gianluca Micconi
Tiziana Merlino
Licia Soncini[14]

Board of Statutory Auditors[15]

Chairperson
Michele Rutigliano
Standing auditors
Cristina Chiantia
Simone Caprari
Ugo Ballerini
Sonia Ferrero
Alternate Auditors
Lucia Tacchino
Fabrizio Riccardo Di Giusto

[1] Appointed at the Shareholders' Meeting of 22 May 2019 for the 2019-2020-2021 three-year period.

[2] Appointed Chairperson at the Shareholders' Meeting of 22 May 2019.

[3] Appointed Deputy Chairperson at the Board of Directors meeting held on 22 May 2019.

[4] Co-opted as Director pursuant to article 2386 of the Italian Civil Code and appointed Chief Executive Officer and General Manager at the meeting of the Board of Directors held on 29 May 2021, to replace Massimiliano Bianco, who resigned from these positions with effect from the same date.

[5] Member of the Control, Risk and Sustainability Committee, appointed on 22 May 2019.

[6] Member of the Control, Risk and Sustainability Committee, appointed on 22 May 2019.

[7] Member of the Remuneration and Appointments Committee, appointed on 22 May 2019. Mr Giampellegrini was also appointed Chairperson of the Remuneration and Appointments Committee at the Board of Directors' meeting held on 30 May 2019.

[8] Member of the Related Party Transactions Committee, appointed on 22 May 2019.

[9] Member of the Related Party Transactions Committee from 22 May to 30 May 2019, and member of the Remuneration and Appointments Committee as of 30 May 2019.

Manager in charge of financial reporting

Anna Tanganelli[17]

Independent Auditors

KPMG S.p.A.[16]

[10] Member of the Remuneration and Appointments Committee, appointed on 22 May 2019.

[11] Member of the Remuneration and Appointments Committee from 22 May to 30 May 2019, and member of the Control, Risk and Sustainability Committee from 30 May 2019.

[12] Member of the Related Party Transactions Committee, appointed on 30 May 2019.

[13] Member of the Audit, Risk and Sustainability Committee, appointed on 22 May 2019 and member of the Related Party Transactions Committee, appointed on 30 May 2019. Mr Malmesi was also appointed Chairperson of the Control, Risk and Sustainability Committee at the Board of Directors' meeting held on 30 May 2019.

[14] Member of the Related Party Transactions Committee, appointed on 22 May 2019. Ms Soncini was also appointed Chairperson of the Related Party Transactions Committee at the full Committee meeting held on 29 May 2019.

[15] Appointed at the Shareholders' Meeting of 06 May 2021 for the 2021-2022-2023 three-year period.

[16] Appointed at the Shareholders' Meeting of 22 May 2019 for the 2021-2029 nine-year period.

[17] Appointed by the Board of Directors on 26 November 2021, after consultation with the Board of Statutory Auditors. Until this date, the position was held by Massimo Levrino.

Shareholders' Meeting notification

Notice is hereby given that the Shareholders are convened, on a single call, at 10:00 a.m. CET on Tuesday, 21 June 2022, at Sala Polivalente of Iren's office in Strada S. Margherita 6/A, Parma, Italy to discuss and resolve on the following:

Agenda:

1) Financial statements as at and for the year ended 31 December 2021. Directors' report, Report of the Board of Statutory Auditors and Report of the Independent Auditors.
2) Allocation of the profit for the year. Related resolutions
3) Report on the 2022 remuneration policy prepared pursuant art. 123-ter of the TUF (as well as modified by Legislative decree no. 49/2019), first section: related resolutions.
4) Report on the 2022 remuneration policy prepared pursuant art. 123-ter of the TUF (as well as modified by Legislative decree no. 49/2019), second section: related resolutions – consultative resolution.
5) Appointment of the Board of Directors and related statutory duties of the Shareholders for the three-year period 2022-2023-2024 (deadline: date of approval of the 2024 financial statements): related resolutions.
6) Determination of the remuneration of the regular members of the Board of Statutory Auditors pursuant to art. 21 of the Bylaws. Related resolutions.

The Chairperson of the Board of Directors
Renato Boero

Letter to Shareholders and Stakeholders

Dear Shareholders and Stakeholders,

with this letter, we are presenting the results of the Financial Statements 2021 and the Sustainability Report 2021 with the aim of ensuring an integrated reading to all stakeholders of the Group.

In fact, Iren Group considers sustainability as a fundamental lever for the creation of value over time and is constantly committed to conducting its activities considering the interests of its stakeholders, in the awareness that dialogue and the sharing of objectives are tools through which to create mutual value.

A way of doing business that finds its foundation in the business model and in the Group's Strategic Plan, which includes a concrete commitment to the Sustainable Development Goals of the UN 2030 Agenda (SDGs), and that guarantees long-term resilience, also by reacting quickly and effectively to exogenous phenomena of exceptional magnitude. The Covid-19 pandemic and the recent dramatic war events that are affecting Europe, in fact, further influence a context already marked by profound transformations such as energy and digital transition, circular economy, energy independence and security, energy efficiency, preservation of natural resources and decarbonization.

The ability, therefore, to be flexible and to be able to interpret extraordinary events and trends of our time, represent the discriminating factor to ensure the competitiveness of a company in the long-term.

In this scenario, in November 2021, Iren Group launched - for the first time in its history - a 10-year Business Plan consistent with the main macro-trends of the sector, which rests its foundations on three pillars: green transition, quality of service and local presence. Iren aims to be the preferred partner for citizens and public administrations, to establish itself as a leader in the green transition and to be the first choice of stakeholders for the highest levels of service quality offered.

The Group's business strategy, which foresees 12.7 billion Euro of investments by 2030, is strongly integrated with sustainability: about 80% of the investments, 8.7 billion Euro, will, in fact, be "sustainable": in addition to the reduction of climate-altering emissions and the progressive growth in renewables, where Iren plans to increase the production of energy from renewable sources by 2.2 GW, we will support the circular economy, the rational use of water resources and the resilience of cities.

A path of growth that has seen the entry, in 2021 alone, of more than 880 new resources into the Group and that inevitably passes through the attention and enhancement of people. This takes concrete form in the

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strengthening of skills, through training activities that have involved 94% of employees with 23 hours of training per capita, intended to grow to 30 hours in 2030; in the projects launched to balance the presence of women in the workforce by developing the talent of employees, with the ambition of having at least 30% female managers by 2030; finally, in the Gender Pay Equity project, aimed at identifying and correcting any factors that cause pay inequalities.

Attention to people also extends to communities: in a scenario characterised by an unprecedented increase in the cost of raw materials that has generated significant repercussions on the budgets of households and businesses, the Group has managed to guarantee its customers gas and electricity prices that are on average 30% lower than market prices.

Despite a particularly complex market context, the resilience of the Group's multi-business model and the effectiveness of the actions taken to deal with the volatility of the energy scenario enabled it to record positive results in 2021, confirming the growth path of the Group, which closed the year with revenues of 4.9 billion Euro, EBITDA of over 1 billion Euro, up 9.6% on last year, and Group Net Profit of 303 million Euro (+26.7%).

Particularly significant is the figure for investments, which grew by 4.7% compared to 2020 and amounted to 955 million Euro, financed by cash generation, making it possible to keep the net financial debt in line with last year, to support the economies and induced activities of the territories and to propose Iren as a preferential partner for citizens and public administrations, to meet their needs and find advanced solutions.

In 2021, the Group's results were accompanied by the growth of all sustainability indicators, showing significant performance and confirming the strategic value always attributed to these fundamental aspects for the development of the territories, the environment and the different players that interact with Iren.

During 2021, 70% of the investments made by the Group were allocated to sustainable projects or activities in line with the pillars of the Business Plan. As far as the green transition is concerned, during the year, thanks to an increased production of heat, the power generation carbon intensity was reduced by 3%, according to the path set by Iren and validated by *Science Based Target initiative,* in line with the Paris Agreement, to halve its impact by 2030. In addition, the recent acquisition of Italy's largest photovoltaic park, located in Puglia, allows for an increase in renewable generation as early as 2022.

The year 2021 was also characterised by strong growth in waste valorisation in the Group's plants both for the generation of new material and for the launch of biomethane production from biodegradable waste. The production of biomethane and the recovery of material are important pillars in circular economy development and fundamental elements for achieving the European decarbonization targets. Finally, green energy sold has grown considerably, thanks to a campaign started in 2020 aimed at encouraging sustainable consumption and reducing the environmental impact of our customers.

The 2% increase in district heating volumes, the achievement of 70.3% of

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sorted waste collection, thanks to door-to-door collection and pay-as-you-throw systems, and the large number of energy and aesthetic redevelopment projects for private buildings, supported by Superbonus 110%, Ecobonus and Bonus facades, have strengthened the local presence of Iren and its roots in the areas in which it operates.

Finally, the quality of the services offered continues to show high levels of customer satisfaction with 91% of positive evaluations. Thanks to districtualisation activities, which allow for greater monitoring and timely intervention, water leaks from water networks have been further reduced.

The Group has also implemented in its reporting the recommendations of the TCFD (*Task Force on Climate-related Financial Disclosures)* regarding the risks and opportunities that climate change may generate on the Group's future margins. Moreover, for the first year, the Sustainability Report reports the information required by the EU Taxonomy to make transparent to all stakeholders which managed activities are considered sustainable according to the criteria of European directives and the share of investments, expenses and revenues related to them.

The efficient management of the Group in terms of size and economic-financial indicators, the development of skills and quality in services, the utmost attention to sustainability and care for internal resources and customers, are the key factors that have enabled us to achieve the results we are presenting for the approval of the Shareholders, proposing to the Shareholders' Meeting a dividend of 0.105 Euro per share, up 10.5% compared to 2020.

To all the men and women of Iren Group, also on behalf of the Board of Directors, we would like to thank them for the competence, sense of responsibility, dedication and commitment that they put into their work on a daily basis, from which the results we have achieved derive. We would like to thank our Shareholders and Stakeholders, for the incentives they provide us with to pursue sustainable development, and the members of the Board of Directors and the Board of Statutory Auditors for their decisive contribution to the growth of the Group.

Chairperson	Deputy Chairperson	Chief Executive Officer
Renato Boero	**Moris Ferretti**	**Gianni Vittorio Armani**

Ownership structure

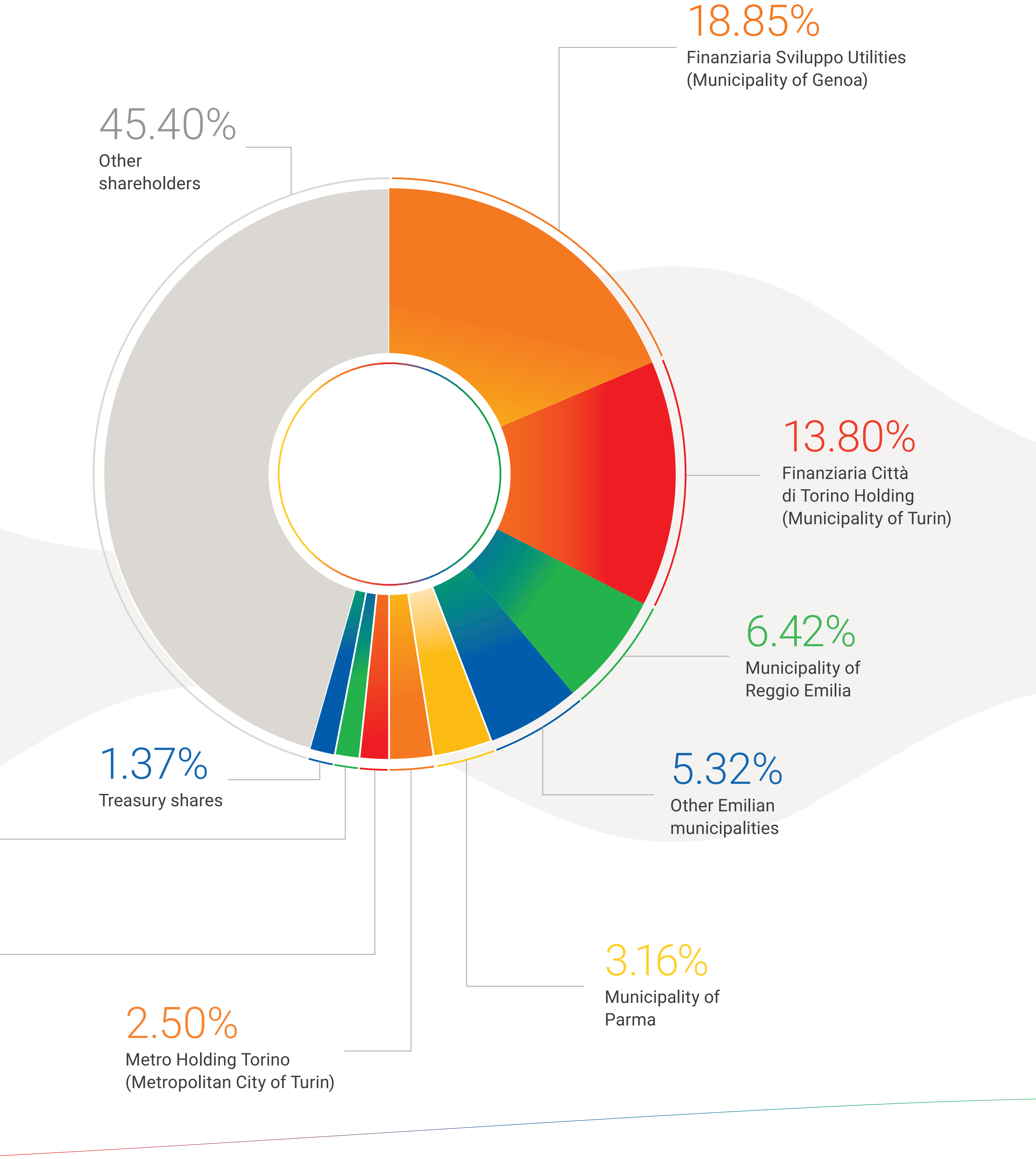
The share capital of Iren S.p.A. (the "parent") amounts to 1,300,931,377 euro, fully paid up, and is made up of ordinary shares with a nominal value of 1 euro each.

In April 2021, Metro Holding Torino S.r.l., fully controlled by the Metropolitan City of Turin, purchased 2.5% of Iren's capital through a Reverse Accelerated Bookbuilding procedure for qualified investors and foreign institutional investors.

As at 31 December 2021, on the basis of the information available to the parent, Iren's ownership structure was as illustrated below; it should also be noted that, at that date, Iren S.p.A. held 17,855,645 treasury shares, equal to 1.37% of the share capital, and that there were no private shareholders holding more than 3% of the share capital.

1.37%
Municipality of Piacenza

1.81%
Municipality of La Spezia and other public shareholders of the Province of La Spezia


18.85%
Finanziaria Sviluppo Utilities (Municipality of Genoa)
45.40%
Other shareholders
13.80%
Finanziaria Città di Torino Holding (Municipality of Turin)
6.42%
Municipality of Reggio Emilia
5.32%
Other Emilian municipalities
1.37%
Treasury shares
3.16%
Municipality of Parma
2.50%
Metro Holding Torino (Metropolitan City of Turin)

A century of history

A company for over 110 years focused on the development of its territories and the needs of its customers.

1905
Parma's municipal electric lighting company is born

1907
The Turin municipal company AEM is born

1922
Genoa's municipal gas company is created

1936
AMGA is born from municipal gas company of Genoa

1996
AMGA Genoa listed on the Stock Exchange

2000
AEM Turin listed on the Stock Exchange and ASM Piacenza become TESA

2005
AMPS, TESA and AGAC establish ENIA

2006
AEM Turin and AMGA Genoa form IRIDE

2007
ENIA listed on the Stock Exchange

Mission

To offer our customers and areas the best integrated management of energy, water and environmental resources, wit innovative and sustainable solutions in order to create value over time.

For everyone, every day.

1962
The Reggio Emilia municipal company AMG is born

1965
The Parma municipal company becomes AMPS

1972
The Piacenza municipal company ASM is born

1994
AGAC was set up from the Reggio Emilia municipal company

2010
IRIDE and ENIA constitute IREN

2015
AMIAT joins the Iren Group

2016
Ireti is born, TRM and ATENA Vercelli enter the Group

2018
ACAM La Spezia joins the Group

2020
The Group acquires Unieco Waste Management Division

Vision

Improving people's quality of life, making businesses more competitive. To look at territorial growth with a focus on change. Merging development and sustainability into one unique value. We are the muti-utility company that wants to build this future through innovative choices.

For everyone, every day.

Key Figures of the Iren Group: Highlights 2021

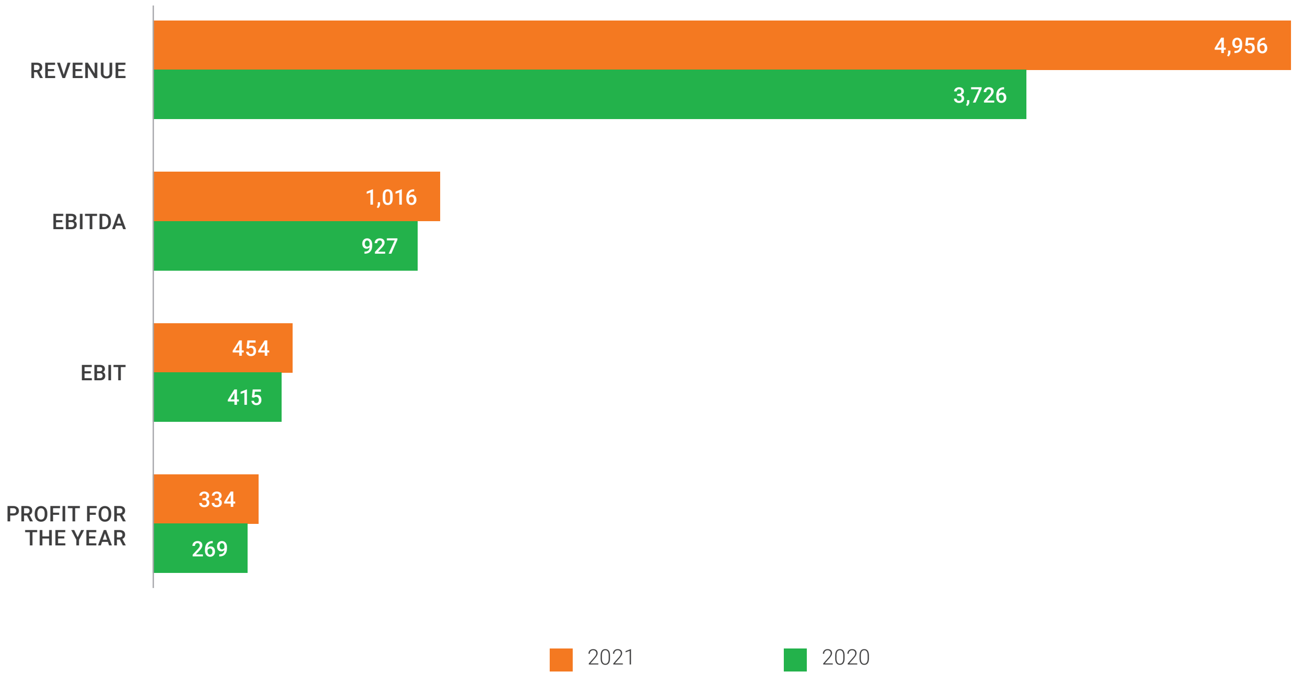
RESULTS (MILLIONS OF EURO)

	2021	2020 Restated	Change %
Revenue	4,955.9	3,726.2	33.0
Gross operating profit (EBITDA)	1,015.8	926.9	9.6
Operating profit (EBIT)	454.1	415.4	9.3
Profit for the year	333.5	269.3	23.8
Gross operating profit (EBITDA) Margin (Gross operating profit (EBITDA)/Revenue)	20.5%	24.9%	

The comparative figures for 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and I.Blu. For further information, see section IV "Business combinations". In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in section I. Basis of presentation under "Consolidated Financial Statements".

For definitions of Alternative Performance Measures, see the relevant section in this Report.

(MILLIONS OF EURO)



FINANCIAL POSITION

(MILLIONS OF EURO)

	31.12.2021	31.12.2020 Restated	Change %
Net Invested Capital (NIC)	5,856.5	5,712.9	2.5
Equity (E)	2,950.7	2,764.7	6.7
Net Financial Debt (NFD)	2,905.8	2,948.2	(1.4)
Debt/Equity (Net Financial Debt/Equity)	0.98	1.07	

The comparative figures at 31 December 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and I.Blu. For further information, see section IV "Business combinations". In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in section I. Basis of presentation under "Consolidated Financial Statements".

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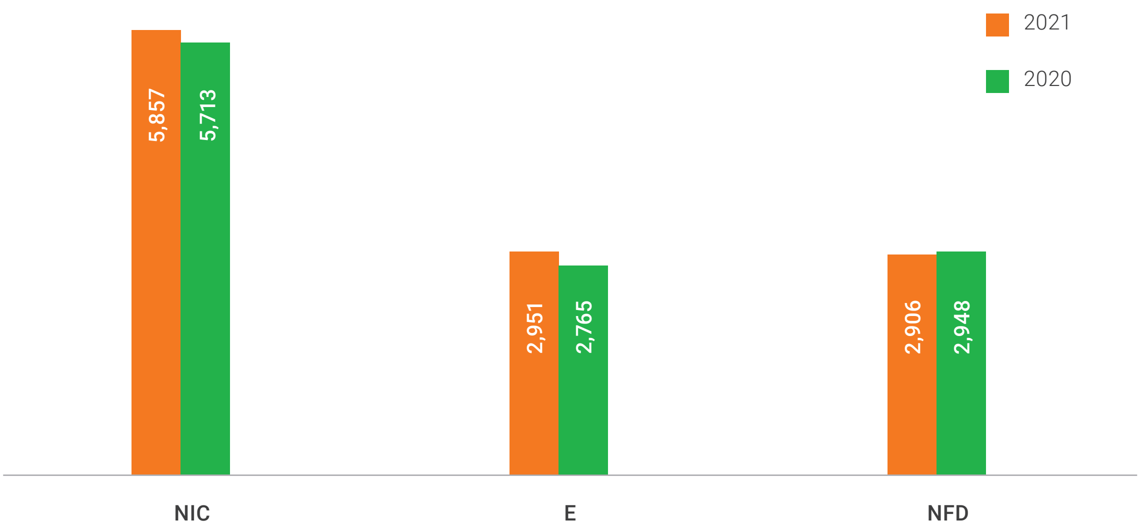
(MILLIONS OF EURO)



TECHNICAL AND COMMERCIAL FIGURES

	2021	2020	Change %
Electricity produced (GWh)	9,822.9	10,109.6	(2.8)
Thermal energy produced (GWht)	3,328.0	2,948.1	12.9
Electricity distributed (GWh)	3,679.8	3,587.3	2.6
Gas distributed (mln m^3)	1,347.4	1,249.8	7.8
Water sold (mln m^3)	174.8	175.1	(0.2)
Electricity sold (GWh)	17,607.9	16,640.3	5.8
Gas sold (mln m^3) (*)	2,707.4	2,808.6	(3.6)
District heating volume (mln m^3)	98.8	96.7	2.2
Waste treated (tonnes)	3,646,007	3,081,055	18.3

* including electricity bought and sold on the Power exchange

** of which, 1,679.1 mln m^3 for internal use in 2021 (1,728.2 mln m^3 in 2020, -2.8%)

The Corporate Structure of the Iren Group

iren

iren energia | iren mercato | IRETI | iren ambiente

The Group is structured according to a model that envisages an industrial holding company (Iren S.p.A., with registered office in Reggio Emilia) and four companies responsible for the individual business lines, located in the main operating sites of Genoa, Parma, Piacenza, Reggio Emilia, Turin, Vercelli and La Spezia.

Iren S.p.A. is responsible for strategic, development, coordination and control activities, while the four Business Units (BUs) have been entrusted with the coordination and direction of the companies operating in their respective sectors:

- Networks, which works in the areas of integrated water cycle, gas distribution and electricity distribution;
- Waste Management, which carries out waste collection, urban hygiene, treatment and disposal activities;
- Energy, operating in the sectors of electric and thermal energy production, district heating, energy efficiency and technological services, public lighting and traffic light networks;
- Market, active in the sale of electricity, gas, heat for district heating and products and services in the field of home automation, energy saving and electric mobility for customers.

Networks BU

Integrated water services

IRETI, head of the Business Unit, directly and through its operating subsidiaries Iren Acqua, Iren Acqua Tigullio, ASM Vercelli and ACAM Acque operates in the water supply, sewerage and waste-water treatment sectors in the provinces of Genoa, Savona, Piacenza, Parma, Reggio Emilia, Vercelli, La Spezia and in some other municipalities located in Piedmont and Lombardy. Overall, in the Ambiti Territoriali Ottimali (ATO, Optimal Territorial Areas) managed, the service is provided in 238 municipalities through a distribution network of 20,088 kilometres, serving almost 2.8 million residents. As regards waste water, the Networks BU manages a sewerage network spanning a total of 11,291 kilometres.

Gas distribution

IRETI distributes natural gas in 70 municipalities of the Provinces of Reggio Emilia, Parma and Piacenza (including the capitals), in the Municipality of Genoa and in 20 other municipalities nearby. In addition, through ASM Vercelli it distributes gas in the city of Vercelli, in 10 municipalities of the same province and in 3 other municipalities in Piedmont and Lombardy. The distribution network, made up of 8,115 kilometres of high, medium and low-pressure pipes, serves a catchment area of approximately 741 thousand redelivery points.

Electricity distribution

IRETI provides the electricity distribution service in the cities of Turin, Parma and, through ASM Vercelli, in the city of Vercelli with 7,849 kilometres of network in medium and low voltage, and a total of nearly 725 thousand connected users.

Waste Management BU

Iren Ambiente, the head of this Business Unit, operates in particular in the sectors of waste collection, treatment and disposal in the historic Emilia catchment area, as well as managing a number of treatment and disposal plants in the provinces of Turin and Savona.

In addition, the Waste Management BU operates along the waste chain through companies located across other regions: AMIAT, ASM Vercelli (controlled by IRETI), TRM and Territorio e Risorse in Piedmont and ACAM Ambiente, ReCos and Rigenera Materiali in Liguria; San Germano instead carries out its main activity as waste collector in several regions, including Sardinia, Lombardy, Piedmont and Emilia-Romagna.

Again with reference to the territories in which the Group operates, the recently acquired companies of the so-called “Divisione Ambiente Unieco” (Unieco’s Waste Management Division), located in a number of Italian regions (Emilia Romagna, Piedmont, Tuscany, the Marches and Apulia), are active in all stages of the supply chain: from intermediation to treatment and recovery, to the disposal of both municipal and special waste and, through the associated SEI Toscana, also in the collection of municipal waste.

Finally, I.Blu is active in the sorting of plastic waste for recovery and recycling and in the treatment of plastic waste for the production of Blupolymer (polymer for civil uses) and Bluair (reducing agent for steel plants).

The Business Unit therefore carries out all the activities of the municipal waste management cycle (collection, sorting, recovery and disposal), with particular attention to sustainable development and environmental protection confirmed by increasing levels of sorted waste collection; it also manages an important portfolio of customers to whom it provides all services for the disposal of special waste.

The Waste Management BU serves a total of 300 municipalities with more than 2.9 million residents in its operational areas. The integrated waste cycle is mainly made up of 3 waste-to-energy plants (TRM, owned by the company of the same name, in Turin, Polo Ambientale Integrato (PAI) (Integrated Environmental Hub), in Parma, and Tecnoborgo, in Piacenza, the latter owned by Iren Ambiente, which heads up the BU), 4 active landfills, 317 equipped technological stations and 52 treatment, selection, storage, recovery, biodigestion and composting plants.

On 30 March 2021, Iren Ambiente completed the acquisition of control of the associate Futura S.p.A. (Unieco Waste Management Division), which has a mechanical biological treatment plant and operates in Grosseto.

Energy BU

Production of electricity and heat

The Energy BU’s installed capacity totals 2,728 MW of electricity and approximately 2,350 MW of heat. Specifically, it has 31 electricity production plants directly available to it: 23 hydroelectric (including 3 mini-hydro) plants, 7 thermoelectric cogeneration plants, and 1 conventional thermoelectric plant. The Business Unit has 95 photovoltaic production plants with an installed capacity of 18 MW.

With respect to thermal production, at Group level, more than 34% of the total thermal power serving district heating comes from the cogeneration plants owned by Iren Energia, the company that heads up this BU and produces 77% of the heat for district heating. The share of thermal power related to conventional heat generators is 57%, with district heating production at 13%. The remainder of 10% is produced by group plants not belonging to the Business Unit (waste-to-energy plants).

Electricity produced by plants fuelled by environmentally-friendly sources (renewable or high-efficiency cogeneration), which account for 70% of the Group’s plant portfolio, amounts to more than 73% of all output. 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, and reduces the need to make use of other forms of production that have a greater environmental impact.

In 2020, a contract was signed with Ansaldo for the expansion of the Turbigo thermoelectric power plant through the design, supply and construction of a new gas-fired combined-cycle power generation plant, which will increase the site’s total installed capacity from the current 850 MW to about 1,280 MW, project that was substantially completed in 2021 and will enter into operation in the early months of 2022.

Iren Energia also oversees the scheduling and dispatching of the Group’s electricity production, as well as operations on the electricity exchange.

District heating

Iren Energia has the most extensive district heating network in Italy (1,091 kilometres of double pipe network), with 726 kilometres in the Turin area, of which 79 kilometres in the municipalities of

Grugliasco, Rivoli and Collegno (Metropolitan City of Turin), 10 in the Municipality of Genoa, 221 in the Municipality of Reggio Emilia, 104 in the Municipality of Parma and 30 in the Municipality of Piacenza; the total volume heated amounts to 96.8 million cubic metres.

Energy efficiency services

Through its subsidiary Iren Smart Solutions, the Energy BU operates in the energy efficiency sector, designing, implementing and managing measures to reduce energy consumption; it provides energy services and global services for residential buildings, private and public facilities as well as industrial and commercial complexes, guaranteeing the maintenance and management of heating, air-conditioning, plumbing, sanitary, refrigeration, electrical and solar panel systems, as well as their design and installation. Iren Smart Solutions also handles the development and management of public lighting and traffic lights and similar services.

On 13 October 2021, Iren Smart Solutions signed a contract for the acquisition of 100% of Bosch Energy and Building Solutions Italy S.r.l., operating in the energy efficiency sector as an ESCo (Energy Service Company), specifically in the design, construction and management of integrated heating, air conditioning and cogeneration systems for public and private customers. The company, which operates mainly in northern Italy, will help expand, also in terms of know-how, the Group's activities in the energy efficiency sector, integrating the range of services offered.

Market BU

Sale of electricity

Iren Mercato operates, in the context of the free market, all over the country, with a higher concentration of customers in Central and Northern Italy, and handles the sale of the energy provided by the Group's various sources on the market of final customers and wholesalers. The main Group energy sources available for its activities are the thermoelectric and hydroelectric plants of Iren Energia. The company also operates as the operator of the "greater protection" service for retail customers on the electricity market in the city of Turin, the territory of Parma and the catchment area of the municipality of Sanremo (IM).

The retail and small business electricity customers managed are over one million, distributed mainly in the traditionally served basin of Turin and Parma and in the other areas commercially covered by Iren Mercato and ATENA Trading.

Sale of Natural Gas

Retail gas customers managed by the Market Business Unit amounted to more than 954 thousand, mainly throughout the traditional Genoa, Turin and Emilia Romagna catchment area and surrounding development areas, Vercelli, the Campania region (through ATENA Trading and Salerno Energia Vendite, respectively), and La Spezia. In particular, Salerno Energia Vendite is present in almost all the provinces in Campania as well as in a number of municipalities of the Basilicata, Calabria, Tuscany and Lazio regions.

From July 2021, with the acquisition of 100% of the quota capital of SidIren S.r.l. operating in the sale of natural gas, Iren Mercato has extended its gas customer portfolio to 78 municipalities in the province of Avellino.

Sale of heat through the district heating network

Iren Mercato manages the sale of heat, purchased from Iren Energia, to district heating customers in the municipalities of Turin, Nichelino, Beinasco (Turin area), Genoa, Reggio Emilia, Piacenza and Parma and the commercial development in the areas of new district heating installations.

The commercial offers that complement the sale of commodities include the "New downstream" business line, for the marketing to retail customers of innovative products in the area of home automation, energy savings and the maintenance of domestic systems, and "IrenGO zero emissions", the innovative offer for electric mobility aimed at private customers, companies and public bodies with the objective of reducing the environmental impact of travel. In this respect, the Group has also experimented with the potential and benefits of e-mobility by launching a series of internal initiatives such as the installation of charging infrastructures and the gradual introduction of electric vehicles. All the IrenGO internal and external electric mobility initiatives benefit from 100% green energy supply deriving from the Group's hydroelectric plants.

Information on the Iren stock in 2021

Iren stock performance on the stock exchange

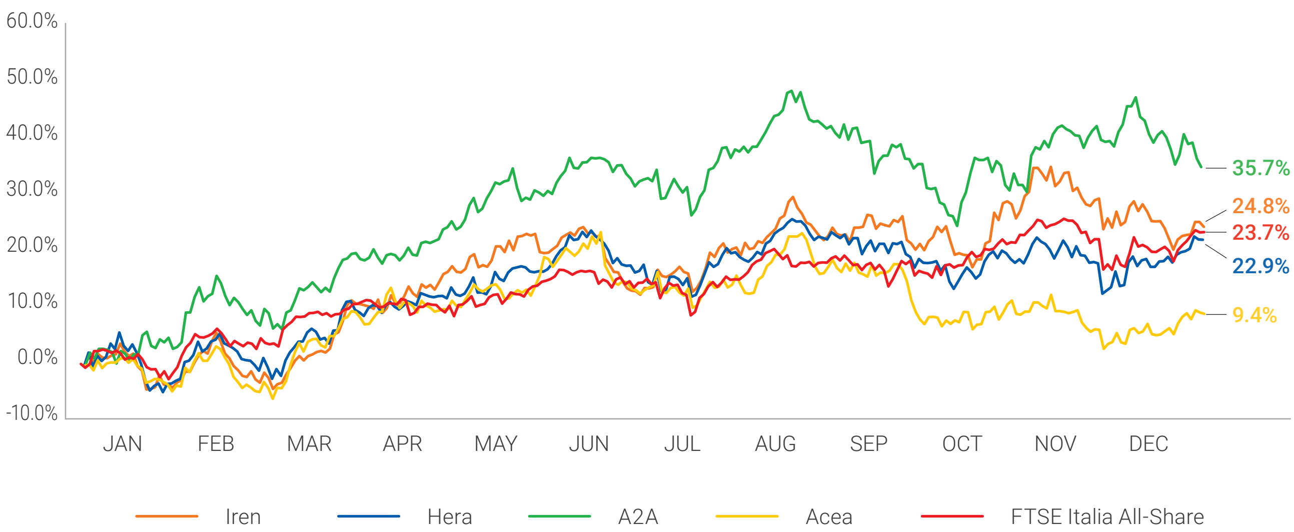
In 2021, the world's major stock market indices reported an upward trend, thanks largely to actions to counter the spread of Covid-19 and the resulting expectations of economic recovery. These positive expectations were, moreover, supported by the Next Generation EU plan as well as by the expansive monetary policies of the major international central banks.

The year 2021 was characterised by high volatility in the energy scenario and higher than expected inflation rates. Both phenomena, which can be traced back to the development of the Covid emergency, had a negative impact on the markets, particularly in the last quarter.

In spite of this context and analysing the whole of 2021, the FTSE Italia All-Share (the main index of the Italian Stock Exchange) reported an increase of 23.7%, which reflects the expectations of recovery of the Italian economy, confirmed by the GDP trend.

The four multi-utilities reported an upturn in performance, benefiting from expectations of a positive impact of European and national plans for economic recovery and infrastructure development, in the highly important area of environmental sustainability, and the upward trend in energy prices.

PERFORMANCE OF IREN STOCK COMPARED TO COMPETITORS

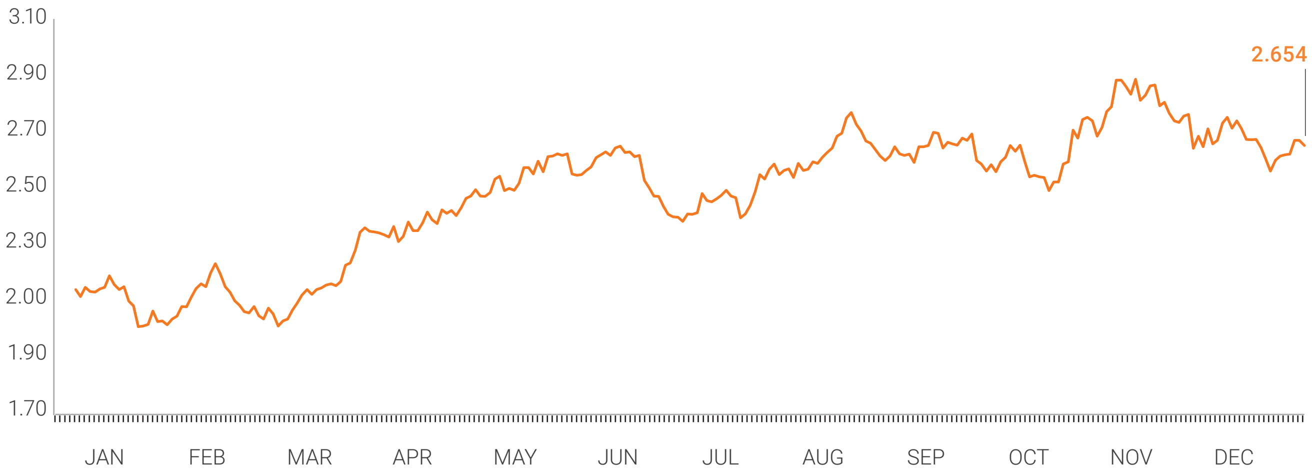


At 30 December, the last trading day in 2021, the IREN share price stood at 2.654 euro per share, up by 24.8% compared to the price at the beginning of the year, with average trading volumes during the year amounting to approximately 1.88 million units. The average price in 2021 was 2.48 euro per share.

The maximum for the year, taking the daily closing prices as reference, was recorded on 10 November, equal to 2.88 euro per share; the minimum for the year, equal to 2.028 euro per share, was instead recorded on 21 January.

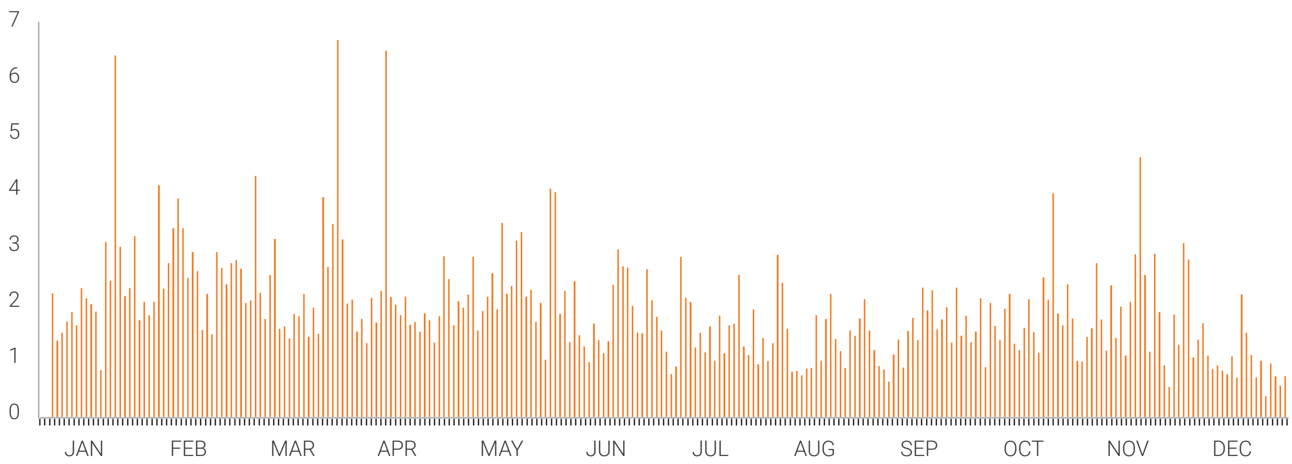
The two charts below show the Iren share price performance and volumes traded in 2021.

PRICE PERFORMANCE



VOLUMES TRADED

(MILLIONS OF SHARES)



Share coverage

During the year, the Iren Group was followed by seven brokers: Equita, Exane (sponsored research), Intermonte, Intesa Sanpaolo, Kepler Cheuvreux, Mediobanca and Stifel.

Directors' report

2

At 31 december 2021

Market Context

The macroeconomic scenario

The year 2021 was marked by a significant recovery in the global economy, albeit against a backdrop of wide disparities between different groups of countries. The OECD estimates that global GDP grew 5.6% in 2021, supported by the recovery of OECD economies (+5.3%) and China and India, which reported annual growth of more than 8%. Instead, a lack of resources for public support policies and vaccination campaigns continues to limit growth in low-income per capita countries.

In 2021, the European economy is estimated to grow by 5.2%. European results were affected by the reintroduction, in the latter part of the year, of restrictive measures to limit the spread of the Omicron variant and the slowdown in manufacturing linked to the scarcity of raw materials and semi-finished products. Italy closes 2021 with an annual growth rate above the European average of 6.5%, after the significant contraction in 2020 (-9%).

The post-pandemic economic recovery has been accompanied since late 2020 by an international price recovery. Inflation was particularly intense for commodity prices, given the comparison with historical lows reached during the pandemic period and the scarcity phenomena created in large part by the mismatch between the recovery of supply and demand at the end of the first wave of the pandemic. In 2021, the consumer price index registered an annual increase of 3.5% globally, peaking near 5% at the end of the year. In Italy, on the other hand, price trends remained more contained, with an average for the year of just under 2% and a peak in December of 4.2%.

Household spending

The gradual removal of restrictive measures and the economic recovery supported household spending in the first three quarters of 2021, bringing it to a level 5% higher than the same baseline in 2020. However, in the third quarter of 2021, spending on services was still 7% below the pre-pandemic baseline (fourth quarter of 2019), while total spending on goods was now realigned with the same baseline.

Investments

Stimulus measures and favourable economic conditions supported a recovery in investment during 2021. In fact, the amount of gross fixed capital formation for the first three quarters of 2021 is 18% higher than the same period in 2020, and 4% higher than in 2019. The construction sector, which is heavily incentivised by government support measures, saw the largest increase over 2019 levels (+12%). Annual growth is just under 16%.

Exports

During 2021, foreign trade of the Italian economy showed a significant increase compared to the level of the previous year (+24% and +18% on the first 11 months of the year, respectively for imports and exports). The gradual removal of bottlenecks along production chains should give international trade a new boost over the coming year, with a positive impact on foreign trade performance.

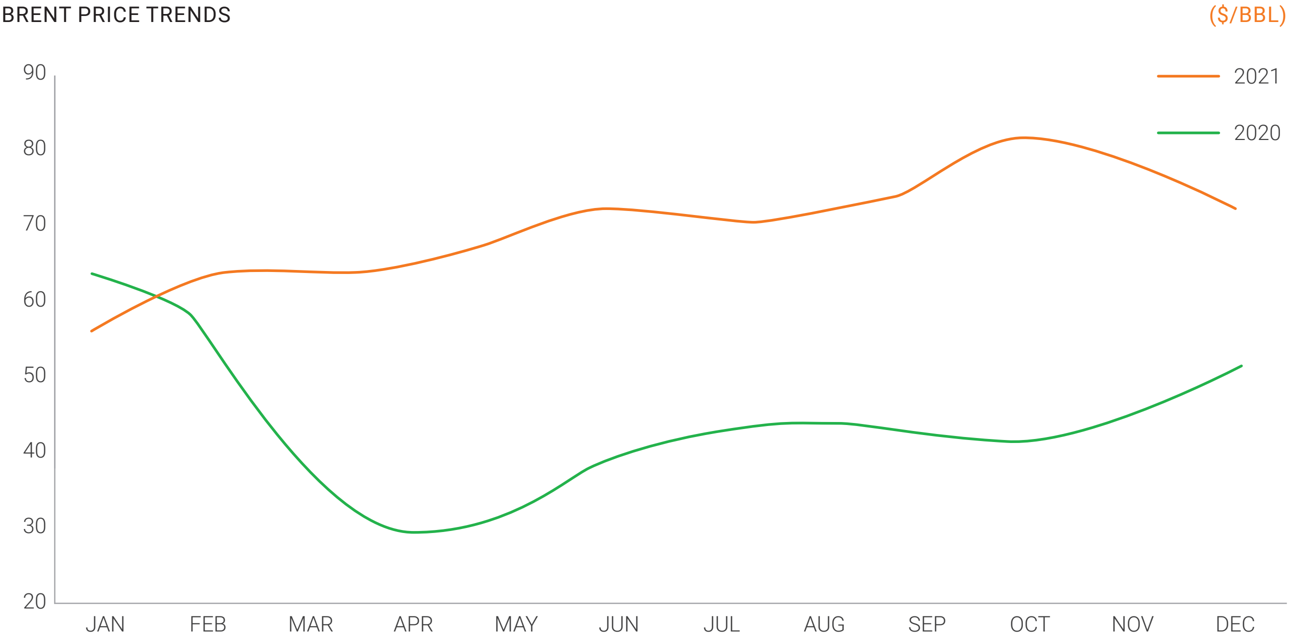
The oil market

The average Brent price in 2021 averaged 70.8 $/bbl, up 63.9% from 2020, which averaged 43.2 $/bbl.

The oil market benefited during the first three quarters of the year from the continued optimism in financial markets, linked to the post-pandemic recovery, with OPEC Plus quotas being maintained. The cartel's decision to gradually bring production back on track and the return of some Iranian production contributed to the stabilisation of prices in the last months of the year.

In 2021, an overall increase in demand of 5.5% over 2020 was matched by a less sustained increase in supply, on the order of just under 2%. The OPEC share of total global production in 2021 remained stable at 33%, while an important contribution to demand growth came from the Asian continent, with a 5% increase that more than offset the contraction recorded in 2020.

BRENT PRICE TRENDS



Data processed by MBS Consulting

The natural gas market

Supply and demand

Gas consumption in 2021 is up 7.9% over 2020, totalling 76.2 bln/m3 (up from nearly 71 bln/m3 last year). Significant growth in consumption occurred particularly during the first half of 2021 as the economy recovered. Slightly below average seasonal winter temperatures also helped support consumption in the latter part of the year.

All sectors experienced significant growth during 2021. Gas demand from the residential sector increased 7.5% over 2020 (totalling nearly 34 bln/m3), followed by the thermoelectric sector (25.9 bln/m3, +6.9%) and the industrial sector (14.0 bln/m3, +6.1%).

USES AND SOURCES OF NATURAL GAS IN 2021 AND COMPARISON WITH PREVIOUS YEARS

GAS WITHDRAWN (Bln m3)*	2021	2020	2019	Change % 2021 vs 2020	Change % 2020 vs 2019
Industrial use	14.0	13.2	14.0	6.1%	-5.7%
Thermoelectric use	25.9	24.2	25.8	6.9%	-6.1%
Distribution plants	33.7	31.3	31.7	7.5%	-1.0%
Third party network and system consumption / *line pack*	2.6	1.9	2.3	37.7%	-17.9%
Total withdrawn	76.2	70.7	73.8	7.9%	-4.2%

** Cumulative amounts as at 31 December processed by MBS Consulting*

GAS INPUT (bln m3)*	2021	2020	2019	Change % 2021 vs 2020	Change % 2020 vs 2019
Imports	71.6	65.9	70.6	8.7%	-6.8%
Domestic production	3.1	3.8	4.5	-18.3%	-14.9%
Storage	1.5	0.9	-1.4	55.0%	(**)
Total input (incl. storage)	76.2	70.7	73.8	7.9%	-4.2%
Maximum capacity	184.7	145.7	137.6		
Load Factor	38.8%	45.2%	51.3%		

**Cumulative amounts as at 31 December, processed by MBS Consulting, the value of inventories indicates net movement*

***Change of more than 100%*

As regards supply, total imports in 2021 were 8.7% higher than in 2020 (at 71.6 bln/m^3, compared to nearly 66 bln/m^3 in 2020), while domestic production fell by 18.3% compared to 2020 (for a total of 3.1 bln of gas produced).

The general situation of domestic entry points connected with foreign countries is as follows:

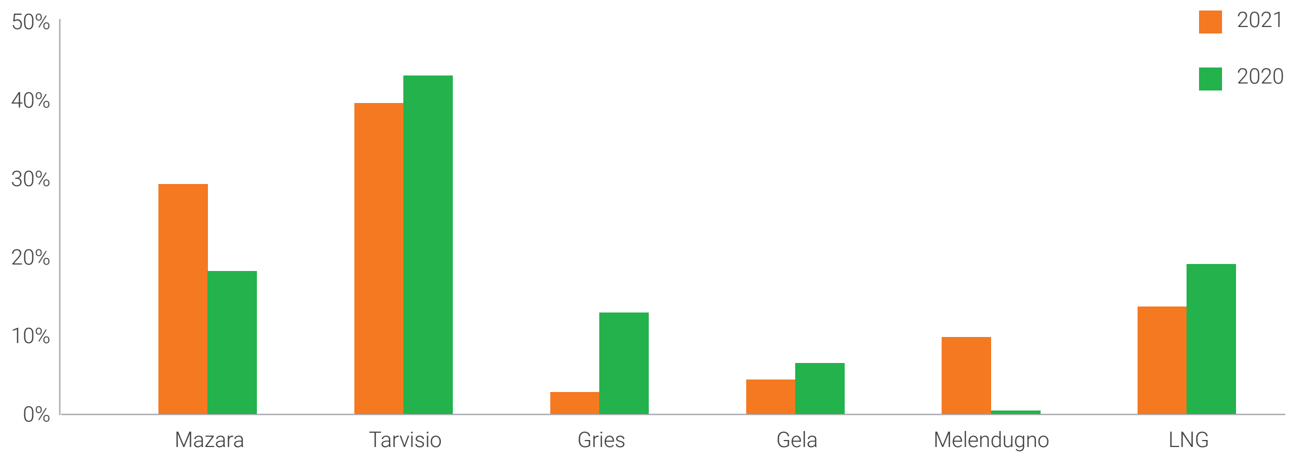
- inflows from Russia at the Tarvisio entry point (28.1 bln/m^3) recorded a slight decrease compared to 2020 (28.3 bln/m^3), but are still the main source of imports via pipeline in the overall Italian budget (about 40% of the national market);
- gas supply was also concentrated in the Mediterranean areas, with a sharp increase in inflows from Algeria to Mazara del Vallo, which saw a 76% increase over 2020 (over 21 bln/m^3 in 2021, compared with 12 bln/m^3 in 2020), coming to represent 30% of total imports;
- over the course of 2021 the TAP pipeline came into operation, bringing Azeri gas to the new entry point of Melendugno. More than 7 bln/m^3 have transited since the beginning of the year, making up about

10% of total imports. The start of the new pipeline is expected to help close the spread between PSV and Northern market prices, TTF in particular;

- the reduction in Norwegian production and the opening of the TAP have led to a decrease in imports from Northern Europe, for a total of 2.1 bln/m³ (-76% compared to 2020).
- LNG imports were down 22.3 % from 2020, totalling about 10 bln/m³. This reduction is primarily due to the strong increase in LNG demand in Asia.

IMPORTS BY PORT OF ENTRY ON TOTAL*

(% VALUE)



* Cumulative a mounts at 31 December 2021
Data processed by MBS Consulting

Wholesale gas prices

The historic increase in wholesale gas prices characterised 2021, with the winter months seeing quotations above 80 €/MWh, which was also reflected in electricity price levels particularly in the last quarter.

Growth in the first half of 2021 is attributable to the economic recovery, with a gradual increase in gas demand especially from Asia, which has entered into competition with Europe on the LNG front.

In the second half of the year the continuation of the upward movement is linked:

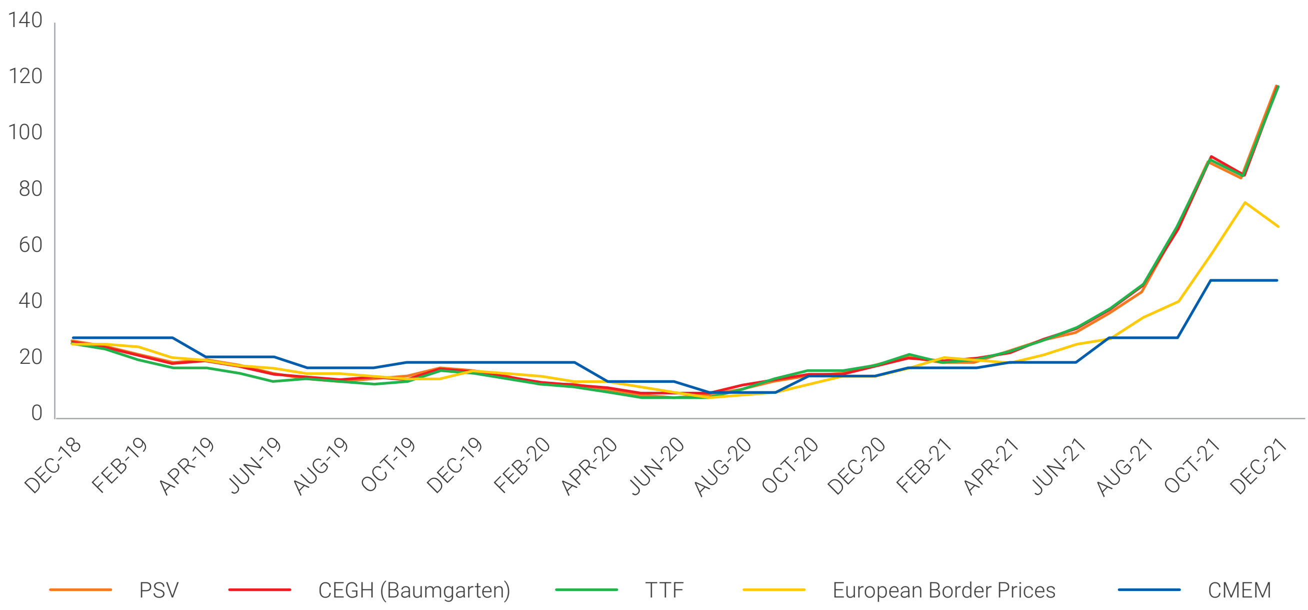
- again to Asian demand: the energy crisis linked to the scarcity of coal supplies in India and China between September and October contributed to an increase in demand for gas, which is also subject to forecasts of a colder-than-normal winter in the northern Asian hemisphere;
- to problems relating to supply, especially of LNG: some strategic plants in Australia have been subject to a series of maintenance and production interruptions (also caused by unplanned damage) and congestion of sea transport along the Panama Canal;
- to the failure of the North Stream pipeline, in Northern Europe, to come into operation, with the suspension of the approval process by the German regulatory authority;
- to geopolitical tensions on the borders with Belarus and Ukraine and the concomitant gradual decrease in gas flows from Russia as of October;
- to low gas storage levels in European countries and the start of a winter season with temperatures at times below normal, which has supported residential gas consumption to a large extent.

The average spot price at the Dutch TTF for 2021 stood at 46.6 €/MWh, up nearly 400% from 9.4 €/MWh in 2020. The average CEGH price, the Austrian gas market, rose by around 370% to an average of 46.5 €/MWh.

At the Italian PSV, the average spot price is up 347% compared with 2020 quotas, standing at 46.5 €/MWh, with a significant compression of the differential on northern European markets, in line with the entry into service of TAP, the increase in gas supplies from North Africa and the decrease in Russian imports into Germany. The average PSV-TTF differential was therefore around -0.07 €/MWh, compared to 1 €/MWh in 2020.

In 2021, prices at the border followed the general upward trend and settled at a European average level of 34 €/MWh, up more than 240% compared to 2020. Average Italian prices at the border were slightly higher than this average, standing at 34.5 €/MWh.

WHOLESALE PRICES IN EUROPE (€/MWH)



Latest data 31 December 2021
Data processed by MBS Consulting

In the Italian market, the imbalance price for the year 2020 averaged 46.6 €/MWh, more than 340% higher than the price for 2020 (10.5 €/MWh). On the markets of the MGAS platform, which are used to define the imbalance price (DAM-GAS and IM-GAS), a total volume of around 8.5 bln/m^3 was traded during the year. The IM-GAS intraday market continues to be the main segment of the platform managed by the GME (Electricity Market Operator), with a total amount of volumes traded of approximately 4.2 bln/m^3.

The so-called "CMEM component", meant to reflect the cost of gas procurement in the protected market price and defined by the ARERA on the basis of the TTF forward prices in 2021, increased with an average of 27.0 €/MWh (compared to 12.9 €/MWh in 2020).

The electricity market

Supply and demand

In 2021, net electricity production in Italy was 279 TWh, up 2.3% compared to 2020. The demand for electricity, amounting to 319 TWh, was 86.6% met by domestic production, and the remaining 13.4% met by imports.

At 182 TWh, domestic thermoelectric production accounted for 65.2% of net domestic production. Production from hydroelectric sources amounted to 46 TWh (-4.5% compared to 2020), representing 16.4% of the national supply, while 51 TWh (+3.5% compared to 2020) were produced from geothermal, wind and photovoltaic sources, i.e. 18.4% of the national supply.

Consumption in 2021 was 5.5% higher than in 2020, a recovery in all areas. Central Italy experienced the most significant increase in demand (+5.8%), followed by the North (+5.6%), the Islands (+5.4%) and the South (4.5%).

CUMULATIVE ELECTRICITY SUPPLY AND DEMAND (GWH AND TREND CHANGES)

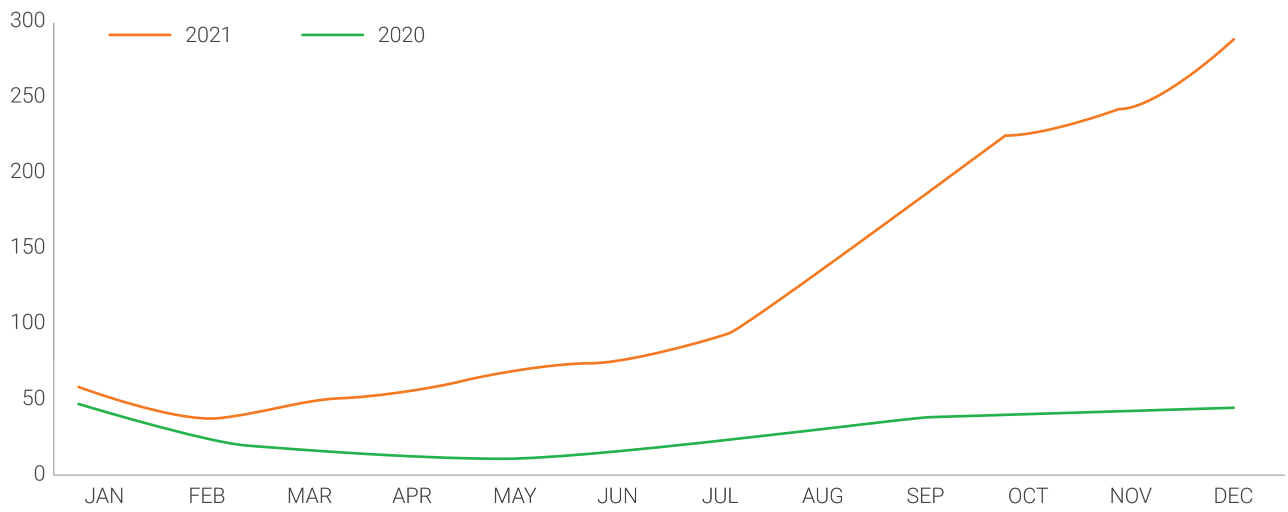
	up to 31/12/2021	up to 31/12/2020	Change %
Demand	319,318	302,779	5.5%
North	*149,918*	*142,032*	*5.6%*
Central Italy	*93,956*	*88,802*	*5.8%*
South	*46,930*	*44,900*	*4.5%*
Islands	*28,514*	*27,045*	*5.4%*
Net production	279,351	273,108	2.3%
Hydroelectric	*45,851*	*47,990*	*-4.5%*
Thermoelectric	*182,010*	*175,376*	*3.8%*
Geothermoelectric	*5,526*	*5,646*	*-2.1%*
Wind and photovoltaic	*45,964*	*44,096*	*4.2%*
Pumping consumption	-2,826	-2,557	10.5%
Foreign balance	42,793	32,228	32.8%

Data processed by MBS Consulting

Day-Ahead Market (DAM) prices

In 2021, the National Single Price (PUN) stood at an average of 125.46 €/MWh, up 222% from 2020. Record year-over-year PUN growth was particularly significant in the second half of the year, with a 150% increase between August and December. The average monthly price was higher than in 2020 for all months of the year.

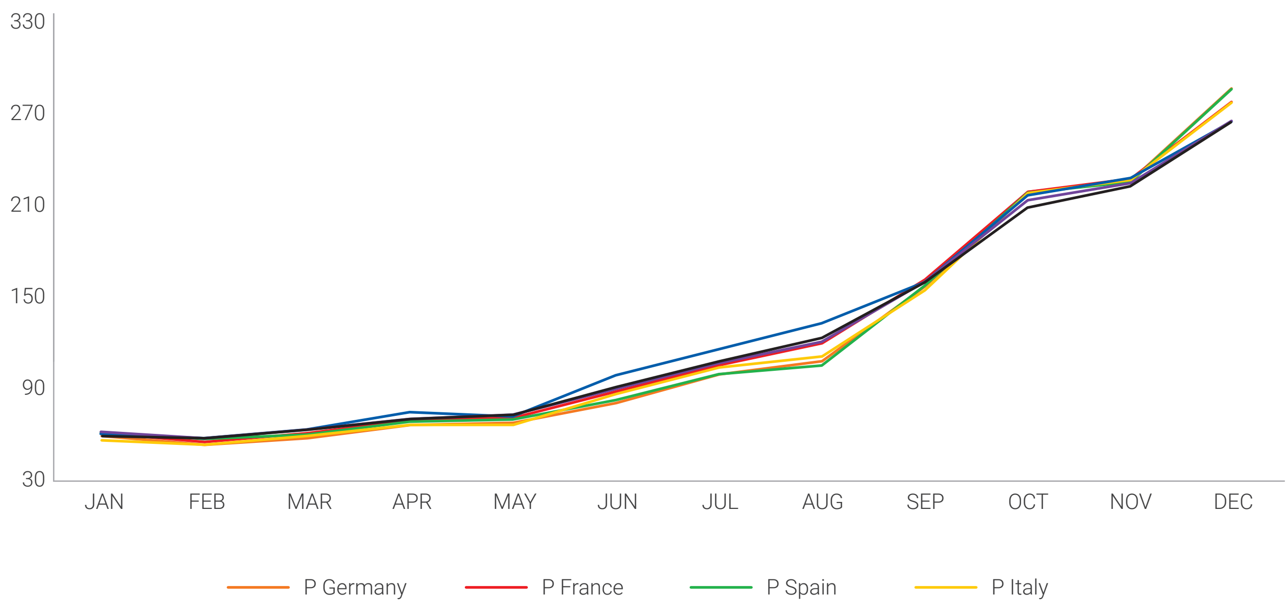
AVERAGE PURCHASE PRICE ON DAM TRENDS (PUN) (€/MWH)



Data processed by MBS Consulting

The year-on-year increase in prices involved all zonal prices, with the highest incidence for the North (231%) and the lowest for Sicily (179%). The highest average annual price was confirmed in Sicily and the lowest in Calabria. There has also been a narrowing of the differential between average zonal prices and thus a mutual alignment of them.

ITALIAN ZONAL PRICE TRENDS 2021 (€/MWH)

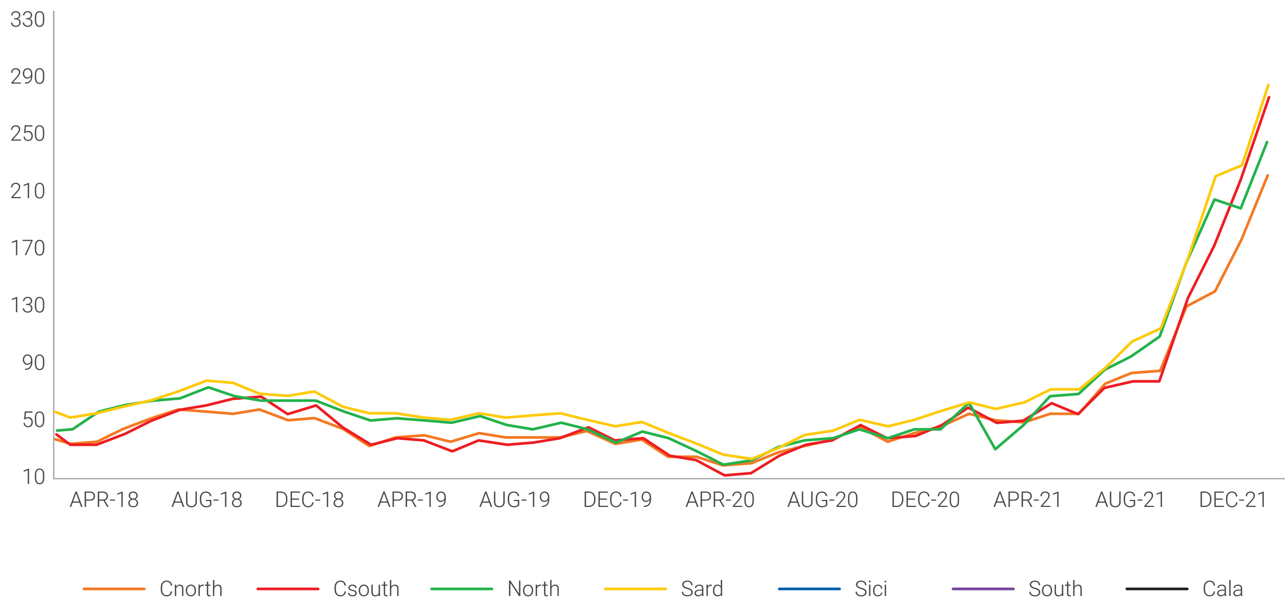


Data processed by MBS Consulting

Trends in the main European power exchanges

The average price for European power exchanges in 2021 was 105.6 €/MWh, a sharp increase over 2020 (+228%). The differential with the PUN was 19.39 €/MWh, compared with 6.72 €/MWh in the previous year. In the last quarter of 2021, prices were on average higher than in the same period of 2020 (+405%).

EUROPEAN ELECTRICITY PRICE TRENDS (€/MWH)



Elaborazioni MBS Consulting

Futures of Baseload PUN on the EEX

The following table shows the future prices traded in the last quarter of 2021.

For products with a January expiration date, upward variations were recorded between the beginning and end of the quarter; Q1 22, Q2 22 and Q3 22 also recorded an increase over the quarter, by 74.7 €/MWh, 73.7 €/MWh and 73.1 €/MWh, respectively. Cal 22 followed the same trend, going from 140.9 €/MWh in October to 213.1 €/MWh in December, recording an expected increase in prices.

Compared to the fourth quarter of 2020, average futures settled at higher levels; commodity prices rose above prior-year levels for all months of 2021.

Oct-21 Futures		Nov-21 Futures		Dec-21 Futures	
Monthly	€/MWh	Monthly	€/MWh	Monthly	€/MWh
Nov-21	221.7	Dec-21	217.8	Jan-22	286.3
Dec-21	227.0	Jan-22	220.1	Feb-22	295.9
Jan-22	231.7	Feb-22	211.3	Mar-22	305.0
Quarterly		Quarterly		Quarterly	
Q1 22	214.1	Q1 22	198.8	Q1 22	288.8
Q2 22	114.8	Q2 22	114.4	Q2 22	188.5
Q3 22	117.3	Q3 22	117.3	Q3 22	190.5
Yearly		Yearly		Yearly	
Y1 22	140.9	Y1 22	137.4	Y1 22	213.1

Data processed by MBS Consulting

Significant events of the year

Acquisition of control of Futura

As part of the consolidation activities following the acquisition of the Unieco's Waste Management Division, on 30 March 2021, Iren Ambiente acquired from S.I.T. - Società Igiene Territorio S.p.A. a further stake in Futura S.p.A., representing 20% of the share capital. The purchase price amounts to 1.1 million euro; following the transaction, the Iren Group holds a total stake of 60%.

Futura is based in Grosseto and operates a mechanical-biological treatment plant, with a composting section for the organic fraction.

Shareholders' Meeting

At their Ordinary Meeting on 6 May 2021, the Shareholders of Iren S.p.A. approved the Parent's separate financial statements at 31 December 2020 and the Directors' Report, and resolved to distribute a dividend of 0.095 euro per ordinary share, confirming the proposal made by the Board of Directors. The Shareholders also:

- approved the first section ("2021 remuneration policy") of the Report on the 2021 remuneration policy and on fees paid for 2020;
- issued a favourable vote on the second section ("Fees paid for 2020") of the same Report;
- appointed the Board of Statutory Auditors and its Chairperson for the three years 2021-2022-2023 and determined the annual remuneration to be paid to the same board's regular members.

Agreement between Iren S.p.A. and the Chief Executive Officer and General Manager, Massimiliano Bianco

On 29 May 2021, Iren S.p.A. and Massimiliano Bianco reached an agreement for the consensual termination of the relationship with the Parent pursuant to which Mr. Bianco relinquished, effective immediately, the positions of Director, Chief Executive Officer and General Manager, as well as all powers and proxies granted to him.

The terms of the Agreement reached and the related economic conditions were approved by the Board of Directors of the Parent at its meeting held on the same date, after obtaining the favourable opinion of the Remuneration and Appointments Committee, also in the exercise of the functions envisaged by the regulations on transactions with related parties, as well as after preliminary investigation by the Parent's Control, Risk and Sustainability Committee.

Appointment of the new Chief Executive Officer and General Manager, Gianni Vittorio Armani

Following on from the above, on 29 May the Board of Directors co-opted an engineer, Mr. Gianni Vittorio Armani, into the Board and appointed him as Chief Executive Officer and General Manager, with the conferment of the relative mandates and powers after verification of the requisites for assumption of the position. The Board also approved the economic-contractual conditions of the new fixed-term executive employment relationship, taking into account the preliminary investigation carried out by the Remuneration and Appointments Committee.

Completion of the acquisition of Sidiren

On 16 July 2021, Iren Mercato completed the transaction for the acquisition of 100% of the share capital of Sidiren S.r.l., a newly established company to which the business unit from Sidigas.com S.r.l., operating in the sale of natural gas, was previously transferred. Sidiren holds a portfolio of approximately 52 thousand gas customers, of which approximately 95% are domestic, distributed in 78 municipalities prevalently in the Province of Avellino. The price of the acquisition was 30.2 million euro.

New Green Bonds of 200 million euro issued

As part of the Euro Medium Term Notes (EMTN) Program of 4 billion euro, on 7 October 2021, Iren S.p.A. successfully completed a new bond issue in the amount of 200 million euro. The bonds are part of the Green Bonds reserved for institutional investors issued on 10 December 2020 and maturing in January 2031 and augment the bonds already issued for an original amount of 300 million euro. The investments financed through this issue mainly concern the installation of smart meters and the improvement of waste collection and sorting activities.

The bonds, which have a minimum unit denomination of 100,000 euro, pay a gross yearly interest of 0.25% and were placed at an issue price of 94.954. The effective rate of return at maturity is 0.818%, corresponding to a yield of 67 basis points above the mid-swap rate.

Acquisition of control of Nove

On 12 October 2021, Iren Energia won the tender called by the Municipality of Grugliasco (Province of Turin) for the sale of 51% of Nove S.p.A., manager of the district heating service in the same municipality. The award price amounts to 5.4 million euro.

The company was already 49% owned by Iren Energia in the role of industrial partner. The planned investments on the heat distribution network concern an increase in the connected volumes from the current 2.3 Mm^3 to about 3.8 Mm^3 in the next few years.

Nove was merged into Iren Energia effective October 2021.

Business Plan 2021-2030

On 11 November 2021, the Board of Directors approved the Business Plan to 2030. Iren's 10-year extended growth strategy is based on three pillars:

- ecological transition, with progressive decarbonisation of all activities and strengthening leadership in the circular economy and sustainable use of resources;
- territoriality, with an extension of the scope of the activities carried out in the historical territories and the evolution as a reference partner for the communities by expanding the portfolio of services offered;
- quality, through the improvement of performance and the maximisation of customer/citizen satisfaction levels.

On this subject, the Group is aiming for:

- an EBITDA of 1.8 billion euro by 2030, the growth of which concerns all business sectors, particularly regulated and semi-regulated sectors;
- total investments over the plan of 12.7 billion euro. 61% of these, amounting to 7.7 billion euro, refer to development investments for internal lines, aimed at fostering the dimensional growth of the Group, mainly relating to renewable energy sources, waste selection and treatment plants, the extension of district heating networks and smart solutions projects. Unlike the previous business plans, capital expenditure on external lines, amounting to 1.8 billion euro (14% of the total), was included, primarily aimed at consolidating investees and participating in tenders for gas distribution and the Integrated Water Service in areas where the Group is currently incumbent or already present with other services. Finally, the remaining 25%, amounting to approximately 3.2 billion euro, is earmarked for maintenance investments.
- a Net financial position/EBITDA ratio by 2030 of 2.5x. Despite significant planned investments, the ratio is expected to remain below the 3.5x threshold over the plan horizon;
- Group profit of 500 million euro in 2030;
- an expected dividend of 0.10 euro/share for the 2021 profit, with an annual growth of 10% until 2025. In the second part of the plan horizon, the dividend per share will be 50-55% of the Group's profit.

Acquisition of Bosch Energy and Building Solutions Italy

On 30 November 2021, Iren Smart Solutions finalised the acquisition of 100% of Bosch Energy and Building Solutions Italy S.r.l., operating in the energy efficiency sector as an ESCo (Energy Service Company), specifically in the design, construction and management of integrated heating, air conditioning and cogeneration systems for public and private customers. The company, which operates mainly in northern Italy, will help expand, also in terms of know-how, the Group's activities in the energy efficiency sector, integrating in the range of services offered.

The company changed its name to Iren Energy Solutions effective 1 January 2022.

Rating

On 09 December 2021, the Standard & Poor's rating agency assigned, for the first time to the Iren Group, its long-term credit rating at the "BBB-" level with a "Positive" outlook. The same rating is also given to senior unsecured debt.

The "Investment Grade" rating from a second agency, after Fitch, expresses the Group's solid positioning in Italy, with a wide diversification of activities especially in regulated sectors and a significant territorial presence. Capital expenditures under the new Business Plan, primarily targeting organic growth and energy transition, combined with an expected continued improvement in credit metrics, support the "positive" outlook. From a financial point of view, the rating level assigned also expresses the Group's good liquidity profile.

Also in this context, on 22 December, the agency Fitch confirmed its "BBB" rating for Iren with a "Stable" outlook. This assessment is also based primarily on an analysis of the Business Plan to 2030, with particular reference to the investments planned in relation to the financial structure. The maintenance of a business portfolio consisting mainly of regulated and semi-regulated activities, the creation of value and the stability guaranteed by the integration of the various businesses are elements considered positive by the rating agency, together with the Group's liquidity profile.

Agreement for the acquisition of Alegas

Following the award of the specific tender procedure, on 29 December 2021, Iren Mercato signed a preliminary agreement for the acquisition of 80% of Alegas S.r.l. from AMAG S.p.A., a multi-utility based in Alessandria.

Alegas operates in the sale of gas and electricity and has a portfolio of 43 thousand customers, mostly retail, of which 36 thousand gas and 7 thousand electricity customers, almost entirely distributed in the Province of Alessandria.

The price for the acquisition of 80% was 16.7 million euro.

Award of the tender for the acquisition of concessions in gas distribution

On 31 December 2021, the consortium formed by Ascopiave (58%), ACEA (28%), and Iren (14%), after having won the tender for the sale by A2A of concessions in the natural gas distribution service, signed an agreement with the A2A Group for the acquisition of the related assets.

The overall scope of activities covered by the transaction includes 157 thousand Redelivery Points (PDR), distributed in 8 Regions and forming part of 24 Ambiti Territoriali Minimi (ATEM, Minimum Territorial Areas), for over 2,800 km of network. The economic value of the acquisition in terms of Enterprise Value is 126.7 million euro.

Among the assets subject to tender, Iren's scope of interest consists of concessions in 4 ATEMs, 1 of which in Lombardy and 3 in Emilia Romagna, for a total of approximately 12,300 PDR. The Enterprise Value is 17.7 million euro. The transaction is expected to close in the first half of 2022.

Alternative Performance Measures

The Iren Group uses alternative performance measures (APMs) in order to convey more effectively the information on the profitability of its business lines, and on its financial position and financial performance. These measures are different from the financial measures explicitly required by the International Financial Reporting Standards (IFRS) adopted by the Group.

On the subject of these measures, CONSOB issued Communication no. 92543/15 which makes applicable the Guidelines issued by the European Securities and Markets Authority (ESMA) on their presentation in the regulated information distributed or in prospectuses published. These Guidelines are aimed at promoting the usefulness and transparency of the alternative performance measures included in regulated information or prospectuses that fall within the scope of application of Directive 2003/71/EC, in order to improve their comparability, reliability and comprehensibility.

In line with the aforementioned communications, the criteria used to construct these measures presented in the present financial report are provided below.

Net invested capital (NIC): determined by the algebraic sum of non-current assets, other non-current assets (liabilities), net working capital, deferred tax assets (liabilities), provisions for risks, employee benefits and assets (liabilities) held for sale. For further details on the construction of the individual items that make up the indicator, please refer to the reconciliation of the reclassified statement of financial position with the statement of financial position presented in the annexes to the consolidated financial statements.

This APM is used by the Group in the context of internal and external documents and is a useful measure for the purpose of measuring total net assets, both current and non-current, also through comparison between the reporting period and previous periods or financial years. This indicator also makes it possible to carry out the analyses of operating trends and to measure performance in terms of operating efficiency over time.

Net financial debt: calculated as the sum of non-current financial liabilities net of non-current financial assets and current financial liabilities net of current financial assets and cash and cash equivalents.

This APM is used by the Group in the context of both internal and external documents and represents a useful tool to assess the Group's financial structure, including by comparing the reporting period with that of the previous periods or years.

Net Working Capital (NWC): determined as the algebraic sum of current and non-current contract assets and liabilities, current and non-current trade receivables, inventories, current tax assets and liabilities, sundry assets and other current assets, trade payables and sundry liabilities and other current liabilities. This APM is used by the Group in the context of both internal and external documents and represents a useful tool to assess the Group's operational efficiency, including by comparing the reporting period with those related to the previous periods or years.

Gross operating profit or loss (EBITDA): calculated as the sum of profit or loss before tax, share of profit or loss of equity-accounted investees, gains and losses on equity-accounted investments, financial income and expense, and amortisation, depreciation, provisions and impairment losses. EBITDA is explicitly shown as a subtotal in the financial statements.

This APM is used by the Group in the context of both internal and external documents and is a useful tool for assessing the Group's operating performance (both as a whole and for the individual Business Units), including by comparing the operating profit or loss for the reporting period with that for previous periods or years. This indicator also makes it possible to carry out the analyses of operating trends and to measure performance in terms of operating efficiency over time.

Operating profit or loss (EBIT): calculated as the sum of profit or loss before tax, share of profit or loss of equity-accounted investees, gains and losses on equity-accounted investments and financial income and expense. Operating Income is explicitly shown as a subtotal in the financial statements.

Free cash flow: determined as the sum of operating cash flow and cash flow from investing activities.

Investments: represents the sum of investments in property, plant and equipment, intangible assets and financial assets (equity investments), presented gross of grants related to assets.

This APM is used by the Group in the context of internal and external documents, and measures the financial resources absorbed to purchase durable goods in the year.

Gross operating profit or loss (EBITDA) margin: calculated by dividing the gross operating profit or loss by revenue.

This APM is used by the Group in the context of both internal and external documents and is a useful instrument for assessing the Group's operating performance (both as a whole and for individual Business Units), also through comparison with previous periods or years.

Net financial debt over equity: determined as the ratio between net financial debt and equity including non-controlling interests.

This APM is used by the Group in the context of both internal and external documents and is a useful instrument for assessing the financial structure in terms of the impact of the different sources of financing (third-party funds and own funds).

Investors should note that:

- these indicators are not recognised as performance criteria under IFRS;
- they shall not be adopted as alternatives to operating profit, profit for the year, operating and investing cash flow, net financial position or other measures consistent with IFRS, Italian GAAP or any other generally accepted accounting principle; and
- they are used by management to monitor business performance and its management, but are not indicative of historic operating results, nor are they intended to be predictive of future results.

Financial position, financial performance and cash flows of the Iren Group

Income statement

IREN GROUP INCOME STATEMENT (THOUSANDS OF EURO)

	2021	2020 restated	Change %
Revenue			
Revenue from goods and services	4,826,741	3,537,997	36.4
Other income	129,130	188,211	(31.4)
Total revenue	4,955,871	3,726,208	33.0
Operating expenses			
Raw materials, consumables, supplies and goods	(1,990,495)	(1,021,501)	94.9
Services and use of third-party assets	(1,421,590)	(1,295,299)	9.7
Other operating expenses	(87,832)	(71,472)	22.9
Internal work capitalised	43,382	38,262	13.4
Personnel expense	(483,498)	(449,341)	7.6
Total operating expenses	(3,940,033)	(2,799,351)	40.7
GROSS OPERATING PROFIT (EBITDA)	1,015,838	926,857	9.6
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(477,890)	(440,793)	8.4
Impairment losses on loans and receivables	(53,521)	(61,708)	(13.3)
Other provisions and impairment losses	(30,321)	(8,943)	*
Total depreciation, amortisation, provisions and impairment losses	(561,732)	(511,444)	9.8
OPERATING PROFIT (EBIT)	454,106	415,413	9.3
Financial management			
Financial income	28,173	38,372	(26.6)
Financial expense	(74,553)	(93,702)	(20.4)

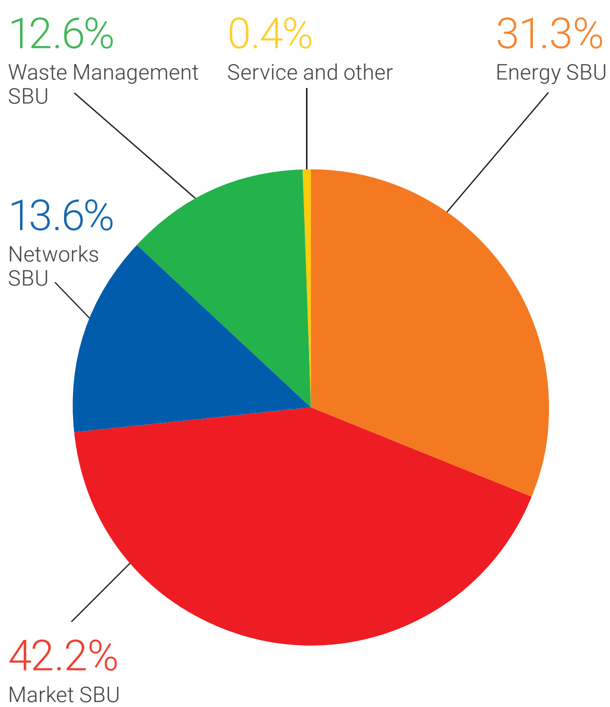
	2021	2020 restated	Change %
Net financial expense	(46,380)	(55,330)	(16.2)
Gains on equity-accounted investments	5,782	2,673	(*)
Share of profit of equity-accounted investees, net of tax effects	10,294	6,535	57.5
Profit before tax	423,802	369,291	14.8
Income taxes	(90,332)	(100,006)	(9.7)
Profit from continuing operations	333,470	269,285	23.8
Profit (loss) from discontinued operations	-	-	-
Profit for the year	333,470	269,285	23.8
attributable to:			
– the owners of the parent	303,088	239,172	26.7
– non-controlling interests	30,382	30,113	0.9

* Change of more than 100%

The comparative figures for 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and I.Blu. For further information, see section IV "Business combinations". In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in section I. Basis of presentation under "Consolidated Financial Statements".

Revenue

For the year ended 31 December 2021, the Group booked revenue of 4,955.9 million euro, up by +33% compared to 3,726.2 million euro in 2020. The main factors for the increase refer to higher energy revenue for approximately 1,000 million euro mainly influenced by the increase in commodity prices, for approximately 120 million euro to the change in the consolidation scope of the Waste Management business unit (relating to I.Blu, consolidated from August 2020, and to the Unieco Waste Management Division, acquired in November 2020), of the Energy business unit (related to Iren Energy Solutions and Asti Energia e Calore) and of the Market business unit (SidIren), and for about 100 million euro to the development of activities related to energy requalification and renovation of buildings favoured by recent tax breaks (façade bonus and superbonus 110%). Higher volumes sold due to climate effects and the development of the customer base also contributed to the overall change, but to a lesser extent.



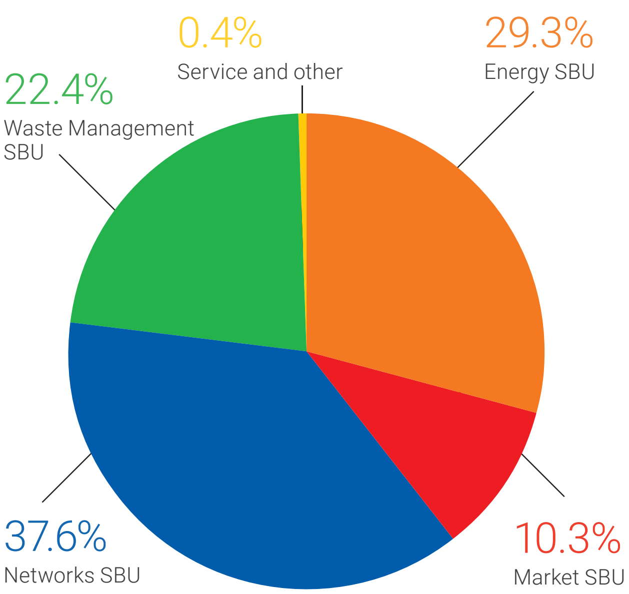
Gross Operating Profit (EBITDA)

Gross operating profit (EBITDA) amounted to 1,015.8 million euro, up +9.6% compared to 926.9 million euro in 2020. About 24 million euro of the increase is due to the expansion of the consolidation scope mainly of the Waste Management business unit.

A positive contribution to the improvement of the gross operating profit was made by the trend of the energy scenario characterised by a sharp increase in the price of electricity compared to 2020, and the greater contribution of dispatching services (MSD). The integrated energy supply chain (Generation and Sale) has overall enabled a balancing of the positive and negative effects of price volatility, ensuring a significant contribution to the Group's gross operating profit.

In addition, the organic growth related to the tariff increases of the network services, the development of the activities connected to the energy requalification works as well as the favourable trend of the thermal season contributed to the improvement of the gross operating profit.

Overall, the increase in gross operating profit with reference to the individual business units is broken down as follows: Waste Management (+31.6%), Energy (+30.6%), Networks (+1.7%) while the Market business unit declined (-28.9%), the latter trend being related to the increase in the Energy BU in the logic of integrated management of the energy chain.



Operating profit (EBIT)

Operating profit (EBIT) amounted to 454.1 million euro, up +9.3% compared to 415.4 million euro in 2020. During the year, depreciation and amortisation increased by approximately 37 million euro, mainly due to the start-up of new investments and the expansion of the consolidation scope, and write-downs increased by about 20 million euro mainly related to the assets, already non-operational, of the Scarlino Energia plant, and impairment losses on loans and receivables decreased by approximately 8 million euro, due to an improvement over last year, of the estimated effects of the Covid-19 pandemic on expected losses.

Financial income and expense

Net financial expense came to 46.4 million euro; in 2020, the figure stood at 55.3 million euro.

The change was mainly due to lower financial expense, which stood at 74.6 million euro compared to 93.7 million euro in 2020 (down 20.4%), essentially due to a lower average cost of debt. Financial income amounted to 28.2 million euro (-10.2 million euro compared to the comparative year, when it stood at 38.4 million euro).

Gains to equity investments

These gains amounting to 5.8 million euro (2.7 million euro in 2020) essentially includes the income deriving from the acquisition of the net assets of Nove (4.6 million euro) and the effect of the restatement to fair value, at the date of acquisition of control, of the minority interest in Futura (1.3 million euro). In the comparative year, the item is largely comprised of badwill related to the acquisition of Nord Ovest Servizi.

Share of profit of equity-accounted investees, net of tax effects

This item, which amounts to +10.3 million euro (up from +6.5 million euro in the comparative year), includes the share of the pro-rata profit or loss of the Group's associates and joint ventures, the most significant of which regard Aguas de San Pedro, ASA, and ASTEA.

Profit before tax

As a result of the above trends the consolidated profit before tax came to 423.8 million euro (369.3 million euro in 2020).

Income taxes

Income taxes for the year amounted to 90.3 million euro (100.0 million euro in the comparative year), with an effective tax rate of 21.3% (27.1% in 2020).

The latter is influenced by non-recurring tax income related to the exercise of the option on the realignment of carrying amounts and tax bases pursuant to Decree law no. 104/20 ("August" Decree Law). Excluding this income, which had a net impact on the Income Statement of approximately 32 million euro, the tax rate would have been around 29%.

Profit for the year

As a result of the above, there was a profit for the year of 333.5 million euro, an increase of +23.8% compared to the profit for 2020.

The figure is due to the profit attributable to the owners of the parent of 303.1 million euro, while profit attributable to non-controlling interests was 30.4 million euro.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF IREN GROUP[1] (THOUSANDS OF EURO)

	31.12.2021	31.12.2020 Restated	Change %
Non-current assets	7,020,803	6,588,256	6.6
Other non-current assets (liabilities)	(458,642)	(421,336)	8.9
Net Working Capital	(222,500)	42,155	*
Deferred tax assets (liabilities)	244,574	163,451	49.6
Provisions for risks and employee benefits	(728,898)	(660,823)	10.3
Assets (Liabilities) held for sale	1,144	1,285	(11.0)
Net invested capital	5,856,481	5,712,988	2.5
Equity	2,950,660	2,764,747	6.7
Non-current financial assets	(131,766)	(173,736)	(24.2)
Non-current financial debt	3,549,612	3,829,543	(7.3)
Non-current net financial debt	3,417,846	3,655,807	(6.5)
Current financial assets	(979,612)	(986,843)	(0.7)
Current financial debt	467,587	279,277	67.4
Current net financial debt	(512,025)	(707,566)	(27.6)
Net financial debt	2,905,821	2,948,241	(1.4)
Own funds and net financial debt	5,856,481	5,712,988	2.5

* Change of more than 100%

The comparative figures at 31 December 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and I.Blu. For further information, see section IV "Business combinations". In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in section I. Basis of presentation under "Consolidated Financial Statements".

[1] For a reconciliation of the reclassified statement of financial position with that of the financial statements, please refer to the specific annex to the Notes to the Consolidated Financial Statements.

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

Non-current assets at 31 December 2021 amounted to 7,020.8 million euro, up compared to 31 December 2020, when they were 6,588.3 million euro. The increase (+432.5 million euro) was mainly due to the effect of the following:

- investments in property, plant and equipment and intangible assets (+757.7 million euro) and depreciation and amortisation (-477.9 million euro) in the year;

- write-downs (-24.7 million euro), mainly relating to the Scarlino Energia waste-to-energy plant (-24.3 million euro);
- the assets of Futura, acquired during the year, relating to a mechanical biological waste treatment plant including goodwill (32.6 million euro), the goodwill arising from the consolidation of SidIren (32.9 million euro) and non-current assets, relating to district heating, of Nove (21.4 million euro);
- the change in the portfolio of CO_2 emission rights (+73.0 million euro);
- the recognition of right-of-use assets in application of IFRS 16 - Leases for 12.5 million euro, largely relating to lease and rental contracts for buildings and vehicles used for operating activities.

For more information on the segment details of investments in the year, reference should be made to the section "Segment Reporting" below.

The decrease in Other non-current assets (liabilities) (-37.3 million euro) is due to the transfer to financial institutions of assets accrued from the tax authorities for deductions on works performed in order to improve energy efficiency in residential buildings (Superbonus 110%, introduced by Decree Law no. 24/2020, so-called "Decreto Rilancio" - Relaunch Decree)

Net Working Capital decreased by 264.7 million euro, to -222.5 million euro compared to 42.2 million euro as at the end of 2020. The change is attributable to components of a commercial nature.

The balance of net deferred tax assets increased to 244.6 million euro (163.5 million at 31 December 2020). The change includes the effect of the release of deferred tax liabilities following the above-mentioned tax realignment of the higher carrying amounts of assets recorded in the financial statements.

Provisions for risks and employee benefits amount to 728.9 million euro and are up compared to the figure at the end of 2020 (equal to 660.8 million euro) mainly due to the increased obligations linked to CO_2 emission rights, influenced by increasing price dynamics.

Equity amounted to 2,950.7 million euro, compared with 2,764.7 million euro at 31 December 2020 (+186.4 million euro). The change refers to the profit for the year (+333.5 million euro), dividends distributed (-149.3 million euro), the performance of the hedging reserve linked to interest rate and commodities hedging derivatives (+6.2 million euro), the change in the consolidation scope (+2.1 million euro), the repurchase of treasury shares (-4.1 million euro) and other changes (-2 million euro).

Net financial debt as at 31 December 2021 amounted to 2,905.8 million euro, down compared to the figure at 31 December 2020 (2,948.2 million). For more details please see the analysis of the statement of cash flows presented below.

Statement of cash flows of the iren group

Change in net financial debt

The statement below details the movements in the Group's net financial debt that occurred in the year.

(THOUSANDS OF EURO)

	2021	2020 restated	Change %
Opening Net Financial debt	(2,948,241)	(2,706,127)	8.9
Profit for the year	333,470	269,285	23.8
Non-monetary adjustments	860,002	742,947	15.8
Payment of employee benefits	(10,373)	(7,096)	46.2
Utilisations of provisions for risks and other charges	(28,556)	(30,463)	(6.3)
Change in other non-current assets and liabilities	31,421	(27,363)	*
Taxes paid	(102,550)	(102,328)	0.2
ETS Purchase	(155,457)	(67,516)	*
Cash flows for transactions on commodities derivatives markets	(25,583)	(2,072)	*
Other changes in equity	(177)	(644)	(72.5)
Cash flows from changes in NWC	48,275	46,364	4.1
Operating cash flow	950,472	821,114	15.8
Investments in property, plant and equipment and intangible assets	(757,775)	(685,150)	10.6
Investments in financial assets	(4,488)	(50)	*
Proceeds from the sale of investments and changes in assets held for sale	7,011	11,289	(37.9)
Changes in consolidation scope	(80,678)	(197,472)	(59.1)
Dividends received	3,878	2,787	39.1
Total cash flows used in investing activities	(832,052)	(868,596)	(4.2)
Free cash flow	118,420	(47,482)	*
Cash flows from own capital	(153,324)	(174,540)	(12.2)
Other changes	77,324	(20,092)	*
Change in net financial debt	42,420	(242,114)	*
Closing Net financial debt	(2,905,821)	(2,948,241)	(1.4)

* Change of more than 100%

The comparative figures for 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and I.Blu. For further information, see Section IV "Business combinations".

The decrease in net financial debt compared to 31 December 2020 of 42.4 million euro is due to the following factors:

- *operating cash flow* of +950.5 million euro, with a significant improvement compared to 2020, when it stood at +821.1 million euro as a result of the growth recorded in operating profit;
- *cash flows used in investing activities* of -832.1 million euro, which include in particular technical investments for the year (757.8 million euro, 10.6% higher than in 2020) and the consideration paid and debt assumed for the acquisitions of Futura, SidIren, Nove and Bosch Energy and Building Solutions Italy for a total of 80.7 million euro under the item "Change in consolidation scope" (the comparative figure of 197.5 million euro mainly included the effect of the acquisition of the Unieco Waste Management Division);
- *cash flow from own capital* of -153.3 million euro (-174.5 million euro in 2020), representing dividends paid and repurchases of treasury shares in the year;
- the item *other changes*, amounting to +77.3 million euro (-20.1 million euro in 2020), relating mainly to the combined effect of the positive change in the fair value of interest rate and commodity derivative hedging instruments and of interest paid.

Finally, we note that the statement of cash flows prepared according to the format of a change in cash and cash equivalents is presented in the opening section "Consolidated Financial Statements".

Segment reporting

The Iren Group identifies the following business segments:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection, treatment and disposal)
- Energy (Hydroelectric production and other renewable sources, combined heat and power, district heating networks, thermoelectric production, energy efficiency services, public lighting, global services, heat management)
- Market (Sale of electricity, gas, heat and other customer services)
- Other services (Laboratories, Telecommunications and other minor).

These operating segments are reported on pursuant to IFRS 8, which requires the disclosure about operating segments to 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 operating segments presented and commented on below, revenue and expense referring to general activities were fully allocated to the segments based on actual usage of the services provided or according to technical and economic drivers.

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

Net invested capital by business segment compared to the figures as at 31 December 2020 restated and income statements (up to the operating profit/(loss)) for the current year by business segment are presented below, compared against the 2020 figures restated. At 31 December 2021, non-regulated activities contributed 30% to the gross operating profit (28% at 31 December 2020), regulated activities accounted for 46% (down from 50% in 2020), and semi-regulated activities contributed 24% (22% in 2020).

RECLASSIFIED STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT AT 31 DECEMBER 2021 (MILLIONS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,132	1,277	2,108	252	26	226	7,021
Net Working Capital	(60)	91	29	(286)	3	-	(223)
Other non-current assets and liabilities	(606)	(198)	(125)	(16)	3	-	(942)
Net invested capital (NIC)	2,466	1,170	2,012	-50	32	226	5,856
Equity							2,951
Net financial debt							2,906
Own funds and net financial debt							5,856

RECLASSIFIED STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT AT 31 DECEMBER 2020, RESTATED

(MILLIONS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,980	1,241	1,953	202	35	177	6,588
Net Working Capital	(102)	63	20	58	2	-	42
Other non-current assets and liabilities	(601)	(213)	(86)	(18)	1	-	(917)
Net invested capital (NIC)	2,277	1,091	1,887	242	38	177	5,713
Equity							2,765
Net financial debt							2,948
Own funds and net financial debt							5,713

INCOME STATEMENT BY BUSINESS SEGMENT FOR 2021

(MILLIONS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	991	916	2,280	3,071	26	(2,328)	4,956
Total operating expenses	(608)	(689)	(1,982)	(2,967)	(22)	2,328	(3,940)
Gross Operating Profit (EBITDA)	383	227	298	104	4	-	1,016
Net amortisation, depreciation and impairment losses	(195)	(135)	(140)	(90)	(2)	-	(562)
Operating profit (EBIT)	188	92	158	14	2	-	454

INCOME STATEMENT BY BUSINESS SEGMENTS FOR 2020, RESTATED

(MILLIONS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,041	765	1,145	2,085	25	(1,335)	3,726
Total operating expenses	(665)	(592)	(917)	(1,938)	(22)	1,335	(2,799)
Gross Operating Profit (EBITDA)	376	173	228	147	3	-	927
Net amortisation, depreciation and impairment losses	(190)	(123)	(117)	(80)	(2)	-	(512)
Operating profit (EBIT)	186	50	111	67	1	-	415

Networks SBU

For the year ended 31 December 2021, the Networks business segment, which includes the Gas Distribution, Electricity and Integrated Water Service businesses, reported revenue of 990.8 million euro, down by -4.8% compared to 1,040.9 million euro in 2020. This contraction can be attributed to the provision of the Ministry of Ecological Transaction (MITE), which reduced the quantitative obligation related to Energy Efficiency Certificates (EECs) by a decree dated 21 May 2021. In fact, the application of the decree resulted in lower costs due to the reduction in the number of certificates purchased to meet the obligation and, at the same time, a related reduction in revenue due to the lower number of certificates delivered to the CSEA, however with positive effects on the income statement due to the difference between revenue and costs.

The Gross Operating Profit (EBITDA) amounted to 382.5 million euro, up +1.7% on the 375.8 million euro for 2020, while operating profit (EBIT) was 188.1 million euro, an increase of +1.1% compared to 186.0 million euro in 2020. The trend in the operating profit (EBIT) was characterised by higher depreciation and amortisation of approximately 9 million euro, related to increased investments, higher releases of provisions for about 2 million euro and lower impairment losses on loans and receivables of approximately 3 million euro, as a result of an improvement, compared to last year, in the estimate of the effects of the Covid-19 pandemic on expected losses.

		2021	2020	Change %
Revenue	€/mln	990.8	1,040.9	(4.8)
Gross Operating Profit (EBITDA)	€/mln	382.5	375.8	1.7
% of Revenue		*38.6%*	*36.1%*	
from Electricity Networks	€/mln	*81.8*	*79.3*	*3.0*
from Gas Networks	€/mln	*89.9*	*85.3*	*5.3*
from Integrated Water Service	€/mln	*210.9*	*211.2*	*(0.2)*
Operating profit (EBIT)	€/mln	188.1	186.0	1.1
Investments	€/mln	307.7	293.9	4.7
in Electricity Networks	€/mln	*58.6*	*52.5*	*11.5*
in Gas Networks	€/mln	*40.9*	*50.6*	*(19.2)*
in Integrated Water Service	€/mln	*202.2*	*182.3*	*10.9*
Others	€/mln	*6.0*	*8.4*	*(28.6)*
Electricity distributed	GWh	3,679.8	3,587.3	2.6
Gas distributed	Mm^3	1,347.4	1,249.8	7.8
Water sold	Mm^3	174.8	175.1	(0.2)

Networks SBU - Electricity

Gross operating profit (EBITDA) amounted to 81.8 million euro, up +3% compared to 79.3 million euro in 2020. The improvement is mainly due to higher tariff revenue related to the increase in tariff invested capital (RAB) and to the reduction in the obligation of energy efficiency certificates (EEC), which more than offset contingent liabilities and higher operating costs.

Investments amounted to 58.6 million euro, up +11.5% from 52.5 million euro in 2020, relating mainly to connections, line resilience activities and the construction of new substations and LV/MV lines.

Networks SBU - Gas Distribution

Gross operating profit (EBITDA) amounted to 89.9 million euro, up +5.3% from the 85.3 million euro of

2020. The increase in is due to the growth in tariff revenue and in particular to the effect of some extraordinary items referable to previous years and no longer repeatable, mainly related to the reduction of the obligations connected to the energy efficiency certificates (EEC).

Investments amounted to 40.9 million euro, down -19.2% compared with 50.6 million euro in 2020, and involved upgrading the network to cathodic protection and installing electronic meters.

Networks SBU - Water Cycle

Gross operating profit (EBITDA) amounted to 210.9 million euro, substantially equal to the 211.2 million euro of 2020. The increase in the restriction on tariff revenue (VRG) due to the increase in tariff invested capital (RAB) was absorbed by higher operating costs linked to the improvement in service quality and the absence of the accounting effects of certain extraordinary items that had characterised the previous year and are no longer repeatable.

Investments amounted to 202.2 million euro, up 10.9% compared to 182.3 million euro in 2020. These activities relate to the construction, development and extraordinary maintenance of distribution networks and plants and of the sewerage network, as well as the installation of measuring units mainly subject to remote reading.

In addition, investments of 6 million euro were made in information systems and the development of electric mobility across the three businesses.

Waste Management SBU

For the year ended 31 December 2021, the segment's revenue amounted to 916.1 million euro, up by +19.8% compared to 764.8 million euro in 2020. The increase of 97 million euro is due mainly to the expansion of the consolidation scope (companies in the Waste Management Division of the Unieco Group, +65 million euro and I.Blu, +32 million euro). There was also an increase in energy revenue (+48 million euro) due to the increase in the price of electricity and revenue from collection services (+19 million euro), while revenue decreased from disposal, intermediation and special waste management activities (-15 million euro) mainly due to the lower use of landfills.

		2021	2020 Restated	Change %
Revenue	€/mln	916.1	764.8	19.8
Gross Operating Profit (EBITDA)	€/mln	227.4	172.8	31.6
% of Revenue		*24.9%*	*22.6%*	
Operating profit (EBIT)	€/mln	92.0	49.7	85.2
Investments	€/mln	164.3	116.3	41.3
Electricity sold	GWh	496.9	519.5	(4.4)
Thermal energy produced	GWht	321.4	211.8	51.7
Waste managed	tonnes	3,646,007	3,081,055	18.3
Emilia area sorted waste collection	%	78.6	78.3	0.5
Piedmont area sorted waste collection	%	57.5	56.0	2.7
Liguria area sorted waste collection	%	74.7	74.2	0.7

Gross operating profit (EBITDA) of the segment amounted to 227.4 million euro, upwards +31.6% compared to 172.8 million euro in 2020. The increase is attributable not only to the change in the consolidation scope, with an increase of approximately +22 million euro, but also to the strong improvement in energy profits following the increase in the sale price of electricity (the average PUN of 125.5 euro/MWh is in fact up 222.6% compared to 2020) and to the profits from the collection and sale of recovered materials resulting from sorted waste collection. Profits on special waste intermediation and disposal activities decreased, the latter due to reduced use of the Collegno landfill, on which maintenance and expansion works are under way.

Operating profit (EBIT) amounted to 92.0 million euro, up +85.2% compared to 49.7 million euro in 2020. The positive trend in EBIT was partially absorbed by an increase in amortisation and depreciation of approximately 6 million euro, higher write-downs of approximately 21 million euro relating primarily to the assets, already non-operational, of the Scarlino Energia plant, partially offset by a greater release of provisions of approximately 15 million euro.

Investments made amounted to 164.3 million euro, a significant increase from 116.3 million euro in 2020. Investments related to the purchase of collection vehicles and equipment and the construction of plants; in particular, the latter include the paper and plastic sorting plant in Parma, the wood treatment plant in Vercelli, the plastic sorting plant in Borgaro. The change in the consolidation scope also contributed to the growth of investments, with particular reference to the plastic recycling plant in San Giorgio di Nogaro (I. Blu).

Energy SBU

For the year ended 31 December 2021, the revenue of the Energy SBU, which includes the production of electricity and heat, management of district heating, public lighting and energy efficiency, amounted to 2,280.1 million euro, an increase of +99.2% compared to 1,144.7 million euro in 2020. The increase in revenue reflects primarily higher sales prices for electricity (over +1,000 million euro), resulting from the energy scenario, partially offset by a decrease in the amount of electricity sold (-78 million euro). Revenue from heat production is also up, due both to an increase in volumes, as a result of a more favourable heating season, and to higher sales prices, as well as revenue from activities connected with energy requalification and building restructuring favoured by recent tax breaks (around +100 million euro).

		2021	2020	Change %
Revenue	€/mln	2,280.1	1,144.7	99.2
Gross Operating Profit (EBITDA)	€/mln	297.8	228.1	30.6
% of Revenue		*13.1%*	*19.9%*	
Operating profit (EBIT)	€/mln	157.4	111.3	41.4
Investments	€/mln	169.5	171.6	(1.2)
Electricity produced	GWh	9,173.7	9,444.5	(2.9)
from hydroelectric and other renewable sources	GWh	*1,226.1*	*1,283.7*	*(4.5)*
from cogeneration sources	GWh	*5,610.2*	*5,454.5*	*2.9*
from thermoelectric sources	GWh	*2,337.3*	*2,706.3*	*(13.6)*
Heat produced	GWht	3,006.5	2,736.3	9.9
from cogeneration sources	GWht	*2,563.9*	*2,230.0*	*15.0*
from non-cogeneration sources	GWht	*442.6*	*506.3*	*(12.6)*
District heating volumes	Mm^3	98.8	96.7	2.1

In 2021, electricity produced was 9,173.7 GWh, down -2.9% compared to 9,444.5 GWh of the previous year 2020.

Total thermoelectric production was 7,947.5 GWh, of which 5,610.2 GWh from cogeneration sources, up +2.9% compared to the 5,454.5 GWh of 2020 and 2,337.3 GWh from conventional thermoelectric sources, down -13.6% compared to the 2,706.3 GWh of 2020.

Production from renewable sources amounted to 1,226.1 GWh, of which 1,205.7 GWh deriving from hydroelectric sources and, marginally, approximately 20.4 GWh from other renewable sources (photovoltaic); overall production is down by -4.5% compared to 1,283.7 GWh in 2020 mainly due to the poor water supply of the year.

The Gross operating profit (EBITDA) amounted to 297.8 million euro, up +30.6% compared to 228.1 million euro in the previous year.

The growth trend in domestic demand for electricity that had characterised the nine months of 2021 also continued in the fourth quarter and at 31 December, stood at 318.1 TWh, an increase of +5% compared with 302.8 TWh in 2020.

The trend in the energy scenario was characterised not only by rising demand and a sharp increase in electricity prices, but also by a gradual rise in the price of gas used as a raw material in generation activities. These dynamics led to a significant increase in the margins generated in all the electricity production sectors (Hydroelectric, Electric Cogeneration and Thermoelectric), also thanks to services on the Dispatching Service Market (MSD), partially absorbed by lower profits in the heat cogeneration sector, despite the greater quantities of heat produced.

The improvement compared is also supported by the energy efficiency sector which, thanks to energy requalification and building renovation activities, favoured by recent tax concessions (e.g. facade bonus and 110% superbonus), shows an improvement of approximately +9 million euro.

The operating profit of 157.4 million euro was up by + 41.4% compared to the 111.3 million euro of the previous year, which also benefited from a release of provisions for over 18 million euro. Depreciation, amortisation and impairment losses increased by 4 million euro.

Investments amounted to 169.4 million euro, down -1.2% from the 171.6 million euro in 2020. The main ones include the repowering of the Turbigo thermoelectric plant (78.9 million euro) and the development of district heating networks.

Market SBU

As at 31 December 2021, the segment's revenue amounted to 3,070.9 million euro, up by +47.3% compared to 2,084.6 million euro in 2020. Approximately +83% of the increase in revenue is due to the sharp rise in the prices of both gas and electricity, and +17% is due to the higher quantities of electricity and gas sold. Effective 1 July 2021, SidIren was acquired, which contributed approximately 14 million euro to the revenue of the Market SBU.

Gross operating profit (EBITDA) amounted to 104.4 million euro, down -28.9% compared to 147 million euro in 2020. The sharp contraction is primarily attributable to electricity sales, whilst gas, partly thanks to the use of storage facilities, was less affected by the sharply rising energy scenario. The other services sector made a positive contribution to EBITDA, thanks to significant development of the services and accessory products marketed (e-mobility, boilers, energy system maintenance, etc.).

Operating profit (EBIT) amounted to 14.8 million euro, down -78% compared to 67.3 million euro in 2020. During 2021, there was higher depreciation and amortisation of approximately 15 million euro and lower impairment losses on loans and receivables of approximately 4 million euro due to an improvement, compared to last year, in the estimate of the effects of the Covid-19 pandemic on expected losses.

		2021	2020	Change %
Revenue	€/mln	3,070.9	2,084.6	47.3
Gross Operating Profit (EBITDA)	€/mln	104.4	147.0	(28.9)
% of Revenue		*3.4%*	*7.0%*	
From Electricity	€/mln	*12.4*	*55.5*	*(77.7)*
From Gas	€/mln	*81.5*	*86.1*	*(5.4)*
From Heat and other services	€/mln	*10.5*	*5.3*	*99.1*
Operating profit (EBIT)	€/mln	14.8	67.3	(78.0)
Investments		64.6	50.6	27.8
Electricity Sold	GWh	7,353.7	7,295.9	0.8
Gas Purchased	Mm^3	2,926.9	3,017.7	(3.0)
Gas sold by the Group	Mm^3	*1,028.3*	*1,080.4*	*(4.8)*
Gas for internal use	Mm^3	*1,679.1*	*1,728.2*	*(2.8)*
Gas in storage	Mm^3	*219.5*	*209.0*	*5.0*

Sale of electricity

The volumes of electricity sold on the free market amounted to 7,353.7 GWh, an increase of +0.8% compared to 7,295.9 GWh in 2020.

The increase in the deregulated market regarded the small business segment, with sales of 897.7 GWh (up 55.8%), and the retail segment, with sales of 1,543.9 GWh (up 20.3%), partly due to the higher quantities sold in the residential gradual protection auctions. On the other hand, sales were down in the Business segment (-9.6%) and in the Wholesale segment (-8.7%), to 2,857.1 GWh and 1,736.7 GWh, respectively.

Sales in the protected market amounted to 318.3 GWh, down by -14.4% compared to 371.8 GWh in 2020.

The gross operating profit (EBITDA) from the sale of electricity amounted to 12.4 million euro, down -77.7% compared to 55.5 million euro in 2020. The sharp contraction is due to the scenario effect on uncovered sales, partially offset by increases in the PCV (sales prices) and RCV (sales marketing remuneration) components and extraordinary items related to the refund of System General Charges.

The table below shows the quantities sold by class of customer sector:

	2021	2020	Change %
Business	*2,857.1*	*3,161.7*	*(9.6)*
Small business	*897.7*	*576.0*	*55.8*
Retail	*1,543.9*	*1,283.3*	*20.3*
Wholesalers	*1,736.7*	*1,903.1*	*(8.7)*
Free market	7,035.4	6,924.1	1.6
Protected market	318.3	371.8	(14.4)
Total Electricity sold	7,353.7	7,295.9	0.8

Sale of Natural Gas

Purchased volumes amounted to 2,926.9 Mm^3, down -3%, compared to 3,017.7 Mm^3 in 2020.

Gas sold by the Group amounted to 1,028.3 Mm^3, down by -4.8% compared to 1,080.4 Mm^3 in 2020.

The gas used for internal consumption within the Group amounted to 1,679.1 Mm^3, a decrease of -2.8% compared to 1,728.2 Mm^3 in the previous year.

The gross operating profit (EBITDA) from the sale of gas amounted to 81.5 million euro, down -5.4% compared to 86.1 million euro in 2020.

The increase in profits linked to the management and use of stockpiles was more than offset by higher operating costs linked to the development of new services.

Sale of heat and other services

The sale of heat and other services shows a gross operating profit of 10.5 million euro, a strong improvement compared to the 5.3 million euro in 2020. The increase is primarily attributable to the commercial activities of Iren Plus and Iren GO, the two business lines marketing goods and services ancillary to the supply of commodities and electric mobility.

Investments of the Market SBU amounted to 64.6 million euro, up +27.8% from the 50.6 million euro in 2020.

Services and other

For the year ended 31 December 2021, revenue of the segment, which includes the activities of the analysis laboratories, telecommunications and other minor activities, was 26.3 million euro, up by +5.4% compared to the 24.9 million euro in 2020.

		2021	2020	Change %
Revenue	€/mln	26.3	24.9	5.4
Gross Operating Profit (EBITDA)	€/mln	3.9	3.3	19.8
% of Revenue		*14.9%*	*13.2%*	
Operating profit (EBIT)	€/mln	1.8	1.0	75.7
Investments	€/mln	51.6	52.8	(2.2)

Gross operating profit (EBITDA) amounted to 3.9 million euro, up +19.8% compared to 3.3 million euro in 2020.

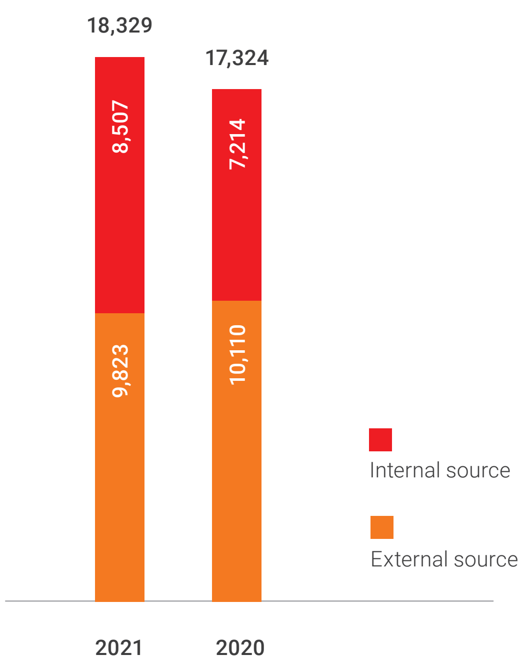
Investments in the year amounted to 51.6 million euro, down by -2.2% compared to the 52.8 million euro of the year 2020 and mainly related to information systems, vehicles and buildings.

Energy balances

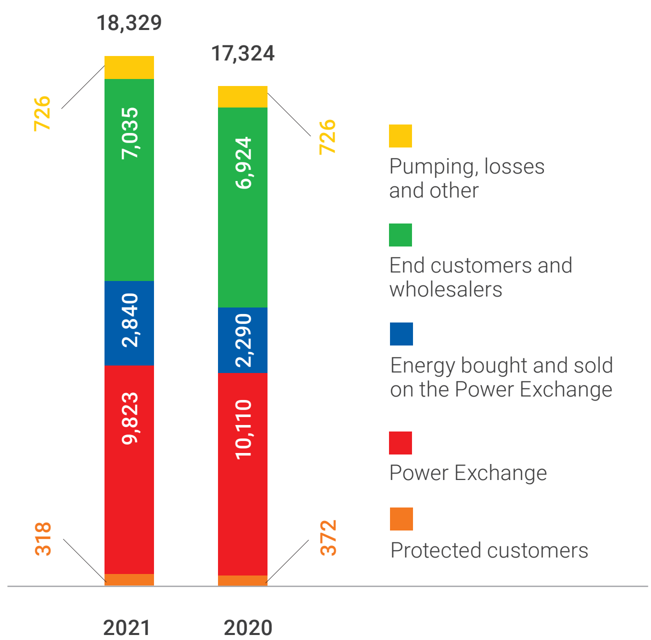
ELECTRICITY BALANCE

GWh	2021	2020	Change %
SOURCES			
Group's gross production	9,822.8	10,109.6	(2.8)
a) Hydroelectric and other renewables	*1,259.9*	*1,315.6*	*(4.2)*
b) Cogeneration	*5,610.2*	*5,454.5*	*2.9*
c) Thermoelectric	*2,337.3*	*2,706.3*	*(13.6)*
d) Production from WTE plants and landfills	*615.4*	*633.2*	*(2.8)*
Purchases from the Single Buyer (Acquirente Unico)	350.8	410.5	(14.6)
Energy purchased on the Power exchange	7,711.5	6,309.0	22.2
Energy purchased from wholesalers and imports	444.2	494.7	(10.2)
Total Sources	18,329.3	17,323.8	5.8
USES			
Sales to protected customers	318.3	371.8	(14.4)
Sales to end customers and wholesalers	7,035.4	6,924.1	1.6
Sales on the Power exchange	7,409.2	7,012.4	5.7
Electricity bought and sold on the Power Exchange	2,840.3	2,289.5	24.1
Pumping, distribution losses and other	726.1	726,0	0.0
Total Uses	18,329.3	17,323.8	5.8

SOURCE



USES

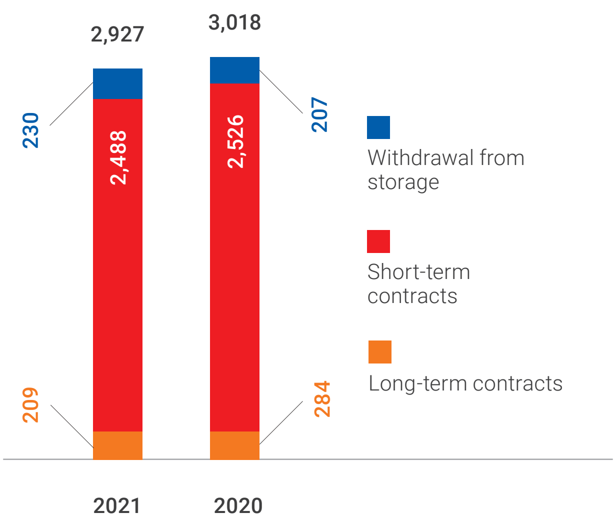


GAS BALANCE

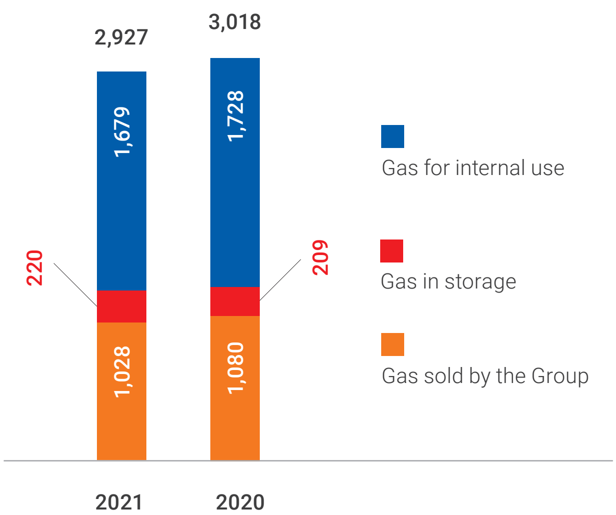
Millions of m³	2021	2020	Change %
SOURCES			
Long-term contracts	209.1	284.4	(26.5)
Short- and medium-term contracts	2,488.1	2,526.2	(1.5)
Withdrawals from storage	229.7	207.1	10.9
Total Sources	2,926.9	3,017.7	(3.0)
USES			
Gas sold by the Group	1,028.3	1,080.4	(4.8)
Gas for internal use (1)	1,679.1	1,728.2	(2.8)
Gas in storage	219.5	209.1	5.0
Total Uses	2,926.9	3,017.7	(3.0)

[1] Internal use concerns thermoelectric plants and use for heat services and internal consumption

SOURCE



USES



Financial position, financial performance and cash flows of Iren S.p.A.

Income statement

INCOME STATEMENT OF IREN S.P.A. (THOUSANDS OF EURO)

	2021	2020	Change %
Revenue			
Revenue from goods and services	235,753	218,968	7.7
Other income	11,567	12,964	(10.8)
Total revenue	247,320	231,932	6.6
Operating expenses			
Raw materials, consumables, supplies and goods	(7,371)	(12,313)	(40.1)
Services and use of third-party assets	(137,852)	(128,802)	7.0
Other operating expenses	(11,008)	(9,157)	20.2
Internal work capitalised	4,902	4,966	(1.3)
Personnel expense	(77,093)	(73,685)	4.6
Total operating expenses	(228,422)	(218,991)	4.3
GROSS OPERATING PROFIT (EBITDA)	18,898	12,941	46.0
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(36,267)	(31,356)	15.7
Impairment losses on loans and receivables	-	-	-
Other provisions and impairment losses	(73)	96	*
Total depreciation, amortisation, provisions and impairment losses	(36,340)	(31,260)	16.3
OPERATING LOSS (EBIT)	(17,442)	(18,319)	(4.8)
Financial management			
Financial income	288,830	290,011	(0.4)
Financial expense	(53,598)	(65,834)	(18.6)
Net financial income	235,232	224,177	4.9
Gains on equity-accounted investments	-	-	-
Profit before tax	217,790	205,858	5.8
Income tax benefit	1,061	4,205	(74.8)
Profit from continuing operations	218,851	210,063	4.2
Profit (loss) from discontinued operations	-	-	-
Profit for the year	218,851	210,063	4.2

* Change of more than 100%

Revenue

Total revenue for Iren S.p.A. was 247.3 million euro (upwards compared to the 231.9 million euro in 2020), primarily relating to corporate service activities provided to Group companies.

Operating expenses

Operating expenses amounted to 228.4 million euro, up compared to the 2020 figure (219.0 million euro) due in particular to costs for services, attributable to the management of staff activities in favour of Group companies and, specifically, the management of information systems. This increase in the cost base is reflected in the revenue trend described above.

Personnel expense rose as a result of charges for early retirement schemes and the adjustment of actuarial estimates for certain existing benefits.

Depreciation, amortisation, provisions and impairment losses

Depreciation, amortisation, provisions and impairment losses amounted to 36.3 million euro (31.4 million euro in 2020). Depreciation and amortisation, which constitute almost all of the item, increased due to the release in the operational phase of the recent and significant investments in the IT sector.

Financial income and expense

Net financial income came to 235.2 million euro.

Analysing the breakdown of the items, financial income, equal to 288.8 million euro, mainly includes dividends from subsidiaries for 235.3 million euro (- 1.1 million euro compared to 2020) and interest income on loans to subsidiaries and associates for 51.1 million euro, overall unchanged compared to 2020.

Financial expense was 53.6 million euro, and refers essentially to interest expense on bonds. The significant decrease with respect to the comparative figure, when it stood at 65.8 million, is largely attributable to the decrease in the average cost of financial debt; in 2020, there were also charges deriving from the closure of derivative positions outside hedge accounting for 6.4 million.

Profit before tax

As a consequence of the trends illustrated above, the profit before tax was 217.8 million euro, up compared to 205.9 million in 2020.

Income tax benefit

The parent recorded an income tax benefit (1.1 million euro), owing to a negative taxable income deriving from the non-taxability of 95% of the dividends received.

Profit for the year

Including taxes for the year, there was a profit of 218.9 million euro.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF IREN S.P.A.[1] (THOUSANDS OF EURO)

	31.12.2021	31.12.2020	Change %
Non-current assets	2,811,105	2,793,166	0.6
Other non-current assets (liabilities)	188	(7,977)	*
Net Working Capital	27,294	(38,782)	*
Deferred tax assets (liabilities)	7,517	10,090	(25.5)
Provisions for risks and employee benefits	(31,074)	(32,485)	(4.3)
Assets (Liabilities) held for sale	-	240	(100.0)
Net invested capital	2,815,030	2,724,252	3.3
Equity	2,071,331	1,971,907	5.0
Non-current financial assets	*(2,499,028)*	*(2,225,873)*	*12.3*
Non-current financial debt	*3,278,814*	*3,490,489*	*(6.1)*
Non-current net financial debt	779,786	1,264,616	(38.3)
Current financial assets	*(500,795)*	*(819,208)*	*(38.9)*
Current financial debt	*464,708*	*306,937*	*51.4*
Current net financial debt	(36,087)	(512,271)	(93.0)
Net financial debt	743,699	752,345	(1.1)
Own funds and net financial debt	2,815,030	2,724,252	3.3

* Change of more than 100%

[1] For a reconciliation of the reclassified statement of financial position with that of the financial statements, please refer to the specific annex to the Separate Financial Statements.

The main items of the statement of financial position subject to significant changes in the year are commented on below.

Non-current assets at 31 December 2021 amounted to 2,811.1 million euro, up compared to 31 December 2020, when they were 2,793.2 million euro. The increase (+17.9 million euro) was mainly due to the effect of the following:

- investments in property, plant and equipment and intangible assets (+49.9 million euro), mainly relating to motor vehicles, property redevelopment and IT implementations, and depreciation and amortisation (-36.3 million euro) in the year;
- the recognition of right-of-use assets in application of IFRS 16 - Leases for 4.3 million euro, mostly relating to lease contracts from Group companies for buildings used for management activities as well as vehicles.

The increase in Net Working Capital, which was positive at the end of 2021 (27.3 million euro), is attributable primarily to the Group's VAT positions with its subsidiaries and, to a lesser extent, to receivables due from them in connection with the corporate services provided.

"Provisions for Risks and Employee Benefits" amounted to 31.1 million euro and decreased by 1.4 million euro compared to 31 December 2020, largely as a result of disbursements in the year of the provision set aside for early retirement of personnel.

Equity amounted to 2,071.3 million euro, compared with 1,971.9 million euro at 31 December 2020 (+99.4 million euro). The change in the year refers to profit for the year (up 218.9 million euro), dividends paid (down 121.9 million euro), the hedging reserve (up 6.6 million euro), repurchases of treasury shares (down 4.1 million euro) and other minor changes (down 0.1 million euro).

Net financial debt at the end of the year was 743.7 million euro, a decrease of 8.6 million euro compared to 31 December 2020 (-1.1%). For more details please see the analysis of the statement of cash flows presented below.

Statement of cash flows of Iren S.p.A.

Change in net financial debt

The statement below details the movements in the Group's net financial debt that occurred in the year.

(THOUSANDS OF EURO)

	2021	2020	Change %
Opening Net Financial debt	(752,345)	(890,549)	(15.5)
Profit for the year	218,851	210,063	4.2
Non-monetary adjustments	(198,853)	(195,251)	1.8
Payment of employee benefits	(1,507)	(1,260)	19.6
Utilisations of provisions for risks and other charges	(1,662)	(5,200)	(68.0)
Change in other non-current assets and liabilities	(8,165)	(924)	*
Other changes in equity	-	-	-
Taxes received	6,655	33,991	(80.4)
Cash flows from changes in NWC	(70,572)	72,916	*
Operating cash flow	(55,253)	114,335	*
Investments in property, plant and equipment and intangible assets	(49,868)	(51,253)	(2.7)
Investments in financial assets	(50)	(50)	-
Proceeds from the sale of investments and changes in assets held for sale	587	1,341	(56.2)
Change in consolidation scope	-	-	-
Dividends received	235,329	236,437	(0.5)
Total cash flows from investing activities	185,998	186,475	(0.3)
Free cash flow	130,745	300,810	(56.5)
Cash flows from own capital	(125,934)	(145,098)	(13.2)
Other changes	3,835	(17,508)	*
Change in net financial debt	8,646	138,204	(93.7)
Closing Net financial debt	(743,699)	(752,345)	(1.1)

* Change of more than 100%

The change in financial debt derives from the following determinants:

- *operating cash flow of* -55.3 million euro, influenced by the performance of net working capital;
- *cash flows from investing activities* (+186.0 million euro), which include dividends received from subsidiaries net of investments for the year;
- *cash flows from own capital* amounting to -125.9 million euro, which includes dividends paid (-121.8 million euro) and the repurchase of treasury shares (-4.1 million euro);
- the item "*Other changes*", amounting to +3.8 million euro, includes financial income and expense received and paid, the change in the fair value of derivative instruments hedging interest rate risk and the effect of the recognition of new lease agreements falling within the scope of IFRS 16.

We can note finally that the statement of cash flows prepared according to the format of a change in cash and cash equivalents is presented in the Separate Financial Statements at 31 December 2021.

The table below reconciles the equity and profit for the year of the Parent Iren S.p.A. at 31 December 2021 and 31 December 2020 with those of the consolidated financial statements.

(THOUSANDS OF EURO)

31.12.2021	Equity	Profit for the year
Equity and profit for the year of the Parent	2,071,330	218,851
Difference between the carrying amount and value of equity-accounted associates	46,756	12,707
Higher value from consolidation compared to the carrying amount of consolidated equity investments	493,622	302,888
Elimination of dividends from subsidiaries/associates	-	(235,329)
Elimination of intra-group profits	(41,177)	3,971
Equity attributable to the owners of the parent and profit for the year	2,570,531	303,088

“Elimination of intra-group profits” refers to the elimination of capital gains from the sale of business units or companies within the Group. In particular, it is worth noting the transaction related to the Genoa integrated water cycle carried out by the former AMGA (positive effect of 7.4 million euro on the income statement and negative by 23.9 million euro on ’ Equity).

(THOUSANDS OF EURO)

31.12.2020 Restated	Equity	Profit for the year
Equity and profit for the year of the Parent	1,971,907	210,063
Difference between the carrying amount and value of equity-accounted associates	38,254	6,087
Higher value from consolidation compared to the carrying amount of consolidated equity investments	426,339	257,441
Elimination of dividends from subsidiaries/associates	-	(236,418)
Elimination of intra-group profits	(48,597)	1,999
Equity attributable to the owners of the parent and profit for the year	2,387,903	239,172

Significant events after the reporting period and outlook

Acquisition of photovoltaic systems

On 16 February 2022, the Group finalised the acquisition from European Energy S/A, a Danish company active in the development and management of wind and photovoltaic plants, of 100% of Puglia Holding S.r.l., holder of five Special Purpose Vehicles (SPV) holding the authorisations for the construction and management of the photovoltaic parks of ASI Troia, in the localities of San Vincenzo and Montevergine (Province of Foggia) and the complex of Palo del Colle (Province of Bari).

The acquired plants were built between 2019 and early 2022 and have an installed capacity of 121.5 MW, making them the largest photovoltaic park built in Italy to date. The acquired business has an enterprise value of 166 million euro.

Together with the Puglia Holding transaction, Iren Energia entered into a commercial agreement relating to the European Energy plants under development for a total installed capacity of 437.5 MW in four sites located in Lazio, Sicily and Apulia. The agreement provides for the possibility of exercising rights to invest in such assets over a period of exclusivity and at various stages of development.

Financing to support investments for the development of district heating in Turin

Continuing the cooperation in the field of environmental sustainability started in 2020, on 25 March 2022, the Council of Europe Development Bank (CEB) and Iren S.p.A. signed a Public Finance Facility (PFF) loan for 80 million euro to support the investments for the development of the district heating network in the metropolitan area of Turin, provided for in the Business Plan.

The investments financed are aimed at saturating and extending district heating to new areas by connecting new users and improving the operational efficiency and flexibility of the network.

Russia-Ukraine conflict

On 24 February 2022, the Russian President Vladimir Putin announced the beginning of a full-scale land, sea and air military operation targeting Ukrainian military assets and cities across the country. It was the consequence of the intensification of a state of crisis began by the end of 2021, when Russian troops moved to the Russia-Ukraine borders and diplomatic negotiations between Russia and NATO countries failed. This marked the beginning of hostilities between the two countries' armed forces.

As a result, several states and supranational organisations decried Russia's doings and supported Ukrainian forces. In particular, the United Nations General Assembly and the European Council, based on international law, passed on a resolution condemning Russian military actions and demanding that Russia immediately cease its use of force in Ukraine. At the same time, the European Commission has implemented several emergency aid programmes, including financial support and interventions aimed at mitigating the humanitarian crisis caused by the conflict in Ukraine. There are ongoing negotiations between the parties involved whose goal is to identify the most appropriate diplomatic solutions on international peace, security, and stability.

The European Union and other countries (the United States, Great Britain, Australia, Japan and Switzerland among others) have tightened and extended the packages of sanctions on Russia which, although with different terms of effectiveness, aim at hitting Russian economy strategic and financial sectors and imposing targeted restrictions on the President and other figures constituting Russia's industrial, defensive and political base.

These sanctions have had a direct impact on the exchange rate of the Russian currency (the ruble has sharply depreciated against the euro and the US dollar), on local interest rates (increased to 20% by the Russian Central Bank) and on the share price of companies listed on the Moscow Stock Exchange (with a significant sign of decline recorded in March).

In this context, the Italian government is defining measures addressing the exceptional instability of the national natural gas system resulting from the conflict in Ukraine. These measures include actions to soar gas availability, the reduction of consumption and actions aimed at filling gas storage for the 2022-2023 thermal year.

Considering the actual energy sector scenario, Iren has activated a task force to carefully monitor the situation and evolution of the impact that the international crisis has on its businesses, even though the Group is not present in Russia and Ukraine. The focus is on the supply of raw materials and services, in terms of their economic and financial outcomes that could be eventually arising from the shortage of raw materials coming from areas involved in the conflict and, lastly, by the generalised increase in commodity prices considering that that the gas supplied by Russia covers 40% of national needs. In this context, the increase in commodity prices leads to greater quantitative exposure and greater risk in the event of late payments in both gas and electricity retail sectors.

The Group implements direct risk reduction actions by leveraging on:

- The purchase of gas from the main Italian operators, thus excluding the risk of application of non-supply contractual clauses as a result of geopolitical events
- Hedging policies, which ensure that margins are kept under control
- Measures to protect the group from cyber-attacks, in particular trading and dispatching platforms.

In a constantly evolving scenario, characterised by regulatory uncertainty in addition to high and volatile prices regardless of the Ukrainian crisis, the Iren Group continues to monitor macroeconomic and business variables to promptly have potential impacts best estimates on regulatory changes, suppliers, and contracts applicable to the Group.

Legislative measures to fight the increase in commodity prices

For the purpose of financing measures to contain the increase in energy prices, the Italian Government is introducing some extraordinary levies on companies in the energy sector including, in particular, those listed below:

- From art. 37 of Legislative Decree no. 21 of 21 March 2022 ("Energy Decree"), which aims to tax the extra profits made by companies in the energy sector as a result of the increase in raw material costs. The Iren Group is currently assessing the possible impacts of this measure on its profitability, which are assumed to be limited according to initial estimates.
- From art. 15-bis of Law no. 25 of 28 March 2022 (conversion of Legislative Decree no. 4 of 27 January 2022 - "Sostegni-ter Decree"), which provides for a contribution on extra profits on non-incentivised renewable energy production. The effect of these measures on the Group's profits for 2022 is estimated to be a reduction of around 15 million euro.

Outlook

The Iren Group's 2022 will be characterised by a solid acceleration in investments, they are expected to grow exponentially (+50%) compared to 2021, seizing multiple development opportunities that allow to anticipate part of what is planned in the Business Plan.

The Business Plan bases its rationale on three strategic pillars guiding investment choices: ecological transition, territoriality and quality of the services. Respectively, the objectives of the ecological transition are the progressive decarbonisation of all the activities and the strengthening of Group's leadership in circular economy; when it comes to territoriality, Iren aims at expanding the scope of activities in its principal places of business and to be the reference partner for local stakeholders; finally, with quality of service, Iren's goal is to improve network services performance as well as maximise customer satisfaction in all its businesses.

The Networks business unit's 2022 will be characterised by a decrease in the rate of return on invested capital (WACC) leading to a reduction in tariff revenue which, in turn, is offset by the increase in recent years' investments. The latter positively influences the returned invested capital. Among others, investments in the integrated water system favour the increase in purification capacity, the re-use of resources and reduce water losses thanks to a greater efficiency. In the electricity and gas distribution network, the goal is to increase the power supported by the first and make the second suitable for the distribution of hydrogen mixtures. Their final goal is to guarantee a better and better quality of the services.

With regard to the Environment business unit, the investments will be focused on the construction of waste treatment and disposal plants in addition to increasing the quality of the service by expanding door-to-door collection and punctual pricing. Such investments, together with the extensive coverage of the waste cycle (from collection to treatment and disposal), will boost recovered material volumes.

When it comes to the Energy and Market business units, throughout 2022 the Group will continue to implement a series of actions aimed at mitigating the impact of energy price volatility thanks to a hedging policy that will stabilise the margins of the entire energy supply chain. The generation park facility will benefit from new production line of Turbigo thermoelectric plant but also from the consolidation of the recently acquired photovoltaic plants and, finally, from the organic development of new renewable capacity, encouraged by the growth of our customer base.

Finally, the Smart Solutions business unit, which will be mainly focused on the energy efficiency of buildings, will be able to seize the opportunities offered by government's incentives and to the development of electric mobility. Smart Solutions will act as the main interlocutor for public administrations to realise complex urban redevelopment projects.

Concerning the international geopolitical crisis that has arisen as a result of the Russia-Ukraine conflict, it is currently difficult and uncertain to assess the effects and consequences that could derive from its persistence. In this scenario, there are two main risks to be taken into account: commodity price volatility and the simultaneous inflationary effect. Iren monitors the evolution of the situation on a daily basis, defining possible risk scenarios for its activities and identifying mitigation actions.

In addition, to ease the impact of the increase in commodities prices, whose upward trend began in the fourth quarter of 2021, the government has already approved measures to thin the imbalance between the production and sale prices of both electricity and gas. According to initial estimates, such prices will have a limited impact on the Group's profitability.

Financial management

General framework

During 2021, the short-term part of the rate curve stabilised at a new low after the turbulence experienced in 2020 following the COVID-19 pandemic events. The medium/long-term portion of rates was subject to several bullish movements recorded in the first quarter, after the summer period and, more decisively, from December 2021.

The European Central Bank has kept rates unchanged since March 2016, with the reference rate at 0%. An examination of the six-month Euribor rate shows that the rate, in heavily negative territory, is at a level of -0.48%.

The quotations of fixed rates, reflected in the values of the IRS, following the upward movements returned to positive territory for all medium and long-term maturities, reaching levels not recorded since the beginning of 2019.

Activities performed

During 2021, activities aimed at consolidating the financial structure of the Iren Group continued. Changes in financial requirements are monitored through careful planning, which makes it possible to forecast the need for new resources, taking into account the repayments of outstanding loans, changes in debt, 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 the companies, entails cash pooling with the parent, non-current loans and financial risk monitoring and management. Iren has relationships with leading Italian and international banks, for the purpose of procuring the types of loans best suited to its needs and at the best market conditions.

With reference to the transactions carried out in 2021, it should be noted that in March, the first tranche equal to 5 million euro of the 80-million-euro loan of the CEB (Council of Europe Development Bank), signed in May 2020 to support the water infrastructure investment plan, was drawn down.

Direct loans with EIB and CEB, with a duration of up to 16 years, not used and available, amount to a total of 295 million euro.

As reported in "Significant events of the year", with regard to market transactions, as part of the Euro Medium Term Notes (EMTN) programme of 4 billion euro, in October a *TAP* issue was finalised, placed within the fourth Green Bond issue, for an amount of 200 million euro, with gross annual coupon of 0.25% and maturity on 17 January 2031. The security has a BBB Fitch rating and is listed on the regulated market of the Irish stock exchange, where the prospectus was filed, and on the ExtraMOT market of the Italian Stock Exchange.

In order to optimise the Group's financial structure, the Liability Management activity continued and in June the voluntary early repayment of loans in the parent's portfolio was carried out for a total of 35 million euro.

Within the Group, the consolidated exposure decreased due to the early repayment of the Scarlino Energia, Alfa Solutions (formerly Studio Alfa) and Nove loans for a total of 18 million euro; the Futura mortgage, consolidated from the end of March 2021, amounting to 21 million euro, was extinguished early in April, together with the related interest rate risk hedges.

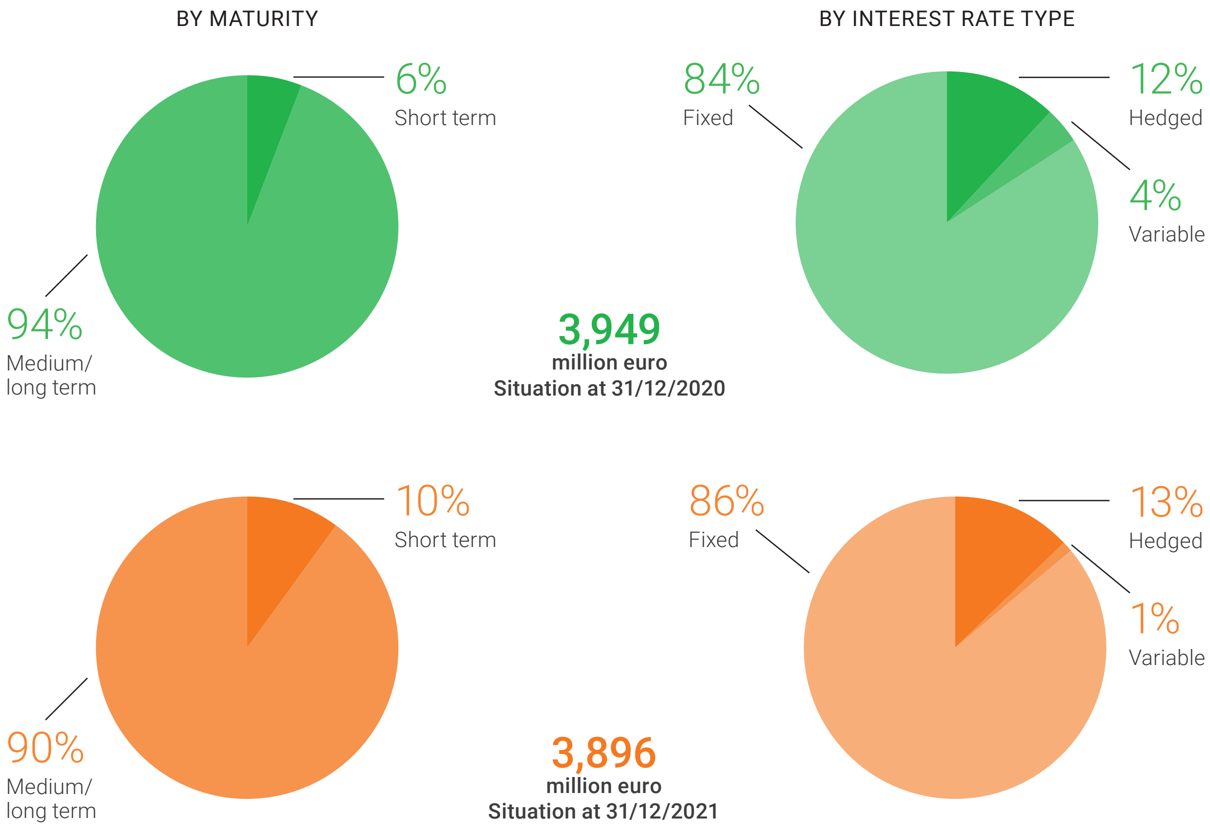
Financial debt from loans, which does not include financial liabilities recognised in accordance with IFRS 16, consisted of 14% loans and 86% bonds at the end of the year.

As regards financial risks, the Iren Group is exposed to various types of risk, 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 risks of fluctuations in the interest rate. No new Interest Rate Swap contracts were entered into during the year.

At the end of the year, the portion of floating rate debt not hedged by derivatives was equal to 1% of financial debt from loans, in line with the Iren Group's objective of maintaining adequate protection from significant increases in interest rates.

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

The composition of financial debt from loans by maturity and rate type, compared with the situation at 31 December 2020, is shown in the chart below.



Rating

On 09 December 2021, the Standard & Poor's rating agency assigned, for the first time to the Iren Group, its long-term credit rating at the "BBB-" level with a "Positive" outlook. The same rating is also given to senior unsecured debt.

The "Investment Grade" rating from a second agency, after Fitch, expresses the Group's solid positioning in Italy, with a wide diversification of activities especially in regulated sectors and a significant territorial presence. Capital expenditures under the new Business Plan, primarily targeting organic growth and energy transition, combined with an expected continued improvement in credit metrics, support the "positive" outlook. From a financial point of view, the rating level assigned also expresses the Group's good liquidity profile.

Also in this context, on 22 December, the agency Fitch confirmed its "BBB" rating for Iren with a "Stable" outlook. This assessment is also based primarily on an analysis of the Business Plan to 2030, with particular reference to the investments planned in relation to the financial structure. The maintenance of a business portfolio consisting mainly of regulated and semi-regulated activities, the creation of value and the stability guaranteed by the integration of the various businesses are elements considered positive by the rating agency, together with the Group's liquidity profile.

To support the liquidity profile of the Group and the rating, Iren has the aforementioned medium/long-term credit lines agreed and available but not used for 295 million euro, which are in addition to current liquid assets.

Risks and uncertainties

The management of corporate risks is an essential component of the Internal Control System of the Corporate Governance of a listed company, and the Corporate Governance Code of Borsa Italiana assigns specific responsibilities on 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, currency);
- Credit Risk;
- Energy Risks, attributable to the procurement of gas for thermoelectric generation and to the sale of electricity, heat and gas, and to the hedging derivative markets;
- Cyber Risks, linked to potential events related to the loss of confidentiality, integrity or availability of data or information after which negative impacts on the organisation, people, operations or other organisations could derive;
- Risks from Climate Change, which include risks due to the transition to a low carbon dioxide emission economy (transition risks) and risks of a physical nature (physical risks) that may result from catastrophic environmental events (acute risks) or from medium- to long-term changes in environmental patterns (chronic risks);
- Tax risks, associated with potential transactions carried out in violation of tax regulations or in contrast with the principles or purposes of the tax system;
- 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 Commissions to manage the financial, IT, credit, energy and climate risks.

The Cyber Risk Policy, the Climate Change Risk Policy and the Tax Control Model were adopted in 2020 following the approval of the Board of Directors of Iren S.p.A., while the other Policies have undergone some substantial revisions over time to adapt them to the current organisational models and to the evolution of risk factors.

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, is present within the Group. This department is entrusted, among other things, with the following activities:

- verification of the integrated management of the Group's Enterprise Risk Management (ERM) System: methodological approach, definition of policies and monitoring of the System;
- stipulation and management of insurance policies in conjunction with the CEO and with the support of the "Procurement, Logistics and Services", and "Legal Affairs" functions.

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

The Iren Group's business is exposed to various types of financial risks, including: liquidity risk, currency risk and interest rate risk. As part of its Risk

Management activities, the Group uses non-speculative hedging contracts to limit currency risk and interest rate risk.

a) Liquidity risk

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

The procurement of financial resources has been 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.

b) Currency risk

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

c) Interest rate risk

The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of borrowing costs. 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.

Compliance with the limits imposed by the Policy is verified during the Financial Risk Commission 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 energy, water and waste management services. The receivables are spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored and, if necessary, covered by repayment plans. The Iren Group's Credit Management units devoted to credit recovery are responsible for this activity.

In carrying on its business, the Group is exposed to the risk that assets may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in assets subject to arrangement procedures or unenforceable. Among other factors, this risk is also affected by the economic and financial situation, which in the second half of 2021, led to a particularly significant increase in prices for end customers of gas, electricity and district heating. To limit exposure to credit risk, a number of tools have been activated. 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. In addition, methods of payment through digital channels are offered to customers.

The credit 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 and with credit insurance for the reseller customer segment.

An interest-bearing guarantee deposit is required for some types of services (water, natural gas, highly- protected 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.

The loss allowance reflects, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and is determined on the basis of the extraction from databases of the amounts making up the receivable and, in general, assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related expected losses determined on a prospective basis, taking into due consideration the historical data. With regard to the emergency caused by Covid-19, and with specific reference to the possible liquidity difficulties of the customer portfolio linked to the measures to combat the pandemic and the regulatory and corporate measures to mitigate the economic and social impact of the crisis, the Group adjusted the loss allowance based on the assessment of expected losses.

The control of credit risks is also strengthened by the monitoring and reporting procedures, in order to identify promptly possible countermeasures.

In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data regarding the evolution of the Group companies' trade receivables, in terms of type of customers, status of the contract, business chain and ageing band. The assessment of credit risk is carried out both at the consolidated level and at the level of Business Units and companies.

Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

3) ENERGY RISK

The Iren Group is exposed to price risk on the energy commodities traded, these being electricity, natural gas, environmental emission certificates, etc., as both purchases and sales are impacted by fluctuations in the price of such commodities directly, or through indexing formulae. Exposure to currency risk, characteristic of oil-based commodities, exists, but is residual thanks to the development of the European organised markets that trade the gas commodity in euro and no longer indexed to oil products.

The Group's policy is oriented to a strategy of active management of the positions to stabilise the margin taking the opportunities offered by the markets; it is implemented by aligning the indexing of commodities purchased and sold, through vertical and horizontal use of the various business chains, and operating on the financial markets.

For this purpose, the Group plans the production of its plants and purchases and sales of energy and natural gas, in relation to both volumes and price formulae. The objective is to achieve sufficient margin stability through a policy of indexed purchases and sales that achieves a high degree of natural hedging, with adequate recourse to futures and spot markets.

For a more detailed analysis of the risks dealt with up to now, reference should be made to the paragraph "Group Financial Risk Management" in the Notes.

4) CLIMATE CHANGE RISKS

The Iren Group has included in the Enterprise Risk Management system a Policy dedicated to climate change risks, which are becoming increasingly important for organisations. Moreover, they affect the health of the planet, with estimates of significant effects already in the medium term. All companies, and in particular those operating in significantly exposed sectors such as the Iren Group, must consider the analysis of climate change risks as an emerging and determining factor in the definition of their medium and long-term strategies.

The adoption of the Climate Change Risk Policy and the resulting risk analysis and management represent the preliminary steps in a process that will enable the Group to provide even more effective control over its exposure to damaging events and the opportunities that the external context and its changes may offer, as well as its contribution to the achievement of sustainable development objectives defined at national and international level.

The Policy analyses and regulates, focusing on the applicability to the individual Business Units, the risk factors related to climate change, distinguishing between physical risks and transition risks. Physical risks resulting from changing climatic conditions are divided into acute physical risks - if related to local catastrophic natural events (e.g. floods, heat waves, fires, etc.) - and chronic physical risks - if related to long-term climate change (e.g. global warming, rising sea levels, water scarcity, etc.).

The transition to a low-carbon economy could entail extensive changes in government policies, with consequent regulatory, technological and market changes. Depending on the nature and speed of these changes, transition risks may result in a varying level of financial and reputational risk for the Group.

The Policy requires the presence of a Risk Commission to periodically review the Group's risk profile, defining and proposing updates to the Chief Executive Officer on strategies for managing risk classes and reporting any emerging critical issues to the Executive Bodies. The document also includes guidelines for reporting, aimed at ensuring transparency of information to all stakeholders.

As part of the Climate Change Risk Management Policy, in 2021 the Iren Group began implementing a tool that supports strategic decision-making. This tool has seen the development of a model based on three time horizons (2030, 2040 and 2050), identified in line with the objectives of the Group's Strategic Plan and Sustainability Plan, and on the use of climatic and socio-economic scenarios necessary to define evolution scenarios of the main quantities underlying the analysis.

Climate data are based on scenarios published by the *International Panel on Climate Change* (IPCC), the so-called *Representative Concentration Pathways* (RCPs) where the number associated to each RCP indicates the "strength" of climate change generated by human activity by 2100 compared to the pre-industrial period.

The climate scenarios taken into consideration in the analysis are the RCP 2.6 scenario (~+1.5°C considered by the Iren Group), which envisages a strong mitigation aimed at keeping global warming below 2°C compared to pre-industrial levels with the simultaneous achievement of the targets defined by the Paris Agreement, and the RCP 8.5 (~+4°C considered by the Iren Group), (commonly associated with the expression "Business-as-usual", or "No mitigation"), which does not envisage the adoption of any particular countermeasures and a growth in emissions at current rates.

Socio-economic data, on the other hand, are primarily based on the *Sustainable Development Scenario* (SDS) and *Stated Policies Scenario* (STEPS) scenarios from the *World Energy Outlook* (WEO) published by the *International Energy Agency*. The model allows to quantify the variation of the economic-financial variables, through specific KPIs, for those assets that are potentially more exposed to climate change risks.

The application of the model showed that the actions introduced in the 2021-2030 Business Plan, in which asset-specific investments are outlined, have a mitigating effect on the impacts of climate change on the activities of the Iren Group. Mitigation actions of a strategic nature, linked to investments, are flanked by others of an operational and insurance nature.

During 2022, the assessment model will be completed, including all the most significant plants for the risk under consideration, paying particular attention to new regulatory and climate scenarios.

5) TAX RISKS

The Iren Group has adopted a specific internal control and tax risk management system, understood as the risk of operating in violation of tax regulations or in contrast with the principles or aims of the legal system.

The tax risk control and management system, the "Tax Control Framework" (hereinafter "TCF"), enables the Group to pursue the objective of minimising its exposure to tax risk by identifying, updating, assessing and monitoring tax-related governance, processes, risks and controls.

The Group is committed to managing its tax affairs in accordance with all applicable laws and regulations.

For this reason, Iren has adopted the TCF as an internal control system that defines the governance for the management of taxation and related risk in line with the principles of the company strategy and, in particular, the Tax Strategy.

The Tax Control Framework adopted consists of a set of rules, guidelines, tools and models aimed at supporting the Group's employees in carrying out their daily activities, ensuring consistency on relevant tax matters.

Therefore, the TCF's structure provides for the presence of two pillars that outline its operating scheme: the Tax Strategy and the Tax Compliance Model.

The Tax Strategy defines the objectives and the approach adopted by the Group in managing the tax variable. The purpose of this document is to establish the Principles of conduct in tax matters in order to i) contain tax risk due to exogenous and endogenous factors, and ii) continue to guarantee over time the correct and timely determination and settlement of taxes due by law, and the performance of related obligations. The Tax Strategy has been approved and issued by the Board of Directors of Iren S.p.A.

The Tax Compliance Model is an element of the Internal Control and Risk Management System. This document contains the detailed description of the phases comprising the risk assessment, control and periodic monitoring processes carried out by Iren, and the subsequent reporting on tax issues to the Chief Executive Officer and the other relevant bodies and functions. It also aims to summarise the main responsibilities assigned to the various functions involved in tax-relevant processes. The Tax Compliance Model is prepared by the Tax and Compliance

Function and is ultimately approved by the Board of Directors of Iren S.p.A.

The project for the creation of a TCF aligned with the best practices in the matter took shape with the presentation by Iren S.p.A. and Iren Energia of the application for access to the Collaborative Compliance institution, a regime between the Tax Authority and the large companies introduced by Legislative Decree No. 128 of 5 August 2015 in order to promote the implementation of enhanced forms of communication and cooperation based on mutual trust between tax authorities and taxpayers, and to encourage, in the common interest, the prevention and resolution of tax disputes. The preliminary investigation for admission was successfully concluded in December 2021 with the admission of the two companies.

6) 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, IT, 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.

In this regard, Iren has equipped itself with a very detailed risk map that corresponds to the reality of the Group, with qualitative and quantitative assessments of each individual risk and with details of the controls and mitigation actions in place or planned. The identified risks have been associated with the ESG (Environmental, Social and Governance) category to which they belong. It is noted that for each risk it was verified whether and how it had been impacted by Covid-19.

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 departments operate, reporting directly to the Chief Executive Officer, 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

Cyber risks are defined as the set of internal and external threats which can compromise business continuity or cause civil liability damage to third parties in the event of loss or disclosure of sensitive data. From an internal point of view, the operational risks regarding information technology are closely related to the business of the Iren Group, which operates network infrastructures and plants, including through remote control, accounting operational management and invoicing systems and energy commodity trading platforms. The Iren Group is, in fact, one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers. At the same time, problems related to supervision and data acquisition on physical systems could cause plant shutdowns and collateral and even serious damage. A breakdown of invoicing systems could also determine delays in issuing bills and the related collections, as well as damage to reputation.

To mitigate such risks, specific measures have been adopted, such as redundancies, highly-reliable systems and appropriate emergency procedures, which are periodically subject to simulations, to ensure their effectiveness. The Iren Group is also exposed to the risk of cyber attacks aimed both at acquiring sensitive data and at stopping operations, causing damage to plants and networks and compromising service continuity. Market benchmarks also show that attacks aimed at acquiring companies' and third-party data are increasingly frequent, with consequent civil liability and sanctions, including serious ones, and at acquiring industrial secrets. In this regard:

- the data network was further segregated according to functional usage, especially by isolating the OT network;
- the Security Operation Center (SOC) is active with 24 hour monitoring of IT security events;
- policies were adopted to strengthen access to systems such as, in addition to the introduction of particularly complex passwords, the introduction of the second authentication factor and a platform for controlled and monitored access by system administrators. Adoption of systems with behavioural analytics capabilities and automated, remote response execution for workstations was completed;
- The Cyber Threat Intelligence (CTI) platform, aimed at acquiring evidence of attackers and threats potentially impacting corporate assets has been fully integrated with the monitoring and event management systems of IT security;
- a multi-year project was launched to raise awareness of IT security issues for all Group employees; this programme is based on phishing simulation campaigns, assessment questionnaires and targeted online training modules.

In addition, the Group Cyber Risk Policy is in force, approved by the Board of Directors of Iren S.p.A., which - like the other main risk policies - provides for the convening of specific Risk Commissions, the monitoring of performance indicators and dedicated reporting.

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

7) STRATEGIC RISKS

In the development of the new 2030 Business Plan, the Group has structured three distinct areas of analysis: a qualitative-quantitative risk assessment, a specific focus on investments and a focus on climate change risks.

The qualitative risk assessment was based on an analysis of industry trends, the Group's exposure to related strategic risks and the related ability of the Business Plan to mitigate these risks. Consequently, for the risk categories and related elementary risks mapped as part of the Group's Risk Map, a detailed analysis of the quantitative drivers relating to the risks with an impact in the years of the Plan was carried out. Once these risks have been identified, the relative impacts, probability of occurrence and mitigation actions have been quantified in order to quantify both the inherent and residual risk value. This assessment led to the enhancement of the Plan's stress test and related rating indices.

With regard to the analysis of the Plan's investments, identifying both the capital expenditures with a mitigating effect on risks and those whose implementation may represent a possible source of risk, with possible repercussions in economic and financial terms (so-called "execution risks").

Finally, an analysis of the risk factors from climate change impacting the Group was carried out, with modelling of the most significant assets and risk factors for different energy scenarios and time horizons. Model results were analysed and investments to mitigate climate change risks were evaluated.

In addition to the risk analysis associated with the Plan, the Risk Management Department contributes risk assessments specific to mergers & acquisitions and the main strategic plans concerning the Group.

Transactions with related parties

The Procedure on Related Party Transactions ("RPT Procedure") in force since 1 July 2021 is published on Iren's website (www.gruppoiren.it) and was approved by the Board of Directors on 28 June 2021, subject to the favourable opinion of the Related Party Transactions Committee ("RPTC", entirely composed of Independent Directors).

Until 30 June 2021, the RPT Procedure approved by the Board of Directors on 30 June 2019 remained in force, again subject to the favourable opinion of the RPTC.

The above documents, in their versions in force from time to time, have been prepared in implementation of:

- the provisions regarding transactions with related parties set forth in article 2391-bis of the Italian Civil Code, as most recently amended by Legislative Decree No. 49 of 10 May 2019, concerned with *"Implementation of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement"*;
- the Regulation containing provisions on related party transactions, adopted by Consob by Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions ("Consob Regulation"), in the version in force from time to time, taking into account the indications of Consob Communication no. DEM/10078683 of 24 September 2010 ("Consob Communication"); in particular, the update of the RPT Procedure by the parent's Board of Directors on 28 June 2021, effective as of 1 July 2021, incorporates the amendments made by Consob Resolution No. 21624 to the text of the Consob Regulation, also effective as of the same date;
- the provisions of Article 114 of Legislative Decree No. 58 of 24 February 1998 ("Testo Unico della Finanza"/ TUF - Consolidated Law on Finance) and the provisions of Regulation (EU) no. 596/2014 on market abuse.

The corporate documents adopted in accordance with the legislation on transactions with related parties, defined in coordination with the provisions of the administrative and accounting procedures pursuant to Art. 154-*bis* of the TUF, aim specifically:

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

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

These, very briefly, provide for:

a) the identification of the scope of related parties as per the IFRS adopted in accordance with the procedure set out in section 6 of Regulation (EC) 1606/2002 in the version in force at the time;

b) the definition of a "related party transaction";

c) the identification of cases of exclusion and of transactions "for small amounts";

d) the procedures applicable to minor and major transactions, as the case may be;

e) the persons responsible for the paperwork on related party transactions;

f) the transactions on which the Shareholders must resolve;

g) forms of disclosure and information flows.

Iren and its subsidiaries carry out transactions with related parties in accordance with the principles of transparency and fairness. These transactions mainly concern services provided to customers in general (gas, water, electricity, heat, etc.) or following concessions and awards of services, in particular for the waste management sector, and are governed by the contracts applied in such situations.

Where the services provided are not the above, the transactions are governed by specific agreements whose terms are established, where possible, in accordance with normal market conditions. If these references are not available or significant, the contractual conditions are defined also in consultation with independent experts and/or professionals.

Information on financial and economic transactions with related parties is included in the Notes to the Consolidated Financial Statements in sections "VI. Information on transactions with related parties" and "XII. Annexes to the Consolidated Financial Statements", an integral part thereof.

As specified above, with a resolution adopted on 28 June 2021, effective as of 1 July 2021, the parent's Board of Directors approved an update to the RPT Procedure, implementing the amendments made by Consob Resolution No. 21624 to the text of the Consob Related Parties Regulation.

The main changes made concern in summary:

i. in art. 3.1, the notion of Related Party, which, as of the effective date referred to above, is aligned with the IFRS in force from time to time (in particular, IAS 24);

ii. in art. 3.2, the notion of Related Party Transaction, with a view to aligning it with the IFRS and, in particular, with IAS 24;

iii. in art. 3.3.1, the introduction of a new definition regarding the Directors involved in the Transaction, who are required to abstain from voting on the Transaction itself, both for Immaterial Transactions and Material Transactions;

iv. in art. 3.3.5, a better illustration of the Conditions that can be considered equivalent to Market or Standard Conditions, identified in the participation in tenders in certain hypotheses identified by the Procedure;

v. in art. 6.2, the introduction of an information flow to the Committee with respect to exemptions;

vi. in articles 9 and 10, (a) the specification that the opinion issued by the Committee is to be understood as a separate document from the minutes of the meeting; (b) the reinforcement of the checks by the Committee regarding the independence of the experts appointed to support the examination of the Transaction;

vii. in art. 14.5, the provision for the involvement of the Committee, at least on an informational basis, with regard to Ordinary Material Transactions and those concluded at Conditions equivalent to Market or Standard Conditions.

Legislative and regulatory framework

The main legislative and regulatory measures in 2021 with the greatest impact for the businesses managed by the Iren Group are shown below.

European framework

"EU Taxonomy" Regulation 2020/852

Regulation (EU) 2020/852 ("EU Taxonomy Regulation"), which entered into force on 12 July 2020, is part of a series of measures aimed at creating a sustainable financial ecosystem in line with the objectives of the Green Deal. In particular, the EU Taxonomy is a transparency tool, intended for companies and investors, based on scientific criteria of technical screening that establish whether a given activity can be classified as "environmentally sustainable".

The delegated regulation on climate change was adopted on 4 June 2021, while the adoption of the delegated regulations on the other environmental objectives of the EU Taxonomy was postponed until the first half of 2022.

The Taxonomy will be implemented gradually, with simplified reporting in 2022 (covering the 2021 financial year), partial reporting in 2023 (2022 financial year) - which implies the indication of the share of Turnover, Opex and Capex in line with climate change mitigation and adaptation criteria - and full implementation, covering all the environmental objectives of the Taxonomy, which will come into force in 2024 (2023 financial year).

Next Generation EU / National Recovery and Resilience Plan (PNRR)

Through Regulation (EU) 2020/2094 (Next Generation EU) and Regulation (EU) 2021/241 (Recovery and Resilience Facility), the European Union established the framework for the recovery of the economy following the Covid-19 pandemic. On 13 July 2021, the Council of the European Union approved the assessment of the Italian PNRR.

The measures in the Plan are structured around 6 tasks: 1. Digitalisation, innovation, competitiveness, culture and tourism; 2. Green revolution and ecological transition; 3. Infrastructure for sustainable mobility; 4. Education and research; 5. Cohesion and inclusion; 6. Health.

Italy is the first beneficiary, in absolute value, of the two main instruments of the NGEU, the Recovery and Resilience Facility (RRF), with an amount of 191.5 billion euro, and the Recovery Assistance Package for Cohesion and European Territories (REACT-EU), with an additional 13 billion euro. In addition to these resources, there are approximately 30.62 billion euro deriving from the Supplementary Fund, aimed at financing specific actions that supplement and complete the Plan through ordinary state resources. All interventions must be completed by 2026.

The action plan is accompanied by a package of structural reforms in the areas of simplification of authorisations, procurement code, justice, public administration and competition. The first piece of legislation adopted by the Government is the Simplification and Governance Decree (Decree Law no. 77 of 31 May 2021), which contains a series of measures aimed at simplifying the process of environmental authorisations.

Fit for 55 package

On 14 July 2021, the European Commission adopted the "*Fit for 55*" climate package, which makes legislative proposals to achieve the Green Deal goals by 2030. In particular, the reduction of greenhouse gas emissions by 55% compared to 1990 levels, with the aim of achieving "carbon neutrality" by 2050. The package contains 12 initiatives, both amendments to existing legislation and new proposals, including amending the Energy Efficiency Directive, revising the Renewables Directive, revising the Emissions Trading System, and the Strategic Implementation Plan to support the rapid deployment of an alternative fuels infrastructure.

Gas-Hydrogen Package and proposed Regulation to reduce methane emissions in the energy sector

On 15 December 2021, the EU Commission presented the gas-hydrogen package, which includes in particular a proposal for a regulation and a directive. These proposals aim to decarbonise gas consumption and propose the necessary measures to support the creation of optimal, dedicated infrastructure and efficient markets. The measures put out for consultation create the conditions for a gradual phase-out of natural gas, aiming to facilitate the penetration of renewable and low-carbon gases in the energy system. In parallel with the gas-hydrogen package, a proposal for a regulation to reduce methane emissions in the energy sector was submitted. The documents are in the consultation phase.

Directive (EU) 2020/2184 (in force since 12 January 2021) concerning the quality of water intended for human consumption for all countries of the EU

This Directive regulates the means available to Member States to introduce the necessary measures to provide water intended for human consumption that is healthy and clean, providing for this purpose very precise quality characteristics that meet the requirements set out in the Annex to the Directive.

The supply, treatment and distribution of water intended for human consumption must therefore be based on a risk assessment, with an approach covering the whole supply chain, from the catchment area to distribution.

Finally, the Directive highlighted the need to make consumers more aware of the implications of water consumption, requiring Member States to ensure that all users receive, periodically, certain information such as the volume consumed by the household, trends in annual household consumption and a comparison of the household's annual water consumption with the average consumption of a similar household.

National framework

Code on public contracts

Decree Law no. 77 of 31 May 2021, "Governance of the National Recovery and Resilience Plan and initial measures to strengthen administrative structures and speed up and streamline procedures" (Decree Law "Semplificazioni bis"), in force as of 1 June, and the subsequent Law no. 108 of 29 July 2021, converting the decree itself, introduced various extensions and innovations regarding public tenders.

Specifically, the following are extended:

- the simplifications provided for by Decree Law no. 76/2020 for contractual determinations made by 31 December 2021 to 30 June 2023 (e.g. exemptions for contracts below the thresholds, simplified anti-Mafia checks, etc.);
- the exemptions introduced by Decree Law no. 32/2019 "Sblocca cantieri" to 30 June 2023;
- to 30 June 2023 the possibility of making changes also to projects subject to preventive archaeology, as well as the measure that allows for the approval of changes to final projects already approved by CIPE, without having to go through the latter again, if they do not exceed 50% of the value of the project.

The main amendments introduced by the conversion law are described below.

- the new thresholds for the direct awarding of contracts for works (150,000 euro) and services and supplies (139,000 euro) are confirmed until 30 June 2023. In relation to direct awarding, the identification of qualified economic operators must be guaranteed, for which the necessary application of the rotation criterion is reiterated.
- with regard to subcontracting, until 31 October 2021 the exemption that raised the limit on the subcontracting of services to 50% was applied, whilst from 1 November 2021 the new regulations no longer provide for a general limit but rather specific limitations introduced by the measure.
- with regard to the provisions that specifically regulate purchases falling wholly or partly within the scope of the funding established by the PNRR, measures are provided for allowing contracting authorities to include in the call for tenders bonus criteria designed to facilitate small and medium-sized enterprises in assessing the offer.

Law no. 106 of 23 July 2021 reintroduced into our legal system, albeit on an extraordinary and one-off basis, the revision of prices on a legal basis in public contracts, in order to deal with the exceptional increases in the prices of certain construction materials that occurred in the first half of 2021, setting up a special Compensation Fund of 100 million euro for this purpose. The institution applies to all contracts in progress as of 24 July 2021. This measure was also extended to the second half of 2021 through the 2022 Budget Law.

2022 Budget Law - Law no. 234 of 30 December 2021 - State budget for the financial year 2022 and multi-year budget for the three-year period 2022-2024

The measure takes action on the following issues, among others:

- Energy Efficiency (Superbonus/Bonus): see specific paragraph in the section "Energy Efficiency";
- Environmentally friendly hydropower generation from aqueducts: see specific paragraph in the section "Water Service";
- Industry 4.0: with regard to the incentives provided by Plan 4.0, the tax credit for capital goods in Annexes A and B to the 2016 Budget Law are extended until 2025 with different articulations.
- high utility bills, replicated for the first quarter of 2022 some measures already introduced during 2021, such as:
  - application of reduced rates of the ASOS and ARIM components;
  - cancellation of the rates of the RE, RET, GS and GST components as well as the UG3 and UG3T components for all users in the gas sector;
  - application of reduced VAT of 5% to the supply of gas for civil and industrial use;
  - for domestic customers who find themselves in arrears, payment in instalments of their electricity and gas bills issued from January to April 2022, for a maximum period of 10 months and without interest.

Law no. 233 of 29 December 2021, converting, with amendments, Decree Law no. 152/2021 on the implementation of the National Plan for Recovery and Resilience (PNRR) and for the prevention of Mafia infiltration (Decree Law "Attuazione PNRR")

The measure takes action on the following issues, among others:

- implementation of PNRR projects (administrative simplifications): in particular, it is envisaged that the declaration of public utility of the work will be automatically recognised following the final determination of the Services Conference/Council of Public Works;
- greater protection: assignment times for the Gradual Protection Service and provisions for sellers regarding vulnerable customers (see specific paragraph in the section on "Electricity");
- environment: a reduction in the time required for the Strategic Environmental Assessment procedure is envisaged;
- measures to support the development of renewable energy sources: accessibility to residual power quotas from the auctions of the Energy Services Operator (GSE) is extended.

Gas

Gas Energy Management

Resolution 134/2021/R/gas - Review of the processes for defining commercial relationships between balancing users and distribution users. Revision of the processes of conferring capacity at redelivery points on the transport network

Resolution 147/2019/R/gas had reformed the process of allocating capacity to gas transmission network exit points that feed into distribution networks (City Gate), effective 1 October 2020.

Resolution 134/2021 intervened on this matter, postponing the entry into force of the reform to 1 October 2022.

Gas Networks

Consultation Document 250/2021/R/gas - Natural gas infrastructures: pilot projects for management optimisation and innovative uses - Final guidelines

The regulator wants to promote actions to optimise distribution and transportation networks. The projects proposed by the operators will be evaluated by an independent Commission according to two macro-environments: the prospective dimension of energy, environmental and economic performance and the experimental dimension of the project. Full or partial coverage of costs will be through tariff and extra-tariff awards. The Authority has introduced an indicative ceiling for the extra-tariff contribution of no more than 35-40 million euro. The duration of the testing will be a maximum of three years and the Owner of the project will have to submit to ARERA appropriate monitoring reports of the activities.

Consultation Document 263/2021/R/gas - Smart metering gas: regulation of outputs and performance of the metering service and billing obligations - Final guidelines

Among the measures put out for consultation, the Authority provides for class G4/G6 smart meters to collect readings on a monthly basis. In addition, it introduces new compensation, both for end customers (G4/G6 class meters) and for sales companies (meters of class greater than or equal to G10 and meters of class less than G10 with AC greater than 5000 scm).

Resolution 512/2021/R/gas - Reorganisation of gas measurement activities at entry and exit points of the transmission network

The Authority approved the "*Regulation of the metering service on the natural gas transmission network (RMTG)*".

The person in charge of the metering activity, i.e. the owner of the metering plant, is subject to minimum and optimal requirements in terms of plant engineering, performance and maintenance, which are relevant in case of non-compliance with the service quality standards. In fact, these standards are associated with a system of economic fees consistent with the costs to the transportation system generated by measurement errors. The fees will apply beginning in 2024.

Resolution 287/2021/R/gas and Determination DIEU 3/2021 - Criteria for the decommissioning of traditional meters replaced with smart meters and determination of the amount to recover lost depreciation on class G4/G6 meters

The measures define the operating procedures for recovering the residual depreciation resulting from the reduction of the useful life of traditional meters to fifteen years.

Electricity

Market

Decree Law Milleproroghe 2020

The Decree introduced amendments to the primary legislation (Competition Law No. 124/2017) concerning price protection. It established the postponement of the end of the protection period to 1 January 2021 for small and medium-sized businesses, and to 1 January 2022 for micro-businesses, and mandated the Ministry of Economic Development (MiSE) to establish by decree the measures to encourage the transition to the deregulated market in addition to defining the Sellers List (parties authorised to sell electric power and natural gas).

Law no. 233 of 29 December 2021, converting, with amendments, Decree Law no. 152/2021 on the implementation of the National Plan for Recovery and Resilience (PNRR) and for the prevention of Mafia infiltration (Decree Law "Attuazione PNRR")

The provision envisages that from 1 January 2023, on a transitional basis and pending the performance of the competitive procedures for the assignment of the graduated protection sales service, domestic customers will continue to be supplied via the protection service, in accordance with the guidelines defined by decree of MITE. ARERA is responsible for adopting the necessary provisions for the assignment of the service with gradual protections for domestic customers, through competitive procedures to be concluded by 1 January 2024, guaranteeing the continuity of supplies.

If, on 1 January 2023, the measures are not adopted as provided for in Legislative Decree no. 210/2021 for vulnerable customers aimed at aligning the prices applied to them with those of the wholesale market, the protection service will continue to be applied to these types of customers on the basis of the specific guidelines defined by MiTE decree.

The date of 1 January 2023 is confirmed for the transition to the free market of all micro-businesses with committed power less than or equal to 15 kW through the transition, also for these customers, to the service with gradual protections assigned by auction with procedures similar to those already governed by Resolution 491/2020/R/eel.

Resolution 491/2020/R/eel - Provisions for the provision of the gradual protection service for small enterprises in the electricity sector pursuant to Law No. 124 of 4 August 2017 (Annual market and competition law)

The resolution (as amended) substantially confirmed the approach envisaged during the consultation process. In the first phase of application (1 January 2021 - 30 June 2021) the Gradual Protection Service was temporarily entrusted to the local exercising higher protection that provided it according to methods defined by the Authority (contractual conditions similar to PLACET, financial terms and conditions calculated on ex-post PUN). In the second phase (1 July 2021 - 30 June 2024) the service is entrusted to operators selected through competitive procedures by means of double round auctions, with access to the second round reserved for the two best bidders and with Cap and Floor for the assignment of lots of users in the SME segment divided into homogeneous territorial areas in terms of number, power used, and unpaid ratio. An antitrust cap exists on the volume that can be awarded (35% of the total amount in the tender).

In addition to SMEs, the service benefits all BTAU points with a power output of more than 15 kW (pursuant to Resolution 604/2020).

Resolution 32/2021/R/eel - Provisions relating to the mechanism for recognising general system charges not collected from end customers and already paid to the distribution companies

The measure outlines the criteria for compensating transmission users for the portion of charges paid but not collected to end customers and the related procedures for submitting the application to CSEA.

Charges are subject to recovery:

- not already the subject of other reintegration mechanisms;
- shown on invoices with payment deadlines that have expired for at least 12 months;
- for which the commercial counterparty has provided notice of default and at the same time has followed specific company procedures for the management of arrears and credit protection.

Access to the compensation mechanism may take place in two different ways: through the ordinary regime (where the user is required to indicate precisely the amount of uncollected charges relating to the period of reference of the request) or through the so-called simplified regime (where the amount of compensation is determined on the basis of the best estimate of uncollected charges to which a corrective discount of 25% is applied to their total). The offsets are disbursed on an annual basis with reference to the previous year's accrual; for the session relating to the 2021 annuity, provision has been made to also request the amounts of charges relating to the entire period between 1 January 2016 and 30 June 2020.

Legislative Decree No. 210 of 08 November 2021 implementing Directive (EU) 2019/944 (Market Directive)

The decree establishes common rules for the energy market and cross-border infrastructure, putting end users at the centre of it all.

The new directive introduces the possibility of maintaining, until 2025, price protection mechanisms for supplies to vulnerable customers (customers over 75 years of age and/or in a condition of economic or physical hardship and/or located in areas affected by calamitous events): each sales company with more than 200,000 users served is required to offer vulnerable customers who so request a supply of electricity at a price that reflects the price of energy in the wholesale market and with costs and contractual conditions defined and updated by ARERA. Regarding the freedom of choice of supplier, the directive provides for the possibility for end customers to sign a supply contract with any operator, even if operating in a different EU country; moreover, with a view to simplifying the entire process, by 1 January 2026 the directive provides for the possibility of concluding the switching operation within 24 hours of submission of the request.

In order to increase the capacity and participation of the end customer in energy markets with the aim of making final consumption more efficient, a number of new instruments are introduced: (i) "dynamic price" contracts (in which prices have hourly granularity and reflect the trend of spot markets); (ii) demand aggregation mechanisms (citizens' energy communities - CECs - aggregators) that make it possible to maximise participation in the market both from the point of view of the development of new shared plants and/or storage, and from the point of view of the provision of energy services to the system also in terms of balancing services.

Production

Decree Law no. 4 of 27 January 2022, published in Official Gazette no. 21 of 27 January 2022 (Decree Law "Sostegni Ter")

Title III of the Decree provides for "Urgent measures to contain electricity costs" through various interventions.

The first concerns the cancellation, for the first quarter of 2022, of the rates relating to general system charges applied to users with available power equal to or greater than 16.5 kW.

The second relates to the reduction of bills for energy-intensive businesses whose energy costs have undergone an increase in cost of more than 30 % relative to 2019, which are granted an extraordinary contribution to partially offset the higher charges incurred, in the form of a tax credit for 20% of the expenses incurred for the energy component purchased in the first quarter of 2022.

The third section concerns the introduction of a cap on the selling price of electricity produced by renewable plants incentivised with mechanisms not linked to market trends. In particular, it provides for the application, as from 1 February 2022 and until 31 December 2022, of a two-way compensation mechanism on the price of energy, with reference to the electricity fed into the grid by photovoltaic plants with a capacity of more than 20 kW that benefit from fixed premiums deriving from the Energy Account mechanism, which do not depend on market prices, as well as on the electricity fed into the grid by plants with a capacity of more than 20 kW powered by solar, hydroelectric, geothermal and wind sources that do not have access to incentive mechanisms.

For this purpose, the GSE is responsible for calculating the difference between a reference price equal to the average of the hourly zonal prices recorded from the date on which the plant enters into operation until 31 December 2020 and the hourly zonal electricity market price. If the difference is positive, the Manager shall pay the relative amount to the producer. If negative, the GSE adjusts or requests the corresponding amounts from the producer.

The provisions do not apply to energy covered by contracts concluded prior to the date on which the decree came into force, provided that they are not linked to price trends on the energy spot markets and that, in any event, they are not entered into at an average price 10% higher than the average value previously mentioned.

Terna Pilot Projects

In implementation of ARERA Resolution No. 300/2017/R/eel, Terna launched a series of pilot projects aimed at expanding the number of resources admitted to participate in the market for dispatching services.

Following approval by the Authority (with Res. 215/2021/R/eel), Terna also published the documentation needed to start the pilot project for the provision of the secondary frequency/power regulation service.

Resolution 218/2021/R/eel and Terna Grid Code update

The resolution approves the changes to Terna's Grid Code and amends Annex A to the Res. 111/06 to regulate issues related to the new structure of the intraday market (MI), the new methods of coordination between the MI and the Dispatching Services Market (DSM) and the new price caps. In particular, the measure is functional to the implementation of the single coupling of the intraday electricity market.

Resolution 109/2021/R/eel - Regulation of the transport and dispatch of electricity withdrawn for subsequent feed-in to the grid

Resolution 109/2021/R/eel provides that, from 1 January 2022, withdrawals for subsequent feed-in from storage systems may be treated as negative energy input.

For the application of the new regulation, producers had to submit to the distributor an application (with a sworn expert's report) by 31 July 2021 (existing plants) or before the end of the connection process (new plants).

Resolution 560/2021/R/eel deferred from 2022 to 1 January 2023 the provisions of resolution 109/2021.

Hydroelectric concessions

Large hydroelectric derivation concessions

With reference to Regional Law Piedmont Region No. 26/2020 "Allocation of large derivations for hydroelectric use", issued in declared implementation of the new art. 12 of Legislative Decree No. 79/1999, as amended by art. 11 quater of Decree Law No. 135/2018 converted into Law No. 12/2019, which introduced the regulation of the annual fee for Large Derivation concessions for hydroelectric purposes applicable from 2021, the appeal by the Government before the Constitutional Court is still pending.

Regional Regulations No. 5/R (regulation of fees) and No. 6/R (obligation to supply energy free of charge from large hydroelectric derivation plants) of 18 December 2020 were published. They were issued in implementation of article 21 of RL 26/2020.

Small hydroelectric derivation concessions

In 2021, the Metropolitan City of Turin, noting a lack of complete regulatory compliance in the Decree Law "Semplificazioni", submitted a question to the AGCM, believing, in particular, that art. 12 of the Services Directive should be applied to small derivations and that therefore they should be renewed through a competitive procedure.

In Opinion No. AS1780, published in Bulletin No.

32/2021 of 09 August 2021, the Authority confirmed the applicability of Article 12 of the Services Directive, and therefore the need for a competitive procedure, also in the matter of renewal of concessions of small hydroelectric derivations and has underlined the irremediable opposition with this provision of the rules of domestic law which, on the contrary, provide for automatic renewal, such as article 30 of the Piedmont Region Regulation no. 10/2003 (the content of which is similar to article 28 of Royal Decree no. 1775/1933).

Electricity Networks

Determination 2/2021 and Consultation Document 515/2021/R/eel - Reactive Energy

The determination established the submission to ARERA of the 2017-2024 investment plan aimed at improving voltage and reactive energy control. In addition, Consultation 515/2021/R/eel, which proposed the completion of the tariff regulation of withdrawals and inputs of reactive energy, has recently concluded and provides:

- in the short term (from July 2022): introduction of fees for reactive energy fed into the F3 band only and a strong active involvement of end customers by the DSO;
- in the medium term (2023-2024): possible differentiated fees per geographical area and promotion of multi-DSO and DSO/user groupings on ancillary services to reduce reactive inputs, as well as exemption from fees in case of reactive investments on all primary substations.

Resolutions 279/2021/R/eel and 124/2021/R/eel - Changes to the tariffs of non-domestic low-voltage users

Extension until July 2021 of network tariff concessions and general charges for low voltage non-domestic customers with power over 3 kW.

Resolution 106/2021/R/eel - 2G commissioning plans for companies serving up to 100,000 users

Resolution 106/2021/R/eel has provided - for distribution companies serving up to 100,000 users - the installation from 2022 of only 2G smart meters. The unit cost recognised is 145 euro/2G and will be recognised over 15 years in decreasing instalments.

Resolution 201/2021/R/eel - IRETI 2G commissioning plan

With resolution 201/2021/R/eel, ARERA approved the commissioning plan of the 2G smart metering systems presented by IRETI, agreeing to the start-up of the massive phase in the 2nd half of 2021, confirming the expected expenditure admitted to the recognition of capital costs in line with that planned by the Company (129.2 euro/2G).

Resolutions 63/2021/R/com, 257/2021/R/com, 396/2021/R/com and 635/2021/R/com - New regulations for bonuses for economic hardship and supplementary social bonuses

As of 1 January 2021, all social bonuses for economic hardship (electric, gas, water) were automatically recognised to citizens/families who were eligible for them for the entire period of the bonus. Effective 1 October 2021, an additional compensation component was introduced through 31 March 2022.

Energy efficiency

Superbonus and other building bonuses

Decree Law no. 77/2020 (so-called "Decreto Rilancio") and Budget Laws

The Decree provided for the increase of the deduction to 110% for expenses incurred from 1 July 2020 to 31 December 2021 for specific interventions (energy efficiency, seismic risk, installation of photovoltaic systems, installation of charging infrastructure for electric vehicles), with use of the deduction in 5 equal annual instalments or option for transformation into a tax credit or discount for the amount corresponding to the deduction.

The 2021 Budget Law provided for the extension of the measures until 30 June 2022 and, only for condominium owners that have completed at least 60% of the work by June 2022, until 31 December 2022.

The 2022 Budget Law then included the following provisions:

- Superbonus of 110% also extended for trailed works, with extension to the Third Sector, at the end of 2023 (reduction to 70% in 2024 and 65% in 2025) for works of condominium owners on common parts of condominiums and on apartments. For single-family units 110% superbonus extension to 31 December 2022, subject to carrying out works for at least 30% of the total by 30 June 2022 (based on the project status report);

- installation of photovoltaic systems: extension of the 110% deduction to 30 June 2022;
- updating of the reference for the primary energy conversion factors to be applied for the A.P.E. (energy performance certificate) annexed to the appraisal required to benefit from the Superbonus;
- deductibility of expenses for the issue of compliance statements and certifications/assessments. Deductions do not apply to interventions (i) of free building and (ii) of amount < 10 thousand euro, on single units or common parts, excluding interventions on building façades zone A or B;
- Ecobonus (energy efficiency and building renovation): extension of deductions to 31 December 2024;
- Façade bonus: remodulation from 90% to 60% on full 2022;
- extension of the option to transfer credit or discount on the invoice to 2025 for Superbonus, to 2024 for "ordinary" building interventions (Ecobonus, Sismabonus, renovations, façade bonus, installation of columns and photovoltaic panels);
- abrogation of Decree Law no. 157/2021 (Anti-fraud) with implementation of the text, including reference, pro appraisal congruity expenses, to the maximum values (MD MiTE approved on 14 February 2022).

District heating

Resolution 478/2020/R/tlr - Regulation of metering in the district heating and cooling service for the regulatory period 1 January 2022 - 31 December 2024

The resolution defines the regulation of the quality of measurement in district heating service, supplementing the regulation of the commercial quality of service, for the 1 January 2022 - 31 December 2024 regulatory period.

Resolution 463/2021/R/tlr - Provisions on connection fees and procedures for exercising the right of withdrawal for the second regulatory period

This is an update to the TUAR, the Consolidated law on connection fees, for the regulatory period 1 January 2022 - 31 December 2025.

Resolution 526/2021/R/tlr - Provisions on the commercial quality of district heating and cooling services for the second regulatory period

This is the update of the District Heating Commercial Quality Framework (RQCT) for the regulatory period 1 January 2022 - 31 December 2025.

Waste

Standard UNI/PdR 123:2021

Effective 16 December 2021, the standard covers a test method for determining the quality of organic waste to be recovered through anaerobic digestion and composting processes.

New technical annex Anci - Conai - Corepla on plastic packaging and ANCI-CONAI framework agreement

ANCI, CONAI and COREPLA, taking into account the changes made to Legislative Decree 152/2006 by the implementation of the European directive on waste and packaging, have signed the new Technical Annex (AT) for plastic packaging provided for by the Anci/Conai Framework Agreement 2020-2024. The Technical Annex shall be in force from 1 January 2021. The ANCI-Biorepack agreement was also signed.

Decree Law no. 41 of 22 March 2021 - Urgent measures in the field of support to businesses and economic operators, labour, health and territorial services, related to the COVID-19 emergency converted, with amendments, by Law No. 69 of 21 May 2021 (so-called "Decreto Sostegni")

The measure, in addition to economic support measures, also includes important provisions regarding TARI and the deadline by which the choice of non-domestic users who produce urban waste to use the public service or the market must be made. The choice of non-domestic users must be communicated to the municipality, or to the waste service manager in the case of a paid tariff, by 30 June of each year, with effect from 1 January of the following year. For the year 2021 only, the choice had to be reported by 31 May effective 1 January 2022. An extension has been established for 2021 to 30 June for the approval by the Municipalities of the rates and regulations of the TARI and the corresponding tariff.

ARERA Resolution 363/2021/Rif - Update of the MTR for the second regulatory period (2022-2025)

The Authority approved the update of the Waste Tariff Method (MTR) for the II regulatory period (2022-2025), which also includes the tariff regulation of treatment plants. Key aspects include:

- the preparation of a four-year EFP and the extension of the mechanism of cost recovery adjustments;
- the introduction of an asymmetric tariff regulation of the treatment plants for residual urban waste (RUR) and organic fraction (OFMSW) that distinguishes the "minimum" plants, i.e. subject to tariff regulation at the gate from the "additional" ones, for which transparency obligations are envisaged.

To this end, the standard outlines to be used for preparation of the four-year EFP and the accompanying report were published, as well as some clarifications regarding MTR2 (Determination DRIF 2/2020).

Consultation documents 72/2021/R/rif and 422/2021/R/rif - First and final guidelines for the regulation of the quality of the management service for urban and assimilated waste

The consultation documents set out the general framework elements and guidelines that the Authority intends to follow in regulating the contractual and technical quality of the municipal waste management service, providing for its entry into force on 1 January 2023 (the final resolution - 15/2022/R/rif- will be published in early 2022).

Ministry of Ecological Transition Circular No. 35259, 12 April 2021

The circular clarified some issues related to the application of the TARI following the enactment of Legislative Decree no. 116/2020. Among the various information provided by the Circular, it is clarified that industrial activities also produce urban waste, with consequent application of the TARI.

Decree Law no. 73 of 25 May 2021 ("Decreto Sostegni bis")

The decree contains various provisions on environmental matters, including: the extension to 1 January 2022 of the provisions on the tax for plastic products with a single use, known as the plastic tax, and concessions relating to the TARI.

Decree Law no. 77 of 31 May 2021 on "Governance of the national recovery and resilience plan and initial measures to strengthen administrative structures and accelerate and streamline procedures" (the so-called "*DL Semplificazioni*")

Title 1 is dedicated to the "ecological transition and speeding up of environmental and landscape procedures" (EIA and SEA) and chapters 6 and 7 are dedicated to the acceleration of procedures for renewable sources and energy efficiency. Chapter 8 contains regulations regarding simplification for the promotion of the circular economy and hydrogeological contrast, including changes regarding the end of waste status. Finally, important changes are introduced to Part IV of the Consolidated Environmental Act, and the updated list of wastes is attached.

Circular on Register of environmental managers no. 16 of 30 December 2021 regarding "Application of article 3-bis of Law no. 159 of 27 November 2020, converting Decree Law no. 125 of 07 October 2020, in force since 04 December 2020 - Extension of the state of emergency"

The circular establishes that enrolments in the Register of Environmental Managers expiring between 31 January 2020 and 31 March 2022, remain valid until 29 June 2022.

Ministerial Decree no. 396/2021 - Allocated 1,500 million euro of which 60% allocated to Centre South in favour of EGATOs (Government bodies of the optimal territorial area) and Municipalities for the financing of the following possible projects:

- improvement and mechanisation of the urban waste disposal network (max. 1 million/proposal);
- treatment and recycling plants of municipal waste from separate collection (max. 40 million/proposal);

adaptation of existing plants and construction of new innovative treatment/recycling plants for disposal of absorbent materials for personal use (PAD), purification sludge, leather and textile waste (max. 10 million/proposal).

Ministerial Decree no. 397/2021: Allocated 600 million euro of which 60% allocated to Centre South in favour of companies for the financing of the following possible projects:

- adaptation of existing plants and construction of new plants for i) collection, logistics and recycling of WEEE (150 million, of which 60 million in the North); ii) collection, logistics and recycling of paper and cardboard waste (150 million, of which 60 million in the North);
- construction of new plants for the recycling of plastic waste (through mechanical and chemical recycling, "Plastic Hubs") with a total contribution of 150 million (of which 60 million in the North);

- infrastructure for the collection of pre- and post-consumer textile fractions, plant modernisation and construction of new recycling plants for textile fractions with a contribution of 150 million (of which 60 million in the North).

Consequently, calls for proposals and notices linked to the activation/selection procedures for PNRR projects were published (on the "Italia Domani" portal).

National Waste Management Programme (PNGR)

Legislative Decree no. 116/2020 introduced national planning. In December 2021, the Preliminary Environmental Report was submitted by MiTE as part of the SEA process. The PNGR is expected to be adopted by mid-2022.

With regard to planning at the regional level, the state of progress is reported for each reference region:

- Apulia Region: Approval of the 2021-2025 Plan on 14/12/2021;
- Emilia-Romagna Region: Adoption of the 2022-2027 Plan on 27/12/2021 (expected approval in 2022);
- Liguria Region: Adoption of the 2021-2026 Plan on 10/12/2021 (expected approval during 2022);
- Piedmont and Tuscany Region: Started respective update processes.

Integrated water service

Law no. 234 of 30 December 2021 - State budget for the financial year 2022 and multi-year budget for the three-year period 2022-2024

The 2022 Budget Law introduced, in Legislative Decree no. 152 of 03 April 2006, art. 166-bis (Use of water for potable supply), whereby the managers of the integrated water service, holders of concessions for the potable use of water, with reference to the water resource granted for potable use and already exploited in existing canals or pipelines, may submit a request to the competent authority for the production of hydroelectric energy within the same water systems.

Resolution 639/2021- Criteria for the biennial update (2022-2023) of tariff arrangements

The resolution in question, while confirming the criteria already provided for by MTI-3 (third regulatory period of the Water Tariff Method), introduces some significant new profiles. In light of the significant increases in electricity prices, the Authority introduces flexibility mechanisms aimed at preserving the financial balance of operations, through a better alignment between costs incurred and costs recognised in the tariff. The finance and tax expense coverage rate (OF-OFisc) is updated to 4.80%, from the previous 5.24%.

A Fund for the promotion of innovation in the integrated water service was set up at CSEA, whose criteria for use and management procedures will be defined by subsequent provisions.

Finally, the judgements of the Council of State concerning:

- implementation of rulings regarding the Transitional Tariff Method (MTT): the Authority provided, limited to the two-year period 2012-2013, for the possibility for the operator to submit a request for recognition of the financial costs regarding adjustments, instead of mere recognition of inflation;
- implementation of the sentence regarding remuneration restitution criteria: application, subject to acceptance of the petition, of criteria substantially similar to those provided for the MTT regarding the calculation of financial and fiscal tariff charges, in place of those provided for by Resolution no. 273/2013;
- implementation of the sentence regarding the RQTI: regarding the modification of the criteria for calculating linear water losses in order to also include the length of the connections, with consequent adjustment of the classes and improvement objectives, the Authority has provided for standardised criteria; the possibility for the operator to submit a request to apply a punctual value has been recognised in case of availability of geo-referenced data.

Resolution 609/2021 - Integration of the regulations on the measurement of the SII (integrated water service) (TIMSII-Consolidated Text for the regulation of the metering service for the integrated water service at national level)

Updates made by the Authority include:

- equating the validated self-metering with the metering collected by the operator (with consequent fulfilment of the obligations relating to collection attempts);
- the obligation to give advance notice of attempted

metering collection now limited to non-accessible or partially accessible users only. Effective 1 January 2023, specific standards are introduced regarding compliance with the minimum number of attempts to collect the metering and the minimum notice time for attempts to collect the metering from end users with a non-accessible or partially accessible meter;

- the introduction of regulation regarding hidden losses, providing for common minimum levels of protection;
- the inclusion of obligations aimed at reinforcing transparency and awareness of consumption and offering tools to condominium administrators for a more consistent allocation of consumption at the level of individual housing units in accordance with TICSI (Integrated Text for Water Service Fees) criteria;
- the introduction of the single supply code.

Other generalmatters

Incentives

Decree of the Ministry of Ecological Transition 21 May 2021 on "Determination of the national quantitative energy saving objectives that can be pursued by electricity and gas distribution companies for the years 2021-2024 (so-called white certificates)".

The decree provides some macro issues of reform of the mechanism of EECs:

- reduction of 2020 obligations from 7.09 MEEC to 2.84 MEEC (-40%) and extension of the expiry date of the 2020 obligation year to 16 July 2021; ARERA ruling no. 6/2021 redetermined the obligations for DSOs;
- determination of 2021-2024 targets (in sharp decline compared to historical trends);
- introduction of a new downward auction system;
- new types of upgrades eligible for incentives.

Resolution 547/2021/R/efr

The resolution defined the exceptional rate contribution (AC) to be recognised to distributors for the obligation year 2020: Exceptional CA, in addition to the Tariff Contribution, equal to 7.26 euro/EEC, for each EEC delivered at the end of the 2020 obligation year, valid for the updated target.

Legislative Decree No. 199 of 08 November 2021 transposing Directive (EU) 2018/2001 on renewable energy sources (RED II)

The measure defines the instruments, mechanisms, incentives and the institutional, financial and legal framework necessary to achieve the objectives of increasing the share of energy from renewable sources by 2030. In particular, the Legislative Decree provides for the strengthening of incentives for green gases by extending the incentive system to gases other than biomethane (i.e. hydrogen) and by extending the scope of application to green gases produced for injection into the network. Currently, the incentive is provided only for biomethane for the transportation sector.

As far as renewable energy sources are concerned, penetration targets on demand are defined in accordance with the PNIEC and the incentive scheme based on downward auctions for large plants through two-way difference contracts is maintained; in addition, it is defined that network managers (TSOs and DSOs) must plan the development of the networks taking into account the development targets of RES. Finally, as far as small-scale RES generation is concerned, the instrument of Renewable Energy Communities (RECs) is strengthened and stabilised through the extension of the perimeter to the primary substation and incentives for configurations containing plants up to a size of 1MW. The new incentive systems will in any case have to combine storage with RES plants. Simplifications of an authorisation nature are also provided (simplified authorisation procedure - AS) for the installation of RES plants in areas defined as suitable and identified by the regions based on criteria established by the Ministry of Ecological Transition.

Coverage rates of financial and capital costs

Resolution 614/2021 - *TIWACC 2022-2027*

With this document, the Authority approves the criteria for determining and updating the rate of return on invested capital for energy infrastructure regulations in the second regulatory period (II PWACC). The duration of the regulatory period is 6 years, with an infra-period update in 2025; in the event that conditions are determined such as to entail cumulative effects on WACC higher (in an absolute sense) than 50 bp, an update would also be carried out on an annual basis.

The main methodological discontinuities from TIWACC 2016-2021 concern the following parameters:

- Risk free rate (in real terms): the previously envisaged floor level (50 bp) has been removed, in the belief that the condition of even negative real rates can no longer be considered extraordinary. A number of risk compensation factors have also been introduced (*forward premium*, *uncertainty premium*, *convenience premium*).
- Cost of debt (in real terms): the kd^{real} value is now determined based on an average of spot yields and average yields over the past 10 years of market indices of BBB-rated non-financial bonds. Acknowledging the comments made by the operators, the Authority has provided for a tiering mechanism between the criterion set forth herein and the cost recognised under TIWACC I PR.

The Authority aligned the minimum systematic risk parameter β_{ASSET} to 0.4 and also updated the marginal tax rate level.

In the case of gas distribution, the WACC rate fell from 6.3% to 5.6% and for electricity distribution from 5.9% to 5.2%.

With respect to the WACC update to be applied to the waste sector, the resolution provides for a value of 5.6%. In addition, the resolution also sets some specific parameters of the integrated waste cycle sector for the regulatory period 2022-2025, while it remains pending the determination of beta and gearing.

Regulation of energy network tariffs

Consultation document 615/2021/R/com - Guidelines for the development of ROSS-base regulation to be applied to all regulated infrastructure services in the electricity and gas sectors

The Authority published the first consultation document regarding the introduction of new methods of recognising costs for infrastructure services in the electricity and gas sectors, based on a "total expense" approach. In particular, the consultation document envisages the application of the "*ROSS-base*" from 2024 for electricity distribution and from 2026 for gas distribution. Moreover, with regard to electrical distribution, application of the "*ROSS-integral*" is envisaged for companies that exceed a certain size threshold, to be defined as part of the consultation process in question.

The process of defining the general criteria for determining the recognised cost according to the "*ROSS-base*" methodology is expected to be completed by the end of 2022. Instead, the "*ROSS-integral*" approach, which also includes business plan analyses, will be the subject of specific proceedings to be initiated in 2022.

Short limitation

Resolutions 603/2021/R/com and 604/2021/R/com - Billing of amounts relating to energy consumption over two years old and 610/2021/R/idr - Billing of amounts relating to water consumption over two years old

Through these resolutions, ARERA complied with the sentences of the Lombardy Regional Administrative Court.

In particular, on the energy side, a new process is outlined through which the distributor is required to send, in addition to the metering flows, information on the presence of causes hindering the application of the limitation, on a transitional basis within seven days of the supplier's request downstream of the end customer's objection and, when fully operational, at the same time as making the metering flow available.

The seller, in turn, is obliged to send two separate communications to the end customer, in the event of the presence or absence of causes that may affect the right to limitation, and to the distributor, to communicate promptly any objection of limitation on the part of the user. In addition, Resolution 604/2021/R/com defines the methods for offsetting settlement items deriving from exceptions to the two-year statute of limitations raised by the end customer and the seller. On the distributor side, the introduction of penalties (limited to the electricity sector) was confirmed for items for which the presence of obstructive causes was not communicated.

Information obligations are also introduced on the water side in favour of end users considered worthy of greater protection:

- in cases of invoicing of amounts relating to consumption over two years old that may be declared time-barred, indicating the procedures for contesting the limitation;
- in cases of invoicing of amounts referring to consumption over two years old, but for which the operator considers that there is a cause for suspension of the statute of limitations, the operator itself adequately informs the end user of the precise reasons for the (presumed) non-accrual of the statute of limitations.

Concessions and assignments of the Iren Group

Hydroelectric production

The major hydroelectric shunt concessions and the related expiries for the Iren Energia plants are summarised below.

Region	Plant	Average rated concession power (MW)	Expiry
Piedmont	Po Stura - San Mauro	5.58	31 December 2010
	Pont Ventoux - Susa	47.42	13 December 2034
	Agnel - Serrù - Villa	12.53	31 December 2010
	Bardonetto - Pont	8.92	
	Ceresole - Rosone	32.92	
	Telessio - Eugio - Rosone	26.10	
	Rosone - Bardonetto	9.71	
	Valsoera - Telessio	1.76	
Campania	Tusciano	8.49	31 March 2029
	Tanagro	12.84	
	Bussento	17.06	
	Heat	3.27	

Natural gas distribution

As regards the natural gas distribution service sector, operated by the Group in the area of the Municipality of Genoa and neighbouring municipalities and in the Emilia Romagna provinces of Parma, Piacenza and Reggio Emilia, the concessions are currently under an extension regime pending the launch of public tenders.

During 2021, tenders have been launched and are currently underway for the assignment of the service in ATEM Genoa 2 and ATEM La Spezia.

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

The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (in which a 21.32% stake is held by the G.P.O. Consortium, 62.35% of which IRETI controls in turn): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC) assignment expired on 31 December 2010 and is being extended;
- Municipality of Vercelli and other municipalities in the Province - ASM Vercelli S.p.A. (formerly ATENA S.p.A., 60% owned by IRETI): the 1999 concession expired on 31 December 2010 and is being extended;
- Province of Livorno - ASA S.p.A. (in which IRETI has a 40% stake); Provinces of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittimo and San Vincenzo – assignment expired on 31 December 2010 and is being extended;

Electricity

Ministerial electric concessions have an expiration date of 31 December 2030.

IRETI manages the public electricity distribution service in the cities of Turin and Parma.

Through local mixed companies, the Iren Group is also present in the following main areas:

- Municipality of Vercelli, with the subsidiary ASM Vercelli S.p.A., which manages the public electricity distribution service in the City;
- Marche area, with DEA S.p.A., controlled by ASTEA S.p.A., manages the public electricity distribution

service in the municipalities of Osimo (AN), Recanati (MC) and Polverigi (AN).

District heating

Iren Energia manages the district heating distribution service through concession, award or authorisation to lay networks in the following areas:

- Municipalities of Turin and Moncalieri (TO);
- Municipality of Nichelino (TO);
- Beinasco (TO);
- Reggio Emilia;
- Parma;
- Piacenza;
- Genoa;
- Rivoli;
- Collegno;
- Grugliasco

In the Grugliasco area, until 31 December 2021, the service was managed through the company NOVE, controlled by Iren Energia. With effect from the same date, the company was merged into Iren Energia.

Moreover, Asti Energia e Calore was entrusted with the sub-concession of the district heating service in the city of Asti.

Integrated water service

Liguria area

IRETI S.p.A. holds the management assignment for the integrated water service in the 67 municipalities of the Province of Genoa. 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 Iren Acqua (60% controlled by IRETI), Iren Acqua Tigullio (66.55% controlled by Iren Acqua) and AMTER (in which Iren Acqua, again, has a 49% stake).

IRETI also provides the drinking water distribution service in the Municipalities of Camogli, Rapallo, Coreglia and Zoagli in the Genoese ATO.

The company manages only the segment of the water service in the following ATOs:

- Savona area, in the municipalities of Albissola Marina, Albissola Superiore, Quiliano, Vado Ligure, Celle Ligure, Noli, Spotorno, Bergeggi, Savona, Stella, Varazze;
- Centre West 2 - comprises all the municipalities located on the Po valley side, managing the service, through the C.I.R.A. Consortium in the municipalities of Altare, Cairo Montenotte, Carcare, Cengio;
- as regards the Province of Imperia: Bordighera, Camporosso, Isolabona, Dolceacqua, Perinaldo, Vallecrosia, San Biagio della Cima, Vallebona, Seborga, Soldano. For AIGA, IRETI manages in prorogatio a part of the territory of the Municipality of Ventimiglia.

Finally, in La Spezia and its Province, in 29 municipalities, the Iren Group manages (through ACAM Acque) the water service with a concession valid until 31 December 2033.

On 20 December 2021, Acam Acque signed the minutes of the takeover of Varese Sviluppo S.r.l., with effect from 1 January 2022 in the management of the Integrated Water Service in the Municipality of Varese Ligure, which therefore from that date joins the municipalities already managed.

Emilia Romagna area

The 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, in a safeguarding arrangement, 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 Service in the Parma, Piacenza and Reggio Emilia ATOs is managed by IRETI. 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.

On 3 December 2019, ATERSIR published in the Official Journal of the European Union the Call for Tenders, concerning "Restricted procedure for the selection of the operating private partner of the company to be established to which the concession of the integrated water service for the Province of Reggio Emilia will be entrusted".

Main elements:

- Value of the Concession: 1,550,000,000.00 euro
- Duration of Concession: from 1 January 2021 to 31 December 2040 => 20 years;
- Award criterion: most advantageous cost-effective offer (70 points technical-qualitative part + 30 points to the financial portion);

As regards the Management model, it provides - from the corporate point of view - for the incorporation of a limited-liability company, to be called "Azienda Reggiana per la Cura dell'Acqua" (Reggiana Company for Water Treatment), abbreviated to ARCA. The private partner - selected with the dual-purpose procedure - will hold 40% of the quota capital of the company in question, while AGAC Infrastrutture S.p.A. will be the public partner with 60% of the quotas.

The tender procedure provides for an obligation for the private partner to create a territorial operating company (100% held) for management of the operating tasks assigned with the tender procedure. This company will not be linked to the mixed company through an equity investment, but only through an agreement that governs the assignment by ARCA S.r.l. to the operating company of the specific operating tasks identified in the tender procedure.

As part of the tender procedure, a provisional award was made in favour of IRETI. The public evidence procedure is currently underway.

The table below summarises the data on the existing agreements in the Group's main areas of operation:

ATO	Regime	Signing date	Expiry date
Genoa area	ATO/operator agreement	16-4-2004/5-10-2009	31 December 2032
Reggio Emilia		30 June 2003	31 December 2011*
Parma		27 December 2004	30 June 2025
Piacenza		20 December 2004	31 December 2011*
Vercelli		13 March 2006	31 December 2023
La Spezia		20 October 2006	31 December 2033

* Service extended until new agreements are defined following the tender procedure

Other geographical areas

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

- ATO Toscana Costa – ASA S.p.A. (in which IRETI has a 40% stake) Integrated water service in the Municipality of Livorno and other municipalities in the Province;
- Ambito Territoriale Marche Centro, 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;
- Municipality of Ventimiglia: AIGA S.p.A. (in which IRETI has a 49% stake);
- Municipality of Imperia: AMAT S.p.A. (in which IRETI has a 48% stake);
- Alessandria ATO: ACOS S.p.A. (in which IRETI has a 25% stake) for the Municipality of Novi Ligure; Cuneo ATO: Mondo Acqua S.p.A. (in which IRETI has a 38.5% stake) – manages the Municipality of Mondovì and 7 other municipalities in the Cuneo area.

Environmental service management

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

ATO	Regime	Signing date	Expiry date
Reggio Emilia	ATO/operator agreement	10 June 2004	31 December 2011*
Parma		27 December 2004	31 December 2014*
Piacenza		18 May 2004	31 December 2011*
Turin		21 December 2012	30 April 2033*
Vercelli (Municipality)	Municipality/operator agreement	22 January 2003	31 December 2028
Other Municipalities in the Vercelli area (except Borgosesia)	Procurement contract with C.O.Ve.Va.R.	01 February 2011	31 January 2019
La Spezia (Municipality)	Municipality/operator agreement	10 June 2005	31 December 2028 (collection and sweeping) 30 December 2043 (waste disposal)

* 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.

ACAM Ambiente, controlled by Iren Ambiente and operating in La Spezia and its Province, manages the service of the integral waste cycle, in 20 Municipalities of the Province (including the Municipality of La Spezia). In addition, it performs the activity of waste disposal, with award in a contract/on a time-and-materials basis/in-house, in 12 other Municipalities of the said Province.

We can note that Iren Ambiente presented a tender for "The award in concession of the public service of integrated municipal and similar waste management in the territorial catchment area of Parma" (44 Municipalities) and for the analogous award in Piacenza.

After a long pause dictated by the well-known emergency situation, ATERSIR, in the context of the tender procedure for the concession of the public service of integrated management of urban and assimilated waste in the Parma basin, opened the envelopes containing the technical and economic offer on 5 June 2020. The offer submitted by Iren Ambiente was provisionally first in the ranking (total score of 100 points), exceeding 4/5 of the maximum score obtainable both from a technical and economic point of view.

On 19 June 2020, the session was held for the evaluation of the anomaly threshold of the offer, and the awarding commission - departing from a first expressed orientation, in that the current legislation (Legislative Decree no. 50/2016, Article 97, paragraph 3) does not provide for verification obligations on the part of the Commissioning Body where the number of admitted bids is less than three - considered that Iren Ambiente's bid, exceeding the aforementioned 4/5 of the maximum score obtainable, was to be subject to the procedure.

The anomaly assessment procedure was activated on 2 July 2020 by the Project Manager and on 25 September Iren Ambiente sent the last requested justifications.

ATERSIR is also proceeding with the verification of the possession of the general capacity requirements pursuant to art. 80 paragraph 3 of the Legislative Decree no. 50/2016 and anti-mafia checks.

With respect to the similar tender for the concession of the public service for the integrated management of urban and similar waste in the territorial basin of Piacenza, Iren Ambiente was first in the ranking. ATERSIR activated the procedure for evaluating the anomaly of the offer on 11 September 2020 and on 25 November the company sent the last requested justifications.

With regard to the perimeter of the investee companies of the so-called "Unieco Waste Management

Division", subject to acquisition in 2020, it is noted that the associate SEI Toscana is the owner, under an agreement with ATO Toscana Sud, of the integrated waste management in 104 municipalities in the provinces of Grosseto, Siena and Arezzo, which expires on 27 March 2033.

Services provided to the Municipality of Turin

Iren Smart Solutions is party to the following conventions:

- 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;
- Agreement stipulated with the Municipality of Turin for the assignment of the management service of the municipal heating plants;
- Agreement stipulated with the Municipality of Turin for the assignment of the management service of the electrical and special systems of the municipal buildings.

With regard to the assignments of the management service of municipal thermal systems and of the management service of electrical and special systems of municipal buildings, expiring on 31 December 2020, the Municipality, by Executive Resolution of 24 December 2020, has extended the deadline to 30 June 2021.

At the end of 2020, Iren Smart Solutions submitted a new project financing proposal pursuant to Article 183 paragraph 15 of the Public Contracts Code for the assignment of the service: with a Resolution of the Municipal Council of 15 December 2020, the proposal was declared of public interest and Iren Smart Solutions was identified as the promoter. The Municipality of Turin launched the tender for the assignment of the concession and Iren Smart Solutions submitted its offer within the deadline, which expired on 15 December 2021. As of today, the bid review is ongoing.

Personnel

As at 31 December 2021 the Iren Group had 9,055 employees, up compared to 8,680 employees as at 31 December 2020, as the table below shows, divided by Holding and Business Unit.

Company	Workforce at 31.12.2021	Workforce at 31.12.2020
Iren S.p.A.	1,074	1,063
IRETI and subsidiaries	2,166	2,154
Iren Ambiente and subsidiaries	4,178	4,065
Iren Energia and subsidiaries	1,084	874
Iren Mercato and subsidiaries	553	524
Total	9,055	8,680

The changes in the workforce compared to 31 December 2020 were ascribable to:

- the acquisition, in March 2021, by Iren Ambiente of the company Futura for a total of 28 resources;
- the acquisition, in August 2021, by Alfa Solutions (formerly Studio Alfa) of the business unit of SAS - Sviluppo Ambiente e Sicurezza and of Lab231, for a total of 26 resources;
- to Bosch Energy and Building Solutions Italy (now Iren Energy Solutions), for a total of 156 resources, acquired by Iren Smart Solutions at the end of November 2021;
- to the initiation/conclusion of services contracted out by San Germano;
- continuation of the generational turnover plan, with a considerable number of recruitments on the labour market.

Organisation and IT systems

Organisational Development

The year 2021 saw a significant increase in activities in support of acquisitions and corporate rationalisation and concession tenders for gas distribution and integrated water services, as well as the continuation of important initiatives to improve the functioning of the Group's organisational model and the competitiveness of the companies. In this regard, the main activities carried out are listed:

- coordination of Working Groups (PMO) with the aim of finalising corporate rationalisation and process integration operations;
- organisational integration: centralisation, in accordance with the Group's model, of the main corporate functions of the companies involved in the 2021 Rationalisation and Integration Plan;
- for the same companies, Information Systems integration: centralisation of information systems, with priority given to the AFC area.

As a result of corporate, organisational and systems integration, the application of Group processes and procedures was extended.

In order to support the Group's development, organisational structures were adjusted, especially in the Waste Management BU, the Networks BU and the Market BU, as well as in the new subsidiaries.

Moreover, in order to facilitate the achievement of the objectives of the Group and of the individual companies that are part of it, in line with the provisions of the Strategic Guidelines of the Business Plan, important transformation projects were launched or continued, developed together with an in-depth Change Management process; specifically:

- a complex programme continued with the aim of redesigning the entire customer management and relation process, from the first contact to invoicing, entitled "Market Transformation Programme";
- in the Networks Business Unit, the project for the use of a new Asset and Work Force Management (AM-WFM) system was completed; the "IrenWay" project continued, with the aim of creating a new and single technical-commercial information system for the management of the Gas and Electricity distribution service and the Integrated Water Cycle;
- within the Waste Management Business Unit, the "Just Iren" project continued, with the extension also to the companies Iren Ambiente, ACAM Ambiente and ASM Vercelli of the new management, operational and IT system, which will allow optimising the management of the waste collection, sweeping and conferment process, facilitating also the interaction with Customers/Citizens and with local authorities to which the service is provided;
- with regard to transversal projects, the "Digital Workplace" project was completed, aimed at allowing all Group employees to easily access information and collaborate safely and efficiently both in the office and remotely;
- the use of agile methodology for Business Intelligence projects and the development of portals and web apps as part of the "Digital Factory" programme (consisting of various projects developed with the Business Units and Central Departments) was made fully operational; in addition, a programme was launched to spread awareness of agile methodology through internal and external training courses;
- a programme was launched for the introduction of the lean method to support the efficiency of processes and the improvement of business performance, broken down into various projects focused on the main central departments;
- experimentation of Robotic Process Automation technology was also launched, through an assessment of the opportunities for automating processes in the main central departments and the subsequent implementation of a number of pilot projects;

- finally, a project to review the organisational model and the catalogue of corporate roles was launched in order to identify any changes that could be made to better support the evolution of the business outlined in the new Business Plan.

Finally, the improvement of the emergency situation, together with the activation of important measures to prevent and counteract the contagion, has allowed the return to the office and the resumption of activities in presence also for the staff that carried out their activities remotely since the beginning of the pandemic, while maintaining the possibility of carrying out part of their activities remotely. This allowed for a resumption of personal relationships and social cohesion within the offices, fostering collaboration and active exchange of information. Looking ahead, apart from its use as a tool to prevent and contain contagions, the continuation of smart working is considered useful, but in a differentiated manner according to the type of positions and activities carried out (it being understood that it cannot be adopted for operational and "field" activities).

Information Technology

The year 2021 saw the launch, continuation and/or completion of important projects which are strategic for the Group, as presented below.

In general, besides the necessary adjustments, the computerisation and digitalisation plan provided for in the Business Plan is in the implementation stage, with a significant increase in investments and operating costs for sustaining the process of transformation, security, and development of the Group. In 2021, the incorporations/corporate mergers were also supported, proceeding to the integration or standardisation of the systems starting from the administrative-management area.

In order to support this change and achieve the expected results, among other things, certain areas of the Information Systems Department were reorganised and staff were strengthened in order to improve internal service levels.

In terms of transversal initiatives, in the Infrastructure area, the completion of the following projects is particularly noteworthy:

- Digital Workplace with the move of company mailboxes to the cloud and migration of company PCs to the new model office;
- the Group's new geographic network, which has increased connectivity resiliency;
- IT/OT network segregation to increase IT security in compliance with new NIS regulations;
- CyberArk, for secure and centralised management of administrative access to the infrastructure;

The project relating to the new Datacenter is also in the progress stage, in order to adopt technological solutions to support Business Continuity Management.

In the ICT Governance area, the main initiatives concerned:

- the Iren Now IT platform, which saw consolidation actions in 2021 and the design of Operations Management for the management of physical assets;
- carrying out the risk analysis within the framework of the PSNC (Perimento di Sicurezza Nazionale Cibernetica) project and drafting the PSNC risk analysis methodological procedure and the Risk Evaluation report.

In 2021, project initiatives aimed at raising the level of Information Security against cyber events also continued, the most significant of which are:

- the launch of an awareness campaign on IT security issues, aimed at all employees;
- the conclusion of the project to introduce dual factor authentication for access to systems;
- the conclusion of the project for the adoption of a tool for the management of privileged users.

With regard to the Corporate area, the main projects carried out in the year were:

- the completion of the management of all major personnel processes on a dedicated platform;
- the introduction of a Software as a Service platform for the management of the company's vehicle fleet, with the exception of vehicles dedicated to urban hygiene;
- the launch of the migration project to S4HANA technology of the entire SAP corporate application park.

With regard to the Networks BU, the activities relating to the "Iren Way" project continued, aimed at reviewing and standardising the processes and information systems to support the technical-commercial activities of managing the networks; at the beginning of November, the second release relating to the Electricity stream was made and activities relating to the Water stream continue (expected for mid-2022). The activities relating to the PMS2 (Smart Meter 2G EE) project were also completed, the release of which was carried out in conjunction with the release of the Iren Way Electricity stream. Finally, the project related to "EE Design and Simulation" was released in December.

Within the Energy BU, management of the new continuous trading market (XBID) was introduced within the Power Management - Electricity Exchange area and the consolidation of systems relating to the management of district heating on a single centralised platform was completed.

As regards the Market BU, in 2021 functional releases continued, in continuity with the previous year, aimed at consolidating the systems of the "Energy Market Transformation" programme and completing it with functions for B2B customers.

During the year, the periodic releases of the IrenYou app continued, reaching a total of 850,000 registered customers and a rating steadily above 4; additional functions for the PIS (Payment Initiation Service) and AIS (Account Information Service) payment services were also released on the app. The Transformation programme will continue in 2022 with the migration of water service customers.

Finally, in 2021 the new Energy Forecasting platform was released and the first pilot project of the new Energy Trading & Risk Management cloud platform was launched, which will be released in production in all its functionalities by the first half of 2022, for an optimised management of Iren's portfolio.

For the Waste Management BU, the main initiatives concerned:

- the completion of the release of the "Just Iren" programme, with the complete redesign of the application map starting from the sector of collection and sweeping and of the activities related to the relationship with municipalities and citizens, and the activation on the same systems of the Purification processes;
- the release, in March, of the functionalities for the management of environmental services, weighing and Customer Care services for Iren Ambiente.

Quality, Environment and Safety

As expressed in its corporate mission the Iren Group provides integrated services aimed at 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 support the achievement of the predefined objectives.

The Integrated System is structured in such a way as to envisage adequate control of all operating processes affecting service quality, adopting an approach based increasingly on customers, workers' safety and environmental protection.

The Parent, all its direct (first level) subsidiaries and the investees AMIAT, ACAM Ambiente, ReCos, ACAM Acque, ASM Vercelli, ATENA Trading and San Germano have systems certified according to the international standards ISO 9001 (Quality) and BS OHSAS 18001 or ISO 45001 (Safety).

The Parent, the first level companies (with the exception of Iren Mercato as it is a commercial company) and the investees AMIAT, ACAM Ambiente, ReCos, ACAM Acque, ASM Vercelli and San Germano are certified according to the international standard ISO 14001 (Environment).

In addition, Iren Energia and Iren Smart Solutions are certified in accordance with the standard ISO 50001 for Energy Efficiency; Iren Smart Solutions is, in addition, certified in relation to UNI 11352 (for Energy Service Companies) and F-GAS. Finally, Iren Mercato is certified in accordance with the Certiquality 66 Technical Document in relation to the Sale of Green Energy and the Document RINA ST TRAC_EE for the "System for tracking the characteristics of electricity from renewable sources."

In 2021, Iren Mercato also acquired ISO 18295-2 Compliance Certification with respect to control over external contact centres. Finally, in 2021 Iren S.p.A. extended the ISO 27001 (Information Security) certification also to the services provided to Iren Energia, Iren Mercato, Iren Ambiente, Ireti, Iren Acqua, Iren Acqua Tigullio and AMTER.

The Quality, Safety and Environment management systems are overseen for each first-level company by the Personnel, Organisation and Information Systems Department of IREN.

All audits carried out by the Certification Bodies at the Group companies in 2021 ended with a positive result confirming the maintenance of the Certifications in possession of the individual companies.

Research and development

Technological innovation in the Iren Group is central to the strategic choices and the definition of the products and services offered.

The Business Plan to 2030, approved by the Board of Directors of Iren S.p.A. on 11 November 2021, provides for more than 2 billion euro investments in innovative technologies and for digitalisation. This confirms the centrality of innovation in the Iren Vision, which will be expressed in the development of all the sectors in which it operates with the objective of making the Group an example of excellence and innovation in the multi-utility sector. In particular, the Business Plan is in line with the sector macro-trends identified, namely the decarbonisation and development of renewables, the circular economy, energy efficiency and the protection of natural resources.

From this perspective, the main innovation activities underway within the Group are aimed at researching and adopting technologies and processes to support the sustainable development of the reference businesses.

The Iren Group manages innovation processes through an open innovation model and, consistently, has launched profitable collaborations with Universities, Research Centres, Innovation Hubs and Start-ups. Additionally, it takes an active part in working groups and associations on specific research and development and promotes events such as conferences, workshops and hackathons. In this regard, in 2021 Iren received the Smau Innovation Award as a recognition of Italian excellence for the model of innovation between companies and public bodies.

The year 2021 was characterised by the continuation of technical activities related to the Group's various co-financed projects and by the development, also in partnership with innovative companies and start-ups, of internal technological projects on the basis of planning which, starting from an analysis of the long-term scenario, is aimed at giving the Group the tools needed to seize the opportunities and mitigate the risks deriving from the evolution of the markets in which it operates.

The activities of Iren Up, the Corporate Venture Capital programme, launched in 2018 with the aim of supporting the highest potential Italian start-ups in the cleantech sector, from clean technologies to the circular economy, continued. The programme envisages investments with tickets ranging from 100,000 euro to 2 million euro, depending on the Start-up's development phase and requirements.

Due to the continuation of the Covid-19 crisis in 2021, the usual Iren Startup Award event dedicated to the search for start-ups did not take place, but the scouting activity continued through collaboration with local and international accelerators.

The management of equity investments in start-ups in which the Group has invested continued, concluding several supplementary agreements and the disbursement of tranches upon achieving the milestones conceived in these agreements. In particular, an important investment has been concluded in Enerbrain, a start-up active in the field of energy efficiency; the transaction, which involved national and international financial and industrial operators, will allow the company to expand its business abroad, consolidating its growth. Moreover, in the first months of the year, a first investment was made in the start-up Remat, which deals with polyurethane recycling: this innovative company is perfectly integrated into the recycling chain managed by the Group. In collaboration with Remat, during the year other tranches of funding were disbursed, enabling the recycling plant to be started up.

Among the initiatives in which Iren has participated, bringing its contribution in terms of process innovation and applied research, there are the collaborations with the Competence Centres (promoted by the Ministries of Economic Development and Economy) in Turin ("Competence Industry Manufacturing 4.0 – CIM 4.0") and Genoa ("Competence Centre for the Security and Optimisation of Critical Infrastructures" Association – "START 4.0").

Completed and ongoing funded research projects

Also in 2021, Iren contributed to the creation of important innovation projects co-financed with public funds for research. On this point, the main projects underway are presented below. The total investment for the Iren Group is approximately 8.6 million euro, of which around half being financed. In relation to these amounts, the expense incurred during the year was approximately 2,165,000 euro, of which approximately 1,280,000 euro covered by loans.

The projects completed and in progress in 2021 are presented below.

Material recovery from WEEE R1/R2 (Ministry of Environment Call for Proposals)

The project, concluded in August 2021, had as its main objective the development of technologies with high replicability and rapidly transferable to the industrial world, aimed at optimising the management of waste electrical and electronic equipment (WEEE), and in particular the recovery of polyurethane from refrigerators (WEEE R1) as secondary raw material and optimisation of the separation of cement from the carcass of washing machines (WEEE R2). During 2021, Iren Ambiente and AMIAT, partners in the project, completed the technical-economic feasibility analysis for the implementation of a refining line for the polyurethane produced by the treatment of WEEE R1; tests of a prototype for the semi-automated cutting of washing machine carcasses were also carried out at the AMIAT Trattamento Beni Durevoli (TBD) plant.

SATURNO (Call for proposals Bioeconomy Technological Platform - Piedmont Region)

The project provides for the validation, on an industrial platform, of the conversion of the organic fraction of waste and of the CO_2 of vehicle exhausts and industrial production, into biofuels and biochemicals; specifically, the project provides for use of the organic fraction of waste of municipal origin, normally converted into thermal energy, electricity, bio-methane and compost, through the extraction of substances with high value added such as hydrogen, carboxylic acids, biofertilisers, and biostimulants. Iren is involved in the project together with its associate GAIA, where tests will be carried out on the separation and treatment of bio-plastics separated from the OFMSW (Organic Fraction of Municipal Solid Waste); Iren is also involved in the development of the Business Plan for the SATURNO integrated biorefinery, which will be tested and validated during the project.

During 2021, Iren continued to collect and process experimental data in order to set up the development of the Business Plan. In addition to the field tests of the optical selector, experimental activities have also been developed on the treatment and valorisation of bio-plastics within the traditional anaerobic digestion/composting processes.

OnlyPlastic (RFCS – 2019)

Started in September 2020, the OnlyPlastic project aims to replace fossil carbon sources (coal, coke, petroleum coke) in the electric arc furnaces of the Feralpi steel plant in Lonato (BS) with densified polymers derived from residues from the treatment of plastic waste. In order to achieve optimum use of SRA (secondary reducing agent) granules in Feralpi's steel plant, a prototype is to be built for the transport, handling and loading of the granules, as well as the design of a new injection system that meets the characteristics of the SRA obtained in accordance with the specifications of the UNI 10667-17 standard.

Within the project, the role of Iren, through I.BLU, is configured in the production of densified plastic material to be used as a reducing agent/ foam alternative to fossil fuels in steel production processes. I.BLU will supply a product deriving from post-consumer plastic residues destined for injection and a product designed for loading into baskets.

In the first months of the project, I.BLU took part in the characterisation and optimisation of the product for use in steelworks. Preparatory activities have been completed for the supply of reducing agent to the project partner, which will be activated during 2022.

PolynSPIRE (Horizon 2020)

The PolynSPIRE project aims to demonstrate a range of sustainable, innovative and cost-effective solutions for the energy and material recovery of post-consumer plastics and industrial waste. Three macro-sectors of innovation are considered: 1) chemical recycling assisted by the use of microwaves and magnetic catalysts; 2) advanced additives and irradiation of polymers with high energy radiation to promote high quality plastic recycling; 3) development of plastic waste as a carbon source in the steel industry. Specifically, Iren participates in the project through its subsidiary I.BLU contributing to the third line of research.

With regard to this issue, activities concerning the optimisation of the formulation and production process of the I.BLU granule have been completed and industrial testing in steel mills has begun. Supplies of reducing agent to the project partner have been completed.

CHESTER (Horizon 2020)

The project has the objective of developing and integrating an innovative solution of the Power-to-Heat-to-Power type that will enable maximisation of the exploitation of non-programmable electricity RESs and thermal RESs already combined with TLR (district heating) systems. The system involved in the study, named CHEST, making use of heat pumps, latent heat storages and Organic Rankine Cycles (ORCs), will make it possible to transform electricity into heat, store it and subsequently produce new electricity.

Iren is involved in the project as district heating network operator and has provided operational data of electricity and heat production of the Turin plants and district heating network demand as input to the CHEST system model. Iren is carrying out supervision in the development phases of the system components and control infrastructure, and during 2021, started the analysis and development of business models related to market opportunities, identified with the support of the project partners, which provide for the exploitation of the CHEST system in RES plants.

Energy Shield (Horizon 2020)

The project intends to develop an integrated cyber security platform, usable by all actors of the energy chain (Transmission system operators, distributors, aggregators, producers) to prevent future attacks and learn how to defend yourself by analysing past attacks. Iren participates as a Distributor (through IRETI) supporting the partners in the definition of the specific cyber security instruments, preparing a feasibility test (on paper) and possibly an “offline” field test applied to one or more subsystems of the network (remote control, SCADA, smart meters, supporting TLC networks etc.). During 2021, Group companies primarily supported two development verticals. The first of these involved the development of a platform to test employees’ behaviour, competence and awareness of cyber security issues (Security Behaviour Analysis tool). This vertical is led by NTUA University in Athens. Iren and Ireti tested the platform through a first group of about 15 beta-users, translating the questionnaire in Italian, identifying criticalities and strengths and laying the foundations for a test extended to a wider population (about 250 users), scheduled for 2022.

The second vertical of development concerns an Anomaly Detection system to detect any telecontrol penetrations at the primary substation level. In 2021, the system was installed at the primary substation at the Martinetto site and initial measurements and testing were performed.

ENERGYNIUS (POR-FESR 2014-2020 Emilia-Romagna)

The ENERGYNIUS (acronym for Energy Networks Integration for Urban Systems) project intends to outline models of development that enable Energy Communities and Energy Districts to carry out bidirectional exchanges with energy networks, thus offering energy and services to the regional/national system. Software instruments based on optimised management algorithms, real-time simulation models and energy district diagnostics will also be developed to identify the best technological and control solutions for energy production, storage and distribution systems. Some of the algorithms developed will be integrated into a hardware device for the control of energy plants. Software and hardware instruments will be validated in both simulated and real environments on at least three study cases. Iren participates in the project as an external partner, providing its point of view on the development of the project tools and eventually with field tests.

EVERYWH2ERE (Horizon 2020)

The aim of the project is to develop a “plug and play” hydrogen fuel cell generator, easy to transport around the city for temporary electrical power in various sectors (building sites, music festivals, temporary events, exhibition centres) and able to guarantee high levels of reliability and safety as well as a reduction in emissions compared to traditional generators. The Iren Group, as a third party of Environment Park, will test a hydrogen skid, currently installed at the Friem headquarters in Segrate (Milan), for electricity production during events/trade fairs (Uninterruptible Power Supply (UPS)/mobile generator mode).

During 2021, Iren supervised the validation process of the generators and began to identify, despite the continuation of the Covid-19 emergency, events related to the city of Turin during which to test the 25 kW generator in 2022, starting to prepare the necessary documentation for the authorisation process.

INCIT-EV (Horizon 2020)

The objective of the INCIT-EV project is to develop and field test a set of electric vehicle charging infrastructure, hardware and software technologies and business models to drive large-scale adoption of electric mobility.

The Iren Group participates in the project through the parent, Iren Mercato and Ireti for the development of the pilot project in the Caio Mario interchange car park in Turin, which intends to test a system of DC columns (with both slow and fast charging), directly connected to the direct current power supply of the tram line. During 2021, Iren took part in the definition of the specifications for the construction of the conversion substation and a supply tender was issued that will allow the works to be carried out in the first half of 2022.

PLANET (Horizon 2020)

The Planet project, concluded in January 2021, studied technologies and regulatory constraints for the synergistic exploitation of distribution networks (electricity, gas and thermal). During the project storage and conversion technologies have been modelled; multi-grid intelligent automated management systems have been simulated; new business models have been created; energy conversion systems have been tested in a physical pilot.

The Group designed and installed a pilot heat pump system that can be managed remotely, to integrate the heating and cooling system in a building it manages in Turin. The aim of the experimentation was to test in the field the joint management of energy vectors for the activation of demand flexibility strategies with a view to providing ancillary services to the electricity grid. The heat pump was tested in the winter heating season to balance load imbalances or participate in ancillary electricity markets, while optimising the building's energy needs and flexibility measures required by the electrical grid.

PUMP-HEAT (Horizon 2020)

The project has set the objective of increasing the flexibility of conventional fossil source plants, in particular combined cycles, in order to satisfy the ever-increasing needs of the network to offset the demand fluctuations deriving from renewable sources. The project investigated the combination of heat pumps with cogeneration combined cycle and conventional combined cycle plants; the combination with systems for heat and cold storage was also analysed. From the preliminary evaluations made in the project, it is expected that a large heat pump would result in a 1.5 percentage point increase in plant efficiency in a fully cogeneration configuration.

5G-Solutions (Horizon 2020)

The objective of the 5G-Solutions project, launched in 2019, is to test, in different field tests, the functioning, potential and limits of the 5G network, con particular attention to assessing the performance indicators defined by the standardisation bodies responsible. These tests will focus on verticals Factories of the Future, Smart Energy, Smart Cities, Smart Ports, Media & Entertainment. Iren participates in the activities of the "Energy" vertical, assessing the benefits related to integration and use of the 5G network (and of its main characteristics of speed, limited latency and high reliability) in the cases of use of Demand Side Management at building and Smart Charging level of electric vehicle fleets, through two pilots developed and managed by the Group.

In 2021, the software infrastructure for the control and monitoring of case studies was defined and tested in Beta version, working on the integration and compatibility with existing services and the ICT security policies of the Group. Hardware systems for interfacing with the heat pump, as well as a prototype for regulating household loads, were installed and tested in advance.

Evolution2G (EMEurope Call 2016)

The "eVolution2G" project, which began in June 2018 and ended in January 2021, investigated and tested on the field the Vehicle to Grid (V2G) concept, that is a system in which electric vehicles have a balancing role on electricity grids. The main innovations that the project has brought forward are based on the development of a prototype EMCS (Energy Management and Control System) for the management of data according to the different stakeholders, with a view to improving the balance of the electricity grid, and on prototype tests of V2G charging solutions, at both domestic and public/urban level. During the project, Iren has equipped itself with 2 bi-directional DC prototype columns and has carried out several experimental tests related to different usage scenarios (i.e. vehicle charging, powering a stand-alone house, using the car battery to power the grid).

WaterTech (MIUR)

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

In 2021, research activities continued on the aqueduct and wastewater facilities identified as case studies.

MARILIA - Mara-Based Industrial Low-Cost Identification Assays (H2020)

The MARILIA project, started in September 2020, aims to develop, from Technology Readiness Level 2/3 to 5, a new low-cost, high-sensitivity, expeditive test for the detection of pathogens in water samples, but potentially applicable also in other sectors such as food, health, agriculture. The objective is to validate the test at laboratory level, developed for the identification of a set of bacteria (to be identified with the contribution of Iren), laying the foundations for a subsequent deployment in the field by introducing a significant streamlining in terms of speed and cost compared to current analytical practices. During 2021, Iren, with the collaboration of Iren Laboratori, took part in the project activities related to the development of the sensor, contributing to the dissemination of the project results with a multiplicity of stakeholders (also related to the technological platform Water Europe) and with the working groups in charge of the European standardisation of the reference guidelines for the online monitoring.

PRELUDE (Horizon 2020)

The objective of the project, started at the end of 2020, is to test, in several pilot projects in Europe, solutions in the field of innovative management of buildings and plants, free-running mode, self-consumption and integration of renewable sources. From the technological point of view, PRELUDE intends to integrate multiple physical and mathematical models developed by the partners, databases of the different pilots and monitoring and control systems of the assets of the pilot projects in a single modular/middleware platform that is based on FusiX (metadata infrastructure and DSS - Decision Support System), developed by partner EMTECH in previous EU projects.

Iren and Iren Smart Solutions are participating in the project as coordinators of the Italian Pilot, installing in some apartments different levels of sensing, implementation, and direct feedback on inhabitants.

In 2021, the use cases were identified, specifically the apartment building on which the pilot will be implemented, and the components to be installed in each apartment were identified and purchased.

RES-DHC (Horizon 2020)

The objective of the project is to create tools to support regulators and stakeholders in increasing the use of renewables in district heating and cooling systems. Programmatic and technical-economic assessment tools, actions to improve policies and regulatory frameworks, and innovative dissemination and communication means will be tested in six European pilot areas with the aim of validating their benefits and providing a set of tools for future energy projects.

Iren and Iren Energia participate in RES-DHC to test the tools and skills of the partners on studies/projects for the renewal of existing TLR networks or new expansion projects, with the primary objective of improving the way in which the Group's innovative district heating 4.0 projects are planned, communicated and accepted. During 2021, the consortium of Italian stakeholders was inaugurated, which will provide support for the implementation of programmatic measures for the promotion of district heating from renewables defined in the last quarter of 2021 by Iren and Ambiente Italia, the main Italian partner. Several workshops and coaching activities were also organised on the topic of district heating from renewables, curated by the foreign partners of the project and from which Iren and the Italian stakeholders benefited.

BESTSAFE4IREN (Tender PRIA4.0 - Competence center CIM4.0)

The project aims to increase the levels of redundancy, security and interoperability of the equipment for the Safety of workers, integrating them with a wireless LoRaWAN infrastructure and a new generation DLT patent able to certify in a standardised and anonymised way on blockchain networks the data from field sensors in order to ensure the appropriate level of neutrality needed for operational, regulatory, insurance and legal use.

The solution developed in the project has been successfully tested during 2021 on a portion of TRM and will be tested in the first months of 2022 on a portion of the hillside of the City of Turin where Iren operators deal with waste collection.

Multipliers (Horizon 2020)

The project aims at facilitating the introduction of new scientific ideas, practices and approaches in schools, which can offer to the communities, of which teachers and pupils are part, a space for open innovation, on scientific issues that have an impact on citizens' lives. To achieve the goal, multiplayer partnerships (Open Science Communities - OSCs) will be formed involving schools, families, civil society organisations, informal education providers, policy makers, media, scientific institutions, and businesses in six EU countries, diverse in terms of geographic location and economic status. OSCs will jointly select socio-scientific issues to be addressed and develop real-life projects to be implemented in schools involving more than 1,500 students of all grade levels in the same six countries. Students will interact with faculty and be involved in data collection and decision making. Through open community events, they will share and rethink their experiences, collaborating with families and businesses and acting as knowledge multipliers.

RUN (Liguria Region)

The RUN project, which began in July 2021, involves the development and demonstration of a service for now-casting the risk of flooding during heavy rains using IoT technologies and Big Data analysis tools designed for Smart Cities and urban drainage network managers, enabling faster actions to protect people and property and those in charge of maintaining drains, who will be able to plan interventions for optimal system operation. The project will make use of low-cost IoT sensor networks, information on elements exposed to danger on an Open Data basis (people, vehicles and assets), algorithms for evaluating surface runoff and continuous assessment of the expected level of risk made usable on an IT platform for the benefit of authorities and managers of drainage networks.

Other innovation activities

During 2021, alongside the financed projects, Iren launched approximately 40 initiatives and self-financed projects, which engaged resources internal and external to the company. In particular, as regards external collaborations, Iren activated multiple research contracts with Italian Universities which regarded aspects such as the design and testing of innovative plant solutions in support of the Iren businesses, the creation of models and the identification of new processes and services.

Some significant self-financed projects are presented below:

Water

Research activities continued for optimisation of water pipeline networks during the year. Specifically, tests continued on sensors for monitoring hydraulic transients in water distribution networks and on the instrumentation, in order to identify and eliminate the causes generating the damaging effects on pipes, causing breakages. Iren has also started collaborations aimed at testing the use of specific probes to detect the presence of water in biomasses through the measurement of cosmic rays in the aqueduct and in the hydroelectric field for the water estimation of snowpacks.

Moreover, in 2021 Iren co-financed a Proof of Concept aimed at the functional analysis of innovative smart meters characterised by noise loggers, which allow the pre-localisation of water losses present in the vicinity of the site where the meter is located.

Following the patent filing of a technological nucleus that demonstrated the feasibility of the acoustic telemetry technique and in continuity with the activities carried out during 2020, in 2021 Iren realised the components of a data transmission system using acoustic modems, testing them on portions of the network realised in the laboratory (bed test) and in the field. In order to obtain components applicable to different types of water mains, 4 different receptor/transmitter pairs were built and tested.

Work continued on researching new technologies to be applied to purification processes aimed at optimising management and recovering materials and energy from the supply chain. Related to optimised management, during 2021, scouting activity focused on energy efficiency technologies and on-line process monitoring. As a result of this activity, some field tests have been activated on innovative mixing systems with low energy consumption and probes to detect the metabolic activity of bacteria.

In the area of sludge reduction and recovery of materials and energy, collaboration with start-ups and research bodies continued, with the aim of assessing the yields and applicability of innovative processes such as hydrolysis, gasification/pyrolysis or biotechnological processes for the extraction of high-value compounds, such as biopolymers. In particular, the possibility of integrating biopolymer (PHA) extraction processes in the sludge line of sewage treatment plants was investigated through a technical-economic feasibility study.

The research activity involving Hera, Iren, SMAT, and A2A also continued. During the year, in fact, Iren continued to share its experience and knowledge through joint development of innovative projects, with repercussions to the benefit of the said Companies, with the objective of developing applied research, innovation and technological development in the context of management of the water service. In particular, projects were concluded dedicated to (i) sensors for on-line monitoring dedicated to early warning; (ii) the recovery of substances useful for the production of bioplastics from the purification cycle of urban waste water; (iii) the management of the presence of Legionella in water networks by comparing different analytical methods; (iv) the monitoring of chlorites and chlorates by identifying infrastructural and technological interventions, control and mitigation activities, and behaviours in the field of transparency and communication, in view of the entry into force of new limits provided by the revision of the European Drinking Water Directive for the two disinfection by-products (DBPs) Chlorite and Chlorate. Additional research projects of common interest have been defined and will be implemented in the 2022-2023 two-year period.

Projects included in the AMGA Foundation's research programme

During the year, Iren continued its collaboration in the context of research projects funded by the AMGA Foundation relating to economic-regulatory issues and technical-scientific aspects related to water, energy and environmental resources. Research projects completed in 2021 include:

- application of WSP to the water service: methodological and informative aspects for the stakeholders involved;
- reuse of purified wastewater: analysis of the hygienic-sanitary impact;
- optimal methods of managing urban drainage systems based on innovative monitoring of rainfall using IOT Low-Power Wide-Area Network technology;
- markets in search of regulation: tenders for gas distribution concessions;
- the economic, environmental and organisational performance of the Italian water sector.

Some projects begun in the previous biennium, including as a result of the emergency due to the pandemic, are still underway and will be completed during the year 2022. They include:

- resilience indicators in water distribution systems with respect to climatic and socio-economic changes;
- regulation of water and environmental services: analysis of factors that determine operating and capital costs, and possible impacts on price recognition models;
- applicability of Landfill Mining to old landfill sites in Italy.

The following projects selected under the second edition of Project 4.0, a call for proposals aimed at funding annual research projects related to the water, energy and environmental sectors, were also launched in 2021:

- assessment of the residual risk in the effluent and sewage sludge for the presence of emerging micropollutants and identification of the best technologies to be adopted to reduce the risk;
- evaluation of the presence of viral indicators in sludge from both wastewater purification and

organic waste treatment, through molecular biology and electron microscopy methods;

- development of an innovative technology for the degradation of emerging pollutants through the use of non-conventional photocatalysts;
- multifunctional nanostructures as catalysts for clean energy production and simultaneous water purification;
- sewage treatment plants: possible hotspots in the spread of antibiotic resistance;
- water quality and exposome: focus on emerging contaminants from wastewater;
- stabilisation of PFAS in landfill leachate;
- analysis of retail prices on energy markets. Evidence from the ARERA offers portal;
- integrated asset management in a context of geo-hydrological risk and climate change;
- the lever of tariff regulation to stimulate the engagement and awareness of users towards behaviours that favour waste prevention, reuse and recycling.

Waste Management

During 2021, research activities continued on scouting and quanti-qualitative analysis of the energy and environmental performance of processes and technologies for capturing and converting CO_2 produced by various types of emissions into products with high added value. Specifically, with regard to the capture and use of carbon dioxide produced by biogas upgrading processes, a study has been developed to assess the potential for integrating algal cultures with anaerobic digestion processes of OFMSW (nutrient use and CO_2; biomass valorisation). In the last months of the year, an experimental activity was also launched with the aim of testing an automated module of vertical farming in CO_2-enriched atmosphere and assessing its industrial applicability as a system of capture and sequestration of the CO_2 produced by emission flows.

Again with a view to optimising the management of the organic waste chain, a regulatory and market analysis was carried out on possible alternatives for the valorisation of digestate/compost through the extraction and production of fertilised products in compliance with the new European regulations.

In addition, the research activity launched in 2020 aimed at defining and evaluating a correlation model between the chemical composition of gaseous emissions (from waste treatment) and odour concentration continued.

During 2021, research activities continued on the valorisation of bottom and fly ashes produced by the Group's incineration plants. In particular, the activities carried out, which have involved Universities and industries, have focused on the analysis of the technological state of the art and on the evaluation of the industrial applicability of the same. Specifically, an in-depth study has been developed on innovative processes for the treatment and recovery of material from fly ashes.

With regard to the treatment of WEEE, following the development of a feasibility study with annexed field tests of a robotic system based on artificial vision for the automation of the process of dismantling end-of-life LCD screens treated at the TBD - Trattamento Beni Durevoli (Treatment of Durable Goods) plant in Volpiano (Turin), activities were started for the inclusion of the industrial line within the same plant.

Finally, with regard to the treatment and recovery of plastic waste, a study has been launched with the aim of quantifying the reduction of the emission impacts deriving from the use of Bluair®, produced by I-BLU, as a reducing agent in steelworks.

Energy

<u>Innovation Industry 4.0</u>

Iren is continuing a research activity on seeking innovative solutions falling under the definition of "Industry 4.0" applicable to the Energy Business Unit, with particular reference to the maintenance sector. The analysis focused on specific verticals, that is operator safety, infrastructure monitoring and big data, concentrating on the thermoelectric, hydroelectric and district heating sectors.

During 2021, testing activities using drones for inspections of dams, reservoirs and rocky slopes continued. The industrialisation process of the rover prototype for the inspection of the branch tunnels with the definition of specifications and requirements has also started: the robot, once completed, will be able to walk through the tunnels acquiring 3D images and maps, communicating with the outside via a wireless network during the inspection. In addition, on the basis of positive experiences in the hydroelectric sector, tests on the use of "smart glasses" systems have also been launched in the thermoelectric sector.

In 2021, in the colder months, the experimental technique of monitoring district heating networks by air was once again used. Thanks to the use of a high-resolution thermographic camera, mounted on an aircraft, it was possible to fly, in a winter night, over the city of Turin and identify using thermal image processing software the water and heat leaks of the network. Moreover, on the basis of the thermal mapping obtained, a research project was conducted for the development of machine learning algorithms for predictive and multi-temporal analysis with the aim of developing models and methods for advanced and predictive maintenance of the district heating network of Turin.

Other innovations in the energy field

In the research area, during the year, Iren:

- promoted a project for the creation of an integrated supply chain for the production of hydrogen from electrolysis fed by RES-E plants (hydroelectric and waste-to-energy) owned by the Group and its use in the mobility sector in the Turin area. On the subject of hydrogen, Iren is active at the tables of local and national bodies and associations and constantly follows the updates of the regulations on the production, distribution and use of hydrogen;
- conducted a preliminary feasibility analysis of the energy and environmental performance of processes and technologies for the capture and conversion of CO2 from waste-to-energy into high value-added products (chemicals, gas, fuels etc.);
- transformed a portion of the uncovered parking lot of the Martinetto headquarters into an experimental laboratory for testing smart lighting systems and technologies for smart cities. In this area, innovative lighting fixtures from different manufacturers were installed. They are equipped with sensors capable of processing external stimuli (radar, presence sensors) and can be controlled remotely via a platform capable of integrating inputs from different databases. The area also saw the installation of air quality sensors connected via both WiFi and LoRaWAN and the testing of a street lighting system integral to an electric vehicle charging station;
- continued the testing, on a user of the district heating network of Turin, of innovative storage systems based on phase change materials (PCM), with the aim of evaluating their performance in terms of charge-discharge efficiency and reduction of the morning peak, with a consequent increase of thermal energy available in the network, useful to supply new users with the same infrastructure;
- launched a research project for the analysis of the evolutionary scenarios of thermal consumption due to variations in technical and exogenous factors over time and the possible effects on the Turin district heating network and on the production units;
- carried out research to estimate the impacts of public and private electric mobility on Turin's electricity distribution network, with the aim of supporting network development decisions;
- conducted two projects to test solutions to support renewable energy communities. In a first pilot we focused on testing management platforms with a particular focus on User Experience and supervised battery optimisation. The second pilot focused on the testing of User Devices able to communicate with second generation meters and provide useful information for the management of both Energy Communities and Recharge Infrastructure Controllers;
- started a testing activity of solutions for Smart Charging services at the service of the company fleet, with the implementation of a pilot at the multi-storey parking lot of the Iren headquarters in Turin Martinetto with integrated service in the fleet management system through the activation of Application Programming Interface;
- developed a study on innovation in the field of electric mobility, with a focus on the technological and regulatory state of the art regarding V1G, V2G and plug&charge and the analysis of start-ups active in the sector;
- conducted research on protocols to ensure the interoperability of public lighting systems serving the smart-city with a particular focus on platforms for supervised management and innovative protocols such as TalQ or Ucifi;
- initiated a study of home load management controllers for maximising self-consumption of renewable energy installed at the single-family home level. The study will focus on integrating heating/cooling systems, appliances, and battery systems into a single integrated logic that considers on-site photovoltaic production;

- completed the LoRa Castellarano project, which provided for the implementation of the IoT connectivity network based on the LoRaWAN communication protocol covering the Municipality of Castellarano. The project tested distributed sensor solutions to serve the smart city, starting with assets managed directly by IREN, such as the gas distribution network, the drinking water network, and waste collection, and including additional services for citizens, such as monitoring weather conditions, air quality, car traffic, noise, parking, and the comfort conditions of some buildings owned by the municipality. The pilot project ended on 30 June 2021.

Corporate Venture Capital – Iren UP

During 2021, numerous activities were carried out in the context of the Corporate Venture Capital programme.

The collaboration with the start-up Re Mat, active in the recycling of Polyurethane, continued during the year: in fact, a further tranche of financing was concluded for the start-up of the plant and the commercial agreement with Iren Ambiente. Moreover, during the year an important investment was concluded in the start-up Enerbrain, active in the energy efficiency sector: the investment saw the participation of other institutional investors and a major international industrial player. Regarding the other start-up in the portfolio, i-Tes, the contractual terms of collaboration were extended for an additional year. Finally, at the end of the year an experimentation agreement was concluded with an innovative company operating in the agritech sector.

The Group participated in institutional events and collaborations, such as the National Innovation Award (NIA) and Techstars, which allowed it to continue its scouting activities for new start-ups, identifying possible new investment targets and open innovation activities for 2022.

The research and analysis of start-ups at national level during 2021 has produced contacts with more than 200 start-ups and with about twenty of these Open Innovation activities are underway.

Iren and sustainability

Sustainability is at the centre of the strategy of the Iren Group, which reports its policies and performance with particular regard to environmental and social issues, to those relating to the personnel, to human rights, and to combating active and passive corruption.

These issues, together with others identified as priorities by the materiality analysis, carried out with the involvement of stakeholders, are reported and analysed in the Sustainability Report of the Iren Group, which also fulfils the function of Consolidated Non-Financial Statement (NFS) required by Legislative Decree no. 254/2016. A significant function that underlines how the strategic approach to social responsibility is becoming increasingly important in the long term for the competitiveness of companies, and that strengthens the Group's orientation both in terms of information transparency and in considering sustainability a strategic lever for growth.

The Iren Group integrates sustainable development into its business model, in line with the UN Sustainable Development Goals (SDGs). An evaluation of the SDGs to which Iren contributes and can contribute more in the future was also carried out in the preparation of the Strategic Plan to 2030. All 17 SDGs were analysed, with the relative targets, and the areas of activity of the Group that contribute to their achievement were identified, making it possible to select 9 priority objectives, which were assumed in the Strategic Plan with specific commitments and targets that are constantly monitored and reported.

In the non-financial reporting for the 2021 financial year, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board are introduced, in a comprehensive manner, with reference to governance (corporate governance with regard to climate issues), strategy (illustration of the main risks and opportunities related to climate change, the different scenarios considered and the strategy developed as a response to mitigate and adapt to risks and maximise opportunities), risks (description of the process of identifying, assessing and managing risks and opportunities related to climate change), metrics and targets (climate change metrics used and main targets set to promote a low-carbon business model). Reporting is also enriched with the information required by the European Taxonomy (Regulation (EU) 2020/852), the single classification system for economic activities considered environmentally sustainable, which also defines the lines of disclosure of information related to the environment and climate.

The Sustainability Report/Non-financial Statement - to which reference is made pursuant to Legislative Decree no. 254/2016 - is therefore increasingly a tool both for transparency towards all stakeholders and for monitoring operations, economic, environmental and social impacts.

The document is prepared, under the coordination of the Corporate Social Responsibility and Local Committees Department, in compliance with the GRI (Global Reporting Initiative) Standard with the electricity industry Utility supplement – G4 Sector Disclosure, and is submitted for approval to the Board of Directors at the same time as the draft Separate and Consolidated Financial Statements.

Other information

Protection of natural persons with reference to personal data

During 2021, for Iren S.p.A. and for the main Group companies, the activity of adapting, monitoring and implementing the company Privacy System, in application of the regulatory principles referred to in Regulation (EU) 679/16 (GDPR) and the national legislation in force (Legislative Decree no. 196/2003 and subsequent amendments, supplementary measures issued by the Privacy Guarantor, etc.) was carried out.

The GDPR has substantially changed the concept of protection of personal data, with the aim of strengthening the rights related to the protection of the individual sphere of individuals, introducing, among other things, the concepts of privacy *by design* and *by default* and *accountability*, thus obliging the Companies to evaluate and adopt best practices in order to minimise the processing of personal data.

The company Privacy System, subject to constant monitoring and improvement, led to the identification of the Data Protection Officer (DPO) of Iren S.p.A. as the 231 System Compliance and Privacy Manager, subsequently designated by the Data Controller (CEO of Iren S.p.A.). The same then gave instructions, in the context of the activity of management and coordination of the subsidiaries, to the Data Controllers of these companies, that they were to appoint as DPO the same person chosen for the Parent.

Subsequently all the Data Controllers of the main Group Companies therefore designated as DPO the Parent DPO and made the relevant communication to the Supervisory Authority. During 2021, the activities of adaptation and monitoring of the company Privacy System led, among other things, to constant support for the business structures on all issues relating to the processing of personal data (including, for example, the introduction of the Green Pass in the private sector, etc.), as well as the revision of some of the procedures containing rules of conduct to be implemented by staff. The Processing Registers, provided for under the terms of art. 30 of the GDPR are also constantly updated. These documents, revised annually, are provided for in the legislation for the purpose of providing full knowledge of the existing processing, identifying, among other things, a number of elements of particular significance such as data processed, conservation times, risk levels, etc.

Control of companies abroad

It is noted that the Parent does not control companies established and regulated by the laws of non-EU countries. Furthermore, it is noted that Iren S.p.A. is not subject to management and coordination by another company.

Report on Corporate Governance and Ownership Structure and Report on the policy on the subject of remuneration and on fees paid

The Report on Corporate Governance and Ownership Structure and the Report on the policy on the subject of remuneration and on fees paid, approved by the Board of Directors and published within the legal deadline, include information not mentioned in the section below “Information on Corporate Governance”, as envisaged in art. 123-*bis* and art. 123-*ter* of Legislative Decree no. 58 of 24 February 1998, and subsequent amendments and additions.

Information on Corporate Governance

Introduction

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

At the reference date of this report, three Shareholders' Agreements are in force among the public shareholders of Iren S.p.A.:

- Agreement between FSU - FCT - Metro Holding Torino - so-called Parti Emiliane – Soci Spezzini, effective as of 5 April 2019.

This agreement (hereinafter also the "Shareholders' Agreement") is attributable to a blocking and voting syndicate with the purpose of guaranteeing the development of the Parent, of its investees and of its business, and of ensuring unity and stability of guidance, also through the use of the instrument of increased votes, and, specifically: (i) determining methods of consultation and joint decision-making regarding certain resolutions of the Parent's Shareholders' Meeting; and (ii) setting certain limits on the circulation of the shares contributed.

The Agreement has a duration of 3 years and will be tacitly renewed, subject to the option to withdraw with the methods and in the terms pursuant to the Agreement, for a further 2 years; subsequently, any further renewal must be agreed in advance in writing. On 21 May 2021, the following companies joined the Shareholders' Agreement: (i) Società per la Trasformazione del territorio Holding S.p.A. (STT Holding) by contributing 15,341,0000 ordinary shares, 10,000,000 of which to the Block Syndicate; (ii) Metro Holding Torino S.r.l. by contributing 32,500,000 ordinary shares, 6,500,000 of which to the Block Syndicate.

- Emilian Parties *Sub-Agreement* in effect as of 5 April 2019.

This agreement is intended, among other things, to determine the respective rights and obligations, in order to (i) ensure uniformity of conduct and rules on decisions that must be taken by the Emilian parties in the context of what is provided for in the FSU-FCT-Emilian Parties-La Spezia Shareholders' Agreement; (ii) provide for further commitments in order to guarantee the development of the Parent, of its investees and of its business, and of ensuring to the same unity and stability of guidance; (iii) attribute a right of pre-emption in favour of the signatories in the event of sale of the Parent's shares other than shares covered by the Block Syndicate under the terms of the Agreement; and (iv) confer on the Municipality of Reggio Emilia an irrevocable mandate to exercise on behalf of the signatories the rights attributed to these latter under the terms of the Agreement.

The Emilian Parties *Sub*-Agreement has a duration of 3 years and will be tacitly renewed, subject to the option to withdraw with the methods and under the terms pursuant to the *Sub* Agreement, for 2 additional years; subsequently, any further renewal must be agreed in advance in writing.

- Piedmont Parties *Sub-Agreement* in effect as of 28 September 2021.

This agreement can be traced back to a voting syndicate through which the shareholders FCT Holding S.p.A. and Metro Holding Torino intended to regulate their mutual relations as shareholders of Iren, also as part of the broader Shareholders' Agreement signed with other shareholders of Iren on 05 April 2019. More specifically, the Piedmontese Parties intend to 1) coordinate with each other in order to identify, within the limits set by the Piedmontese *Sub*-Agreement: i) shared candidacies within the scope of the powers to appoint directors and statutory auditors, as governed by the Shareholders' Agreement; ii) common guidelines in relation to the decisions to be taken on the resolutions of the Meetings as per art. 6-bis of Iren's Articles of Association, as well as on the resolutions to be taken on the following matters (a) amendment of the provisions of the Articles of Association governing the limits to share ownership; (b) amendment of the provisions of the Articles of Association concerning the composition and appointment of the corporate bodies; (c) amendments to the Articles of Association concerning the quorums for the constitution and passing of resolutions and the powers of the Shareholders' Meetings and the Board of Directors; (d) the registered office; (e) mergers, spin-offs (other than those pursuant to Articles 2505, 2505-bis and 2506-ter, last paragraph, of the Italian Civil Code) as well as other extraordinary transactions on the capital, with the exception of those required by law; and (f) the liquidation of the Parent; 2) to grant FCT an irrevocable mandate, also in the interest of FCT itself, to exercise the rights conferred by the Shareholders' Agreement on FCT in accordance with the provisions of the Piedmont Sub-Agreement.

The Piedmont Parties Sub-Agreement has a duration until 05 April 2022 (First Expiration Date) and is tacitly renewed upon expiry for a further 2 years, unless notice of termination is communicated at least 6 months before the expiry date.

During 2021, the following changes occurred in the structure of IREN's public ownership structure:

- on 1 March 2021, the number of voting rights conferred to the Shareholders' Agreement changed due to the granting of an increased vote to 32,750,000 shares held by Finanziaria Sviluppo Utilities S.r.l. (FSU);
- on 21 May 2021
  - the following joined the Shareholders' Agreement (i) STT Holding by contributing 15,341,0000 ordinary shares, of which 10,000,000 to the Block Syndicate; (ii) Metro Holding Torino by contributing 32,500,000 ordinary shares, of which 6,500,000 to the Block Syndicate;
  - the Municipality of Parma granted the Block Syndicate an additional 1,534,179 shares;
  - the company Parma Infrastrutture S.p.A. contributed 6,500,000 ordinary shares to the Block Syndicate.

In the period from 27 May 2021 to 21 December 2021 (i) 2 adherents sold a total of 1,150,000 shares, in particular the Municipality of Boretto sold 50,000 shares and the Municipality of La Spezia sold 1,100,000 shares; (ii) the number of voting rights conferred to the Shareholders' Agreement changed as a result of the allocation of the 158,492 loyalty shares held by the Municipality of Deiva Marina as from 1 June 2021 and 387,000 loyalty shares held by the Municipality of Piacenza as from 1 December 2021.

Lastly, it is specified that, in 2021, as part of the buy-back programme approved by the Shareholders at their Meeting of 29 April 2020, Iren purchased 1,987,641 treasury shares equal to 0.15% of the share capital. As at 31 December 2021, Iren held 17,855,645 treasury shares equal to 1.37% of the share capital.

The Parent adopts a traditional system of corporate governance. The Board of Directors is vested with the broadest powers for the ordinary and extraordinary administration of the Parent and, specifically, with the power to carry out all the actions it deems appropriate for the implementation and achievement of the corporate purpose, including organising the Parent and the Group into business areas, whether structured as companies or operating divisions, excluding only those actions that the law and the Articles of Association reserve for the Shareholders' Meeting.

Under the terms of the current Articles of Association, the Board of Directors delegates its powers to one or more of its members and may also assign powers to the Chairperson, Deputy Chairperson and CEO provided they do not conflict with each other.

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

Iren's Corporate Governance system is in line with the provisions of the Consolidated Law on Finance (hereinafter "TUF") and the Corporate Governance Code approved by the Italian Corporate Governance Committee on 31 January 2020, effective 1 January 2021 (hereinafter "Code"), to which the Parent subscribed by board resolution of 18 December 2020.

After adoption a disclosure was made to the public through a press release distributed to the market. On the same date the Board of Directors also approved the document which highlights the governance solutions adopted by the Parent with reference to the provisions of the Code. This was published on the IREN Group's website (www.gruppoiren.it), in the Section "*Investors – Corporate Governance – Corporate documents*".

The current Articles of Association are in keeping with the rules of the TUF and the other provisions of laws or regulations applicable to listed companies.

In particular the Articles of Association state, among other things, that:

- the directors must be in possession of the requisites provided for by law and by the regulations on the subject (art. 147-*quinquies* of the Consolidated Law on Finance);
- at least two members of the Board of Directors must possess the requisites of independence established by the applicable legislation (art. 147–*ter*, paragraph 4, and art. 148, paragraph 3, Consolidated Law on Finance);
- the members of the entire Board of Directors are appointed on the basis of lists (art. 147–*ter*, paragraph one, Consolidated Law on Finance);
- the non-controlling shareholders have the right to appoint at least two Directors (art. 147–*ter*, paragraph 3, Consolidated Law on Finance);
- the balanced representation of genders in the composition of corporate bodies is respected (Article 147-ter, paragraph 1-ter and art. 148, paragraph 1-*bis*, Consolidated Law on Finance);
- one standing and one alternate member of the Board of Statutory Auditors must be elected from the list presented by the minority (art. 148, paragraph 2 of the Consolidated Law on Finance);
- the Chairperson of the Board of Statutory Auditors and one alternate auditor must be appointed on the basis of the list presented by the minority (art. 148, paragraph 2-*bis* of the Consolidated Law on Finance);
- a person responsible for corporate financial reporting must be appointed, setting the requisites of professionalism and the powers and tasks attributed to the same (art. 154–*bis* of the Consolidated Law on Finance).

On 22 May 2019 the Iren Shareholders' Meeting, called *inter alia* to approve the financial statements at 31 December 2018, also proceeded to appoint the Parent's Board of Directors for the 2019-2021 three-year period, with expiry on the date of approval of the financial statements at 31 December 2021.

By resolution of the Board of Directors of 22 May 2019, the newly appointed Chairperson, Renato Boero, was conferred powers, proxies and responsibilities in relation to communication and external relations, institutional relations (including relations with Regulators, Regions and Local Authorities), and mergers & acquisitions.

The Deputy Chairperson, Moris Ferretti, was given powers, proxies and responsibilities in relation to corporate affairs, corporate compliance, corporate social responsibility (which also covers support for the activities of territorial Committees), risk management, internal auditing.

The Chief Executive Officer, Massimiliano Bianco, was given powers, proxies and responsibilities in relation to administration, finance and control (including investor relations); personnel, organisation and information systems; procurement, logistics and services; legal affairs; strategies, studies and regulatory affairs, Energy, Market, Networks and Waste Management business units, as well as expansive duties and powers of representation.

On 2 July 2019, at the same time as his appointment as General Manager, the Board of Directors of Iren gave Massimiliano Bianco powers and proxies of an operational kind, with a transversal impact on the Departments and Business Units.

During the meeting of 29 May 2021, the Board of Directors of Iren, co-opted, pursuant to Article 2386 of the Italian Civil Code, Gianni Vittorio Armani as Director of the Parent and appointed him as CEO and General Manager to replace Massimiliano Bianco, who resigned from the above-mentioned offices with effect from the same date. Gianni Vittorio Armani was granted powers, proxies and responsibilities in the same matters as those mentioned above.

In compliance with the provisions of the Code, with resolutions passed at the meetings on 22 and 30 May 2019, the Board of Directors also appointed:

- a Remuneration and Appointments Committee (hereinafter also "RAC");
- a Control, Risk and Sustainability Committee (henceforth also "CRSC").

In accordance with the provisions of the CONSOB Regulation and of the current RPT Procedure, with a resolution passed at the meeting on 22 May 2019 (amended with a resolution passed on 30 May 2019), the Board of Directors also appointed the Independent Directors' Committee for dealing with Transactions with Related Parties, named the Related Party Transactions Committee (hereinafter also "RPTC").

Board of directors

As mentioned above, on 22 May 2019, the Shareholders appointed the current Board of Directors, made up of fifteen members, in office for the years 2019/2020/2021 (until approval of the separate financial statements at 31 December 2021).

The following table shows the breakdown at the date of this Report:

Office	Name and Surname	Place of birth	Date of birth
Chairperson of the Board of Directors	Renato Boero	Turin (TO)	09 March 1962
Deputy Chairperson	Moris Ferretti	Reggio Emilia	28 May 1972
Chief Executive Officer and General Manager	Gianni Vittorio Armani	Tradate (VA)	24 July 1966
Director	Sonia Maria Margherita Cantoni	Milan	16 February 1958
	Pietro Paolo Giampellegrini	Massa (MS)	14 November 1968
	Enrica Maria Ghia	Rome	26 November 1969
	Alessandro Giglio	Genoa	30 July 1965
	Francesca Grasselli	Reggio Emilia	13 June 1979
	Maurizio Irrera	Turin	17 September 1958
	Cristiano Lavaggi	Carrara (MS)	08 August 1975
	Ginevra Virginia Lombardi	Viareggio (LU)	04 July 1966
	Giacomo Malmesi	Parma	29 October 1971
	Gianluca Micconi	Ponte dell'Olio (PC)	19 March 1956
	Tiziana Merlino	Finale Ligure (SV)	08 June 1974
	Licia Soncini	Rome	24 April 1961

In accordance with art. 25 of the current Articles of Association, resolutions of the IREN Board of Directors are carried by a vote in favour of the absolute majority of Directors in office.

For the matters indicated in Art. 25.5 of the Articles of Association ("Significant Matters"), resolutions of the Board are instead carried by the vote in favour of at least 12 Directors.

Articles 18, 19 and 20 of the Articles of Association govern the appointment, methods and criteria for the presentation of lists for the appointment of Directors, which adopts the list voting system.

During 2021 the IREN Board of Directors held 22 meetings.

As at 31 December 2021, in the Board of Directors, consisting of 15 directors, 9 directors possess the requirements of independence both under the terms of the combined provisions of arts 147-*ter*, paragraph 4, and 148, paragraph 3, of the Consolidated Law on Finance, and under the terms of art. 7 of the Code.

The Board of Directors assesses the independence of its members with regard to the principle of substance over form. The independence of directors is assessed by the Board of Directors on appointment, and thereafter on an at least annual basis, or when significant circumstances occur for the purposes of independence during their mandate. The outcome of the Board's assessments is disclosed to the market, with the methods identified in the Code.

As at 31 December 2021, the Independent Directors met once, under the terms of Recommendation no. 5 of the Code. In 2021, a meeting was also held in which, in addition to a number of Independent Directors, including their coordinator, the Executive Directors participated.

The Parent has set up a short-term bonus system (MBO) for the Chief Executive Officer and General Manager of the Parent and the Group's Key Management Personnel: the targets are set respectively by the Parent's Board of Directors and Chief Executive Officer and General Manager – after consulting the Parent's Remuneration and Appointments Committee – on an annual basis and, if achieved, for the amount established at the end of an enquiry carried out by the Committee, give the right to receive the related bonus (after a resolution of the Board of Directors, as regards the figure of the Chief Executive Officer and General Manager).

During the meeting on 27 November 2018, the Parent's Board of Directors, on the basis of the inquiry carried out by the Remuneration and Appointments Committee, approved the 2019-2021 Long-Term Monetary Incentive Plan for the Group's Key Management Personnel and other resources (the so-called "Key Resources") who can contribute in a significant way to achieving the targets in the 2018-2023 Business Plan (as approved by the Board of Directors on 26 September 2018).

For more information on the remuneration policy, please see the Report on the policy on the subject of 2022 remuneration and on fees paid for 2021 made available to the shareholders, in observance of the terms provided for in the current legislation, in view of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2021.

As envisaged in the Italian Civil Code, directors with an interest in a given transaction must report such interest beforehand. On this point, with a resolution passed on 28 June 2021, the current text of IREN's Procedure on Related Party Transactions was approved by the Board of Directors.

Remuneration and appointments committee

The Board of Directors set up within it a Remuneration and Appointments Committee (hereinafter also "RAC"), composed of non-executive directors, most of whom independent, from among whom the Board of Directors appointed the Chairperson.

The Committee has the preliminary, proposing and consultative functions towards the Board of Directors, as per the Code as well as the Policies and Procedures approved by the Board of Directors of IREN S.p.A. on 1 August 2018 (and of which the RAC in office took note in the first meeting following the appointment), as follows:

a) to formulate proposals to the Parent's Board of Directors on the definition of the policy on remuneration of Directors and Key Management Personnel of the IREN Group (top management, as defined in the Code), in compliance with the current legislation and having regard to the criteria recommended by the Code, after interaction with the Parent's Control, Risk and Sustainability Committee, as regards the risk profiles;

b) to submit for the approval of the Parent's Board of Directors the annual Report on the policy on the subject of remuneration and on fees paid prepared under the terms of art. 123-*ter* of the Consolidated Law on Finance, for its presentation to the Shareholders' Meeting called for approval of the annual financial statements;

c) to assess periodically the adequacy, overall consistency and actual application of the policy under a) above, availing itself, in this last regard, of the information provided by the competent delegated bodies and formulating proposals on the subject to the Board of Directors;

d) to present proposals or express opinions to the Parent's Board of Directors on the remuneration of executive directors and other directors who hold special positions and establishing performance objectives relating to the short and medium/long-term variable component connected with this remuneration;

e) to monitor the application of the decisions adopted by the said Board by verifying, in particular, the actual achievement of the short- and medium/long-term performance targets pursuant to point d) above;

f) to formulate proposals to the Parent's Board of Directors on the remuneration of the members of the Committees set up within the Board itself;

g) to establish the annual board evaluation procedure ("board evaluation") on the operation of the Board itself and of its Committees and on their size and composition, also taking into account elements such as the professional characteristics, experience, including managerial, and gender of its members, and their seniority in office; specifically, after coordination with the Chairperson of the Board of Directors, the Committee identifies the subjects with which the assessment is concerned and, having regard to the best practices, also availing itself of the assistance of an expert consultant in the sector;

h) taking into account the results of the board evaluation as in point g) above, to formulate opinions to the Board of Directors on the subject of the dimensions and composition of the same and of its Committees (including the requisites of professionalism, integrity and independence of the related members) and to express recommendations on the professional and managerial figures whose presence on the Board of Directors is considered opportune, so that the Board of Directors can express its guidance to the shareholders before the appointment of the new administrative body;

i) to express recommendations to the Board of Directors as regards the maximum number of appointments as Director or Statutory Auditor in other listed companies in regulated markets (including abroad), in financial, banking and insurance companies or in large companies, compatible with an effective fulfilment of the appointment as Director of IREN S.p.A. taking into consideration the participation of the Directors in the Committees set up within the Board;

j) to express recommendations to the Board of Directors on any problematic cases connected with application of the prohibition on competition provided for in relation to Directors in art. 2390 of the Italian Civil Code;

k) in line with the current with statutory provisions, to propose candidates to the Board of Directors for the position of Director in the cases of co-option pursuant to Article 2386 paragraph 1 of the Italian Civil Code, if it is necessary to replace Independent Directors, ensuring observance of the prescriptions on the minimum number of independent directors and on the quotas reserved for the less represented gender;

l) to carry out the enquiry on preparation of the plan for the succession of the Executive Directors, if the Board of Directors decides to adopt this plan;

m) to report, through its Chairperson, on the most significant questions examined by the Committee on the occasion of the first useful meeting of the Board of Directors of IREN;

n) to report on the methods of performing its duties to the Shareholders' Meeting called for approval of the annual financial statements, through its Chairperson or another member indicated by the same.

No Director shall take part in meetings of the Committee in which proposals are formulated to the Parent's Board of Directors on their remuneration, unless the proposals regard all the members of the Committees set up within the administrative body.

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

In the case of transactions regarding the remuneration of the Directors of the Parent and the Key Management Personnel of the IREN Group, the Committee also performs the duties of the Committee of independent directors responsible for the examination and enquiry pursuant to the current RPT Procedure, limited to cases in which its composition makes it possible to meet the minimum requisites of independence and non-relatedness of its members required by the CONSOB R.P.T. Regulation.

With resolutions passed on 22 and 30 May 2019, IREN's Board of Directors identified, as members of the Remuneration and Appointments Committee for the three years 2019-2021, the following Directors:

- Pietro Paolo Giampellegrini, recognising that he possessed adequate knowledge and experience on the subject of remuneration policies;
- Maurizio Irrera, recognising that he possessed adequate knowledge and experience on the subject of remuneration policies;
- Francesca Grasselli, recognising that she possesses adequate knowledge and experience on financial matters and remuneration policies.

On 30 May 2019, Iren S.p.A.'s Board of Directors appointed as Chairperson of the Remuneration and Appointments Committee Pietro Paolo Giampellegrini, in possession of the requisites of independence under the terms of arts 147-*ter*, paragraph 4, and 148, paragraph 3, Consolidated Law on

Finance, and under the terms of Recommendation no. 7 of the Code.

In 2021 the Remuneration and Appointments Committee met 17 times (of which 3 times jointly with the Control, Risk and Sustainability Committee), preparing proposals and opinions recorded in the minutes of the Committee meetings. The Committee meetings held during the year were attended by at least one Statutory Auditor of the Parent, as per the Committee Regulations.

Control, risk and sustainability committee

In accordance with what is established by the Code, the Board of Directors set up within it a Control, Risk and Sustainability Committee (hereinafter also "CRSC"), composed of four non-executive Directors, most of whom independent, from among whom the Board of Directors appointed the Chairperson.

The Control, Risk and Sustainability Committee performs the general task of supporting, through adequate preliminary activities, the assessments and decisions of the Board of Directors relating to the internal control and risk management system, as well as those concerning approval of the periodic reports of both a financial and a non-accounting nature.

It is assigned the functions set out in the Code as well as in the Regulation approved by the Board of Directors of IREN S.p.A. on 5 April 2019 (and which the CRSC in office acknowledged in the first meeting following its appointment), as follows:

- to assess, together with the Manager in charge of financial reporting, and after consulting the independent auditors and the Board of Statutory Auditors, the proper use of accounting policies, and in the case of Groups, their uniformity for the purpose of drafting the Consolidated Financial Statements;
- to express opinions on specific aspects related to identifying the main business risks (in particular, on specific aspects related to the Risk Policies, identifying the main business risks and the Audit Plan, and on Guidelines for the internal control and risk management system);
- to examine the periodic reports, concerning the evaluation of the internal control and risk management system, and those of particular significance drafted by the Internal Audit Unit;
- to monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit Unit;
- to request that the Internal Audit Unit carry out checks on specific operational areas, communicating simultaneously with the Chairperson of the Board of Statutory Auditors;
- to report to the Board, at least every six months, on the occasion of approval of the annual and interim Financial Report, on its activity and on the adequacy of the internal control and risk management system;
- to support, with adequate enquiries, the assessments and decisions of the Board of Directors in relation to the management of risks deriving from detrimental events of which the Board of Directors has become aware;
- to examine the risk analysis carried out (a) with reference to the long-term Business Plan of the IREN Group, prior to its approval by the Board of Directors; (b) with reference to the strategic initiatives, including the mergers & acquisitions, carried out by the Parent and/or by the subsidiaries, if they fall within the scope of Iren's Board of Directors' duties;
- to express to the Board of Directors of the Parent its prior opinion on the proposal related (a) to the appointment and dismissal of the Manager of the Internal Audit unit; (b) to the adequacy of the resources assigned to the same for performing his or her duties; (c) to the definition of the related remuneration in keeping with the corporate policies;
- in agreement with the Remuneration and Appointments Committee, prior to its approval by the Board of Directors, to examine the Parent's policy for the remuneration of the Directors and Key Management Personnel of the Group, with a particular focus on the risk profiles.

The Committee also provides the Board of Directors with its prior opinion on proposals related: (a) to the appointment and dismissal of the Manager of the Internal Audit unit; (b) to the adequacy of the resources assigned to the same for performing his or her duties; (c) to the definition of the related remuneration in keeping with the corporate policies;

The Board of Directors of Iren S.p.A. also attributed to the Control, Risk and Sustainability Committee the functions of consultation and proposal in relation to the administrative body on the subject of sustainability listed below:

- to express opinions to the Board of Directors of the Parent on (a) the definition of "sustainability" policies and principles of conduct, in order to ensure the creation of value over time for the shareholders and for all the other stakeholders; (b) the definition of a sustainability plan (strategic priorities, commitments and objectives) for the development of the economic, environmental and social responsibility of the Group;
- to supervise the "sustainability" policies and observance of any principles of conduct adopted on the subject by the Parent and its subsidiaries;
- examine the issues under enquiry in terms of long-term sustainability of the basic principles and guidelines of strategic planning, of the Business Plan and of short-term planning, supervising the methods for implementing the same;
- to assess, together with the competent Group Unit and after consulting the Independent Auditors, the proper use of the standards adopted for the purposes of preparing the non-financial disclosures provided for in the current legislation;
- supervise the system for assessing and improving the environmental, economic and social impacts deriving from the business activities in the local areas;
- to examine the periodic reports on the implementation of the structured methods of discussion with stakeholders in the local areas in which the Group operates, also through instruments such as Local Committees, and those on the consistency with the corporate social responsibility questions of the Group's cultural and image promotion activities.

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

With resolutions passed on 22 and 30 May 2019, Iren's Board of Directors identified as members of the Control, Risk and Sustainability Committee for the three years 2019-2021, the following Directors:

- Giacomo Malmesi, recognising that he possessed adequate experience on strategic planning processes and aspects of corporate social responsibility;
- Sonia Maria Margherita Cantoni, recognising that she possessed adequate experience on assessment of functioning processes of complex organisations, on strategic planning processes, on strategic risk management, on aspects of corporate social responsibility and on guidance and assessment of environmental aspects;
- Enrica Maria Ghia, recognising that she possessed adequate experience regarding assessment of functioning processes of complex organisations, of strategic planning processes, of strategic risk management, of aspects of corporate social responsibility and of guidance and assessment of environmental aspects;
- Cristiano Lavaggi, recognising that he possessed adequate experience regarding the analysis of accounting and financial disclosures and aspects of corporate social responsibility.

On 30 May 2019, Iren S.p.A.'s Board of Directors appointed as Chairperson of the Remuneration and Appointments Committee Giacomo Malmesi, in possession of the requirements of independence under the terms of arts 147-*ter*, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance, and under the terms of Recommendation no. 7 of the Code.

During 2021, the Control, Risk and Sustainability Committee held 18 meetings (of which 3 jointly with the Remuneration and Appointments Committee). As per the recommendations of the Code, all the meetings of the Committee were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated by the latter.

Related party transactions committee

In accordance with what is established by the current RPT Procedure, the Board of Directors set up a specific Related Party Transactions Committee ("RPTC").

The RPTC consists of four Directors in possession of the requirements of independence provided for in Articles 147-*ter*, paragraph 4 and 148, paragraph 3 of the Consolidated Law on Finance and the additional requirements set forth in Recommendation no. 7 of the Code. In order to guarantee the double requisite of independence and non-relatedness in each transaction to be examined, in the context of the current RPT Procedure mechanisms were put in place to identify any subjects responsible, as an alternative, for the enquiry.

Specifically, without prejudice to the competence of the RAC in the case of transactions related to the remuneration of the Parent's Directors and the Group's Key Management Personnel, it is envisaged that:

- if possible, the RPTC is expanded to include other independent Directors, "*unrelated to the transaction under review*" who are members of the Parent's Board of Directors, attributing to same administrative body the task of identifying, in order of seniority, a Sub-Committee composed of at least two, for minor transactions, or three, for major transactions, Independent Directors unrelated to the individual transaction with Related Party under review;
- If there is not even one member of the RPTC or of the Board of Directors that has the above requisites of independence and non-relation, of the investigation in relation to the transaction to be examined, an Independent Expert appointed by the Parent's Board of Directors will be vested as Alternative Overseers.

With resolutions passed on 22 and 30 May 2019, the Board of Directors identified, as members of the Related Party Transactions Committee for the three years 2019-2021, the following Directors:

- Licia Soncini;
- Alessandro Giglio;
- Giacomo Malmesi;
- Ginevra Virginia Lombardi;

all in possession of the requirements of independence under the terms of the provisions of the Consolidated Law on Finance, and pursuant to Recommendation no. 7 of the Code.

On 29 May 2019, the RPTC appointed Licia Soncini as its Chairperson.

In 2021, the RPTC met 8 times preparing, among other things, opinions that, from 1 July 2021, are annexed to the minutes of the Committee's meetings. The meetings of the Committee were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated by the latter.

Board of statutory auditors

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

On 06 May 2021, the Shareholders appointed the members of the Board of Statutory Auditors; their term expires upon approval of these 2023 financial statements.

The composition is as follows:

Office	Name and Surname	Place of birth	Date of birth
Chairperson	Michele Rutigliano	Milan	06 October 1953
Standing Auditor	Cristina Chiantia	Turin	07 May 1975
	Simone Caprari	Reggio Emilia	10 January 1975
	Ugo Ballerini	Pisa	28 October 1947
	Sonia Ferrero	Turin	19 January 1971
Alternate Auditor	Lucia Tacchino	Genoa	18 April 1979
	Fabrizio Riccardo Di Giusto	Collevecchio (RI)	20 June 1966

Arts 27 et seq. of the Articles of Association, to which reference should be made, establish list voting as the method for appointing the Board of Statutory Auditors.

The members of the Board of Statutory Auditors attend the shareholders' meetings and meetings of the Board of Directors. The presence of at least one member of the Board of Statutory Auditors at Board of Directors' meetings ensures that the Board of Statutory Auditors remains informed of activities conducted by the parent and on the transactions of greatest economic, financial and equity significance performed by the parent and its subsidiaries, particularly transactions in which the directors have an interest.

As indicated above, in accordance with the indications of the Code, the meetings of the Committees set up within the Board of Directors held during the 2021, were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated by the latter.

In carrying out its supervisory activities on the adequacy of the internal control and risk management system, the Board of Statutory Auditors has established an information flow with the Internal Audit Unit and the Risk Management Department of the Parent.

Furthermore, in its capacity as the "Internal Control and Risk Management Committee" and in coordination with the Parent's Administration, Finance and Control Department, the Board of Statutory Auditors monitored, inter alia, (i) the financial reporting process, (ii) the statutory audit of the Parent's Separate Financial Statements and of the Consolidated Financial Statements, and (iii) the verification of the independence of the Independent Auditors.

In 2021, the Board of Statutory Auditors held 18 meetings. The outcome of the supervisory activities of the Board of Statutory Auditors in office during the year, starting from its appointment, is shown in the report to the Shareholders' Meeting prepared pursuant to Article 153 of the Consolidated Law on Finance and annexed to these financial statements.

Manager in charge of financial reporting

As at the date of this Report, the position is held by Anna Tanganelli (Administration, Finance, Control and M&A Manager), following appointment by the Board of Directors on 26 November 2021, having consulted the Board of Statutory Auditors. Until this date, the position was held by Massimo Levrino.

Independent Auditors

With the approval of the financial statements at 31 December 2020, the assignment was completed for the statutory audit of the Parent's financial statements conferred on PricewaterhouseCoopers SpA for the nine-year period 2012-2020 by the Shareholders at their meeting of 14 May 2012.

As is known, on the recommendation of the Board of Statutory Auditors, in its capacity as the "Internal Control and Audit Committee", at their meeting held on 22 May 2019, the Shareholders have already appointed KPMG S.p.A. to audit the financial statements of IREN S.p.A. for the nine-year period 2021-2029. This resolution was taken at the end of a complex selection procedure that was carried out in accordance with the provisions of art. 16 of Regulation (EU) 537/2014 (the "Tender Process").

Subsequently, on 25 November 2019, the Parent and KPMG signed a Framework Agreement containing terms and conditions (technical and financial) for the performance, for the 2021-2029 nine-year period by KPMG S.p.A. of (i) the statutory audit of Iren's financial statements, and, (iii) the statutory audit of the financial statements of the consolidated companies included in the scope of the Tender Process (the "Framework Agreement"). Moreover, the same Framework Agreement contains terms and conditions (technical and economic) for carrying out the review of the NFS of the Iren Group for the three-year period 2021-2023, with an option to renew for two further three-year periods.

The Shareholders of each consolidated company included in the Tender Process, on the basis of a reasoned proposal from their respective Boards of Statutory Auditors, have therefore appointed KPMG S.p.A. to audit their financial statements for the 2021-2023 three-year period (with an option to renew for two additional three-year periods), in accordance with the terms and conditions of the Framework Agreement.

After the signing of the Framework Agreement, the dynamism that has characterised the Group, both in terms of growth through external lines and in terms of internal reorganisation, has given rise to situations such as to entail changes to the original audit scope entrusted by Iren to KPMG S.p.A. for the nine-year period 2021-2029. In view of the changes that have taken place in the meantime, it has been necessary to modify the Framework Agreement. The Parent, also in the name and on behalf of the companies directly and indirectly controlled by Iren, and KPMG S.p.A. therefore agreed an Addendum to the Framework Agreement, to: (i) extend the statutory audit that KPMG S.p.A. is required to perform, starting from 2021, of the financial statements of companies consolidated in the medium term, following the approach of the sole auditor of the group on which the Tender Process was based; (ii) adjust the terms and conditions of certain statutory audit engagements already assigned to KPMG S.p.A.

Maximum number of positions held in other companies

According to the Code, the directors ensure adequate time availability for the diligent fulfilment of the tasks assigned to them. Furthermore, the Board of Directors, on the basis of the commitment required of the directors for the execution of their office in Iren, can express their orientation regarding the maximum number of offices in the management or control bodies in other listed companies or companies of significant size which can be considered compatible with the effective execution of the office of director of the parent, taking into account the commitment deriving from the role held, as well as the participation of the Directors in the Committees established within the Board. To this end it may propose to the Shareholders to introduce into the Articles of Association particular rules aimed at regulating consistently the appointment of directors.

In the current context, the Remuneration and Appointments Committee and the Board of Directors of the Parent did not consider it necessary to make this provision, considering that the number of positions currently held by members of the board in other companies is compatible with the fulfilment of the commitment as Director of IREN S.p.A.

Policy for Managing Dialogue with General Shareholders and Investors

IREN S.p.A. has always attached great importance to continuous, open and transparent communication with all shareholders, investors and the market because, on the one hand, it helps to improve their understanding of the Parent's strategies and activities and to encourage their long-term commitment, and on the other hand, it allows the Parent to gather elements that are useful for guiding strategies, decisions and action plans, guaranteeing the high standards of governance to which the Parent is committed. Discussion, dialogue and listening represent a key element for the creation of value in the medium-long term and for the continuous improvement of strategies, objectives and economic, environmental, social and governance results, through the understanding of the needs and legitimate requests of stakeholders.

On 21 December 2021, the Board of Directors of IREN S.p.A. approved the *"Policy for Managing Dialogue with General Shareholders and Investors"* in accordance with the provisions of Article 1, Principle IV and Recommendation 3, of the Corporate Governance Code, to which the Parent has adhered.

In detail, the approved Policy governs the dialogue between the Board of Directors and the representatives of the Shareholders and Investors, apart from during shareholders' meetings, on matters falling within the competence of the Board, and defines the principles, rules and methods for carrying out this dialogue, identifying the recipients, the interlocutors, the topics under discussion, the timing and channels of interaction.

Contingency plans for Directors holding special offices

Pursuant to Recommendation no. 24 of the Corporate Governance Code, by a resolution passed on 13 April 2021, the Board of Directors of IREN S.p.A., after preliminary investigation by the Remuneration and Appointments Committee and the Control, Risk and Sustainability Committee of IREN S.p.A., approved a contingency plan for Directors holding special offices (Chairperson, Deputy Chairperson and Chief Executive Officer) of the Parent. This Plan is designed to cope, even temporarily and contingently, with any sudden early termination of office or any temporary impediment to the exercise of the office (hereinafter also the "Event") affecting one of the persons mentioned, making it possible to mitigate and manage the risk of a management vacancy and preserving the parent from operational interruptions, in compliance with the law, the Articles of Association and the shareholders' agreements that regulate the governance of IREN S.p.A.

Regulations for the Operations and for the Management of the Information Process of the Board of Directors

In execution of Recommendation No. 11 of the Corporate Governance Code, functional activities were initiated in 2021 to prepare Regulations for the Operations and for the Management of the Information Process of the Board of Directors. Said Regulations were approved at the meeting held on 15 February 2022. These Regulations, without prejudice to the provisions of the law and regulations, the Articles of Association of Iren S.p.A and other corporate institutional documents, aim at formalising the rules and procedures for the operations related to the meetings to be held by the Board of Directors also in order to ensure an effective management of the Board's information process. In particular, the Regulations identify the deadlines for the prior submission of the necessary information, ensuring that confidentiality issues are properly managed without affecting the timeliness and completeness of the flow of information, with the aim of enabling the Directors to act and deliberate in an informed manner.

Directors responsible for the Internal Control and Risk Management System

By resolution of 4 June 2019, having regard to the allocation of powers, the Board of Directors of Iren identified, as Directors in charge of the internal control and risk management system (hereinafter "ICRMS Directors"), Renato Boero (Chairperson), Massimiliano Bianco (Chief Executive Officer and General Manager), and Moris Ferretti (Deputy Chairperson), each with regard to their respective functions and powers[1].

Taking into account the resignation from the offices held in the Parent submitted by Mr. Massimiliano Bianco on 29 May 2021 and the appointment, on the same date, of Gianni Vittorio Armani as the new Chief Executive Officer and General Manager of the Parent, consistently with the structure of the proxies illustrated above and continuity with what was previously resolved on the matter, on 08 June 2021, the Board of Directors of Iren resolved to appoint the Chief Executive Officer in office from 29 May 2021, Gianni Vittorio Armani, as Director in charge of SCIGR, with reference to the area to which the powers assigned to him refer.

Since that date, this role has been held by: Renato Boero (Chairperson), Gianni Vittorio Armani (Chief Executive Officer and General Manager), and Moris Ferretti (Deputy Chairperson), each with regard to their respective functions and powers.

Each ICRMS Director, with reference to the areas falling under their responsibility, and in compliance with the proxies, is vested with the functions indicated below:

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

[1] With reference to Recommendation 32, letter b), of the new Code, since the Board's term of office is ongoing and also in light of what was highlighted in the Q&A to the Code, the Board of Directors deemed it appropriate to refrain from making decisions. Any different assessment is referred to the Board of Directors to be appointed for the 2022-2024 three-year period.

Supplementing the above, the ICRMS Director with proxies on the subject of Risk Management (in the current system, this is the Deputy Chairperson), in agreement with the Chairperson (who, equally, holds the position of ICRMS Director), proposes to the Control, Risk and Sustainability Committee, for the relevant opinion, and to the Board of Directors, for the related decision, the appointment, dismissal and remuneration of the Manager of the Internal Audit unit.

Requisites of directors

All members of the Parent's Board of Directors in office possess the requirements of integrity, pursuant to Article 147-*quinquies* of the Consolidated Law on Finance. As at 31 December 2021, the Directors Sonia Maria Margherita Cantoni, Pietro Paolo Giampellegrini, Enrica Maria Ghia, Alessandro Giglio, Francesca Grasselli, Ginevra Virginia Lombardi, Giacomo Malmesi, Gianluca Micconi, and Licia Soncini are also in possession of the requirements of independence provided for in the provisions of the Consolidated Law on Finance (acc. to Arts 147-*ter*, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance), and in Art. 7 of the Code according to the Corporate Governance solutions adopted by IREN S.p.A.

Organisational model under the terms of Legislative Decree 231/2001

Iren and the main Group companies have adopted Organisational, Management and Control Models under the terms of Legislative Decree No. 231/2001 with the objective of creating a structured and organic system of procedures and control activities aimed at preventing, as far as possible, conduct that can entail committing the crimes contemplated by Legislative Decree no. 231/2001. Alongside the Organisational, Management and Control Model, Iren S.p.A. has adopted, with a resolution of the Board of Directors of 10 December 2010, also the Code of Ethics. This document has been updated several times over the years and was approved in its current version by the Board of Directors on 18 December 2020.

During 2021, the main Group Companies continued the Project for substantial revision and updating of the Organisational, Management and Control Models in order to guarantee their constant consistency with the organisational changes that had occurred and with the introduction by the legislator of new offences, so that they maintain over time their effective ability to prevent 231 offences from being committed. The updated 231 Models were subsequently submitted to the Supervisory Body, presented to the Boards of Directors of the individual companies for approval, and published in their entirety on the companies' intranet sites. Iren and the main companies in the Group have established, by a resolution of the Board of Directors, a Supervisory Body pursuant to art. 6 of Legislative Decree. 231/2001, with the task of supervising the functioning of and compliance with the model and ensuring that it is updated. In 2019, the Board of Directors of Iren S.p.A. confirmed the sitting as a united bench of its Supervisory Body appointing three external professionals with legal, corporate governance, organisational, economic and financial skills, with the objective of meeting the requirements of autonomy, independence and professionalism required by law. The Board of Directors also appointed a Contact Person within the Supervisory Body in order to ensure the coordination and continuity of action of the Body itself and the constant identification of a reference in the Parent. IREN S.p.A.'s Supervisory Body, availing itself of the competent corporate units, performs checks on areas of activity considered at risk under the terms of Legislative Decree no. 231/2001, and half-yearly reports to the Board of Directors on its activities and findings. If it is considered necessary, the Supervisory Body expresses suggestions aimed at improving the system for controlling the activities and monitors its implementation.

Both the general part of the Model and the Code of Ethics are available on the Parent's website.

Proposals of the Board of Directors to the Shareholders' meeting

PROPOSALS RELATING TO THE AGENDA ITEMS "Separate fFinancial Statements at 31 December 2021; Directors' Report, Report of the Board of Statutory Auditors and Report of the Independent Auditors" and "Proposal for allocation of the profit, relevant and ensuing deliberations"

Dear Shareholders,

In relation to the above, we propose that you:

- approve the Separate Financial statements of Iren S.p.A. at 31 December 2021 and the Directors' Report prepared by the Board of Directors;
- approve the proposed allocation of the profit for the year, 218,850,794.04 euro, as follows:
  - 10,942,539.70 euro, 5% of the profit for the year, to the legal reserve;
  - a maximum of 136,597,794.59 euro as dividend to Shareholders, corresponding to 0.105 euro for each of the maximum no. of 1,300,931,377 ordinary shares constituting the Parent's share capital, noting that treasury shares, if any, will not benefit from the dividend; the dividend will be paid starting from 20 July 2022, validity date for registration for the dividend 18 July 2022, and record date 19 July 2022;
  - to retained earnings, the remaining amount of at least 71,310,459.75 euro.

Reggio Emilia, 29 March 2022

On behalf of the Board of Directors

Chairperson

Renato Boero

Consolidated Financial Statements and Notes to the Financial Statements

3

At 31 december 2021

Statement of financial position

(THOUSANDS OF EURO)

	Notes	31.12.2021	of which related parties	31.12.2020 Restated	of which related parties
ASSETS					
Property, plant and equipment	(1)	3,937,586		3,798,958	
Investment property	(2)	2,456		2,764	
Intangible assets with a finite useful life	(3)	2,646,864		2,391,646	
Goodwill	(4)	208,089		169,255	
Equity-accounted investments	(5)	217,339		221,613	
Other equity investments	(6)	8,469		4,020	
Non-current contract assets	(7)	77,262		82,230	
Non-current trade receivables	(8)	20,824	18,753	20,412	13.273
Non-current financial assets	(9)	131,766	78,769	173,736	128.800
Other non-current assets	(10)	37,167	44	66,670	6.944
Deferred tax assets	(11)	427,572		372,768	
Total non-current assets		7,715,394	97,566	7,304,072	149.017
Inventories	(12)	111,812		65,642	
Current contract assets	(13)	46,391		3,175	
Trade receivables	(14)	1,063,926	124,188	885,921	119.629
Current tax assets	(15)	7,114		9,622	
Sundry assets and other current assets	(16)	385,061	766	317,082	13
Current financial assets	(17)	372,724	10,352	96,674	8.831
Cash and cash equivalents	(18)	606,888		890,169	
Assets held for sale	(19)	1,144		1,285	
Total current assets		2,595,060	135,306	2,269,570	128.473
TOTAL ASSETS		10,310,454	232,872	9,573,642	277.490

The statement of financial position balances at 31 December 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities (of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer to Section IV. Business combinations for more information. In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in Section I. Basis of presentation under "Consolidated Financial Statements".

(THOUSANDS OF EURO)

	Notes	31.12.2021	of which related parties	31.12.2020 Restated	of which related parties
EQUITY					
Equity attributable to the owners of the parent					
Share capital		1,300,931		1,300,931	
Reserves and Retained Earnings		966,512		847,800	
Profit for the year		303,088		239,172	
Total equity attributable to the owners of the parent		2,570,531		2,387,903	
Equity attributable to non-controlling interests		380,129		376,844	
TOTAL EQUITY	(20)	2,950,660		2,764,747	
LIABILITIES					
Non-current financial liabilities	(21)	3,549,612	611	3,829,543	2,013
Employee benefits	(22)	105,601		109,027	
Provisions for risks and charges	(23)	422,989		409,091	
Deferred tax liabilities	(24)	182,997		209,317	
Sundry liabilities and other non-current liabilities	(25)	495,809	124	488,006	138
Total non-current liabilities		4,757,008	735	5,044,984	2,151
Current financial liabilities	(26)	467,587	3,141	279,277	4,755
Trade payables	(27)	1,523,705	22,329	977,906	40,230
Current contract liabilities	(28)	89,262		28,279	
Sundry liabilities and other current liabilities	(29)	261,057	121	317,168	363
Current tax liabilities	(30)	48,674		5,309	
Provisions for risks and charges - current portion	(31)	212,501		155,972	
Liabilities associated with assets held for sale	(32)	-		-	
Total current liabilities		2,602,786	25,591	1,763,911	45,348
TOTAL LIABILITIES		7,359,794	26,326	6,808,895	47,499
TOTAL EQUITY AND LIABILITIES		10,310,454	26,326	9,573,642	47,499

The comparative figures at 31 December 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer to Section IV Business combinations for more information. In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in Section I. Basis of presentation under “Financial Statements”.

Income statement

(THOUSANDS OF EURO)

	Notes	2021	of which related parties	2020 restated	of which related parties
Revenue					
Revenue from goods and services	(33)	4,826,741	345,416	3,537,997	331,656
Other income	(34)	129,130	7,742	188,211	6,276
Total revenue		4,955,871	353,158	3,726,208	337,932
Operating expenses					
Raw materials, consumables, supplies and goods	(35)	(1,990,495)	(60,053)	(1,021,501)	(36,552)
Services and use of third-party assets	(36)	(1,421,590)	(38,376)	(1,295,299)	(29,700)
Other operating expenses	(37)	(87,832)	(9,503)	(71,472)	(16,232)
Internal work capitalised	(38)	43,382		38,262	
Personnel expense	(39)	(483,498)		(449,341)	
Total operating expenses		(3,940,033)	(107,932)	(2,799,351)	(82,484)
GROSS OPERATING PROFIT		1,015,838		926,857	
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(40)	(477,890)		(440,793)	
Impairment losses on loans and receivables	(41)	(53,521)		(61,708)	
Other provisions and impairment losses	(41)	(30,321)		(8,943)	
Total depreciation, amortisation, provisions and impairment losses		(561,732)		(511,444)	
OPERATING PROFIT		454,106		415,413	
Financial management	(42)				
Financial income		28,173	2,179	38,372	2,821
Financial expense		(74,553)	(231)	(93,702)	(54)
Net financial expense		(46,380)	1,948	(55,330)	2,767
Gains on equity-accounted investments	(43)	5,782		2,673	
Share of profit of equity-accounted investees, net of tax effects	(44)	10,294		6,535	
Profit before tax		423,802		369,291	
Income taxes	(45)	(90,332)		(100,006)	
– of which non-recurring		*32,371*		-	
Profit from continuing operations		333,470		269,285	
Profit (loss) from discontinued operations	(46)	-		-	
Profit for the year		333,470		269,285	
attributable to:					
– the owners of the parent		303,088		239,172	
– non-controlling interests	(47)	30,382		30,113	
Earnings per ordinary and savings share	(48)				
– basic (euro)		0.24		0.19	
– diluted (euro)		0.24		0.19	

The comparative figures for 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer to section IV Business combinations for more information. In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in section I. Basis of presentation under “Consolidated Financial Statements”.

Statement of other comprehensive income

(THOUSANDS OF EURO)

		2021	2020 restated
Profit/(loss) for the year - owners of the parent and non-controlling interests (A)		333,470	269,285
Other comprehensive income that will be subsequently reclassified to profit or loss			
- effective portion of fair value gains on cash flow hedges		7,646	25,475
- fair value gains/(losses) on financial assets		-	-
- share of other gains/(losses) of equity-accounted investees		19	(620)
- change in translation reserve		752	(804)
Tax effect		(1,505)	(7,358)
Other comprehensive income that will be subsequently reclassified to profit or loss, net of tax effect (B1)	(49)	6,912	16,693
Other comprehensive income that will not be subsequently reclassified to profit or loss			
- actuarial losses on defined benefit plans (IAS 19)		(3,046)	(5,073)
- share of other gains/(losses) of equity-accounted investees related to defined benefit plans (IAS 19)		3	(68)
Tax effect		392	1,236
Other comprehensive income that will not be subsequently reclassified to profit or loss, net of tax effect (B2)	(49)	(2,651)	(3,905)
Comprehensive income (A)+(B1)+(B2)		337,731	282,073
attributable to:			
- the owners of the parent		306,446	252,650
- non-controlling interests		31,285	29,423

The comparative figures for 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities (of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer to Section IV for more information. Business combinations In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in Section I. Basis of presentation under "Consolidated Financial Statements".

Statement of changes in equity

(THOUSANDS OF EURO)

	Share capital	Share premium reserve	Legal reserve
31/12/2019 Restated	1,300,931	133,019	64,642
Owner transactions			
Dividends			
Retained earnings			12,071
Repurchase of treasury shares			
Changes in consolidation scope			
Change in equity interests			
Other changes			
Total owner transactions	-	-	12,071
Comprehensive income for the year			
Profit for the year			
Other comprehensive income			
Total comprehensive income for the year	-	-	-
31/12/2020 Restated	1,300,931	133,019	76,713
31/12/2020 Restated	1,300,931	133,019	76,713
Owner transactions			
Dividends			
Retained earnings			10,503
Repurchase of treasury shares			
Changes in consolidation scope			
Change in equity interests			
Other changes			
Total owner transactions	-	-	10,503
Comprehensive income for the year			
Profit for the year			
Other comprehensive income			
Total comprehensive income for the year	-	-	-
31/12/2021	1,300,931	133,019	87,216

The comparative figures at 31 December 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer to Section IV Business combinations for more information. In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in Section I. Basis of presentation under "Consolidated Financial Statements".

(THOUSANDS OF EURO)

Cash flow hedging reserve	Other reserves and retained earnings (losses carried forward)	Total reserves and retained earnings (losses carried forward)	Profit (loss) for the year	Total equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
(37,437)	590,040	750,264	236,362	2,287,557	363,756	2,651,313
		-	(119,504)	(119,504)	(29,442)	(148,946)
	104,787	116,858	(116,858)	-		-
	(25,594)	(25,594)		(25,594)		(25,594)
	(6,837)	(6,837)		(6,837)	13,320	6,483
	(94)	(94)		(94)	(50)	(144)
	(275)	(275)		(275)	(163)	(438)
-	71,987	84,058	(236,362)	(152,304)	(16,335)	(168,639)
			239,172	239,172	30,113	269,285
17,936	(4,458)	13,478		13,478	(690)	12,788
17,936	(4,458)	13,478	239,172	252,650	29,423	282,073
(19,501)	657,569	847,800	239,172	2,387,903	376,844	2,764,747
(19,501)	657,569	847,800	239,172	2,387,903	376,844	2,764,747
			(121,892)	(121,892)	(27,390)	(149,282)
	106,777	117,280	(117,280)	-		-
	(4,042)	(4,042)		(4,042)		(4,042)
	326	326		326	1,766	2,092
	1,545	1,545		1,545	(6,009)	(4,464)
	240	240		240	3,638	3,878
-	104,846	115,349	(239,172)	(123,823)	(27,995)	(151,818)
			303,088	303,088	30,382	333,470
5,036	(1,673)	3,363		3,363	898	4,261
5,036	(1,673)	3,363	303,088	306,451	31,280	337,731
(14,465)	760,742	966,512	303,088	2,570,531	380,129	2,950,660

The comparative figures at 31 December 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer to Section IV Business combinations for more information. In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in Section I. Basis of presentation under “Consolidated Financial Statements”.

Statement of cash flows

(THOUSANDS OF EURO)

	2021	2020 restated
A. Opening cash and cash equivalents	890,169	345,876
Cash flows from operating activities		
Profit for the year	333,470	269,285
Adjustments:		
Income taxes for the year	90,332	100,006
Share of profit (loss) of associates and joint ventures	(10,294)	(6,535)
Net financial expense (income)	46,380	55,330
Amortisation and depreciation	477,890	440,793
Net impairment losses (reversals of impairment losses) on assets	18,913	1,788
Impairment losses on loans and receivables	53,521	61,708
Net provisions for risks and other charges	182,435	86,346
Capital (gains) losses	825	3,511
Payment of employee benefits	(10,373)	(7,096)
Utilisations of provisions for risks and other charges	(28,556)	(30,463)
Change in other non-current assets	30,929	(36,865)
Change in sundry liabilities and other non-current liabilities	492	9,502
Taxes paid	(102,550)	(102,328)
ETS Purchase	(155,457)	(67,516)
Cash flows for transactions on commodities derivatives markets	(25,583)	(2,072)
Other changes in equity	(177)	(644)
Change in inventories	(48,574)	13,286
Change in contract assets	(35,823)	(37,354)
Change in trade receivables	(317,767)	2,624
Change in current tax assets and other current assets	(84,500)	(3,618)
Change in trade payables	533,763	21,069
Change in contract liabilities	61,124	26,041
Change in current tax liabilities and other current liabilities	(59,948)	24,316
B. Net cash and cash equivalents generated by operating activities	950,472	821,114

	2021	2020 restated
Cash flows from/(used in) investing activities		
Investments in property, plant and equipment and intangible assets	(757,775)	(685,150)
Investments in financial assets	(4,488)	(50)
Proceeds from the sale of investments	7,011	11,289
Changes in consolidation scope	(60,419)	(120,099)
Dividends received	3,878	2,787
C. Net cash and cash equivalents used in investing activities	(811,793)	(791,223)
Cash flows from/(used in) financing activities		
Repurchase of treasury shares	(4,042)	(25,594)
Dividends paid	(149,458)	(149,049)
Purchase of interests in consolidated companies	(4,464)	(95)
New non-current loans	205,000	875,000
Repayment of non-current loans	(293,765)	(246,292)
Change in lease liabilities	(11,509)	(115,726)
Change in other financial liabilities	(17,746)	(93,382)
Change in loan assets	(71,972)	349,697
Interest paid	(75,930)	(84,619)
Interest received	1,926	4,462
D. Net cash and cash equivalents generated by/(used in) financing activities	(421,960)	514,402
E. Cash flow for the year (B+C+D)	(283,281)	544,293
F. Closing cash and cash equivalents (A+E)	606,888	890,169

The comparative figures for 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer toSection IV Business combinations for more information. In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in Section I. Basis of presentation under “Consolidated Financial Statements”.

Notes to the consolidated financial statements

Introduction

Iren S.p.A. is an Italian multi-utility company, listed on the Italian Stock Exchange (Borsa Italiana) and established on 1 July 2010 through the merger of IRIDE and ENÌA. The Parent's registered office is in Italy, in Reggio Emilia, Via Nubi di Magellano 30. There were no changes in the company name during 2021.

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

The business segments in which the Group operates are:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Energy (Hydroelectric Production and production from other renewable sources, Combined Heat and Power, District Heating Networks, Thermoelectric Production, Public Street Lighting, Global services, Energy efficiency services)
- Market (Sale of electricity, gas, heat)
- Other services (Laboratories, Telecommunications and other minor services).

Section XIII, Segment reporting, includes the information required by IFRS 8.

The group's consolidated financial statements as at and for the year ended 31 December 2021 include the financial statements of the Parent and of its subsidiaries, (collectively referred to as the "Group" and, individually, as "Group companies") and the Group's equity interest in jointly-controlled companies and in associates, measured using the equity method.

I. Basis of presentation

The Consolidated Financial Statements of the Iren Group as at and for the year ended 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, as well as the measures issued in implementation of Article 9 of Legislative Decree No. 38/2005. The "IFRS" comprise also the revised International Accounting Standards ("IAS"/"IFRS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In preparing these consolidated financial statements, the same accounting policies were applied as those adopted for the previous year's statements, with the exception of certain amendments to the IFRSs, reported on in the section "Standards, amendments and interpretations applied as of 1 January 2021".

The consolidated financial statements are drawn up on the basis of the historical cost principle, with the exception of certain financial instruments measured at fair value and potential fees deriving from a business combination (i.e. put options to non-controlling investors), which are measured at fair value, as well as on the going concern assumption. The Group did not detect any particular risks connected with its business and/or any uncertainties that might cast doubt on its ability to continue as a going concern.

These consolidated financial statements are stated in euro, the parent's functional currency. All amounts expressed in euro are rounded to the nearest thousand in these consolidated financial statements. Due to rounding, there could be cases in which the detailed tables contained in this document show a difference of around one thousand euro. It is believed that these cases do not alter the reliability and informative value of these consolidated financial statements.

Financial statement formats

The financial statement formats adopted by the Iren Group in preparing these consolidated financial statements have been modified compared to those applied in preparing the consolidated financial statements at 31 December 2020. In order to present the items of the financial statements in a manner that is as consistent as possible with the Core Taxonomy of the European Single Electronic Format (ESEF), a number of additional items have been included in the Statement of Financial Position and the Statement of Cash Flows and a number of reclassifications have been made. The following table provides a reconciliation of the reclassifications made to the 2020 comparative year.

STATEMENT OF FINANCIAL POSITION (THOUSANDS OF EURO)

	31.12.2020 Published	Reclassifications	31.12.2020 Restated
ASSETS			
Non-current contract assets	-	82,230	82,230
Non-current trade receivables	115,113	(94,701)	20,412
Non-current financial assets	166,522	1,120	
Total non-current assets	281,635	(11,351)	102,642
Inventories	66,521	(964)	65,557
Current contract assets	-	3,175	3,175
Trade receivables	875,661	10,260	885,921
Current financial assets	95,356	(1,120)	
Total current assets	1,037,538	11,351	954,653
LIABILITIES			
Current contract liabilities	-	28,279	28,279
Trade payables	977,906	(28,279)	949,627
Total current liabilities	977,906	-	977,906

STATEMENT OF CASH FLOWS (THOUSANDS OF EURO)

	2020 Published	Reclassifications	2020 Restated
A. Opening cash and cash equivalents	345,876		345,876
Cash flows from operating activities			
Adjustments:			
Impairment losses on loans and receivables		61,708	61,708
Net provisions for risks and other charges	148,054	(61,708)	86,346
Change in other non-current assets and liabilities	(27,363)	27,363	-
Change in other non-current assets		(36,865)	(36,865)
Change in sundry liabilities and other non-current liabilities		9,502	9,502
ETS Purchase		(67,516)	(67,516)
Cash flows for transactions on commodities derivatives markets		(2,072)	(2,072)
Other changes in equity	(96,981)	96,337	(644)
Change in contract assets	-	(37,354)	(37,354)
Change in trade receivables	(8,076)	10,700	2,624
Change in trade payables	47,110	(26,041)	21,069
Change in contract liabilities	-	26,041	26,041
B. Net cash and cash equivalents generated by operating activities	821,513	95	821,608
C. Net cash and cash equivalents used in investing activities	(791,223)	-	(791,223)
Cash flows from/(used in) financing activities			
Purchase of interests in consolidated companies		(95)	(95)
D. Net cash and cash equivalents generated by financing activities	514,003	(95)	513,908
E. Cash flow for the year (B+C+D)	544,293	-	544,293
F. Closing cash and cash equivalents (A+E)	890,169	-	890,169

In line with what was previously published, in the statement of financial position, assets and liabilities are classified as "current/non-current". Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the Group's ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the Group's ordinary operating cycle or during the twelve months following year end.

The Income Statement is classified on the basis of the nature of the costs. In addition to the Operating Profit (EBIT), the Income Statement also shows the total intermediate of Gross Operating Profit (EBITDA) obtained by deducting total operating expense from total revenue.

The indirect method is used in the Statement of Cash Flows. The cash configuration analysed in the Statement of Cash Flows includes cash on hand and cash in current accounts.

Publication of the Consolidated Financial Statements

The Consolidated Financial Statements were approved for publication by Iren S.p.A.'s Board of Directors at its meeting of 29 March 2022. The Board of Directors authorised the Chairperson, and the Chief Executive Officer to make such changes to the consolidated financial statements as necessary or adequate to improve them until the date of approval by the Shareholders.

The Shareholders' Meeting to be called to approve the separate financial statements of the Parent has the right to request amendments to the aforementioned consolidated financial statements.

Use of estimates and assumptions by management

Estimates

Preparation of the Consolidated Financial Statements entails making estimates, opinions and assumptions that have an effect on the amounts of revenue, costs, assets and liabilities, including contingent liabilities, and on the information provided. These estimates and assumptions are based on past experience and other factors considered reasonable in the case in question, particularly when the value of assets and liabilities is not readily apparent from comparable sources.

Estimates and assumptions were used in applying the accounting policies, in particular to measure the following items of the financial statements:

- revenue from contracts with customers: revenue from the sale of electricity and gas to end customers is recognised at the time the electricity or gas is supplied and includes, in addition to the amounts invoiced on the basis of periodic readings (and pertaining to the financial year) or on the basis of the volumes communicated by distributors and transporters, an estimate of the electricity and gas supplied during the financial year but not yet invoiced, as the difference between the electricity and gas injected into the distribution network and those invoiced during the financial year, calculated taking account of any network losses. Revenue between the date of the last reading and the end of the year is based on estimates of the customer's daily consumption, primarily based on the customer's historical profile, adjusted to reflect weather conditions or other factors that may affect the estimated consumption.
- impairment losses on non-financial assets: assets such as property, plant and equipment, investment property, intangible assets, right-of-use assets, goodwill and equity investments in associates/joint ventures are impaired when their carrying amount exceeds their recoverable amount, represented by the higher of fair value, net of costs to sell, and value in use. The recoverable amount is sensitive to the estimates and assumptions used to determine the amount of cash flows and the discount rates applied. However, possible variations in the basic assumptions on which these calculations are based could produce different recoverable amounts. Information on the main assumptions used to estimate the recoverable amount of

assets with reference to impacts related to climate change as well as information on changes in these assumptions is provided in Note 4 "Goodwill".

- Expected losses on financial assets: at the end of each reporting date, the Group recognises a loss allowance for trade receivables and other financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and all other assets within the scope of impairment. Loss allowances for financial assets are based on assumptions regarding the risk of default and the measurement of expected credit losses. In making these assumptions and selecting the inputs to calculate the expected credit loss, management uses its professional judgement, based on the Group's past experience, current market conditions, as well as forward-looking estimates at the end of each reporting date.

- the useful life of property, plant and equipment. Transferable assets are depreciated according to the expiry term of the related concession decrees. Decree Law No. 135 of 14 December 2018 (Urgent provisions on support and simplification for businesses and public administration - "D.L. Semplificazioni") converted, with amendments, by Law No. 12 of 11 February 2019, regulates the new regime of remuneration of the so-called "Wet Works" concerning concessions for large-scale diversions of water for hydroelectric power plants; the new regulations establish that "Wet Works" are to be transferred without compensation to the Regions. If the Operator has made new investments during the useful life and provided that these investments have been authorised or permitted by the competent Public Administration, the Operator will have the right to a remuneration limited to the non-depreciated value. As regards the so-called "dry works" (property, plant and equipment included in the business unit of the outgoing operator and not included under the "wet works" category, the so-called non-transferable assets), the new law did not introduce changes and, therefore, the outgoing operator has the right to a consideration determined on the basis of the value of reconstruction as new, less normal wear. Consequently, for purposes of legal consistency, the depreciationn schedule of the Wet works concerning the expired concessions was redetermined, considering the possible reassignment dates thereof, which, on the basis of the previous law, was interrupted starting from the 2012 financial statements.
While acknowledging that the new regulations introduce significant changes regarding the transfer of ownership of the business unit required for the operation of the hydroelectric concession, the difficulties associated with the practical application of the aforementioned principles are evident owing to their uncertainties, which do not allow a reliable estimate to be formulated of the amount that can be recovered at the end of the existing concession (residual value).
Accordingly, management has decided that it is not able to arrive at a reasonable and reliable estimate of residual value.
Given that the law in question nevertheless requires the incoming concessionaire to award a consideration to the outgoing concessionaire, management reconsidered the depreciation schedules of assets to be relinquished free of charge prior to Law no. 134/2012 (until the year ended on 31 December 2011, as the assets were to be relinquished free of charge, the depreciation schedule corresponded to the closest period between that of the concession or the useful life of the individual asset), no longer as proportional to the duration of the concession but, if longer, to the useful life of the individual asset: for this reason, in 2021, the management started a valuation process aimed at assessing the plants held by the Group in order to identify their residual life, which concerned the plants of San Mauro and Valle Orco. This process will continue in 2022 and if any additional information becomes available to enable a reliable estimate of residual value to be made, the carrying amounts of the assets involved will be adjusted prospectively.

- the determination of the fair value of derivative instruments and certain financial assets. The fair value of financial instruments is determined on the basis of prices directly observable on the market, where available, or, for unlisted financial instruments, using specific valuation techniques (mainly based on present value) that maximise the use of inputs observable on the market. In the rare circumstances where this is not possible, the inputs are estimated by management taking into account the characteristics of the instruments being measured. For further details on financial instruments measured at fair value, please refer to section VI Group Financial Risk Management. Changes in the assumptions made in estimating input data could affect the fair value recognised for these instruments, especially in the current context in which markets are volatile and the economic outlook highly uncertain and subject to rapid changes. When valuations are subject to significant measurement uncertainty due to the current environment and there is a wide range of possible fair value estimates, the Group is required to apply judgement in determining the point within that range that is most representative of fair value under the circumstances.

- Hedge accounting. Hedge accounting is applied to derivatives in order to reflect the effects of risk management strategies in the financial statements. To this end, the Group documents at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well as the risk management objectives and strategy. In addition, the Group assesses, both at the inception of the relationship and on a systematic basis, whether hedging instruments are highly effective in offsetting changes in the fair value or cash flows of hedged items. Based on the opinion of the Directors, the assessment of effectiveness based on the existence of an economic relationship between hedging instruments and hedged items, the dominance of credit risk in changes in value and the hedge ratio, as well as the measurement of ineffectiveness, are evaluated by means of a qualitative assessment or a quantitative calculation, depending on the specific facts and circumstances and the characteristics of the hedging instruments and hedged items. With respect to cash flow hedges of future transactions, management assesses and documents that they are highly probable and present an exposure to changes in cash flows that impacts profit or loss. For more details about the key assumptions on assessing effectiveness and measuring ineffectiveness, please refer to Section VI Group Financial Risk Management.
- The determination of the amount of provisions for future risks and charges. The Group is a party to various civil, administrative and tax proceedings connected with the normal course of its business, which could give rise to liabilities of a significant amount, for which it is not always objectively possible to predict the final outcome. The assessment of the risks connected with the above proceedings is based on complex elements that by their nature entail recourse to the judgement of the Directors, also taking account of elements acquired from external consultants assisting the Group, with reference to their classification among contingent liabilities or among liabilities. Provisions have been established to cover all significant liabilities for cases where attorneys have noted the likelihood of an adverse outcome and a reasonable estimate of the amount of the expense. The Group determines whether to consider each uncertain tax treatment separately or jointly with one or more uncertain tax treatments, as well as whether to report the effect of uncertainty using the most probable amount method or the expected value method, choosing the one that, according to its projections, best provides for the resolution of the uncertainty, taking into account tax regulations. The Group makes significant use of professional judgement in identifying uncertainties about income tax treatments and reviews opinions and estimates made when there is a change in facts and circumstances that could change the conclusion about the acceptability of a particular tax treatment or the estimated effects of the uncertainty, or both. Refer to Note 45 Income Taxes for further details regarding income taxes.
- Onerous Contracts. In order to identify an onerous contract, the Group estimates the non-discretionary costs required to perform the obligations assumed (including any penalties) under the contract and the economic benefits expected to be obtained from the same contract.
- Determining the useful life of non-financial assets. In determining the useful life of property, plant and equipment and intangible assets with a finite useful life, the Group considers not only the future economic benefits - contained in the assets - enjoyed through their use, but also many other factors, such as physical deterioration, obsolescence of the product or service provided by the asset (e.g. technical, technological or commercial), legal restrictions or other similar constraints (e.g. safety, environmental, etc.) on the use of the asset, if the useful life of the asset depends on the useful life of

other assets. For further details on this aspect, see Note 1 “Property, plant and equipment”.

- Evaluation of the existence of significant influence over an associate. Associates are those in which the Group exercises significant influence, i.e., the power to participate in determining decisions about the financial and operating policies of the investee without exercising control or joint control over those policies. As a general rule, the Group is presumed to have significant influence when it holds an interest of at least 20%. In order to determine the existence of significant influence, management’s judgement is required to evaluate all facts and circumstances. The Group reviews the existence of significant influence when facts and circumstances indicate that there has been a change in one or more of the elements considered for the test of the existence of significant influence. For further details of the Group’s equity investments in associates, reference should be made to Note 5 “Equity-accounted investments”.
- Application of IFRIC 12 “Service Concession Arrangements” to concessions. IFRIC 12 applies to “public-to-private” service concession arrangements, which can be defined as contracts that oblige a concessionaire to provide public services, i.e., to provide access to key economic and social services, for a specified period of time on behalf of the public authority (i.e. the grantor). In these contracts, the grantor transfers to the concessionaire the right to operate the infrastructure used to provide these public services.

The estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the year in which they are revised, if the revision refers only to the year under evaluation. Should the revision involve both current and future years, the variation is recognised in both the year in which the revision occurs and in the related future years.

The criticality inherent in these valuations refers to the use of assumptions and judgements relating to issues that are by their very nature uncertain, and is amplified by the peculiarity and variety of the businesses in which the Group operates. In addition, any changes in the conditions underlying the assumptions and judgements could have a significant impact on the results of subsequent years.

II. Basis of consolidation

The consolidation scope includes subsidiaries, joint ventures and associates.

Subsidiaries

Entities controlled by the Group are considered subsidiaries, as defined by IFRS 10 – *Consolidated Financial Statements*. Control exists when the Parent has all of the following:

- power over the investee, i.e. the current ability to direct the relevant activities of the investee thatsignificantly affect the investee’s returns;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor’s returns.

The financial statements of the subsidiaries are consolidated from the date that control commences until the date that control ceases.

Equity and the profit/loss attributable to non-controlling interests are identified separately in the consolidated statement of financial position and income statement.

Subsidiaries are consolidated on a line-by-line basis with the elimination of intra-group balances, transactions, unrealised income and expenses.

Furthermore: a) all changes in the equity interest that do not constitute a loss of control are treated as *equity transactions* and, therefore, have a balancing entry in equity; b) when a parent transfers control in an investee, but retains an interest in the company, it measures the retained equity investment at fair value and recognises any gains or losses deriving from loss of control in profit or loss.

Joint ventures

These are companies over which the Group has joint control, in virtue of contractual agreements. Joint control, as defined by IFRS 11 – *Joint Arrangements, is the “contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control”*.

With reference to entities jointly owned by mixed public and private companies, given the objective possibility for the public shareholder to influence the company not only by means of governance agreements, but also because of its nature as public entity, the existence of joint control is ascertained on the basis of contractual agreements, assessing the actual possibility for the private partner to jointly control strategic decisions regarding the joint venture.

Joint arrangements are divided into 2 types:

- a Joint Venture (JV) is an arrangement whereby the parties have rights to the net assets of the arrangement. Joint Ventures are measured using the equity method;
- a Joint Operation (JO) is an arrangement whereby the parties are not limited exclusively to participating in the company's profit or loss but have rights to its assets and obligations for its liabilities. In this case the assets/revenue on which the joint operator exercises such rights and the liabilities/costs of which the joint operator assumes the obligations are fully consolidated.

Associates (accounted for using the equity method)

An associate is a company over which the Group has significant influence, but not control or joint control over its financial and operating policies. The consolidated financial statements include the Group's share of the associates' profit or loss recognised using the equity method from the date that significant influence commences until the date that significant influence ceases.

Equity-accounted investments are accounted for an amount equal to the corresponding portion of equity resulting from the latest available financial statements, adjusted to take into account the differences between the price paid and equity at the date of purchase and for any intra-group transactions, if significant.

The investor's share of profit or loss arising from application of the equity method is recognised as a "Share of profit or loss of equity-accounted associates and joint ventures", while the share of other comprehensive income is recognised in the statement of comprehensive income.

The difference between the purchase cost and the portion of the fair value, attributable to the owners of the Parent, of the identifiable current and contingent assets and liabilities of the associate or joint venture at the acquisition date, is recognised as goodwill, included in the carrying amount of the investment, and tested for impairment using the same procedures described in the section above.

The risk deriving from losses which exceed the investor's share of equity is provided for in provisions for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.

Dividends on equity investments are recognised when the right to receive payment is established. This usually coincides with the resolution passed by the Shareholders' Meeting.

Business combinations

The Group accounts for business combinations by applying the acquisition method when the group of assets and property acquired meets the definition of a business and the Group obtains control. In determining whether a particular group of assets constitutes a business, the Group assesses whether that group includes, at a minimum, a substantial input and process and whether it has the capacity to create output.

The Group has the option to carry out a 'concentration test', which enables it to ascertain through a simplified procedure that the acquired group of assets is not a business. The optional concentration test is positive if almost all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of identifiable assets with similar characteristics.

The consideration transferred and the identifiable net assets acquired are usually recognised at fair value. The carrying amount of any goodwill that arises is tested annually for impairment. Any gain from a bargain purchase is recognised immediately in profit or loss under gains or losses on Investments, while costs related to the combination, other than those related to the issuance of debt or equity instruments, are recognised as an expense in profit/(loss) for the year when incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Normally, these amounts are recognised in profit/(loss) for the year.

The contingent consideration is recognised at fair value on the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity related to the subsidiary. Any profit or loss deriving from the loss of control is recognised in profit/(loss) for the year. Any interest retained in the former subsidiary is measured at fair value when control has been lost.

Transactions eliminated on consolidation

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

III. Consolidation scope

The consolidation scope includes companies directly or indirectly controlled by the Parent, in addition to joint ventures and associates.

Parent:

Iren S.p.A.

Companies consolidated on a line-by-line basis

The four companies responsible for the single business lines and their direct and indirect subsidiaries are consolidated on a line-by-line basis.

1) Iren Ambiente and its subsidiaries:
   - ACAM Ambiente
   - AMIAT V and the subsidiary:
     - AMIAT
   - Bonifica Autocisterne
   - I.Blu
   - Iren Ambiente Parma
   - Iren Ambiente Piacenza
   - ReCos
   - Rigenera Materiali
   - San Germano
   - Territorio e Risorse
   - TRM
   - Unieco Holding Ambiente and its subsidiaries:
     - Borgo Ambiente
     - Iren Ambiente Toscana and its subsidiaries:
       - Futura
       - Produrre Pulito
       - Scarlino Energia
       - Scarlino Immobiliare
       - TB
     - Manduriambiente
     - Picena Depur
   - Uniproject

2) Iren Energia and its subsidiaries:
   - Asti Energia e Calore
   - Iren Smart Solutions and its subsidiaries:
     - Iren Energy Solutions (formerly Bosch Energy and Building Solutions Italy)

    - Alfa Solutions (formerly Studio Alfa) and its subsidiary
        - Lab 231 S.r.l
  - Maira and its subsidiary:
    - Formaira

3) Iren Mercato and its subsidiary:
  - Salerno Energia Vendite and its subsidiary:
    - Sidiren

4) IRETI and its subsidiaries:
  - ACAM Acque
  - ASM Vercelli and its subsidiary:
    - ATENA Trading
  - Consorzio GPO
  - Iren Laboratori
  - Iren Acqua and its subsidiary:
    - Iren Acqua Tigullio
  - Nord Ovest Servizi

The change in the consolidation scope for 2021 is due to the acquisition of control of the companies Futura S.p.A., Sidiren S.r.l., Lab231 S.r.l., Nove S.p.A., Bosch Energy and Building Solutions Italy s.r.l. (Iren Energy Solutions as of 1 January 2022) and a business unit of the company Sviluppo Ambiente e Sicurezza S.r.l., relating to consultancy regarding health and safety in the workplace, management of environmental practices, privacy and professional training. Further details on these operations are provided in Section IV Business combinations below.

From the point of view of investment structures, it should be noted that on 22 April 2021 Iren Ambiente acquired a further 7.42% stake in the subsidiary UCH Holding and therefore, following this transaction, the Group holds 100% of the company's share capital.

On 23 November 2021, Iren Ambiente Toscana acquired a 31.53% interest in the capital of its subsidiary TB. The total share held by Iren Ambiente Toscana in TB amounts to 90.09%.

Effective 03 December 2021, Unieco Holding Ambiente, which already held 99.90% of the Picena Depur share capital, became a 100% shareholder of Picena Depur.

Finally, on 22 December 2021, Iren Ambiente Toscana acquired a 27.78% stake in the capital of the subsidiary Scarlino Immobiliare, consequently becoming its sole shareholder.

In addition, certain corporate transactions became effective in 2021, which, while not involving changes in the consolidation scope, resulted in a streamlining of the Waste Management Business Unit's ownership structure:

- on 1 July 2021, Unirecuperi was merged into Unieco Holding Ambiente and, the companies AMA, Gheo Suolo e Ambiente, Monte Querce and Sereco Piemonte were merged into Iren Ambiente;
- on 24 November 2021, a partial spin-off of the Unieco Holding Ambiente business unit represented by the entire investment in Uniservizi took place in favour of Uniproject. Subsequently, on 1 December 2021, Uniservizi was merged into Uniproject. On the same day, Scarlino Holding and UCH Holding were merged into Iren Ambiente Toscana. As a result of the latter transaction, Iren Ambiente cancelled its 35.29% direct equity investment in UCH Holding and acquired an equity investment in Iren Ambiente Toscana.
- on 31 December 2021, Nove was merged into Iren Energia.

It should also be noted that during 2021, the companies Bio Metano Italia, Energy Side and STA Partecipazioni were liquidated and, consequently, removed from the register of companies.

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

IV. Business combinations

Business combinations in 2021

Business combinations definitively recognised

Futura S.p.A.

With reference to the business combination of November 2020 relating to the Unieco Waste Management Division, on 30 March 2021 the Group increased its stake in the associate Futura S.p.A., acquiring a further 20% of the share capital (for the amount of 1,100 thousand euro) and gaining control by virtue of a total 60% shareholding. The company operates a mechanical-biological treatment plant that treats 140 thousand tonnes of non-sorted waste per year, equipped with a composting section for the organic and green fraction, whose concession expires in 2041.

In the nine-month period ended 31 December 2021, the subsidiary generated revenue of 7,717 thousand euro and a loss of 315 thousand euro. Management believes that if the acquisition had occurred on 1 January 2021, the impact on consolidated revenue would have amounted to 9.556 thousand euro and on consolidated profit for the year would have amounted to -367 thousand euro. In calculating the above amounts, company management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2021.

The following table shows the value of identifiable assets acquired and liabilities assumed.

(THOUSANDS OF EURO)

	Nominal values	FV Adjustment	Fair value
Property, plant and equipment	55		55
Intangible assets with a finite useful life	26,566	1,869	28,435
Other non-current assets	281		281
Deferred tax assets	859		859
Inventories	243		243
Trade receivables	2,655		2,655
Sundry assets and other current assets	1,607		1,607
Cash and cash equivalents	3,679		3,679
Non-current financial liabilities	(25,206)		(25,206)
Employee benefits	(339)		(339)
Deferred tax liabilities	-	(521)	(521)
Sundry liabilities and other non-current liabilities	(420)		(420)
Current financial liabilities	(1,759)		(1,759)
Trade payables	(2,439)		(2,439)
Sundry liabilities and other current liabilities	(1,755)		(1,755)
Current tax liabilities	(116)		(116)
Provisions for risks and charges - current portion	(40)		(40)
Total net identifiable assets	3,871	1,348	5,219

The analysis carried out for the purpose of allocating the purchase price of the company Futura identified the intangible asset deriving from the concession stipulated with the Comunità d’ambito Toscana Sud (grantor) for the construction and management of the Grosseto plant for the mechanical biological treatment of undifferentiated waste, equipped with a composting section for the organic and green fractions.

The valuation of the concession, amounting to 1,869 thousand euro, was carried out on the basis of the *Multi Period Excess Earning method (MEEM)*, which is based on the principle that the entire current income of a company must be allocated to the assets identified at the time of purchase price allocation. The income attributable to the identified intangible asset can then be derived by difference by deducting the normal remuneration of all other assets (property, plant and equipment and intangible assets) from total income. The fair value of the intangible asset is thus obtained by discounting the expected residual income over the years of the useful life of the asset.

Goodwill arising from the acquisition has been recognised as shown in the table below:

(THOUSANDS OF EURO)

Fair value of the price transferred	1,100
Fair value of interest held before acquisition of control	4,840
Restatement of equity investments at fair value recognised in profit or loss	1,305
Fair value of identifiable net assets	(5,219)
Non-controlling interests in identifiable net assets	2,089
Goodwill	4,115

The goodwill arising from the acquisition relates primarily to the development of an 80 kton/y anaerobic digester of OFMSW upstream of the existing composting line. Goodwill recognised in the financial statements will not be deductible for income tax purposes.

Nove S.p.A.

On 12 October 2021, Iren Energia won the tender called by the Municipality of Grugliasco (Province of Turin) for the sale of 51% of Nove S.p.A., manager of the district heating service in the same municipality. The company, which was already 49% owned, was consequently fully consolidated and was merged into Iren Energia. The price of the transaction was 5,355 thousand euro.

In the three-month period ended 31 December 2021, the subsidiary generated revenue of 3,913 thousand euro and a loss of 208 thousand euro. Management believes that if the acquisition had occurred on 1 January 2021, the impact on consolidated revenue would have amounted to 7,462 thousand euro and on consolidated profit for the year would have amounted to about 199 thousand euro. In calculating the above amounts, company management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2021.

The following table shows the value of identifiable assets acquired and liabilities assumed.

(THOUSANDS OF EURO)

	Fair value
Property, plant and equipment	17,831
Intangible assets with a finite useful life	3,526
Other non-current assets	4
Deferred tax assets	168
Trade receivables	1,001
Current tax assets	3
Sundry assets and other current assets	32
Cash and cash equivalents	2,277
Non-current financial liabilities	(16)
Employee benefits	(81)
Deferred tax liabilities	(691)
Current financial liabilities	(7,720)
Trade payables	(3,965)
Sundry liabilities and other current liabilities	(24)
Current tax liabilities	(5)
Total net identifiable assets	12,340

The analysis conducted for the purpose of allocating the purchase price of Nove S.p.A. did not reveal any differences between the fair value of the assets acquired and liabilities assumed, which are identifiable, and their carrying amount at the date of acquisition.

The gain from the purchase at favourable prices was recognised as shown in the table below.

(THOUSANDS OF EURO)

Fair value of the price transferred	5,355
Interest held before the acquisition of control	2,311
Restatement of equity investments at fair value recognised in profit or loss	2,366
Fair value of identifiable net assets	(12,340)
Profit from purchase at favourable prices	**(2,308)**

The remeasurement at fair value of the Group's previously held 49% interest in Nove generated a gain of 2,366 thousand euro (4,677 thousand euro less 2,311 thousand euro relating to the carrying amount of the equity-accounted investment at the date of acquisition). This amount has been included in the item "Gains on equity-accounted investments". The gain from the purchase at favourable prices is recorded in the same item.

Business combinations provisionally recognised

During 2021, the Group acquired control of the companies Sidiren S.r.l., Lab231 S.r.l., Bosch Energy and Building Solutions Italy S.r.l. (Iren Energy Solutions as of 1 January 2022) and a business unit of the company Sviluppo Ambiente e Sicurezza S.r.l.

On 16 July 2021, the Group completed the acquisition of 100% of Sidiren S.r.l., a newco conferring the business unit, personnel included, from Sidigas.com S.r.l., operating in the sale of natural gas with a portfolio of approximately 52 thousand customers distributed mainly in the Province of Avellino.

In the six-month period ended 31 December 2021, the subsidiary generated revenue of 14,221 thousand euro and a profit of 754 thousand euro.

On 29 July 2021, the Alfa Solutions Group company (formerly Studio Alfa) completed the parallel purchase transactions:

- a business unit of the company Sviluppo Ambiente e Sicurezza S.r.l., relating to consultancy regarding health and safety in the workplace, management of environmental practices, privacy and professional training;
- a share representing 100% of Lab231 S.r.l., operating in the field of audits on the implementation of the organisational model required by Legislative Decree no. 231/2001.

In the five-month period ended 31 December 2021, the subsidiary generated €255 thousand of revenue and €83 thousand of profit.

On 30 November 2021, Iren Smart Solutions acquired the entire equity investment of Bosch Energy and Building Solutions Italy S.r.l. (Iren Energy Solutions as from 1 January 2022), operating in the energy efficiency sector, in particular in the design, construction and management of integrated heating, air conditioning and cogeneration plants for public and private customers.

In the one-month period ended 31 December 2021, the acquisition generated revenue of 6,437 thousand euro and a loss of 1,380 thousand euro. Management believes that if the acquisition had occurred on 1 January 2021, the impact on consolidated revenue would have amounted to 38,454 thousand euro and on consolidated profit for the year would have amounted to a loss of 5,830 thousand euro. In calculating the above amounts, company management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2021.

For these acquisitions, pending the definition of the Purchase Price Allocation (PPA) to be completed in accordance with IFRS 3, the positive difference between the price paid and the provisional fair value, at the date of obtaining control, of the identifiable assets acquired and the identifiable liabilities assumed was allocated to goodwill.

The following table shows for each acquisition the provisional fair value of the consideration, the identifiable assets acquired, and liabilities assumed, and provisional goodwill.

(THOUSANDS OF EURO)

	Sidiren	Iren Energy Solutions	SAS Unit and Lab 231
Consideration transferred			
Cash and cash equivalents	30,223	29,001	850
Contingent consideration	-	5,268	-
Fair value of the price at the acquisition date	30,223	34,269	850
Provisional fair value of identifiable net assets			
Property, plant and equipment	-	871	67
Intangible assets with a finite useful life	-	8	-
Non-current financial assets	-	17,472	40
Other non-current assets	-	1,134	7
Deferred tax assets	-	1,500	-
Inventories	-	126	-
Current contract assets	-	3,475	-
Trade receivables	-	19,574	825
Sundry assets and other current assets	-	334	361
Current financial assets	-	2,836	-
Cash and cash equivalents	-	1	153
Non-current financial liabilities	-	(87)	(289)
Employee benefits	-	(324)	(90)
Provisions for risks and charges	-	-	(15)
Sundry liabilities and other non-current liabilities	(2,660)	-	-
Current financial liabilities	-	(172)	(90)
Trade payables	-	(10,764)	(186)
Sundry liabilities and other current liabilities	-	(1,612)	(446)
Current tax liabilities	-	-	(64)
Provisions for risks and charges - current portion	-	(1,362)	-
Total provisional fair value of identifiable net assets	(2,660)	33,010	273
Provisional goodwill	32,883	1,259	577

The fair value of Iren Energy Solution's contract assets is subject to variable fees based on the achievement of certain energy efficiency objectives, including with reference to energy supply prices. The Group conducted a prior evaluation of the provisions for onerous contracts based on initial estimates made and recognised a provisional amount on initial recognition. In addition, the accounting for lease assets is subject to a number of conditions that could impact the transfer of control of the assets to the end customer. The Group conducted a prior evaluation of these contracts and their effect on revenue from the sale of goods and services and recognised a provisional amount upon initial recognition. However, the Group will continue to review these aspects during the evaluation period.

If new information obtained within one year of the acquisition date relating to facts and circumstances as of the acquisition date results in adjustments to the amounts shown or any additional provisions as of the acquisition date, the accounting for the acquisition will be revised.

Business combinations in 2020

During 2020, the Group acquired control of Unieco Waste Management Division companies, Nord Ovest Servizi and IBlu. For these acquisitions, the final fair value of the identifiable assets acquired and liabilities assumed was determined during 2021, reflecting the best knowledge gained in the interim. Therefore, in the consolidated financial statements as at and for the year ended 31 December 2020, the fair value had been recorded on a provisional basis as permitted by IFRS 3.

In accordance with the provisions of the standard, the update of the fair value occurred with effect from the date of acquisition and, therefore, all changes were made to the financial position of the companies acquired at that date. The resulting balances in the consolidated financial statements at 31 December 2020 have been restated to reflect the new amounts.

Unieco Waste Management Division

In November 2020, Iren Ambiente completed the purchase of the so-called "Waste Management Division" of Unieco, a cooperative company under compulsory liquidation, for a fee of 121,551 thousand euro. The activities acquired are carried out through 20 subsidiaries and 8 associates that oversee the main operating sectors of the waste management supply chain.

In the three-month period ended 31 December 2020, the business acquired generated revenue of 30,065 thousand euro and a profit of 2,030 thousand euro.

The following table shows the value of the identifiable assets acquired and liabilities assumed provisionally accounted for as of the acquisition date and the amounts restated as of that date.

(THOUSANDS OF EURO)

	Provisional fair value	Adjustments IFRS 16 and IFRIC 12	Fair value adjustment	Final fair value
Fair value of the price at the acquisition date	121,551			121,551
Fair value of identifiable net assets				
Property, plant and equipment	79,545	(26,139)	(7,303)	46,103
Intangible assets with a finite useful life	2,032	20,866	5,735	28,633
Equity-accounted investments	26,565		41,295	67,860
Other equity investments	1,185			1,185
Non-current trade receivables	26			26
Non-current financial assets	1,179	6,705		7,884
Other non-current assets	292			292
Deferred tax assets	8,361	1,959	1,613	11,933
Inventories	4,520			4,520
Trade receivables	36,721			36,721
Current tax assets	2,017			2,017
Sundry assets and other current assets	5,235			5,235
Current financial assets	12,303	2,438		14,741
Cash and cash equivalents	50,278			50,278
Non-current financial liabilities	(49,026)	(1,298)		(50,324)
Employee benefits	(2,876)			(2,876)
Provisions for risks and charges	(25,148)		(3,635)	(28,783)
Deferred tax liabilities	(3,804)	(2,579)	(587)	(6,970)
Sundry liabilities and other non-current liabilities	(1,320)			(1,320)
Current financial liabilities	(12,173)	(374)		(12,547)
Trade payables	(37,286)			(37,286)
Sundry liabilities and other current liabilities	(10,880)			(10,880)
Current tax liabilities	(3,105)			(3,105)
Provisions for risks and charges - current portion	(6,349)			(6,349)
Total fair value of net identifiable assets	78,292	1,578	37,118	116,988
Non-controlling interests in identifiable net assets	(3,486)		(1,336)	(4,822)
Goodwill	46,745			9,385

The analysis carried out for the purpose of allocating the purchase price identified the intangible asset deriving from the concession for the construction and management of the Manduria (Taranto) plant for the mechanical biological treatment of undifferentiated waste, with annexed service landfill and the concession for the construction and management of the Terranuova Bracciolini (Arezzo) plant for the mechanical biological treatment of undifferentiated waste and a composting line.

The valuation of the concession, amounting to 5,735 thousand euro, was carried out on the basis of the Multi Period Excess Earning method (MEEM), which is based on the principle that the entire current income of a company must be allocated to the assets identified at the time of purchase price allocation. The income attributable to the identified intangible asset can then be derived by difference by deducting the normal remuneration of all other assets (property, plant and equipment and intangible assets) from total income. The fair value of the intangible asset is thus obtained by discounting the expected residual income over the years of the useful life of the asset.

The fair value of investments in associates was obtained by using the discounted cash flow method (DCF), which resulted in an increase of 41,295 thousand euro in the item Equity-accounted investments. The increase regarded the shareholdings in Barricalla, CSAI, Futura, Sei Toscana and Siena Ambiente.

The fair value of the waste-to-energy plant in Scarlino (Grosseto), whose authorisation was denied at the beginning of 2015 and for which a new authorisation process was underway at the date of acquisition, was determined by weighting two alternative scenarios related to the restart of the plant. The result of this valuation based on the discounted cash flow method (DCF) led to a write-down of the asset of 7,303 thousand euro. In addition, the future cost of possible decommissioning of the plant (3,635 thousand euro) was recorded as a contingent liability.

Goodwill arising from the acquisition relates primarily to the skills and technical knowledge of Unieco staff and the synergies expected to be obtained from the integration of the acquired company into the Group's waste management sector

Nord Ovest Servizi

In July 2020, the Group acquired from ASTA S.p.A. (a Gavio Group company) through IRETI and AMIAT, 50% of the shares of Nord Ovest Servizi S.p.A (NOS), for a consideration of 6,513 thousand euro, increasing to 75%. NOS, measured at equity until 30 June 2020, consequently entered the consolidation scope on a line-by-line basis as of July 2020.

The equity investment in NOS essentially holds the associated investment (45%) in Asti Servizi Pubblici S.p.A. ("ASP"), which operates in concession in the sectors of integrated water service, urban hygiene, transport and cemetery services.

The following table shows the value of the identifiable assets acquired and liabilities assumed provisionally accounted for as of the acquisition date and the amounts restated as of that date.

(THOUSANDS OF EURO)

	Provisional fair value	Fair value adjustment	Final fair value
Fair value of the price transferred	6,513		6,513
Interest held before the acquisition of control	4,539		4,539
Restatement of equity investments at fair value recognised in profit or loss	(1,578)	1,578	-
Fair value of the price at the acquisition date	9,474	1,578	11,052
Fair value of identifiable net assets			
Equity-accounted investments	9,815	7,292	17,107
Trade receivables	119		119
Current tax assets	61		61
Cash and cash equivalents	1,031		1,031
Trade payables	(161)		(161)
Total fair value of net identifiable assets	10,865	7,292	18,157
Non-controlling interests in identifiable net assets	(2,716)	(1,823)	(4,539)
Goodwill / (Profit from purchase at favourable prices)	1,325		(2,566)

The final fair value of the investment in the associate ASP was determined through the liquidation value of the shares held by Nord Ovest Servizi (private industrial shareholder) recognised by the public shareholder, Municipality of Asti, upon expiry of the concessions for the services managed by Asti Servizi Pubblici. The profit resulting from purchases at favourable prices is recognised in profit or loss under "Gains on equity-accounted investments".

When defining the definitive accounting for the acquisition of the company, the fair value of the put options exercisable by non-controlling investors on the remaining 25% of their shareholdings in Nord Ovest Servizi was recorded for 3,093 thousand euro under non-current financial liabilities.

I. Blu

In August 2020, Iren Ambiente finalised the purchase of 80% of the share capital of I.Blu from Idealservice for 16,106 thousand euro; the company operates in the field of selection of plastic waste to be sent for recovery and recycling, as well as in the treatment of plastic waste for the production of Blupolymer (polymer for civil uses) and Bluair ("reducing agent" for steel plants).

The following table shows the value of the identifiable assets acquired and liabilities assumed provisionally accounted for as of the acquisition date and the amounts restated as of that date.

In the five-month period ended 31 December 2020, the acquisition generated revenue of 19,724 thousand euro and a profit of 617 thousand euro. Management believes that if the acquisition had occurred on 1 January 2020, the impact on consolidated revenue would have amounted to 49,807 thousand euro and on consolidated profit for the year would have amounted to 2,198 thousand euro. In calculating the above amounts, company management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2020.

(THOUSANDS OF EURO)

	Provisional fair value	Fair value adjustment	Final fair value
Fair value of the price at the acquisition date	16,106		16,106
Fair value of identifiable net assets			
Property, plant and equipment	32,770		32,770
Intangible assets with a finite useful life	1,854	10,324	12,178
Other equity investments	10		10
Deferred tax assets	3		3
Inventories	4,469		4,469
Trade receivables	12,895		12,895
Current tax assets	642		642
Sundry assets and other current assets	1,426		1,426
Cash and cash equivalents	786		786
Non-current financial liabilities	(10,587)		(10,587)
Employee benefits	(241)		(241)
Provisions for risks and charges	(6)		(6)
Deferred tax liabilities	(383)	(2,880)	(3,263)
Current financial liabilities	(17,014)		(17,014)
Trade payables	(8,605)		(8,605)
Sundry liabilities and other current liabilities	(3,403)		(3,403)
Current tax liabilities	(1,435)		(1,435)
Total fair value of net identifiable assets	13,181	7,444	20,625
Non-controlling interests in identifiable net assets	(2,637)	(1,489)	(4,126)
Goodwill / (Profit from purchase at favourable prices)	5,562		(393)

The analysis carried out for the purpose of allocating the purchase price of the company IBlu identified the intangible asset deriving from the value of the environmental authorisations for the construction and management of the plastic selection and recycling plants owned by the company.

The valuation of authorisations totalling 10,324 thousand euro was carried out using the discounted cash flow method (DCF).

The profit resulting from purchases at favourable prices is recognised in profit or loss under "Gains on equity-accounted investments".

When defining the definitive accounting for the acquisition of the company, the fair value of the put option exercisable by the non-controlling investor on its shares in IBlu was recorded for 4,026 thousand euro under current financial liabilities.

V. Accounting policies

The accounting policies adopted in drawing up these Consolidated Financial Statements of the Iren Group at 31 December 2021 are indicated below; the accounting policies described were applied consistently by all the Group companies and have not changed with respect to those adopted at 31 December 2020.

Property, plant and equipment

- Property, plant and equipment owned

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all directly attributable costs necessary to make the asset available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and reclaiming the site on which it is located), net of trade discounts and rebates.

Borrowing costs related to the purchase or internal construction of items of property, plant and equipment are capitalised for the part of the cost of the asset until it becomes operative.

If significant items of such property, plant and equipment have different useful lives, these items are accounted for separately.

In particular, under this policy, land and buildings located on the land are to be recognised separately; only the buildings are depreciated, while the carrying amount of land is subject to impairment, as described in the section "Impairment losses on non-financial assets" below.

Ordinary maintenance costs are fully recognised in profit or loss. Other costs of an incremental nature are allocated to the assets to which they refer, in accordance with IAS 16, and depreciated in relation to the residual possibility of use of the assets to which they refer. Costs that reasonably expect an increase in future economic benefits, such as an increase in useful life, an increase in production capacity, an improvement in product quality or the adoption of production processes that result in a substantial reduction in production costs, are considered to be incremental.

Assets under construction include costs related to the construction of plants incurred until the reporting date. These investments are depreciated once the asset becomes operative.

Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives. Landfills are depreciated based on the filling percentage.

The rates applied are set out in the following table:

	Min. rate	Max. rate
Buildings	1.25%	20.00%
Light constructions	2.00%	35.29%
Vehicles	5.00%	25.00%
Sundry equipment	5.00%	35.29%
Furniture and office machines	5.00%	20.00%
Hardware	10.00%	50.00%
Plants	1.22%	35.29%

The changes in rates compared to 2020 are due to the new companies that came into the full consolidation scope, the updating of the economic and technical useful lives of individual assets and the result of verification performed on these by the technicians responsible for the plants.

The table below shows the residual term of the lease contracts on the basis of which the rights of use recognised among property, plant and equipment are depreciated:

	Years	
Right-of-use assets IFRS 16 - Leases	**from**	**to**
Land	2	96
Buildings	2	57
Plant and machinery	2	4
Industrial and commercial equipment	7	7
Other assets (vehicles)	2	9

Grants related to assets are recognised as deferred revenue and taken to profit or loss over the depreciation period of the related item of property, plant and equipment.

- Leased assets

Lessee

IFRS 16 establishes a criterion based on the control (right of use) of an asset to distinguish leases from contracts for services, regardless of the contractual form adopted (lease, rental or hire). The discriminants are: the identification of the asset, the right to replace the same, the right to obtain substantially all the economic benefits deriving from use of the asset and the right to direct the use of the asset underlying the contract.

The Group lessee side applies the practical expedient of IFRS 16, which provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months, unless the underlying asset has a unit value as new of less than five thousand euro.

The lease liability is initially measured at the present value of the payments due for the lease, primarily the fixed and/or variable payments contractually provided for and the price to exercise the option if the reasonable certainty of exercising it exists; as regards the rate used for discounting, reference is made to the marginal loan rate derived from the market value of the listed debt instruments issued by Iren. Subsequently, the liability is reduced by the principal repaid and, if necessary, restated to take account of new valuations or changes. The residual debt must be accounted for by separating the current portion (within 12 months) from the non-current portion.

The right of use of the asset underlying the lease contract is recognised under property, plant and equipment at cost, consisting of the initial measurement of the financial liability increased by any initial costs incurred. The asset is depreciated over the term of the lease or, if the transfer of ownership at the end of the lease is provided for, over the expected useful life of the underlying asset. The asset may also be reduced as the result of any impairment losses, and adjusted to take into account any redetermination of the lease liability.

In the statement of financial position, the Group shows right-of-use assets that do not meet the definition of investment property under ‘property, plant and equipment’ and lease liabilities under ‘financial liabilities’.

In the income statement interest on the debt and depreciation are recognised separately, as is any impairment loss on the right-of-use asset.

Lessor

At the inception of a contract or upon amendment of a contract that contains a lease component, the Group allocates the contract consideration to each lease component based on its stand-alone price.

At the inception of the lease, the Group, in its role as lessor, classifies each of its leases as either a finance lease or an operating lease.

For this purpose, the Group generally assesses whether the lease transfers substantially all the risks and rewards associated with ownership of the underlying asset. In this case, the lease is classified as a finance lease, otherwise as an operating lease. As part of this assessment, the Group considers, among other indicators, whether the lease term covers most of the economic life of the underlying asset.

With respect to sub-leases, the Group, as an intermediate lessor, classifies its share in the head lease separately from the sub-lease. For this purpose, it classifies the sub-lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the principal lease is a short-term lease that the Group has accounted for by applying the above exemption, the sub-lease is classified as an operating lease.

For contracts containing a lease component and one or more lease and non-lease components, the Group allocates the contract consideration by applying IFRS 15.

The Group applies the derecognition and impairment provisions of IFRS 9 to the net investment in leases. The Group periodically reviews estimates of non-guaranteed residual values used in the calculation of gross investment in leases.

The Group recognises payments received for operating leases as income on a straight-line basis over the lease term in 'other income'.

Investment property

Investment property is initially measured at purchase or construction cost. Such cost includes the purchase price and any directly attributable costs. The related transaction costs are recognised among the property costs, when purchase is recognised. Real estate investments are measured at cost in the following evaluation.

Costs incurred after the purchase or completion of a property intended as an investment property increase the initial cost of the asset, if the company is likely to obtain higher future benefits than those previously estimated, thanks to these costs. Otherwise, such costs are charged to profit or loss.

Investment property is depreciated systematically annually on a straight-line basis using rates held to represent the residual useful life of the relevant asset.

Intangible assets

Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the group and the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Development expenditure is capitalised if all of the following features can be demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If even one of these requirements fails to be met, the expenditure in question is fully recognised in profit or loss in the year in which it is incurred.

Intangible assets with a finite useful life are amortised on a systematic basis over their useful lives so that the carrying amount at year end matches their residual life or recoverable amount based on the group's plans to develop production. Amortisation begins when the asset is available for use.

Amortisation of intangible assets is calculated on a straight-line basis over the following useful lives:

	Years	
	from	to
Industrial patents and intellectual property use rights	1	50
Concessions, licences, trademarks and similar rights	1	99
Software	1	33
Other intangible assets with a finite useful life	1	99

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation expires on the later of either the date on which the asset is classified as held for sale (or included in a disposal group classified as held for sale), pursuant to IFRS 5, or the date on which the asset is derecognised.

Assets under development and payments on account relate to internal and external costs referring to intangible assets for which the group has not yet acquired the right and has not started to use in production. These investments are amortised from the date they begin to be used in production.

Under IAS 36, assets under development are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

Goodwill

Goodwill is initially recognised at cost. It represents the difference between the purchase cost and the portion of fair value attributable tp non-controlling interests and the net fair value referred to the identifiable assets, and current and contingent liabilities acquired. If, after this restatement, the fair value of current and contingent assets and liabilities exceeds the purchase cost, the difference is recognised immediately in profit or loss.

Any goodwill deriving from the acquisition of an associate or joint venture is included in the carrying amount of the investment.

Goodwill is allocated to one or more cash-generating units and is not amortised, but is annually tested for impairment or more frequently if specific events or changes in circumstances indicate that impairment may have taken place (see section on "Impairment losses on non-financial assets").

Non-current assets held for sale - Discontinued operations

A non-current asset (or group of assets and liabilities held for disposal) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to initial classification of the asset (or disposal group) as available for sale, the carrying amounts of the assets are measured in accordance with Group accounting policies. The asset (or disposal group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with Group accounting policies. Impairment losses on the initial classification of an asset as held for sale compared to subsequent measurements are recognised in profit or loss. Reversals of impairment losses are recognised only to the extent of any accumulated impairment loss.

Discontinued operations represent a part of the group that has been discontinued or classified as held for sale, and:

a) it represents an important business unit or geographical segment;

b) forms part of a single coordinated disposal plan or an important autonomous business unit or geographical segment;

c) is a subsidiary acquired solely with a view to resale.

If a single non-current asset is involved (e.g. a property or an investment in an associate), the recognition of profit or loss from the disposal or valuation depends on the nature of the asset.

If it is a discontinued operation and is a material component of the item "Profit/loss from discontinued operations", a single amount is recorded represented by the total of:

i) profit or loss on the discontinued operation, net of tax effects; and

ii) the capital gain or loss, net of tax effects, recognised after the fair value measurement, net of costs to sell or actual disposal of the asset.

The income statement of the comparative year is restated in order to guarantee consistent comparison.

If the asset is immaterial, revenue and costs from the discontinued operation continue to be recognised on a line-by-line basis under the related income statement items, whilst the profit/loss from discontinued operations includes only the capital gain or loss referred to under point ii) above.

Service concession arrangements

The IREN Group is subject to application of IFRIC 12, which defines the recognition and measurement criteria to be adopted in agreements between public and private sectors related to development, financing, management and maintenance of infrastructures under licence agreement. In particular, should the grantor control the infrastructure by regulating and controlling the characteristics of the services supplied and the applicable prices, as well as by maintaining a residual interest in the activity, the operator will purchase either the right to use said infrastructure, or the financial asset, or both, based on the agreements made. Therefore, the operators that are included in the above cases cannot recognise the assets dedicated to the supply of the service as property, plant and equipment in the statement of financial position under assets, regardless of the acknowledgement of ownership in favour of the same operators included in the service concession arrangements.

In particular, the operator purchases a financial asset to the extent that it has an unconditioned contractual right to payment or another financial asset from, or upon instruction of, the grantor with reference to the building services. The financial asset recognised is subject to the provisions of IAS 32, IAS 9 and IFRS 7.

The operator purchases an intangible asset to the extent that it has a right (licence) to receive payment from users of the public utility. The right to receive payments from users is not an unconditional right to receive payments as the amounts depend on how much the utility is used. The intangible asset recognised is subject to the provisions of IAS 38.

If the operator is paid for the building services partly with a financial asset and partly with an intangible asset, the two amounts composing the payment to the operator shall be recognised separately. The payment received or to be received for both items is initially recognised at the fair value of the amount received or to be received and disclosed in the relevant revenue item.

With reference to the grants received on non-current assets, included in the application of IFRIC 12, these grants are classified under Other liabilities, divided between current and non-current, while the related disbursement is included in Other revenue.

Impairment losses on non-financial assets

The IFRS require a company to assess whether there are any specific indications of impairment. The group performs an impairment test, which consists of estimating the recoverable amount of the asset and comparing it to its carrying amount.

The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or Cash-Generating Unit, inclusive of taxes, by applying a discount rate, before taxes, which reflects the current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior years no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased, with a balancing item in profit or loss, up to the estimated new recoverable amount. The latter amount shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is not applicable to goodwill.

The value in use is generally defined by discounting the cash flows expected from use of the asset or Cash Generating Units and from the amount expected from its disposal at the end of its useful life.

The Cash Generating Units were identified in keeping with the Group's organisational and business structure, as assets that generate independent incoming cash flows deriving from continuous use of the same.

Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Financial instruments

All financial instruments, including derivatives, are recognised in the statement of financial position when the group becomes a party to the agreement and therefore acquires a right to receive cash flows or an obligation to pay.

- Financial assets and liabilities

At the moment of initial recognition the financial asset or liability is measured at fair value plus or minus, in the case of a financial asset or liability not measured at fair value recognised in profit or loss, the transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition the financial asset or liability is measured as described below.

Financial assets are classified in three categories: a) financial assets measured at amortised cost; b) financial assets measured at fair value through other comprehensive income (FVOCI); c) financial assets measured at fair value through profit or loss (FVTPL).

The classification under the categories indicated above is made on the basis of the entity's business model and in relation to the characteristics of the cash flows generated by the said assets:

a) a financial asset is measured at amortised cost if the entity's business model envisages that the financial asset is held to collect the related cash flows (therefore, substantially, not to make a profit also from sale of the instrument) and the characteristics of the cash flows of the asset correspond only to payment of principal and interest;

b) a financial asset is measured at Fair Value with a balancing item in Other Comprehensive Income if it is held with the objective both of collecting the contractual cash flows, and of being sold (Hold to Collect and Sell model);

c) finally if it is a financial asset held for trading and in any case does not come within the cases indicated in points a) and b) it is measured at fair value through profit or loss.

At each reporting date all financial assets, with the exception of those measured at fair value recognised in profit (loss) for the year, are subjected to an impairment test to determine whether there is objective evidence that can lead to the belief that the value of the asset is not fully recoverable. In accordance with what is provided for in IFRS 9 the impairment model adopted by the Iren group is based on expected credit losses, where "loss" means the present value of all cash shortfalls considering forward-looking information. According to the general approach concerning all financial activities, the expected credit losses is a function of probability of default (PD) of the loss given default (LGD) and exposure at default (EAD): the PD represents the probability that an asset will not be repaid and will go into default; the LGD is the amount of money lost when a borrower defaults on a loan; the EAD represents the exposure claimed against the counterparty, including any guarantees, collateral, etc. The estimate is made initially on the expected credit losses in the subsequent 12 months; in view of any gradual deterioration of the financial asset, the estimate is adjusted to cover the expected credit losses along the entire life of the financial asset.

Financial liabilities are generally classified as measured at amortised cost, with the exception of derivatives which are measured at fair value through profit orloss. Changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to a change in the creditworthiness of the liability itself are recognised under other comprehensive income.

- Other equity investments

Other equity investments, consisting of non-controlling interests in unlisted companies that the Group intends to keep in its portfolio in the near future, are measured at FVTPL – fair value through profit and loss.

- Hedging instruments

The Group holds hedging instruments, acquired for non-speculative purposes, solely to hedge its exposure to currency, interest rate and commodity risks.

A hedging relationship qualifies for hedge accounting if all of the following conditions are met:
- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the group's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
- for cash flow hedges, an expected future transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are recognised at fair value, determined by employing adequate measurement models for each type of financial instrument using, where available, the market forward curves, both regulated and not regulated (intrinsic value). For options, the fair value is supplemented with time value, which is based on their residual life and the volatility of the underlying.

At each reporting date, hedging instruments are tested for effectiveness to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting. A hedging relationship is effective if:

- there is an economic relationship between the hedged instrument and hedging instrument;
- the credit risk effect does not dominate the change in value that results from the economic relationship;
- the ratio between the quantity of the hedging instrument and the quantity of the hedged instrument in terms of relative weight does not determine an imbalance in terms of the hedge ratio.

If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, changes in the fair value of the hedging instrument are recognised in equity for the effective portion of the hedge (intrinsic value), and in profit or loss for the time-value portion and any ineffective portion (over-hedging);
- for fair value hedges, changes in the fair value of both the hedging instrument and the hedged item are recognised in profit or loss.

If the hedge does not meet the criteria for hedge accounting, the gains or losses deriving from measurement at fair value of only the hedging instrument are fully recognised in profit or loss.

Considering the provisions of IFRS 7 on the fair value hierarchy, as extended by IFRS 13, for each category of financial instrument measured at fair value the fair value hierarchy is as follows:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability which are not based on observable market data.

- Trade receivables and payables

Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement, and are recognised at fair value (equal to their nominal amount). After initial recognition they are measured at amortised cost.

Trade receivables are shown net of loss allowances determined, in accordance with IFRS 9, by applying, instead of the general approach, valid for all financial assets with the exception of those measured at fair value through profit or loss, the simplified approach and, more specifically, the provision matrix model, which is based on identifying the default rates by maturity bands observed on a historical basis, applied for the entire expected life of the receivable and updated on the basis of significant future scenario elements.

- Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents, including ancillary charges, are measured at fair value.

Cash on hand and equivalents in hand are measured at their nominal amount.

- Derecognition of financial assets and liabilities

Financial assets are derecognised whenever one of the following conditions occurs:

- the contractual right to receive the cash flows associated with the asset has expired;
- the Group has substantially transferred all the risks and benefits associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to shift these cash flows to one or more beneficiaries under a contract that meets the requirements under IFRS 9 (pass through test);
- the Group has transferred the control of the financial asset but has neither transferred nor retained the risks and rewards associated with the financial asset.

Financial liabilities are derecognised when they are settled, i.e. when the contractual obligation is fulfilled, cancelled or prescribed. When an existing financial liability is replaced by another to the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such replacement or modification is treated as derecognition of the original liability and recognition of a new liability.

The difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories, mainly made up of materials and supplies for the maintenance and construction of plants, raw materials, i.e. fuel oil and diesel, and gas in relation to the marketing activity, measured at the lower of cost (purchase cost, transformation and other costs incurred to bring the inventories to their current place and condition) and their expected net realisable or replacement value.

Cost is determined using the weighted average cost method.

If the cost of inventories cannot be recovered because they are damaged, have become entirely or partly obsolete or their sales prices have decreased, they are written down to their net realisable value. If the circumstances leading to the write-down no longer exist, the write-down is reversed.

Equity

Share capital, including the various categories of shares, is stated at its nominal amount less share capital proceeds to be received.

The purchase cost of treasury shares is recognised as a reduction in equity.

Costs directly attributable to share capital transactions of the parent, for new subscriptions, are offset against equity.

Dividends are recognised as liabilities when they are approved by the Shareholders.

Employee benefits

Post-employment benefits are defined according to plans which, based on their characteristics, are separated into "defined contribution" and "defined benefit" plans.

In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For the Group these are included under post-employment benefits accrued since 1 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the share paid to the supplementary pension funds.

The liability relating to defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For the Group, included in this category are post-employment benefits accrued until 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the tariff discounts for employees and former employees, additional salary payments (Art. 47, national collective bargaining agreement), the loyalty bonus paid to employees, and contributions paid to the Premungas fund.

The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, considering economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured. For post-employment benefits accrued as at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the proportional basis is not applied because at the reporting date the benefits can be considered accrued in full.

The demographic, economic and financial variables are validated annually by an independent actuary.

As regards presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:

1) operating (service costs), personnel expense;

2) financial (financial expense), net interest income/expense;

3) measurement (remeasurement costs), actuarial gains/losses.

Gains and losses deriving from actuarial calculations regarding post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in profit or loss.

As regards disclosures, information is given on the characteristics of the plans and related amounts recognised in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of fluctuations in demographic risk.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover liabilities of uncertain amount or due date that are recognised when, and only when, the following conditions are met:

- the group has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the consolidated financial statements, and no provision is made.

No additional information is provided for events that are remote, i.e. where it is very unlikely they will arise, and no provision is made.

The provisions are recognised at the amount representing the best estimate of the total that the group would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.

On discounting, the time-related increase in the provision is recognised as financial expense.

Provisions for landfill post-closure are discounted to the present on the basis of the cash flows indicated in the report drawn up by an independent expert.

The provision for the renewal of transferable assets was set up so as not to recognise costs for maintenance, replacements and similar work, which do not increase the carrying amount of the asset, only in the years in which they were incurred but to distribute them among the different years of use of those assets.

Revenue from goods and services

Revenue is measured at fair value with respect to the amount received or due, taking account of any trade discounts and reductions connected with quantity. A distinction is made between revenue from operating activities and any financial income accruing up to the date of collection.

For correct recognition of revenue from contracts with customers, reference is made to IFRS 15 which provides for a revenue recognition model based on 5 steps:

1) identify the contract with the customer. Contract means a commercial agreement approved by two or more parties that creates enforceable rights and obligations. A contract is valid when the following conditions are jointly met: a) the parties have approved the contract (in writing or according to usual commercial practices); b) it is possible to identify the customer's rights as regards the goods or services that must be transferred; c) the payment terms are identifiable; d) the contract has commercial substance; e) it is probable that the price will be collected (only the customer's ability and intention to pay are considered);

2) identify the "Performance Obligations" contained in the contract. Where a contract provides for the supply/provision of multiple goods and services, it is assessed whether these should be recognised separately or together, considering their individual characteristics.
   Activities carried out to execute the contract, such as administrative formalities for preparing the contract itself, do not transfer separate goods and services to the customer, and therefore do not represent performance obligations. Non-refundable initial expenses charged to the customer are not revenue unless they refer to separate goods and services.
   If in a contract an entity gives the customer an option to purchase future goods and services, this option constitutes a separate performance obligation only if it gives the customer a benefit that the customer would not have been able to obtain in another way, for example a discount higher than those typically given for those particular goods or services. An option to purchase goods or services at a price that reflects its stand-alone selling price, is not a separate performance obligation even if it can be obtained only by signing the contract in question.
   In this context, it is determined whether the entity is acting as "principal" or "agent," depending on whether or not, respectively, it controls the promised good or service before control thereof is transferred to the customer. When the entity acts as an "agent," particularly with respect to gas and electric grid connection services, revenue is recognised on a net basis;

3) determine the "Transaction Price". The following elements must be considered in determining the transaction price: a) any amounts collected on behalf of third parties, which must be excluded from the price; b) variable components of the price (such as performance bonuses, penalties, discounts, refunds, incentives, etc.); c) financial component, if the payment terms grant the customer a significant extension;

4) allocate the price to the Performance Obligations on the basis of the "Relative Stand Alone Selling Price". For any bundled supplies, the selling price is generally allocated on the basis of the stand-alone price of each good or service, i.e., the price at which the Group would sell such good or service separately to the customer;

5) recognise revenue when the Performance Obligation is satisfied. The asset or service is transferred when the customer obtains control over

the asset or service and that is when it has the ability to decide and/or direct its use and obtain substantially all its benefits. The transfer of control, and consequently the recognition of revenue may occur at a certain point in time or over time. For each obligation fulfilled over time, revenue is recognised by evaluating progress toward complete fulfilment of the obligation. On the asset side, contract assets, specifically identified in the financial statements, represent the right to the price for goods and services transferred to the customer when said right is subject to a condition other than the passage of time.
When said right is unconditional, i.e. collection of the price depends solely on the passage of time, a receivable is recognised.
If the customer pays the price before the transfer of goods or services occurs, a liability arising from contracts with customers is recognised at the time payment is made (or payment is due); this liability is recognised as revenue when the obligation under the contract is fulfilled.

With reference to the Group's operating segments, it should also be noted that:

- revenue from the sale of electricity, gas and heat to customers are recognised at the time of supply and include the estimated amount relating to supplies made but not yet invoiced. This estimate is based on the customer's historical consumption profile, adjusted to reflect weather conditions or other factors that may affect the estimated consumption;
- revenue from network businesses (electricity, gas and water distribution) are entered on the basis of the tariffs determined by the competent Authorities to reflect the remuneration paid for the investments made;
- revenue relating to contracts for the energy efficiency upgrading of buildings or plants are recognised on the basis of the stage of completion of the contract work, deduced from the total estimated costs incurred, by means of the recognition of an asset arising from contracts with customers until the obligation has been fully met.

In the event of contractual amendment, that is a change in the subject and/or the price of the contract approved by the parties, if the amendment introduces new separate goods and/or services and the increase in the contractual price is equal to the standalone selling price of the new goods and/or services, the contractual amendment is accounted for as a new contract. If the two aforementioned conditions are not met and the goods and/or services still to be delivered are separate with respect to what has already been transferred to the customer before the amendment, the change is treated as cancellation of the old contract and introduction of a new contract with prospective effect on revenue; otherwise the amendment is treated as continuation of the original contract with retrospective effect on revenue.

The costs of obtaining contracts with customers are capitalised in accordance with the provisions of IFRS 15 and are amortised over the duration of the relationship with the customer. In order to determine this expected period, reference is made to historical experience with churn rates.

Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically recognised as income over the useful life of the asset to which they refer. The deferred revenue relating to the grants themselves is reflected in the statement of financial position as other liabilities, with appropriate separation between the current portion and the non-current one.

Grants related to income are recognised in profit or loss when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Connection grants invoiced by companies that provide the distribution service as reimbursement of the costs incurred for the connection/meter installation under the terms of IFRS 15 cannot be considered part of the price of the distribution service because there is no transfer of control over the asset. They are therefore deferred and released along the life of the asset of reference in line with what is envisaged for tariff purposes.

Other income

Other income includes all kinds of revenue not included in the previous types and not of a financial nature.

Income is measured at the fair value of the price received or due and is recognised when:

- the amount of revenue can be estimated reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group.

Costs for the purchase of goods and services

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. Costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

Financial income and expense

Financial income and expense are recognised when they accrue on the basis of the interest earned on the net amount of the related financial assets and liabilities using the effective interest rate.

Financial expense directly attributable to the acquisition, construction or production of a plant is capitalised when:

- it is likely that it will result in future economic benefits for the group;
- it can be reliably measured.

Income taxes

Income taxes comprise all the taxes calculated on the Group's taxable income.

Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable.

Deferred tax liabilities are calculated at the tax rates that are expected to apply for the year in which the differences are reversed.

The Group also exercised the option, pursuant to Art. 118 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the tax consolidation parent IREN S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES assets.

Uncertainty of income tax treatment

The definition of uncertainty should consider whether a given tax treatment would be acceptable to the Tax Authority. If it is considered probable that the Tax Authority will accept the tax treatment (the term "probable" being understood as "more likely than not"), then the Group recognises and measures its current or deferred tax assets and liabilities by applying the provisions of IAS 12.

Conversely, if the Group believes that it is not likely that the Tax Authority will accept the tax treatment for income tax purposes, the Group reflects the effect of such uncertainty by using the method that best provides for the resolution of the uncertain tax treatment. The Group decides whether to consider each uncertain tax treatment separately or in conjunction with one or more uncertain tax treatments, choosing the approach that best provides for resolution of the uncertainty. In assessing whether and how uncertainty affects tax treatment, the Group assumes that the Tax Authority does or does not accept uncertain tax treatment on the assumption that the Tax Authority, on audit, will check the amounts it is entitled to examine and that it will be fully aware of all relevant information. The Group reflects the effect of uncertainty in determining current and deferred income taxes, using either the expected value method or the most probable amount method, depending on which method best provides for resolution of the uncertainty. Since uncertain tax positions relate to the definition of income taxes, the Group reports uncertain tax assets/liabilities as current taxes or deferred taxes.

Translation criteria

The functional and presentation currency adopted by the Group is the Euro. When transactions in foreign currency are made, they are initially recognised at the exchange rate in effect on the transaction date. Except for non-current assets, assets and liabilities in foreign currency are recognised at the closing rate and the related exchange rate gains and losses are recognised in profit or loss. Any net gain is allocated to a special reserve unavailable until realisation.

Emission Trading Scheme

The Emission Trading Scheme, which came into force in the European Union on 1 January 2005, is one of the 'flexible mechanisms' permitted under the Kyoto Protocol to reach greenhouse gas emission targets. The target for Italy was a 6.5% reduction in CO2 emissions by 2012 compared with 1990.

Legislative Decree No. 30 of 13 March 2013 transposed Directive 2009/29/EC into Italian law. This directive introduced new rules for trading greenhouse gas emissions and new activities subject to application of the regulations in the 2013-2020 period.

The Group actively participates in the emissions trading scheme to reduce greenhouse gas emissions and contribute to reaching the targets with respect to the national reduction plan.

Emission quotas acquired in the context of activities associated with achieving these targets are accounted for as intangible assets. The quotas are measured initially at fair value, represented by the effective purchase price, and are not amortised. Quotas received free of charge are not recognised.

As regards obligations related to the year, the CO2 emissions made are measured at fair value, represented by the market price at the end of the year and/or by the effective price of quotas already purchased, and are set aside as provisions for charges, used at the moment in which the rights are cancelled.

In the event of sale of emission quotas, together with the decrease in intangible assets, any capital gain/loss deriving from the selling price is recognised.

Any emission quotas held for trading which are still unsold at year end are recognised in the statement of financial position under the item Inventories. These quotas are measured at the lower of cost and market value.

Other energy certificates

Some types of incentives or energy certificates closely related to the activities performed were assigned to the Group. These are strictly connected with the performance of specific activities aimed at energy-saving and at injection into the electricity system of energy produced by renewable sources. In particular, the Group received:

- from the Energy Services Operator ("Gestore dei Servizi Energetici" - GSE) the ex-green certificate incentive, as established by the Ministerial Decree of 6 July 2012, valid for the production of plants that already benefited from green certificates;
- from the Energy Services Operator (GSE), tradable certificates that certify that energy-saving work has been performed (Energy Efficiency Certificates – "EECs"- the so-called "white certificates").

For accounting purposes, these cases are treated as follows:

- the incentive tariff (ex-green certificates) deriving from the annual production of electricity from renewable sources is recognised on the basis of the accruals concept when the right matures;
- white certificates are accounted for in a slightly different way according to whether the entity is obliged or not obliged to return the EECs.

In fact, entities that are obliged to return EECs recognise among other income the grant received related to the obligation for the year and among cost for raw materials the cost of EECs purchased to meet this obligation in the year of accrual. If the EECs purchased exceed the compulsory amount, the cost of the exceeding purchased certificates is discounted;

conversely, if the certificates purchased are not enough to meet obligations, the cost of certificates to be purchased will be allocated to meet the compulsory amount for the year.

Entities not obliged to return the EECs:

- if they operate in trading activities, recognise revenue and costs of the certificates bought and sold and suspend among Inventories any unsold certificates, measured at the weighted average cost and at the lower between cost and market;
- if white certificates mature in the context of energy efficiency and energy saving activities, the related revenue is recognised as it accrues.

Earnings per share

- Earnings per share

Basic earnings per share are calculated based on the profit or loss attributable to ordinary shareholders of the parent. They are calculated by dividing profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

- Diluted earnings per share

Diluted earnings per share are calculated based on the profit or loss attributable to ordinary shareholders of the parent.

For the purposes of calculating diluted earnings per share, the number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares that could be issued on conversion to shares of all potential ordinary shares with dilutive effects. This conversion takes place at the beginning of the year or at the date of issue of the potential ordinary shares.

Standards, amendments and interpretations applied as of 1 January 2021

As of 1 January 2021, the following standards and amendments to standards, issued by the IASB and endorsed by the European Union, are obligatorily applicable:

Interest Rate Benchmark Reform - Phase 2

In August 2020, the IASB published the Interest Rate Benchmark Reform - Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16), endorsed by the European Union with Reg. 2021/25 of 13 January 2021. While Phase 1 focused on the consequences of pre-reform IBOR by providing exceptions to hedge accounting requirements, Phase 2 examines the consequences of contractual changes resulting from the reform by clarifying the proper accounting treatment of the financial instruments involved when interest rate benchmarks are replaced by alternative rate benchmarks.

The amendments mainly concern the following topics:

1) The accounting impacts of a change in the cash flows of a financial instrument resulting from a change in the contractually agreed index. With reference to the changes resulting from the reform of interest rates, the IASB has identified two types of scenarios: a) scenarios in which the reform of interest rates leads to a change in contractual conditions and b) scenarios in which the reform leads to changes in cash flows without requiring changes in contractual conditions. In either case, if the changes are the direct result of the interest rate reform and generate cash flows that are economically equivalent to those expected immediately before the changes resulting from the reform, then the instrument should not be derecognised. In essence, the effective interest rate of the instrument must be changed to reflect these changes, without any impact immediately recognised in profit or loss (IFRS 9 B5.4.5.).
2) The consequences of an index change for hedge accounting. In Phase 2, the IASB introduces additional exceptions to the hedge accounting requirements to ensure that hedging relationships affected by the IBOR reform do not have to be discontinued upon replacement:-
   i) the hedging report must not be interrupted if the change in documentation meets certain conditions (IFRS 9 6.9.1);
   ii) when the hedging relationship is changed to consider the new reference rate, the Hedging reserve recognised under Other comprehensive income is deemed to be calculated based on the alternative reference rate (IFRS 9 6.9.7);
   iii) for the purpose of assessing the retrospective effectiveness of a hedging relationship on a cumulative basis, as soon as the Phase 1 exceptions cease to apply, the cumulative change in the fair value of the hedged item and the hedging instrument can be reset to

zero to prevent the hedging relationship from being terminated due to the accumulated ineffectiveness during Phase 1 (IAS 39 102V);

iv) where the alternative reference rate is designated as a non-contractually specified risk component or the elements have been hedged at portfolio level, specific guidance is provided to manage the transition (IFRS 9 6.9.9-13).

3) Information required in the notes. In order to help all users of financial statements understand the nature and extent of risks arising from the reform and the progress made by entities in completing the transition to alternative reference rates, the following disclosures are required:

- a description of how the entity manages the IBOR transition for the various rates involved and the risks arising from that transition;
- the carrying amount of financial assets and liabilities not linked to derivatives and the nominal value of derivatives that continue to relate to benchmark interest rates subject to reform. These amounts are broken down by reference interest rate and presented separately;
- the impact of the IBOR reform on the entity's risk management strategy.

4) The impact of the IBOR reform on standards other than those relating to financial instruments, in particular IFRS 4 Insurance Contracts and IFRS 16 Leases. With respect to IFRS 16, in the case of leases that include variable payments indexed to benchmark rates that are within the scope of the IBOR reform, the document provides, as a practical expedient, that changes in lease payments resulting from the IBOR reform are accounted for as adjustments to the lease liability, rather than as lease modifications. This exception is strictly limited to changes that are the direct result of the IBOR reform and are economically equivalent to previous assumptions (e.g. the previous reference rate).
The Iren Group's hedging relationships are exposed to the EURIBOR benchmark index. The EURIBOR's calculation methodology was subject to review in 2019 by the European Money Markets Institute (EMMI) in order to meet the requirements of the Benchmarks Regulation (EU) 2016/1011 (BMR): it is therefore assumed that EURIBOR will continue to be used in the immediate future, and the directors believe that the risk associated with the IBOR transition is therefore almost nil and no significant effects are expected in the Group's consolidated financial statements. Iren also continues to monitor developments in the interest rate benchmark reform for determining interest rates and the inclusion of fallback clauses in contracts for financial transactions to guarantee the effectiveness of hedging relationships. It should be noted that the IBOR reform has not, at present, had any impact on the Iren Group's interest rate risk management strategy.

At 31 December 2021, the nominal amount of financial liabilities not linked to derivatives and correlated to the EURIBOR benchmark was 54,309 thousand euro, while the nominal amount of hedging instruments correlated to this index was 488,716 thousand euro.

Amendments to IFRS 16 – Covid-19-Related Rent Concessions. The document, issued by the IASB on 31 March 2021 and endorsed by the European Union through Reg. 2021/1421 dated 30 August 2021, extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting for concessions granted to lessees due to Covid-19.

In practice, lessees who, as a direct result of the Covid-19 pandemic, benefit from concessions, such as reductions, rebates or deferral of rent, may use a practical expedient to assume, without making any assessment, that the reduction or deferral of payments due does not constitute a contractual modification if, without prejudice to the other conditions set forth in paragraph 46B, the reduction concerns payments due on or before 30 June 2022.

The amendment must be applied in annual periods beginning after 1 April 2021, but may be applied to all financial statements, including interim financial statements, not yet approved as of the date of issuance of the document.

To date, the Iren Group has not benefited from discounts or rebates on payments due for leases in relation to the Covid-19 pandemic, therefore the practical expedient in question is not applicable.

Extension of the temporary extension from the application of IFRS 9 (Amendments to IFRS 4). In particular, the amendments to IFRS 4 extend the expiry of the temporary exemption from the application of IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and thus remedy the temporary accounting consequences that could arise in the event that the two standards come into force on different dates.

Standards, amendments and interpretations endorsed but not yet applicable and not adopted in advance by the group

Amendments to IAS 37 – Onerous contracts

The document, issued by the IASB in May 2020 and endorsed by the European Union through Reg. 2021/1080 of 28 June 2021, specifies which costs should be included in the cost of performing a contract in order to identify any onerous contract. In particular, paragraph 68A clarifies that costs necessary to perform the contract include: (a) incremental costs incurred by the entity in performing the contract, such as materials and direct labour; and (b) an allocation of other costs, such as a portion of the depreciation of a facility used to perform the contract on a non-exclusive basis. The amendment must be applied as of 1 January 2022, with respect only to contracts in effect on the date of initial application. An entity shall not restate prior years; the cumulative effect of applying the amendment for the first time shall be recognised in the opening balance of retained earnings (or other equity component if appropriate).

Amendments to IAS 16 - Proceeds before Intended Use.

The document, issued by the IASB in May 2020 and endorsed by the European Union through Reg. 2021/1080 of 28 June 2021, introduces some changes to *IAS 16 - Property, Plant and Equipment* with reference to the accounting for any revenue from the sale of items produced by the entity to "bring the asset to the location and condition necessary for it to operate in the manner intended by management" (e.g. samples produced during the testing of machinery). Such revenue no longer has to be deducted from the cost of property, plant and equipment (the offset is therefore cancelled). Sales revenue and costs of such items shall be recognised in profit or loss in accordance with the standards applicable to them.

If not presented separately in the statement of comprehensive income, an entity shall disclose in the notes to the financial statements the amounts of income and expense to items produced that are not an output of the entity's ordinary activities and specify which lines of the statement of comprehensive income include them.

The amendment is to be applied retrospectively from 1 January 2022, but only with respect to property and equipment that came into use or became available for use after the beginning of the first comparative period presented. The cumulative effect of applying the amendment for the first time shall be recognised in the opening balance of retained earnings (or other equity component if appropriate).

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts, which replaces IFRS 4, issued in 2004. The standard aims to improve investor understanding of insurers' risk exposure, profitability and financial position by requiring that all insurance contracts be accounted for consistently by overcoming the comparison problems created by IFRS 4.

The standard goes into effect on 1 January 2023. However, earlier application is permitted.

Annual Improvements to IFRS Standards 2018-2020

The amendment will be applicable for annual reporting periods beginning 1 January 2022.

The main amendments regard:

- IFRS 1 First-time Adoption of IFRS - Subsidiary as a First-time adopter -A subsidiary that applies the IFRS for the first time after its parent, may apply paragraph D16(a) of IFRS 1 and measure cumulative translation differences using the amounts recognised in the group's consolidated financial statements, which were determined based on the parent's date of transition to IFRS. The above exemption can also be applied by associates and joint ventures that apply IFRS for the first time after their investor.

- IFRS 9 Financial instruments - Fees included in the "10% test" for the purposes of derecognition of financial liabilities - The amendment to IFRS 9 has clarified that the fees to be considered in the above 10% test are only the fees paid or received between the borrower and the lender and the fees paid or received by the borrower or the lender on behalf of the other party.

- Illustrative Examples of IFRS 16 Leases - Lease Incentives - Removed from Illustrative Example 13 accompanying IFRS 16, the accounting treatment in a lessee's financial statements of collection received from the lessor for leasehold improvements, as the conclusion of the example was not supported by an adequate explanation.

- IAS 41 Agriculture - Taxes in Fair Value Measurement

- The IASB Board has clarified that tax-related cash flows need not be excluded in the fair value measurement of biological assets.

Amendment to IFRS 3 - Reference to the Conceptual Framework

The amendment will be applicable for annual reporting periods beginning 1 January 2022.

Amendment to IAS 1 and IAS 8

Regulation (EU) 2022/357 of 2 March 2022 adopts the amendments to IAS 1 and IAS 8 published by the IASB on 12 February 2021. The amendments clarify the differences between accounting policies and accounting estimates, in order to ensure the consistent application of accounting policies and the comparability of financial statements. The amendments shall apply at the latest from the start date of the first financial year starting on or after 1 January 2023. Early application is, however, allowed.

Standards, amendments and interpretations not yet endorsed by the European Union

It should be noted that these documents will only be applicable once they have been approved by the EU.

Document title	Issue date by the IASB	Effective date of the IASB document	Date of expected approval by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Approval process suspended pending new standards on "rate regulated activities"
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of IASB project on the equity method	Endosement method process suspended pending conclusions of IASB project on equity method
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020[1]	January 2020 July 2020	1 January 2023	TBD
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021	1 January 2023	TBD
Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)	December 2021	1 January 2023	TBD

[1] A project is underway by the IASB to modify the requirements of the document published in 2020 and to postpone its entry into force to 1 January 2024. The Exposure Draft was published on 19 November 2021.

As regards the new standards applicable starting from 2022 or subsequent years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.

VI. Group Financial Risk Management

A summary of the risk management and control methods is shown below with respect to financial instruments (liquidity risk, currency risk, interest rate risk, credit risk) and commodity price risk related to fluctuations in the prices of energy commodities.

1. FINANCIAL RISKS

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

a) Liquidity risk

Liquidity risk is the risk that financial resources available to the group will be insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines. The procurement of financial resources has been 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 current and prospective financial position and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the coverage of short-term financial commitments. At the end of the year, short-term bank credit facilities used by the Parent totalled 2 million euro.

Furthermore, having evaluated from time to time the convenience and opportunity in the context of the activities of optimisation of the available financial resources, the Group carries out non-recourse factoring of trade receivables, assets related to energy certificates and tax assets, benefiting from the advance liquidity deriving from them.

In this context, to support the liquidity profile of the Group and the rating level, Iren has medium/long-term credit lines agreed and available but not used for 295 million euro, which are added to current liquid assets.

The table below illustrates the nominal cash flows required to settle financial liabilities:

Financial liabilities at 31 December 2021:

(THOUSANDS OF EURO)

	Carrying amount	Contractual cash flows	within 12 months	1-5 years	Over 5 years
Mortgage loan and bond liabilities*	3,866,528	(4,086,459)	(444,443)	(1,355,691)	(2,286,325)
Hedging of interest rate risk**	46,845	(46,845)	(13,442)	(28,154)	(5,249)
Lease liabilities	38,940	(40,055)	(10,424)	(18,741)	(10,890)

* The carrying amount of "Mortgage loan and bond liabilities" includes both current and non-current portions.

** The carrying amount of "Hedging of interest rate risk" includes the positive and negative fair value of the hedging contracts.

Financial liabilities at 31 December 2020:

(THOUSANDS OF EURO)

	Carrying amount	Contractual cash flows	within 12 months	1-5 years	Over 5 years
Mortgage loan and bond liabilities*	3,935,409	(4,189,236)	(279,261)	(1,743,476)	(2,166,500)
Hedging of interest rate risk**	72,507	(72,507)	(14,382)	(44,950)	(13,175)
Lease liabilities	38,695	(40,318)	(10,929)	(19,255)	(10,134)

* The carrying amount of "Mortgage loan and bond liabilities" includes both current and non-current portions.

** The carrying amount of "Hedging of interest rate risk" includes the positive and negative fair value of the hedging contracts.

Cash flows required to settle remaining financial liabilities, other than those to lenders and those related to the application of IFRS 16 on the subject of leases, shown in the above tables, do not differ significantly from the recognised carrying amount.

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

Details of the activities performed in this area and of the individual transactions are shown in the Financial management section of the Directors' Report.

Financial debt at year-end consisted of 14% in loans and 86% in bonds; it is noted that 64% of the total debt was financed by sustainable funds; 86% of the outstanding debt for loans was at fixed rate and 14% at floating rate.

With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default risk and covenants), it is noted that the clauses in Iren's loan agreements are complied with. Specifically, for certain medium/long-term loan agreements Iren is committed to observing financial covenants (such as Debt/gross operating profit, Gross operating profit/borrowing costs) verified on a yearly basis. Moreover, other covenants have been provided for the Change of Control clause, which states that the Iren Group should be kept under the direct and indirect control of public shareholders. In addition, Negative Pledge clauses exist whereby the company undertakes not to grant collateral beyond a specific limit, and the Pari Passu clause, which reserves an equal treatment for lending banks with respect to the treatment related to other unsecured creditors. The medium/long-term loan agreements of certain companies which contribute to the Group's Net Financial Debt, specifically the Project Finance contract with TRM, envisage compliance with financial covenants, which are complied with.

b) Currency risk

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

c) Interest rate risk

The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of borrowing costs. 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.

For non-speculative purposes, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with financial high credit standing counterparties, for the sole purpose of hedging. At the end of the year, all the contracts entered into meet the requisite of limiting the exposure to the risk of fluctuations in interest rates and they also meet the formal requirements for the application of hedge accounting.

The total fair value of the aforementioned interest rate hedges was a negative 46,845 thousand euro at 31 December 2021.

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 99% of loans against interest rate risk, in line with the Iren Group's target of maintaining adequate protection against significant increases in the interest rate.

For a more complete understanding of the interest rate risks to which the Group is subject, stress testing was performed on the sensitivity of net financial expense and evaluation components in derivative contracts to changes in interest rates. As regards financial expense, this analysis was performed on the basis of reasonable assumptions as follows:

- a theoretical increase and decrease of 100 basis points in the Euribor interest rates over the year was applied to net financial debt;
- if there was any existing hedge, interest rate shock was applied to both the debt position and related hedging derivative with an extremely limited net effect on the income statement;

- the change in interest rates is also applied to any portion of interest expense capitalised in the year.

With regard to hedging derivatives at year end, a 100 basis points theoretical increase and decrease was applied to the forward curve of interest rates used to measure the fair value of the hedges.

The table below illustrates the results of the above sensitivity analysis performed with reference to 31 December 2021.

(THOUSANDS OF EURO)

	increase of 100 bps	decrease of 100 bps
Increase (decrease) in net financial expense	(4,677)	4,661
Increase (decrease) in derivative fair value charges	972	(1,090)
Increase (decrease) in hedging reserve	23,236	(24,873)

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 energy, water and waste management services. The receivables are spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored and, if necessary, covered by repayment plans. The Iren Group's Credit Management units devoted to credit recovery are responsible for this activity.

In carrying on its business, the Group is exposed to the risk that assets may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in assets subject to arrangement procedures or unenforceable. Among other factors, this risk is also affected by the economic and financial situation, which in the second half of 2021, led to a particularly significant increase in prices for end customers of gas, electricity and district heating. To limit exposure to credit risk, a number of tools have been activated. 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. In addition, methods of payment through digital channels are offered to customers.

The credit 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 and with credit insurance for the reseller customer segment.

An interest-bearing guarantee deposit is required for some types of services (water, natural gas, highly- protected 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.

The loss allowances reflect, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and are determined on the basis of the extraction from databases of the amounts making up the receivable and, in general, assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related expected credit losses determined on a prospective basis, taking into due consideration the historical data.

With reference to the emergency caused by Covid-19, and with specific reference to the possible liquidity difficulties of the customer portfolio linked to the measures to combat the pandemic and the regulatory and corporate measures to mitigate the economic and social impact of the crisis, the Group adjusted the loss allowance based on the assessment of expected credit losses.

In this regard, details are provided by financial statements item of the estimate of expected credit losses recognised in the year.

Trade receivables	53,453
Current contract assets	343
Other current assets (sundry assets)	79
Non-current financial assets	1
Total	53,876

Credit risk control is also strengthened by the monitoring and reporting procedures, in order to identify promptly possible countermeasures.

In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data regarding the evolution of the Group companies' trade receivables, in terms of type of customers, status of the contract, business chain and ageing band. The assessment of credit risk is carried out both at the consolidated level and at the level of Business Units and companies. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

There is credit concentration in the transactions between the subsidiaries Iren Smart Solutions and AMIAT and the Municipality of Turin. For further details, see in particular Note "Non-current financial assets" of the Notes to the statement of financial position.

3. ENERGY RISK

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

The Group's policy is oriented to a strategy of active management of the positions to stabilise the margin taking the opportunities offered by the markets; it is implemented by aligning the indexing of commodities purchased and sold, through vertical and horizontal use of the various business chains, and operating on the financial markets.

For this purpose, the Group plans the production of its plants and purchases and sales of energy and natural gas, in relation to both volumes and price formulae. The objective is to achieve sufficient margin stability through a policy of indexed purchases and sales that achieves a high degree of natural hedging, with adequate recourse to futures and spot markets.

In addition to the regular physical contracts, Over the Counter (OTC) commodity derivative contracts (Commodity swaps on TTF, PSV and PUN indices) are in place to hedge the energy portfolio, for a total of 5.4 TWh. As regards activity on the European Energy Exchange - EEX regulated platform, derivative transactions on the PUN are in place for a total net notional amount of 1.3 TWh. The Fair Value of these instruments at 31 December 2021 totalled a positive 117,604 thousand euro.

Recognition of derivatives

Financial derivatives are measured at fair value, determined on the basis of market values or, if unavailable, according to an internal measurement technique.

In order to recognise derivatives, it is necessary to distinguish between transactions that meet all of the IFRS 9 requirements in order to account for them in compliance with the hedge accounting rules and transactions that do not fulfil all of the aforesaid requirements.

Transactions recognised under hedge accounting

These transactions may include:

- fair value hedges: the derivative and the hedged item are recognised at fair value in the statement of financial position and the change in their fair values is recognised directly in profit or loss;
- cash flow hedges: the derivative is recognised at fair value with a balancing entry in a specific equity reserve for the effective portion of the hedge and in profit or loss for the ineffective portion; when the hedged item arises, the amount suspended in equity is reversed to profit or loss.

Classification in the income statement of the ineffective portion and the deferred amount transferred from equity is based on the nature of the underlying instrument; in the case of commodity derivatives, this amount is accounted for in the gross operating profit, while in the case of interest rate risk hedges it is recognised in financial income and expense.

Transactions not recognised under hedge accounting

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

- in the case of commodity derivatives, in the gross operating profit; specifically, the realised portion is recognised to adjust the income or expense to which it refers, while the portion determined from measuring the derivative at the end of the year is classified under other expense or other income;
- in the case of interest rate risk hedges, it is recognised in financial income or expenses

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

Fair value

The following table shows, for each financial asset and liability:

- the carrying amount, including the method of accounting;
- the fair value, including the Level in the relative hierarchy.

In this regard, the various levels were defined as shown below:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: nputs for the asset or liability which are not based on observable market data.

In particular, the fair value of mortgages, level 2, is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense, discounted with reference to the reporting date. This present value is determined by applying the forward interest rate curve at the reporting date.

With regard to bonds, the related fair value derives from the listing on the regulated market of the Irish Stock Exchange (Euronext Dublin) and on the ExtraMOT Pro market of Italian Stock Exchange (Borsa Italiana).

All the Group's hedging instruments have a fair value which can be classified at level 2. This level is measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from the price of the financial instrument, or in any case that do not require a significant adjustment based on data which cannot be observed on the market.

Finally, it should be noted that there have been no transfers between the various levels of the fair value hierarchy and that information on the fair value of financial assets and liabilities not measured at fair value is excluded when their carrying amount is reasonably representative of their fair value.

The following tables do not include assets and liabilities relating to derivatives stipulated on the EEX market (used for fair value hedges), which have a daily adjustment of their fair value on a specific current account: they are not measured in the financial statements as they are already expressed in "higher/lower" cash balances.

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

(THOUSANDS OF EURO)

	Carrying amount				
31.12.2021	Fair value of hedging instruments	Fair Value Through Profit or Loss	Financial assets measured at amortised cost	Other financial liabilities	TOTAL
Financial assets measured at fair value					
Derivative hedging contracts (rate and commodities)	169,451				169,451
Assets for variable portion of transfer price OLT Offshore LNG Toscana		24,725			24,725
Other equity investments		8,469			8,469
Total Financial assets measured at fair value	169,451	33,194	-	-	202,645
Financial assets not measured at fair value					
Trade receivables			1,084,750		1,084,750
Loan assets			310,314		310,314
Sundry assets and other assets*			389,362		389,362
Cash and cash equivalents			606,888		606,888
Total Financial assets not measured at fair value	-	-	2,391,314	-	2,391,314
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)	(70,195)				(70,195)
Put options		(7,263)			(7,263)
Total Financial liabilities measured at fair value	(70,195)	(7,263)	-	-	(77,458)
Financial liabilities not measured at fair value					
Bonds				(3,319,311)	(3,319,311)
Mortgages				(547,217)	(547,217)
Other financial liabilities**				(34,273)	(34,273)
Trade payables				(1,523,705)	(1,523,705)
Sundry liabilities and other liabilities*				(292,514)	(292,514)
Total Financial liabilities not measured at fair value	-	-	-	(5,717,020)	(5,717,020)
TOTAL	99,256	25,931	2,391,314	(5,717,020)	(3,200,519)

* Prepaid expenses and deferred income are excluded

** Lease liabilities recognised in accordance with IFRS 16 are excluded

(THOUSANDS OF EURO)

	Fair Value			
31.12.2021	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value				
Derivative hedging contracts (rate and commodities)		169,451		169,451
Assets for variable portion of transfer price OLT Offshore LNG Toscana			24,725	24,725
Other equity investments				-
Total Financial assets measured at fair value	-	169,451	24,725	194,176
Financial assets not measured at fair value				
Trade receivables				-
Loan assets				-
Sundry assets and other assets (*)				-
Cash and cash equivalents				-
Total Financial assets not measured at fair value	-	-	-	-
Financial liabilities measured at fair value				
Derivative hedging contracts (rate and commodities)		(70,195)		(70,195)
Put options		(7,263)		(7,263)
Total Financial liabilities measured at fair value	-	(77,458)	-	(77,458)
Financial liabilities not measured at fair value				
Bonds	(3,421,160)			(3,421,160)
Mortgages		(552,827)		(552,827)
Other financial liabilities (**)				-
Trade payables				-
Sundry liabilities and other liabilities (*)				-
Total Financial liabilities not measured at fair value	(3,421,160)	(552,827)	-	(3,973,987)
TOTAL	(3,421,160)	(460,834)	24,725	(3,857,269)

The non-current portion of "Financial assets at fair value" includes at Level 3 the asset relating to the variable portion of the sale price of OLT Offshore LNG Toscana, amounting to 24,725 thousand euro at 31 December 2021, the fair value of which is determined on the basis of the application of the price formula provided for in the contract, taking into account the average income of the company relating to its historical financial statements and the discount rates inferred from its financial statements.

In this regard, the reported sensitivity analysis on the fair value of the variable portion of the sale price expresses the variation of such fair value to the increase/decrease of one percentage point of the expected profitability and the discount rate.

(THOUSANDS OF EURO)

	+1%	-1%
Profitability (flows)	985	(951)
Discount Rate	(1,582)	1,711

The fair value level of "Other equity investments" (which refer to companies not listed on regulated markets) is not reported, since the related carrying amount is a reasonable approximation.

(THOUSANDS OF EURO)

	Carrying amount				
31.12.2020	Fair value of hedging instruments	Fair Value Through Profit or Loss	Financial assets measured at amortised cost	Other financial liabilities	TOTAL
Financial assets measured at fair value					
Derivative hedging contracts (rate and commodities)	17,244				17,244
Assets for variable portion of transfer price OLT Offshore LNG Toscana		24,424			24,424
Other equity investments		4,020			4,020
Total Financial assets measured at fair value	17,244	28,444	-	-	45,688
Financial assets not measured at fair value					
Trade receivables			906,333		906,333
Loan assets			228,742		228,742
Sundry assets and other assets*			368,345		368,345
Cash and cash equivalents			890,169		890,169
Total Financial assets not measured at fair value	-	-	2,393,589	-	2,393,589
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)	(73,115)				(73,115)
Put options		(7,191)			(7,191)
Total Financial liabilities measured at fair value	(73,115)	(7,191)	-	-	(80,306)
Financial liabilities not measured at fair value					
Bonds				(3,306,058)	(3,306,058)
Mortgages				(629,351)	(629,351)
Other financial liabilities**				(53,411)	(53,411)
Trade payables				(977,906)	(977,906)
Sundry liabilities and other liabilities*				(346,389)	(346,389)
Total Financial liabilities not measured at fair value	-	-	-	(5,313,115)	(5,313,115)
TOTAL	(55,871)	21,253	2,393,589	(5,313,115)	(2,954,144)

* Prepaid expenses and deferred income are excluded

** Lease liabilities recognised in accordance with IFRS 16 are excluded

(THOUSANDS OF EURO)

	Fair Value			
31.12.2020	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value				
Derivative hedging contracts (rate and commodities)		17,244		17,244
Assets for variable portion of transfer price OLT Offshore LNG Toscana			24,424	24,424
Other equity investments				-
Total Financial assets measured at fair value	-	17,244	24,424	41,668
Financial assets not measured at fair value				
Trade receivables				-
Loan assets				-
Sundry assets and other assets*				-
Cash and cash equivalents				-
Total Financial assets not measured at fair value	-	-	-	-
Financial liabilities measured at fair value				
Derivative hedging contracts (rate and commodities)		(73,115)		(73,115)
Put options		(7,191)		(7,191)
Total Financial liabilities measured at fair value	-	(80,306)	-	(80,306)
Financial liabilities not measured at fair value				
Bonds	(3,527,103)			(3,527,103)
Mortgages		(635,707)		(635,707)
Other financial liabilities**				-
Trade payables				-
Sundry liabilities and other liabilities*				-
Total Financial liabilities not measured at fair value	(3,527,103)	(635,707)	-	(4,162,810)
TOTAL	(3,527,103)	(698,769)	24,424	(4,201,448)

VII. Related party transactions

As indicated in the Directors' Report the information on transactions with related parties is provided below.

Transactions with related-party owner municipalities

The main transactions directly carried out between the Parent's main subsidiaries and the owner municipalities classified as related parties (Municipality of Turin, Municipality of Reggio Emilia, Municipality of Parma, Municipality of Piacenza and Municipality of Genoa) where Iren operates are detailed below.

Through Iren Smart Solutions, the Group operates services awarded by the Municipality of Turin, i.e. public street lighting and traffic light services, management of heating and electrical systems of buildings used as administrative offices or to provide services to the community. The services rendered by Iren Smart Solutions are governed by specific long-term agreements.

In this regard, an onerous current account contract is in place between the City of Turin and Iren Smart Solutions for management of the past-due amounts related to the above activities.

Over the last years, some important work on plant regeneration and energy efficiency has been carried out. This has involved municipal street lighting systems and heating plants in numerous publicly-owned buildings.

The Group, through Iren Mercato, provides to the Municipalities of Reggio Emilia, Parma, Piacenza and Turin commercial supplies of energy vectors, specifically district heating, under the terms and conditions normally applied to all other customers.

Iren Acqua and IRETI provide water services respectively to the Municipality of Genoa and to the Municipalities of Reggio Emilia, Parma and Piacenza, based on supply contracts similar to those signed with all other customers.

Iren Ambiente provides the Municipalities of Reggio Emilia, Parma and Piacenza with urban waste collection and disposal services on the basis of the conditions provided for in the existing agreements.

Again in the context of the sector, for the Municipality of Turin the waste management and snow clearing services, and post-operative management of the "Basse di Stura" landfill site are provided by AMIAT in accordance with the Service Contract in place. In this regard, an onerous current account contract is in place between the City and said AMIAT for management of the past-due amounts related to the above activities.

Transactions with associates

Among the main transactions carried out by the Iren Group with joint ventures and associates, the following are noted:

- a cash pooling credit line provided to Valle Dora Energia;
- sale of electricity and the work related to the integrated water service provided to AMTER;
- sale of electricity to Asti Servizi Pubblici and Mondo Acqua;
- waste collection and disposal services, including special waste, for GAIA, SETA and SEI Toscana, which operate in the collection sector;
- procurement of natural gas from Sinergie Italiane;
- transfer of waste to the landfills of associates ASA S.c.p.a., Barricalla and CSAI, and the related leachate disposal service;
- service as Sole Manager of urban waste by the associate SEI Toscana to the subsidiary TB.

Transactions with other related parties

On the basis of the RPT Procedure, companies controlled, directly or indirectly, by one of the following Municipalities have been identified as related parties: Parma, Piacenza, Reggio Emilia, Turin and Genoa.

Specifically, it is noted that in order to supply the integrated water service in the provinces of Parma, Piacenza, and Reggio Emilia, the company IRETI, against payment of an annual lease, uses the assets of the companies Parma Infrastrutture, Piacenza Infrastrutture, and AGAC Infrastrutture, controlled by the Municipalities involved. In addition, the Group provides waste treatment services to AMIU, a subsidiary of the Municipality of Genoa, and waste disposal services to SMAT, a subsidiary of the Municipality of Turin.

Moreover, Rigenera Materiali (wholly owned by Iren Ambiente), after being entrusted by AMIU Genova, holds the concession for the design, construction, management and operation of the mechanical biological treatment plant of urban waste, with production of SSF, currently under construction in Scarpino.

The remaining transactions with the companies controlled by the above Municipalities are mainly of a commercial nature and regard services provided to all other customers, in particular regarding energy vectors.

Quantitative information on financial transactions with related parties is provided in section "XII. Annexes to the Consolidated Financial Statements", considered an integral part of these notes.

Lastly and as regards the Directors and Statutory Auditors of IREN, with the exception of payment of the fees envisaged for the performance of duties in the management or control bodies of the Parent or of other Group companies, there were no transactions.

Transactions that consist of assigning remunerations and economic benefits, in any form, to members of the management and control bodies of IREN and Key Management Personnel of the IREN Group are also subject to the provisions of the RPT Procedure.

The remuneration of key management (members of the Board of Directors and Executives with Strategic Responsibilities) totals 5,802 thousand euro and refers to fixed remuneration (2,578 thousand euro), remuneration for participation in committees (80 thousand euro), bonuses and other incentives (2,153 thousand euro), non-cash benefits (25 thousand euro) and other remuneration (966 thousand euro).

Disclosure pursuant to Art. 5.8 and 5.9 CONSOB Regulation

In the meeting of 30 April 2021, the RPTC unanimously expressed its favourable opinion with reference to the transaction, qualified as an "immaterial transaction", having as its object the stipulation, between IREN Mercato S.p.A. and the Municipality of Genoa, of a contract of commercial visibility through inclusion as official partner in the event *"The Ocean Race, Genoa Grand Final 2022 -23"*.

In the meeting of 30 July 2021, the RPTC unanimously expressed its favourable opinion with reference to the transaction, qualified as an "immaterial transaction", concerning the signing of a joint and several liability by IRETI/IREN Group and SMAT, as reference shareholders of Acque Potabili in liquidation, in relation to the VAT refund requested by the latter to the Tax Authority.

In the meeting of 21 September 2021, the RPTC unanimously confirmed its favourable opinion with reference to the transaction, qualified as a "material transaction", having as its object the signing of an Agreement for the extension of the Eco-island Collection System as of 2023 with the City of Turin (supplementary to the Service Agreement entered into between AMIAT and the Municipality on 04 December 2013, as in turn amended by the Final Agreement signed in July 2018 between certain companies of the Iren Group, including AMIAT, and the Municipality of Turin for the regulation of transactions between the Parties). In this regard, reference should be made to the updated Information Document made available on the Parent's website.

In the meeting of 22 October 2021, the RPTC unanimously expressed its favourable opinion with reference to the transaction, qualified as an "immaterial transaction", concerning the signing of (i) the "Corporate Services" service contract between IREN and TRM and (ii) the "Environment and Technical Supervision Services" service contract between Iren Ambiente and TRM.

We can note that, during 2021, the RPTC also received periodic information on the status of performance of some transactions previously examined, including (i) the transaction, classified as a material transaction, regarding the signing of an Agreement between the Municipality of Turin, as one party, and Iren, as principal of its subsidiaries AMIAT, Iren Energia (which was replaced by Iren Smart Solutions) and Iren Mercato, as the other party, to govern the transactions in place among the parties – an operation on which the RPTC had expressed a favourable opinion and for which please see the Information Document published on 29 March 2018 and the supplementary Information Document published on 9 July 2018, both documents available on the website www.gruppoiren.it; (ii) the transaction, qualified as a material transaction, relating to the presentation of the Project Financing "EfficienTO", having as its object the energy efficiency upgrading of the properties of the City of Turin and related management, by Iren Smart Solutions S.p.A. and on which the Committee had expressed a positive opinion in the meeting of 20 March 2020.

With reference to this last transaction, in particular, the Committee was periodically informed during the various phases following the declaration, by the Administration, of the proposed Project Financing as being of public interest, pursuant to art. 183, paragraph 15 of Legislative Decree no. 50/2016; lastly, the Committee has re-initiated the preliminary investigation of competence, again pursuant to art. 10 of the RPT Procedure, with reference to the participation phase, by Iren Smart Solutions, in the tender phase, consequent to the above declaration of public interest, in order to verify the permanence of the interest in carrying out the same, as well as the profiles of economic convenience and substantial correctness of the same. At its meeting on 08 November 2021, the Committee therefore confirmed its favourable opinion, pursuant to article 10, paragraph 1, letter (d) of the RPT Procedure, regarding the transaction.

Below is also a summary of the activities carried out, during the 2021 financial year, by the Remuneration and Appointments Committee in the exercise of the functions assigned pursuant to the RPT Procedure in force at the time.

At the meeting held on 27 May 2021, the Remuneration and Appointments Committee expressed its favourable opinion on the terms of the agreement for the consensual termination of the relationship between Mr. Massimiliano Bianco and the Parent, according to which Mr. Bianco relinquished, with effect from 29 May 2021, the positions of Director, CEO and

General Manager, as well as all powers and proxies granted to him.

During the meeting held on 29 May 2021, the Remuneration and Appointments Committee expressed its favourable opinion on the economic-contractual conditions of the fixed-term executive employment relationship between Iren S.p.A. and Gianni Vittorio Armani, co-opted on the same date by the Board of Directors as a new Director to replace Massimiliano Bianco, who resigned, and appointed as CEO and General Manager of the Parent.

At the meeting held on 04 August 2021, the Remuneration and Appointments Committee expressed a favourable opinion on the proposal of the Chief Executive Officer and General Manager concerning the economic aspects relating to the employment of the new person to hold the position of Chief Financial Officer of the IREN Group (a person who, by virtue of this role, has joined the list of key management personnel of the IREN Group).

Finally, at its meeting of 10 December 2021, the Remuneration and Appointments Committee expressed a favourable opinion regarding the proposal, received from the Chief Executive Officer and General Manager, for the establishment of an agreement for the termination of the executive employment relationship between the Parent and a memberof the Group's key management personnel. In detail, following the Committee's investigation, a report on conciliation with the trade unions, pursuant to article 2113, paragraph 4, of the Italian Civil Code and articles 410 and 411, paragraph 3, of the Code of Civil Procedure, was signed by the parties, based on those already used to terminate the employment of other managers to whom the early retirement scheme (i.e. "iso-pensione") was applied.

VIII. Significant events after the reporting date

Acquisition of photovoltaic systems

On 16 February 2022, the Group finalised the acquisition from European Energy S/A, a Danish company active in the development and management of wind and photovoltaic plants, of 100% of Puglia Holding S.r.l., holder of five Special Purpose Vehicles (SPV) holding the authorisations for the construction and management of the photovoltaic parks of ASI Troia, in the localities of San Vincenzo and Montevergine (Province of Foggia) and the complex of Palo del Colle (Province of Bari).

The acquired plants were built between 2019 and early 2022 and have an installed capacity of 121.5 MW, making them the largest photovoltaic park built in Italy to date. The acquired business has an enterprise value of 166 million euro.

The carrying amount of net assets acquired refers to production plants and related land for a total of 100 milion euro, net tax assets of 12 million euro, financial liabilities of 140 million euro and cash equivalents of 7 million euro.

Together with the Puglia Holding transaction, Iren Energia entered into a commercial agreement relating to the European Energy plants under development for a total installed capacity of 437.5 MW in four sites located in Lazio, Sicily and Apulia. The agreement provides for the possibility of exercising rights to invest in such assets over a period of exclusivity and at various stages of development.

Financing to support investments for the development of district heating in Turin

Continuing the cooperation in the field of environmental sustainability started in 2020, on 25 March 2022, the Council of Europe Development Bank (CEB) and Iren S.p.A. signed a Public Finance Facility (PFF) loan for 80 million euro to support the investments for the development of the district heating network in the metropolitan area of Turin, provided for in the Business Plan.

The investments financed are aimed at saturating and extending district heating to new areas by connecting new users and improving the operational efficiency and flexibility of the network.

Russia-Ukraine conflict

On 24 February 2022, the Russian President Vladimir Putin announced the beginning of a full-scale land, sea and air military operation targeting Ukrainian military assets and cities across the country. It was the consequence of the intensification of a state of crisis began by the end of 2021, when Russian troops moved to the Russia-Ukraine borders and diplomatic negotiations between Russia and NATO countries failed. This marked the beginning of hostilities between the two countries' armed forces. As a result, several states and supranational organisations decried Russian doings and supported Ukrainian forces. In particular, the United Nations General Assembly and the European Council, based on international law, passed on a resolution condemning Russian military actions and demanding that Russia immediately cease its use of force in Ukraine. At the same time, the European Commission has implemented several emergency aid programmes, including financial support and interventions aimed at mitigating the humanitarian crisis caused by the conflict in Ukraine. There are ongoing negotiations between the parties involved whose goal is to identify the most appropriate diplomatic solutions on international peace, security, and stability.

The European Union and other countries (the United States, Great Britain, Australia, Japan and Switzerland among others) have tightened and extended the packages of sanctions on Russia which, although with different terms and effectiveness, aim at both hitting the Russian economy strategic and financial sectors and imposing targeted restrictions on the President and other figures constituting Russia's industrial, defensive and political base. These sanctions have had a direct impact on the exchange rate of the Russian currency (the ruble has sharply depreciated against the euro and the US dollar), on local interest rates (increased to 20% by the Russian Central Bank) and on the share price of companies listed on the Moscow Stock Exchange (with a significant sign of decline recorded in March).

In this context, the Italian government is defining measures addressing the exceptional instability of the national natural gas system resulting from the conflict in Ukraine. These measures include actions to soar gas availability, the reduction of consumption and actions aimed at filling gas storage for the 2022-2023 thermal year. Considering the actual energy sector scenario, Iren has activated a task force to carefully monitor the situation and evolution of the impact that the international crisis has on its businesses, even though the Group is not present in Russia and Ukraine. The focus is on the supply of raw materials and services, in terms of their economic and financial outcomes that could be eventually arising from the shortage of raw materials coming from areas involved in the conflict and, lastly, by the generalised increase in commodity prices considering that that the gas supplied by Russia covers 40% of national needs. In this context, the increase in commodity prices leads to greater quantitative exposure and greater risk in the event of late payments in both gas and electricity retail sectors.

The Group implements direct risk reduction actions by leveraging on:

- The purchase of gas from the main Italian operators, thus excluding the risk of application of non-supply contractual clauses as a result of geopolitical events
- Hedging policies, which ensure that margins are kept under control
- Measures to protect the group from cyber-attacks, in particular trading and dispatching platforms.

In a constantly evolving scenario, characterised by regulatory uncertainty in addition to high and volatile prices regardless of the Ukrainian crisis, the Iren Group continues to monitor macroeconomic and business variables to promptly have potential impacts best estimates on regulatory changes, suppliers and contracts applicable to the Group.

Legislative measures to fight the increase in commodity prices

For the purpose of financing measures to contain the increase in energy prices, the Italian Government is introducing some extraordinary levies on companies in the energy sector including, in particular, those listed below:

- From art. 37 of Legislative Decree no. 21 of 21 March 2022 ("Energy Decree"), which aims to tax the extra profits made by companies in the energy sector as a result of the increase in raw material costs. The Iren Group is currently assessing the possible impacts of this measure on its profitability, which are assumed to be limited according to initial estimates.
- From art. 15-bis of Law no. 25 of 28 March 2022 (conversion of Legislative Decree no. 4 of 27 January 2022 - "Sostegni-ter Decree"), which provides for a contribution on extra profits on non-incentivised renewable energy production. The effect of these measures on the Group's profits for 2022 is estimated to be a reduction of around 15 million euro.

IX. Other information

Consob communication no. Dem/6064293 of 28 july 2006

Significant non-recurring events and transactions

In 2021, the Iren Group benefited from the option on the realignment of carrying amounts and tax bases pursuant to art. 110 of Decree Law no. 104 of 14 August 2020 ("Decree no. 104/20"), as amended, which, in paragraphs 8 and 8-bis, grants IFRS-adopters and OIC-adopters the possibility of opting for the realignment of the (lower) tax bases to the (higher) carrying amounts of certain property, plant and equipment and intangible assets (paragraph 8), as well as goodwill and other intangible assets (paragraph 8-bis). Application of the regulation contained in Decree no. 104/20 resulted in the recognition of net tax income of 32,371 thousand euro in the first half of 2021. Further details are provided in note 45 "Income taxes".

Positions or transactions deriving from atypical and/or unusual transactions

It is noted that during 2021 the Group did not engage in any atypical and/or unusual transactions, as defined in the Communication. Atypical and/or unusual transactions are transactions which owing to their significance/materiality, nature of the counterparties, subject of the transaction, the method by which the sales price is calculated and the timescale of the event (nearness to reporting date) may give rise to doubts with regard to the correctness/completeness of the information given in the financial statements, conflict of interest and safeguarding of the Parent's equity or protection of non-controlling investors.

Disclosure on public disbursements

With reference to what is provided for on the subject of transparency in the system of public disbursements pursuant to article 35 of Decree Law no. 34/2019 ("Decreto Crescita") we can specify what follows:

- the National State Aid Registry includes aid, in favour of Iren Group companies, which must be disclosed. For the related details please see the aforementioned Register, under the terms of article 35, paragraph 125-quinquies;
- under the terms of article 35, paragraphs 125 and 125-bis the disclosure does not consider grants, subsidies, advantages, contributions or aid, in cash or in kind, of a general character and with the nature of consideration, remuneration or compensation such as the amounts deriving from former green certificates, white certificates, all-inclusive tariff, energy account and in general all incentives connected with consideration for supplies and services rendered;
- during 2021 grants were received that fall under the relevant legislation; these are listed in the table presented in paragraph "XIV. Annexes to the Consolidated Financial Statements", with the exclusion of those less than 10 thousand euro per disbursing Body.

X. Information on the statement of financial position

Unless otherwise stated, the tables below are in thousands of euro.

Assets

NON-CURRENT ASSETS

NOTE 1 PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, including right-of-use assets, divided between historical cost, accumulated depreciation and carrying amount, is shown in the table below:

(THOUSANDS OF EURO)

	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021	Cost as at 31/12/2020	Accumulated depreciation as at 31/12/2020	Carrying amount as at 31/12/2020
Land	147,651	(7,150)	140,501	142,404	(6,259)	136,145
Buildings	817,303	(316,619)	500,684	798,082	(287,835)	510,247
Plant and machinery	5,749,894	(3,011,238)	2,738,656	5,573,896	(2,816,233)	2,757,663
Industrial and commercial equipment	175,220	(128,755)	46,465	165,011	(122,502)	42,509
Other assets	330,823	(217,194)	113,629	303,708	(193,593)	110,115
Assets under construction and payments on account	397,651	-	397,651	242,279	-	242,279
Total	7,618,542	(3,680,956)	3,937,586	7,225,380	(3,426,422)	3,798,958

The variation in the historical cost of property, plant and equipment, including right-of-use assets, is as follows:

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	Impairment losses	Changes in consolidation scope	Reclassi-fications	31/12/2021
Land	142,404	3,658	(1,305)	-	13	2,881	147,651
Buildings	798,081	12,185	(832)	-	734	7,135	817,303
Plant and machinery	5,573,896	158,759	(35,985)	(24,302)	34,895	42,631	5,749,894
Industrial and commercial equipment	165,011	13,455	(3,644)	-	180	218	175,220
Other assets	303,708	34,903	(8,702)	-	335	579	330,823
Assets under construction and payments on account	242,279	205,244	(239)	-	155	(49,788)	397,651
Total	7,225,379	428,204	(50,707)	(24,302)	36,312	3,656	7,618,542

La movimentazione del fondo ammortamento delle attività materiali, comprensive dei diritti d'uso, è esposta nella tabella seguente:

(THOUSANDS OF EURO)

	31/12/2020	Depreciation for the year	Decreases	Changes in consolidation scope	Reclassi-fications	31/12/2021
Land	(6,259)	(761)	95	(3)	(222)	(7,150)
Buildings	(287,835)	(28,160)	717	(544)	(797)	(316,619)
Plant and machinery	(2,816,233)	(212,669)	35,575	(16,694)	(1,217)	(3,011,238)
Industrial and commercial equipment	(122,502)	(9,050)	3,045	(95)	(153)	(128,755)
Other assets	(193,593)	(31,619)	8,450	(151)	(281)	(217,194)
Total	(3,426,422)	(282,259)	47,882	(17,487)	(2,670)	(3,680,956)

"Changes in consolidation scope" refers to the balances acquired during the year relating to the companies Futura, Nove and Iren Energy Solutions (formerly Bosch Energy and Building Solutions Italy).

The balance of the "reclassifications" column refers mainly to net transfers from intangible assets to property, plant and equipment of items that do not fall within the scope of application of IFRIC 12.

Land and buildings

This item primarily includes industrial buildings connected with Group plants and related land.

Plant and machinery

This item refers to costs for electricity production plants, heat production plants, electricity distribution networks, gas distribution networks, heat distribution networks and plants related to waste disposal services not operated under concessions as per IFRIC 12. Freely transferable assets are included in the assets of electricity production plants.

The depreciation of the item "Plant and machinery" is due to the Waste-to-Energy plant in Scarlino (Grosseto). Pending the authorisation to proceed, the interruption of the normal operations of the plant led to a recoverable amount of the assets being measured at nill.

Industrial and commercial equipment

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

Other assets

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

Assets under construction and payments on account

Assets under construction include all expenses incurred for investments in progress and not yet in operation.

Increases

The increases in the year of 428,204 thousand euro refer mainly to:

- investments in thermoelectric and hydroelectric plants of 115,320 thousand euro;
- development of the district-heating network and new connections to the network, including heat exchange substations, meters and remote reading appliances, for 48,693 thousand euro;
- investments in the electricity distribution grids, including primary substations, of 54,695 thousand euro;
- investments in the gas networks not in a concession arrangement in accordance with the provisions of IFRIC 12 of 13,325 thousand euro;
- investments for collection and disposal in the waste management sector for 132,539 thousand euro.

Depreciation

Ordinary depreciation for 2021, totalling 282,259 thousand euro, was calculated on the basis of the rates previously indicated in paragraph "IV. Accounting policies" and considered representative of the residual useful life of the assets.

Finally, no assets are pledged against liabilities.

Right-of-use assets - IFRS 16

IFRS 16 provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months unless the underlying asset is of low value. The contracts in which the Iren Group plays the role of lessee refer mainly to property leases and long-term hires of cars and other motor vehicles.

The breakdown of right-of-use assets, divided between historical cost, accumulated depreciation and carrying amount, is as follows:

(THOUSANDS OF EURO)

	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021	Cost as at 31/12/2020	Accumulated depreciation as at 31/12/2020	Carrying amount as at 31/12/2020
Land	9,380	(1,680)	7,700	6,253	(1,037)	5,216
Buildings	29,177	(7,659)	21,518	27,252	(5,352)	21,900
Plant and machinery	1,816	(223)	1,593	783	(170)	613
Industrial and commercial equipment	731	(567)	164	812	(401)	411
Other assets	17,677	(8,789)	8,888	20,558	(7,448)	13,110
Total	58,781	(18,918)	39,863	55,658	(14,408)	41,250

The variation in the historical cost of right-of-use assets, is as follows:

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	Changes in consolidation scope	Other changes	31/12/2021
Land	6,253	3,569	(442)	-	-	9,380
Buildings	27,252	5,263	(1,016)	659	(2,981)	29,177
Plant and machinery	783	1,287	-	-	(254)	1,816
Industrial and commercial equipment	812	-	(59)	-	(22)	731
Other assets	20,558	2,407	(2,669)	55	(2,674)	17,677
Total	55,658	12,526	(4,186)	714	(5,931)	58,781

The change in the accumulated depreciation of right-of-use assets is as follows:

(THOUSANDS OF EURO)

	31/12/2020	Depreciation for the year	Decreases	Changes in consolidation scope	Other changes	31/12/2021
Land	(1,037)	(739)	96	-	-	(1,680)
Buildings	(5,352)	(3,412)	686	(513)	932	(7,659)
Plant and machinery	(170)	(179)	-	-	126	(223)
Industrial and commercial equipment	(401)	(235)	59	-	10	(567)
Other assets	(7,448)	(5,773)	2,495	-	1,937	(8,789)
Total	(14,408)	(10,338)	3,336	(513)	3,005	(18,918)

Finally, it should be noted that the net amount of 2,926 thousand euro, reported under "Other changes" in the context of right-of-use assets, refers to assets acquired during the year 2021 and that were previously the subject of lease contracts.

NOTE 2 INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

(THOUSANDS OF EURO)

	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021	Cost as at 31/12/2020	Accumulated depreciation as at 31/12/2020	Carrying amount as at 31/12/2020
Land	645	-	645	709	(6)	703
Buildings	3,972	(2,161)	1,811	4,172	(2,111)	2,061
Total	4,617	(2,161)	2,456	4,881	(2,117)	2,764

This item consists mainly of properties whose fair value is not lower than their carrying amount.

NOTE 3 INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The breakdown of intangible assets, divided between historical cost, accumulated amortisation and carrying amount is as follows:

(THOUSANDS OF EURO)

	Cost as at 31/12/2021	Accumulated amortisation as at 31/12/2021	Carrying amount as at 31/12/2021	Cost as at 31/12/2020	Accumulated amortisation as at 31/12/2020	Carrying amount as at 31/12/2020
Development expenditure	13,816	(6,416)	7,400	8,880	(3,948)	4,932
Industrial patents and intellectual property rights	225,748	(141,624)	84,124	190,040	(108,954)	81,086
Concessions, licences, trademarks and similar rights	3,399,490	(1,373,803)	2,025,687	3,151,375	(1,260,294)	1,891,081
Other intangible assets	574,439	(234,831)	339,608	436,183	(181,119)	255,064
Assets under development and payments on account	190,045	-	190,045	159,483	-	159,483
Total	4,403,538	(1,756,674)	2,646,864	3,945,961	(1,554,315)	2,391,646

The change in the historical cost of intangible assets is as follows:

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	Impairment losses	Changes in consolidation scope	Reclassifi-cations	31/12/2021
Development expenditure	8,880	1,699	-	-	-	3,237	13,816
Industrial patents and intellectual property rights	190,040	30,970	(81)	-	52	4,767	225,748
Concessions, licences, trademarks and similar rights	3,151,375	167,171	(10,377)	(127)	46,595	43,918	3,399,490
Other intangible assets	436,183	219,614	(82,506)	(1,280)	2,311	117	574,439
Assets under development and payments on account	159,483	86,711	(734)	(188)	468	(55,695)	190,045
Total	3,945,961	506,165	(93,698)	(1,595)	49,426	(3,656)	4,403,538

Changes in the accumulated amortisation of intangible assets are shown in the following table:

(THOUSANDS OF EURO)

	31/12/2020	Amortisation for the year	Decreases	Changes in consolidation scope	Reclassifi-cations	31/12/2021
Accumulated amortisation of development expenditure	(3,948)	(2,446)	-	-	(22)	(6,416)
Accumulated amortisation of ind. patents and intellectual property rights	(108,954)	(32,620)	33	(43)	(40)	(141,624)
Accumulated amortisation of licences, trademarks and similar rights	(1,260,294)	(106,941)	7,919	(16,984)	2,497	(1,373,803)
Accumulated amortisation of other intangible assets	(181,119)	(53,562)	45	(430)	235	(234,831)
Total	(1,554,315)	(195,569)	7,997	(17,457)	2,670	(1,756,674)

"Changes in consolidation scope" refers to the balances acquired during the year relating to the companies Futura, Nove and Iren Energy Solutions (formerly Bosch Energy and Building Solutions Italy).

The balance of the "reclassifications" column refers mainly to net transfers from intangible assets to property, plant and equipment of items that do not fall within the scope of application of IFRIC 12.

The increases in the item "other intangible assets" refer mainly to the purchases of emission quotas (emission trading) and the capitalisation of costs for commercial development of customers, while the decreases refer to the cancellation of the emission allowances.

The carrying amount of other intangible assets at the end of the year includes 100,142 thousand euro in assets recognised in relation to costs incurred for the commercial development of customers.

Industrial patents and intellectual property rights

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

Concessions, licences, trademarks and similar rights

This item consists mainly of:

- assets recognised in application of IFRIC 12, related to natural gas distribution, the Integrated Water Service, district heating and waste treatment and disposal;
- the right of use of pipeline networks by virtue of the concessions granted by the Municipality of Genoa and other neighbouring municipalities;
- the right of use of penstocks, not owned, of hydroelectric plants;
- concessions for the operation and management of photovoltaic systems.

Other intangible assets

This item consists mainly of:

- rights to use telecommunication infrastructure owned by third parties;
- emission allowances held for internal needs;
- costs for the commercial development of customers;
- valuation of the customer list made for the purchase price allocation for the acquisition of control over Atena Trading, Salerno Energia Vendite, Studio Alfa and Spezia Energy Trading;
- the development of the environmental authorisations for the operation of the biodigester and recovery plants on the purchase price allocation for the acquisition of control of Ferrania Ecologia, Territorio e Risorse, I Blu, Manduriambiente and TB.

During the year, the useful life of the costs for the commercial development of customers and customer lists have been revised to better reflect the abandonment rate of acquired customers following the acquisitions of Atena Trading and Salerno Energia Vendite. The new estimate resulted in higher amortisation of 6,150 thousand of euro.

Assets under development and payments on account

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

NOTE 4 GOODWILL

Goodwill, of 208,089 thousand euro (169,255 thousand euro at 31 December 2020), during 2021 showed an increase of 38,834 thousand euro following the acquisitions (business combinations) carried out by the Group during the year and detailed below.

(THOUSANDS OF EURO)

Goodwill as at 31.12.2020		169,255
Acquisition Futura	Final accounting	4,115
Acquisition Sidiren	Provisional accounting	32,883
Acquisition Iren Energy Solutions	Provisional accounting	1,259
Acquisition Lab 231 and SAS	Provisional accounting	577
Goodwill as at 31.12.2021		208,089

During 2021, the fair value of the identifiable assets acquired and liabilities assumed relating to the business combinations carried out by the Group during 2020 was definitively determined, which concerned the business unit known as “SEI Energia” which includes the district heating network in the municipalities of Rivoli and Collegno and 49% of the company NOVE, the company I.Blu, the company Nord Ovest Servizi and the companies operating in the waste management segment acquired from Unieco. The amounts provisionally accounted for in the 2020 financial statements have been restated. Reference should be made to Section IV Business combinations for more details.

Goodwill is considered an intangible asset with an indefinite useful life and, therefore, is not amortised, but is tested for impairment at least once a year to verify the recoverability of its carrying amount. Since goodwill does not generate independent cash flows and cannot be sold on its own, the impairment test on the goodwill recognised in the financial statements is carried out referring to the Cash Generating Unit to which the same can be allocated. At the Group level the Cash Generating Units coincide with the individual Business Units described in the introduction to these notes. They are based on the Group's management structure and internal reporting system.

This method allows for a more effective disclosure of goodwill and future investment plans and supplies a homogeneous analysis of information communicated to the market.

The table below shows the allocation of goodwill to the Cash Generating Units.

(THOUSANDS OF EURO)

	31/12/2021
Waste Management	24,020
Energy	8,590
Market	65,343
Networks	110,136
Total	208,089

The impairment test at 31 December 2021 was carried out in methodological continuity with that adopted at 31 December 2020.

The impairment test consists of verifying that the carrying amount of an asset recognised in the financial statements is not more than the recoverable amount of the said asset.

The recoverable amount of an asset is the higher between fair value, less costs to sell, and the value in use.

The fair value is defined as the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, less costs to sell.

The value in use is the present value of the estimate of future outgoing and incoming cash flows that will derive from continuous use of the asset and from its final disposal. To measure the value in use, assessments were made by using pre-tax operating cash flows, which derive from the economic and financial projections based on the medium-term Business Plan approved by the Iren Board of Directors on 11 November 2021, with an explicit horizon up to 2026, as well as the pre-tax terminal value, calculated using the perpetual yield method, if applicable, based on going concern assumptions for all businesses. The investments contained in the economic flows of the plan include investments for maintaining the plants and infrastructures, in keeping with the going concern assumption. The average of the perpetual yield and net invested capital was used as the control method. This is based on the reasonable assumption that, if the business is discontinued, the recovery value will be at least equal to the value of the net invested capital.

The discount rate, defined starting from the pre-tax weighted average cost of capital (WACC), is calculated specifically for each CGU and is included in the 4.10%-7.10% range, according to the related business unit.

The table below shows the goodwill attributed to the single Cash Generating Units, specifying for each of them the discount rate (WACC) used.

	Value as at 31/12/2021	WACC 2021
Waste Management	24,020	5.80%
Energy	8,590	6.00%
Market	65,343	7.10%
Networks	110,136	4.10% - 5.00%[1]
Total	208,089	

[1] Range between 4.10% and 5.00% according to whether they are Electricity Networks, Gas Networks or Water Networks

The recoverable amount of the goodwill attributed to the Cash Generating Units was determined making reference to the value in use of the same.

In general, and prudentially, the "g" growth rate was used to calculate the terminal value equal to zero at real values. In the event of standalone plans used at nominal values, the "g" growth rate used was equal to programmed inflation (1.3%).

Waste Management Cash Generating Unit

Goodwill, of 24,020 thousand euro refers mainly to the:

- acquisition of control over Futura in March 2021 (4,115 thousand euro);
- acquisition of control of the companies operating in the waste management segment acquired from Unieco in November 2020 (9,385 thousand euro);
- acquisition of control over Ferrania Ecologia s.r.l. in July 2019 (7,048 thousand euro).
- acquisition of control over a business unit from SMC S.p.A. consisting of a 48.85% stake in the share capital of Società Ecologica Territorio Ambiente (SETA) S.p.A. and the activities of closure and post-closure management of the Chivasso 0 landfill site in October 2018 (894 thousand euro);
- acquisition of control of ACAM Ambiente (ACAM group) in April 2018 (2,572 thousand euro).

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Waste Management Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

Energy Cash Generating Unit

Goodwill, of 8,590 thousand euro refers mainly to the:

- acquisition of control in December 2021 of Bosch Energy and Building Solutions Italy (now Iren Energy Solutions), operating in the energy efficiency sector, specifically in the design, construction and management of integrated heating, air conditioning and cogeneration systems (1,259 thousand euro);
- acquisition of control in May 2020 of a business unit called "SEI Energia" which includes the district heating network in the municipalities of Rivoli and Collegno, and 49% of the company NOVE which manages the district heating network in the municipality of Grugliasco (2,068 thousand euro);
- acquisition of control over Iren Rinnovabili in 2017 following the expiry of the governance agreements entered into with the other shareholder CCPL S.p.A. which made Iren Rinnovabili a joint venture. The goodwill of 3,544 thousand euro was recognised as the difference between the fair value of the price paid for acquisition of control and the fair value of the identifiable assets acquired and the identifiable liabilities assumed at the acquisition;
- the Heat Service Management business unit transferred in 2017 from the Market Cash Generating Unit to the Energy Cash Generating Unit (948 thousand euro).

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Energy Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

Market Cash Generating Unit

Goodwill, of 65,343 thousand euro refers mainly to the:

- acquisition of control over Sidiren in July 2021 (32,883 thousand euro);
- acquisition of control of Spezia Energy Trading s.r.l. in September 2018 (2,694 thousand euro).
- acquisition in 2012 of the business unit from ERG Power & Gas related to the marketing and sale of electricity for an amount of 3,401 thousand euro;
- the equity interest in Enìa Energia (now merged into Iren Mercato), acquired from Sat Finanziaria S.p.A. and Edison in 2008, for an amount of 16,761 thousand euro;
- business unit acquired from ENEL in 2000 and referred to electricity users of the city of Parma, for an amount of 7,421 thousand euro;

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Market Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

Networks Cash Generating Unit

Goodwill, of 110,136 thousand euro refers mainly to the:

- acquisition of control of Busseto Servizi in January 2019 (1,638 thousand euro);
- acquisition of control over ACAM Acque (ACAM group) in April 2018 (15,442 thousand euro);
- acquisition of control of Acqua Italia S.p.A in 2005 (now Iren Acqua S.p.A.), where the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill of 23,202 thousand euro;
- acquisition in 2000 from ENEL of the business unit related to the distribution and sale of electrical energy to non-eligible customers in the Municipality of Turin, in which the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill for 64,608 thousand euro;
- business unit acquired from ENEL in 2000 and referred to electricity users of the city of Parma, for an amount of 3,023 thousand euro;

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Networks Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

In the light of the considerations presented above the recoverable amount is higher than the carrying amount of the net invested capital for all the Cash Generating Units, therefore no impairment losses were recognised. In the years previous to the year ended 31 December 2021, goodwill was fully impaired for a total of 9,636 thousand of euro. The recoverable amount is particularly sensitive to changes in the pre-tax weighted average cost of capital (WACC) and the definition of the Terminal Value. The definition of these two variables follows a prudential approach in terms of construction logic and absolute value. Appropriate stress tests were therefore performed on the sensitivity of the recoverable amount as the two variables deteriorate, without any significant problems emerging. The table below shows the pre-tax weighted average cost of capital (WACC) that would make the value in use equal to the carrying amount of each Cash Generating Unit.

Waste Management	10.50%
Energy	9.50%
Market	17.00%
Networks	9.70%

Moreover, the Group has developed a sensitivity scenario, which takes into account specific relevant risks (market risks, technological changes, natural events) not otherwise assessed in the base scenario (Business Plan). The future cash flows for each CGU were then adjusted for the negative impact of adverse events identified in the Group Risk Map. These analyses did not reveal any critical issues with regard to the recoverable amount of the Group's goodwill, intangible assets and property, plant and equipment.

In light of the current market volatility and uncertainty about future economic prospects, the group believes it appropriate to point out that regulated businesses are subject to specific industry regulations governing their profitability; therefore, these businesses have more stable and predictable profitability even during market turbulence periods.

Tthe results of the aforementioned procedures were the subject of specific approval by the Board of Directors of Iren S.p.A., prior to approval of the draft financial statements, as recommended in the rules issued by CONSOB, the Bank of Italy and IVASS.

NOTE 5 EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments are investments in companies in which the Group has joint control or exercises a significant influence. Measurement at equity is carried out on the basis of the latest available financial statements (consolidated if prepared) of the investees.

The list of Group companies measured using the equity method at 31 December 2021 is attached.

Changes for the year are shown in the following tables.

EQUITY INVESTMENTS IN JOINT VENTURES (THOUSANDS OF EURO)

	31/12/2020	Increases (Decreases)	Changes in consoli-dation scope	Change in profit or loss	Change in Equity	Dividend distribution	31/12/2021
Acque Potabili	9,907	-	-	(1,795)	(97)	-	8,015
TOTAL	9,907	-	-	(1,795)	(97)	-	8,015

As of 31 May 2021, the company Acque Potabili was put into liquidation.

EQUITY INVESTMENTS IN ASSOCIATES (THOUSANDS OF EURO)

	31/12/2020	Increases (Decreases)	Changes in consoli-dation scope	Change in profit or loss	Change in Equity	Dividend distribution	31/12/2021
A2A Alfa	-	-	-	-	-	-	-
Acos	12,388	-	-	1,534	-	(164)	13,758
Acos Energia	902	-	-	434	82	(250)	1,168
Acquaenna	3,854	-	-	405	18	-	4,277
Aguas de San Pedro	11,711	-	-	3,689	752	(276)	15,876
Aiga	-	-	-	-	-	-	-
Amat	-	-	-	-	-	-	-
Amter	1,014	-	-	194	-	(131)	1,077
Asa	37,030	-	-	2,817	1	-	39,848
Asa scpa	1,197	-	-	-	-	-	1,197
Astea	23,318	-	-	2,685	-	(277)	25,726
Asti Servizi Pubblici	17,086	-	-	917	-	(451)	17,552
Barricalla	15,318	-	-	842	-	(1,190)	14,970
BI Energia	813	-	-	(435)	-	-	378
Centro Corsi	-	25	-	-	-	-	25
CSA	609	-	-	(13)	-	-	596
CSAI	3,234	-	-	240	-	-	3,474
Fingas	-	-	-	-	-	-	-
Fratello Sole Energie Solidali	297	-	-	(41)	-	-	256
Futura	4,805	-	(4,840)	35	-	-	-
G.A.I.A.	14,746	-	-	84	-	-	14,830

	31/12/2020	Increases (Decreases)	Changes in consolidation scope	Change in profit or loss	Change in Equity	Dividend distribution	31/12/2021
Global Service	6	-	-	-	-	-	6
Iniziative Ambientali	473	-	-	14	-	-	487
Mondo Acqua	665	-	-	80	-	-	745
Nove	2,300	-	(4,677)	2,377	-	-	-
Rimateria	1,396	-	-	(1,396)	-	-	-
SEI Toscana	20,992	(2,761)	-	(3,336)	(576)	-	14,319
SETA	11,157	-	-	1,756	-	(454)	12,459
Siena Ambiente	19,842	-	-	(330)	-	-	19,512
Sinergie Italiane	-	-	-	-	-	-	-
STU Reggiane	5,405	-	-	(170)	-	-	5,235
Tirana Acque	-	-	-	-	-	-	-
Valle Dora Energia	1,148	-	-	527	-	(122)	1,553
TOTAL	211,706	(2,736)	(9,517)	12,909	277	(3,315)	209,324

The decreases in the equity investment in Sei Toscana refer to the sale of 4.685% of the shares, which therefore decreased from 35.64% at 31 December 2020 to 30.955% at 31 December 2021.

For the subsidiaries Futura and Nove, the change in the consolidation scope relates to the acquisition of control and the consequent consolidation of the companies.

With reference to the associate Rimateria, the Court of Livorno declared the company bankrupt on 14 June 2021 and, therefore, the equity investment was fully impaired. In addition, the liability previously recognised for the variable portion of the purchase price of the company's shares (earn-out) was cancelled as the condition for payment was not met.

The amounts related to the column Change in Equity are due mainly to the exchange difference (Aguas de San Pedro) and to changes in the hedging reserves and in those connected to actuarial gains (losses) on employee benefits.

NOTE 6 OTHER EQUITY INVESTMENTS

This item relates to equity investments in companies over which the Group has neither control, nor joint control, nor significant influence. These equity investments are measured at fair value but, as the most recent information available for measuring the fair value is insufficient and the cost represents the best estimate of the fair value, they are recognised at cost.

The list of other Group equity investments at 31 December 2021 is attached in the annex.

The breakdown of this item is as follows:

(THOUSANDS OF EURO)

	31/12/2020	Increases	(Decreases)	31/12/2021
AISA Impianti	992	-	-	992
Autostrade Centro Padane	1,248	-	-	1,248
CIDIU Servizi	-	2,655	-	2,655
Enerbrain	-	1,554	-	1,554
Environment Park	1,243	-	-	1,243
Others	537	254	(14)	777
TOTAL	4,020	4,463	(14)	8,469

NOTE 7 NON-CURRENT CONTRACT ASSETS

Non-current contract assets, net of the related loss allowance, total 77,262 thousand euro (82,230 thousand euro at 31 December 2020) and refer to:

- assets of the integrated water service for tariff adjustments and for lower volumes supplied than the operator's guaranteed revenue; the current tariff method provides generally (unless the fee growth limit is reached) for their recovery through fees after two years (55,226 thousand euroat 31 December 2021, 61,800 thousand euro at 31 December 2020);
- assets of the electricity transmission, distribution, and metering services deriving from the rules issued in AEEGSI Resolution no. 654/2015 on the subject of tariff regulation for the period 2016-2023 which entailed the recognition of revenue from electricity transport and of the related amounts due (17,805 thousand euro at 31 December 2021, 15,975 thousand euro as at 31 December 2020) which will be recovered starting from 2023 until 2030.
- waste management service assets for tariff adjustments relating to activities already carried out that may be invoiced more than twelve months after the reporting date (4,230 thousand euro at 31 December 2021, 6,973 thousand euro as at 31 December 2020).

NOTE 8 NON-CURRENT TRADE RECEIVABLES

Receivables, which are affected by the effect of discounting, amounted to 20,824 thousand euro (20,412 thousand euro at 31 December 2020) and mainly refer to receivables from the Municipality of Turin for the waste management service and the technological renewal and efficiency upgrading of the heating systems at some municipal buildings (18,753 thousand euro at 31 December 2021, 13,273 thousand euro at 31 December 2020). For more information on the overall position of the Iren Group in relation to the Municipality of Turin please see Note 9 "Non-current financial assets".

NOTE 9 NON-CURRENT FINANCIAL ASSETS

The item of 131,766 thousand euro (173,736 thousand euro as at 31 December 2020) mainly consists of loan assets and derivatives with positive fair value. These are detailed in the following table.

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Non-current loan assets with associates	37,467	34,620
Non-current loan assets with ownerss	34,801	94,074
Non-current loan assets with others	32,676	19,794
Fair value of derivatives – non-current portion	2,024	800
Securities other than equity investments	73	24
Other financial assets	24,725	24,424
Total	131,766	173,736

Non-current loan assets with associates

They refer mainly to amounts due from Valle Dora Energia (22,562 thousand euro), Sinergie Italiane (2,909 thousand euro), Acos (5,417 thousand euro), Acquaenna (3,832 thousand euro) and SEI Toscana (2,688 thousand euro). Also present is an amount due from the associate AIGA of 817 thousand euro which was fully impaired.

Non-current loan assets with owners

Amounting to 34,801 thousand euro (94,074 thousand euro as at 31 December 2020), these refer to amounts due from the Municipality of Turin, and relate to:

- the non-current portion of the amount related to the current account which governs transactions between the subsidiaries AMIAT, Iren Smart Solutions, and the Municipality of Turin (2,904 thousand euro); Current account contracts last until 31 December 2036 and accrued interest is calculated on the basis of the effective average costs incurred by the Group for its financial exposure.
- application of the financial asset model provided for in IFRIC 12 to the energy efficiency project ("Turin LED") associated with the Public Lighting service performed under concession by Iren Smart Solutions S.p.A. in the city of Turin, for the non-current portion (31,898 thousand euro). Recognition of the discounted financial asset is a result of the vesting of the current unconditional right to receive the contractually-agreed cash flows, which coincided with completion of the installation of the related LED devices.

The accounting treatment of the aforementioned current account agreement determines a reduction of trade receivables presented in the statement of cash flows as a generation of operating cash flows, and a corresponding increase in loan assets, presented as a cash absorption in cash flows from financing activities.

These assets form part of an overall position, totalling 145,447 thousand euro, and are divided among various accounting items according to their classification by type and due date: Non-current trade receivables (Note 8), Non-current financial assets (this Note 9), Trade receivables (Note 14) and Current financial assets (Note 17), as shown in the table presented below.

The directors have classified financial assets as current and non-current on the basis of a forecast of their collection times also considering the outcomeof the agreement signed by the Municipality of Turin and the Iren Group in 2018.

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Non-current trade receivables	18,753	13,273
Invoices issued for services	71,748	63,214
Invoices to be issued for services	6,923	8,150
Supply of heating and other	5,830	1,948
Loss allowance	(176)	(69)
Total current trade receivables	84,325	73,243
Non-current portion of current account assets	2,904	65,419
Non-current portion of service concession financial assets	31,898	28,655
Total non-current financial assets	34,802	94,074
Current portion of current account assets	1,223	1,223
Current portion of accrued interest income	3,364	2,855
Current portion of service concession financial assets	2,980	1,246
Total current financial assets	7,567	5,324
Total	145,447	185,914

Non-current financial assets with others

Non-current financial assets with others include the non-current portion of:

- assets for finance leases relating to air conditioning systems;
- the asset arising from the sale of the business unit related to the management of the integrated water service of two municipalities of the Veronese ATO Basin in 2019;
- assets arising from the application of the financial asset model provided for by IFRIC 12 to the energy efficiency project connected with the Public Lighting service provided under concession in various cities, including Vercelli, Biella and Fidenza.

Fair value of derivatives – non-current portion

The fair value of derivatives refers to instruments in the portfolio for hedging the risk of changes in rates.

Securities other than equity investments

These amounted to 73 thousand euro (24 thousand euro as at 31 December 2020) and relate to securities given as collateral and measured at amortised cost.

Other financial assets

The item amounted to 24,725 thousand euro and is represented by the variable portion of the sale price of the investment in OLT Offshore LNG Toscana and the related loan. These assets are measured at fair value and any changes are recognised in profit or loss.

NOTE 10 OTHER NON-CURRENT ASSETS

These are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Guarantee deposits	3,954	11,042
Tax assets after 12 months	23,243	47,475
Other non-current assets	6,696	5,508
Non-current accrued income and prepaid expenses	3,274	2,645
Total	37,167	66,670

The decrease in guarantee deposits refers to the reimbursement of the amounts paid by Iren Mercato to the investee Sinergie Italiane in relation to the end of the natural gas supply contract signed by the parties.

Tax assets after 12 months refer mainly to deductions on work done in order to improve the energy efficiency of buildings (ecobonus) and to VAT assets for which claims for refundhave been made.

Non-current assets resulting from activites carried out to improve the energy efficiency in buildings (known as ecobonus) will be used by the Group to offset the taxes due to the next five years.

Prepaid expenses mainly include the non-current portion of prepaid costs for energy service contracts of the subsidiary Iren Smart Solutions S.p.A.

NOTE 11 DEFERRED TAX ASSETS

They amounted to 427,572 thousand euro (372,768 thousand euro as at 31 December 2020) and refer to deferred tax assets arising from costs that will be deductible in future years. They also include the tax effect of adjustments for the adoption of the IFRS.

For further details please see the note to the income statement, “Income taxes” (Note 42) and the attached table.

CURRENT ASSETS

NOTE 12 INVENTORIES

Inventories, measured at weighted average cost, primarily comprise natural gas and consumables intended for maintenance and construction of the Group plants.

The table below summarises the amounts of the item in the years in question:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Raw materials	119,001	70,990
Provision for inventory write-down	(7,189)	(5,348)
Total	111,812	65,642

The change in raw materials for the year essentially reflects increases in gas stocks.

The provision for inventory write-down was set up and used to cover inventories that are technically obsolete and slow-moving.

At 31 December 2021 no inventories were pledged against liabilities.

NOTE 13 CURRENT CONTRACT ASSETS

Current contract assets, net of the loss allowance for a total of 205 thousand of euro, amounted to 46,391 thousand euro (3,175 thousand euro as at 31 December 2020) and mainly refer to activities carried out in order to improve the energy efficiency of the buildings worked on and to activities carried out for the Municipality of Turin.

NOTE 14 TRADE RECEIVABLES

These are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Trade receivables from customers	1,179,250	1,001,669
Trade receivables from joint ventures	114	142
Trade receivables from associates	16,712	20,554
Trade receivables from owners	103,434	92,141
Trade receivables from other related parties	3,928	3,503
Total gross trade receivables	1,303,438	1,118,009
Loss allowance	(239,512)	(232,088)
Total	1,063,926	885,921

At 31 December 2021 factoring transactions were completed with derecognition of the trade receivables for a total of 77,718 thousand euro (40,094 thousand euro as at 31 December 2020).

Trade receivables, gross of the loss allowance, are broken down by due date as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Not yet due	900,585	750,002
0 to 3 months past due	131,850	125,508
3 to 12 months past due	108,359	99,293
More than 12 months past due	162,644	143,206
Total	1,303,438	1,118,009

Trade receivables not yet due include invoices to be issued of 545,866 thousand euro (473,131 thousand euro at 31 December 2020) which include the estimate of revenue earned for services supplied between the date of the last reading of effective consumption and the year-end date.

Trade receivables from customers

These mainly relate to amounts due for electricity, gas, water and heat supplies, waste management services and sundry services.

Trade receivables from joint ventures

This item includes amounts due from the Group's joint ventures, consolidated using the equity method. These relate to normal trade transactions performed at arm's length. For further details, please see the table of related-party transactions shown in the annex.

Trade receivables from owners

Trade receivables from owners refer to trade transactions performed at arm's length with territorial authorities classified as related parties (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and, marginally, with the company FSU. For further details, please see the table of related party transactions shown in the annex.

Trade receivables from other related parties

These regard amounts due from the companies controlled by the territorial authorities that are owners (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and refer to normal trade transactions carried out at arm's length.

Loss allowance

This changed as follows:

(THOUSANDS OF EURO)

	31/12/2020	Impairment losses for the year	Uses	31/12/2021
Loss allowance	232,088	57,332	(40,753)	239,512

The impairment losses for the year were recognised to adjust the amount of the loss allowance to the expected credit losses determined on the basis of the simplified model provided for in IFRS 9, where "loss" means the present value of all cash shortfalls, considering forward-looking information.

NOTE 15 CURRENT TAX ASSETS

These amounted to 7,114 thousand euro (9,622 thousand euro as at 31 December 2020) and include amounts due from the tax authority for IRES and IRAP.

NOTE 16 SUNDRY ASSETS AND OTHER CURRENT ASSETS

These are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Government land tax/UTIF	3,537	26,041
VAT assets	46,692	84,622
Other tax assets	160,581	24,133
Tax assets within 12 months	210,810	134,796
Cassa Servizi Energetici e Ambientali (CSEA)	39,927	77,258
Green certificates	31,109	33,997
Advances to suppliers	14,260	11,468
Other current assets	59,363	46,731
Other current assets	144,659	169,454
Accrued income and prepaid expenses	29,592	12,832
Total	385,061	317,082

As at 30 June 2021 factoring transactions of the VAT asset with derecognition were completed for a total of 12,151 thousand euro (93,484 thousand euro as at 31 December 2020). As at 31 December 2020, there were also factoring transactions of the asset for energy efficiency certificates with derecognition totalling 27,912 thousand euro.

The decrease in tax assets for government land tax is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.

Other tax assets include 147,140 thousand euro for deductions on work carried out to improve the energy efficiency of buildings (ecobonus). Beginning in 2021, these assets are recognised under current assets, as the business model calls for the financial asset to be realised through financial intermediaries' transfers.

The companies that take part in the VAT Group for 2021, not including the Parent Iren S.p.A., are as follows: Iren Energia S.p.A., IRETI S.p.A., Iren Mercato S.p.A., Iren Ambiente S.p.A. (and the merged companies Sereco S.P.A., Gheo S.A. S.r.l., AMA S.p.A., Montequerce S.c.r.l.), AMIAT S.p.A, Iren Smart Solutions S.p.A., Iren Acqua Tigullio S.p.A., Iren Acqua S.p.A. Iren Laboratori S.p.A., Bonifica Autocisterne S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., ACAM Ambiente S.p.A., ACAM Acque S.p.A., ReCos S.p.A., Alfa Solutions S.p.A., TRM S.p.A., San Germano S.p.A., Maira S.p.A., Formaira S.p.A., Territorio e Risorse S.r.l. and Rigenera Materiali S.r.l.

With regard to amounts due from the Cassa Servizi Energetici e Ambientali (CSEA), a portion of the amounts shown may not be collectable within the next 12 months; their reduction is due to the lower tariff contributions recognised against the reduction in the obligations for Energy Efficiency Certificates (White Certificates) in 2020, which electricity and natural gas distributors are required to meet, introduced by the Decree of the Ministry of Ecological Transition of 21 May 2021.

NOTE 17 CURRENT FINANCIAL ASSETS

These are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Loan assets with associates	2,786	3,614
Loan assets with owners	7,567	5,324
Loan assets with others	194,945	71,292
Current portion of derivative financial instruments	167,426	16,444
Total	372,724	96,674

All loan assets recognised in this item are due within 12 months. The carrying amount of these loan assets approximates their fair value as the impact of discounting is negligible.

Loan assets with associates

This item refers mainly to loans to Acquaenna (343 thousand euro), BI Energia (786 thousand euro), STU Reggiane (455 thousand euro) and interest from Valle Dora Energia (164 thousand euro). The remainder regards dividends to be received.

For further details please see the schedule of related party transactions shown in the annex.

Loan assets with owners

These regard amounts due from the Municipality of Turin, on which interest accrues in favour of the Group, and amounted to 7,568 thousand euro (5,324 thousand euro as at 31 December 2020), and are related to relationships between the subsidiaries AMIAT S.p.A. and Iren Smart Solutions and the Municipality of Turin.

For details of the overall position of the Iren Group with the Municipality of Turin please see Note 8

"Non-current financial assets".

Loan assets with others

Most of the amount refers to deposits paid as security for transactions on commodities futures markets (103,595 thousand euro), bank certificates of deposit (30,000 thousand euro) and restricted current accounts of the subsidiary, TRM S.p.A., deriving from the loan agreement that provides for the linking of amounts to service the instalment due, environmental compensation charges and extraordinary maintenance of the waste-to-energy plant (35,977 thousand euro). The remaining balance consists of assets arising from the implementation of the financial asset model provided by IFRIC 12 for the water purification service acquired in the Marche region, the asset for the price adjustment for the acquisition of control of San Germano and CMT, accrued income and deferred charges of a financial nature and finance lease assets.

Current portion of derivative financial instruments

These relate to the positive fair value of derivative contracts on commodities.

NOTE 18 CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents is made up as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Bank and postal deposits	606,787	889,870
Cash and similar on hand	101	299
Total	606,888	890,169

Cash and cash equivalents consist of available bank and postal deposits. The Group does not hold cash equivalents, intended as short-term and highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

NOTE 19 ASSETS HELD FOR SALE

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. They amounted to 1,144 thousand euro (1,285 thousand euro as at 31 December 2020). This item relates:

- for 987 thousand euro (unchanged from 31 December 2020), the net assets related to the concessions of the integrated water service of four municipalities of the province of Alessandria and two municipalities of Valle d'Aosta for which the takeover of the new operator is being defined;
- for 158 thousand euro (unchanged compared to 31 December 2020), to the associate Piana Ambiente.

In addition, assets held for sale include the equity investment in Fata Morgana, already fully impaired in previous years.

As at 31 December 2020, the investment in the associate Plurigas (140 thousand euro), whose liquidation process ended during the first half of 2021, was shown under this item.

Liabilities

NOTE 20 EQUITY

Equity may be analysed as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Share capital	1,300,931	1,300,931
Reserves and Retained Earnings	966,512	847,800
Profit for the year	303,088	239,172
Total equity attributable to the owners of the parent	2,570,531	2,387,903
Capital and reserves attributable to non-controlling interests	349,747	346,731
Profit attributable to non-controlling interests	30,382	30,113
Total consolidated equity	2,950,660	2,764,747

Share capital

The share capital, unchanged compared to 31 December 2020 amounts to 1,300,931,377 euro, which is fully paid-up and comprises 1,300,931,377 ordinary shares with a nominal value of 1 euro each.

On 29 April 2020, the Shareholders authorised the Board of Directors to repurchase treasury shares for eighteen months for a maximum of 65,000,000 shares, equal to 5% of the share capital, in accordance with the applicable regulations. A 31 December 2021, 17,855,645 shares were repurchased for a total price of 38,690 thousand euro recognised as a reduction of equity in the item "Reserves and Retained Earnings".

Reserves and Retained Earnings

The breakdown of this item is as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Treasury shares	(38,691)	(34,648)
Share premium reserve	133,019	133,019
Legal reserve	87,216	76,713
Hedging reserve	(14,465)	(19,501)
Other reserves and retained earnings	799,432	692,217
Total reserves	966,512	847,800

Hedging reserve

Changes in the fair value of effective hedging derivatives are recognised with a corresponding balancing item directly in equity under the hedging reserve. These contracts were entered into to hedge exposure to the risk of interest rate fluctuations on floating rate loans and to the risk of price changes in electricity and gas purchase contracts.

Other reserves and retained earnings

These comprise mainly the goodwill arising on the merger of AMGA into AEM Torino and the subsequent merger of Enìa into Iride, from retained earnings and losses carried forward, and the actuarial reserve, for actuarial gains and losses resulting from the measurement of post-employment benefits.

During 2021 they changed owing mainly to the carrying forward of the profit for 2020 (106,777 thousand euro).

Dividends

At their Ordinary Meeting held on 6 May 2021, the shareholders of Iren S.p.A. approved the Parent's separate financial statements at 31 December 2020 and the Directors' Report, and resolved to distribute a dividend of 0.095 euro per ordinary share, confirming the proposal made by the Board of Directors. At the ex-dividend date, the number of outstanding shares was 1,283,075,732 and, consequently, the total amount of dividends distributed was 121,892,194.54 euro.

For further details, reference should be made to the statement of changes in equity.

CAPITAL MANAGEMENT

The capital management policies of the Board of Directors involve maintaining a high level of capital to uphold relations of trust with investors, creditors, and the market, and also allowing future business development.

The Board of Directors monitors the return on capital and the level of dividends for distribution to shareholders and aims to maintain a balance between achieving extra yield by recourse to indebtedness and the benefits and security offered by a solid equity position.

NON-CURRENT LIABILITIES

NOTE 21 NON-CURRENT FINANCIAL LIABILITIES

The item amounted to a total of 3,549,612 thousand euro (3,829,543 thousand euro as at 31 December 2020).

Bonds

These amounted to 2,960,176 thousand euro due after 12 months (3,124,430 thousand euro as at 31 December 2020). The item entirely refers to the Parent's Public Bond issues, accounted for at amortised cost, against a total nominal amount outstanding at 31 December 2021 of 3,000,000 thousand euro (3,159,634 thousand at 31 December 2020). The details of Public Bonds with maturity after 12 months are as follows:

- Bonds maturing November 2024, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 497,405 thousand euro);
- Green Bonds maturing October 2027, coupon 1.5%, amount 500 million euro, all outstanding (amount at amortised cost 493,918 thousand euro);
- Green Bonds maturing September 2025, coupon 1.95%, amount 500 million euro, all outstanding (amount at amortised cost 496,434 thousand euro);
- Green Bonds maturing October 2029, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 495,726 thousand euro);
- Bonds maturing July 2030, coupon 1%, amount 500 million euro, all outstanding (amount at amortised cost 490,741 thousand euro);
- Green Bonds maturing January 2031, coupon 0.25%, amount 500 million euro, including TAP issue of October 2021, all outstanding (amount at amortised cost 485,952 thousand euro).

The bonds were subscribed by Italian and foreign institutional investors, are listed on the Irish Stock Exchange and were assigned a Fitch and S&P rating.

The change in the total carrying amount compared to 31 December 2020 is due to the reclassification to short term of the Bonds maturing in November 2022 (amount outstanding at 31 December 2021 equal to 359,634 thousand euro, amount at amortised cost 359,135 thousand euro), to the issue in October 2021 of the TAP Green Bonds maturing in January 2031, coupon 0.25%, amounting to 200 million euro and to the allocation of the relevant financial expense, calculated on the basis of the amortised cost method.

Non-current bank loans

Non-current loans relate exclusively to the non-current portion of loans/credit lines due after 12 months granted by banks, and amounted to 504,677 thousand euro (580,201 thousand euro as at 31 December 2020). Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and by maturity date (related to the portion after 12 months), as shown in the table below:

(THOUSANDS OF EURO)

	fixed rate	floating rate	TOTAL
min/max rate	4.095% - 5.151%	0.000% - 0.296%	
maturity	2023-2028	2023-2036	
1.1.2023 – 31.12.2023	1,019	48,918	49,937
1.1.2024 – 31.12.2024	1,076	60,388	61,464
1.1.2025 – 31.12.2025	1,136	60,176	61,312
1.1.2026 – 31.12.2026	1,201	58,810	60,011
Subsequent	2,606	269,347	271,953
Total after 12 months as at 31/12/2021	7,038	497,639	504,677
Total after 12 months as at 31/12/2020	20,192	560,009	580,201

All loans are denominated in euro.

The changes in non-current loans during the year are summarised as follows:

(THOUSANDS OF EURO)

	31/12/2020					31/12/2021
	Totalafter 12 months	Increases	Changes in consolidation scope	Decreases	Change in amortised cost	Total after 12 months
- fixed rate	20,192	-	3,120	(16,274)	-	7,038
- floating-rate	560,009	5,000	21,206	(89,045)	470	497,639
TOTAL	580,201	5,000	24,326	**(105,319)**	470	504,677

Total non-current loans at 31 December 2021 decreased overall compared to 31 December 2020, as a combined result of:

- a loan of 5,000 thousand euro from CEB (Council of Europe Development Bank) to the Parent, in relation to the investment programme in the integrated water service infrastructure in the Parma and Genoa areas;
- an increase of 24,326 thousand euro in non-current loans held by companies that entered the consolidation scope of the Group in 2021;
- a decrease of 105,319 thousand euro for the voluntary early repayment of the Parent's loans and the aforementioned loans acquired in the consolidation scope, for Liability Management activities, and for the classification of the portions of loans falling due within the next 12 months as current;
- an increase of 470 thousand euro due to recognition of the loans at amortised cost.

Other financial liabilities

These amount to 84,759 thousand euro (124,912 thousand euro as at 31 December 2020) and refer to:

- for 48,869 thousand euro (72,547 thousand euro as at 31 December 2020) at fair value of derivative contracts entered into to hedge the exposure to the risk of fluctuations in interest rates of loans at floating rate (for the comment, see the "Group financial risk management" paragraph);

- for 611 thousand euro (2,013 thousand euro as at 31 December 2020) to financial liabilities with associates;
- for 29,820 thousand euro (28,890 thousand euro as at 31 December 2020) to lease liabilities;
- for 3,236 thousand euro (3,165 thousand euro as at 31 December 2020) to "Put option for non-controlling interests", relating to the fair value measurement of the put options granted to non-controlling interests on their shares. This item refers to the option to sell the non-controlling interest in Nord Ovest Servizi S.p.A., equal to 25% of the share capital, held partly by SMAT and partly by GTT.
- for 2,223 thousand euro (18,297 thousand euro at 31 December 2020) to minor loans from others, the most significant amounts of which regard loans granted to certain consolidated companies, but in which the Group does not hold 100% of the shares, by the non-controlling investor.

The decrease is largely due to the early repayment in 2021 of liabilities previously recognised for equity instruments issued and interest due totalling 14,863 thousand euro.

NOTE 22 EMPLOYEE BENEFITS

Changes in this item in 2021 were as follows:

(THOUSANDS OF EURO)

	31/12/2020	Changes in consolidation scope	Disbursements during the year	Obligations vested during the year	31/12/2021
Post-employment benefits	96,042	832	(8,733)	790	92,081
Additional salary payments (seniority bonus)	2,677	-	(436)	85	4,168
Loyalty bonus	2,988	-	(197)	94	2,807
Tariff discounts	5,141	-	(282)	-	4,362
Premungas fund	2,179	-	(451)	-	2,183
Total	109,027	832	(10,099)	969	105,601

"Changes in consolidation scope" mainly refers to the balances acquired during the year relating to the companies Futura and Bosch Energy and Building Solutions Italy S.r.l. (now Iren Energy Solutions).

The tariff discounts include benefits related to the supply of natural gas for domestic use. Following the signing of specific agreements with the trade unions, the "Energy discount" awarded up to 30 September 2017 to employees in service was converted into other forms of employee benefits. The "Energy discount" awarded up to 30 September 2017 to retired employees was revoked unilaterally and replaced with lump sums included in provisions for former employee benefits.

Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries. The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accrual basis in line with the service necessary to obtain benefits.

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

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

- relevant market;
- the measurement date;
- expected average term of the liabilities.

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

The economic and financial assumptions adopted in the calculations are as follows:

Annual discount rate	-0.17% - 0.98%
Annual inflation rate	1.75%
Annual rate of increase of post-employment benefits	2.813%

Pursuant to IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the subsequent year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the table below.

	Change in liabilities according to changes in discount rate		Service cost 2022	Duration of the plan	Disbursements 2022
	+0.25%	-0.25%			
Post-employment benefits	(1,751)	1,810	770	9.1	6,056
Additional salary payments	(94)	97	131	10.5	101
Loyalty bonus	(41)	44	97	8.5	192
Tariff discounts	(112)	108	-	10.4	240
Premungas	(28)	29	-	5.7	306

The method used to estimate sensitivity was unchanged compared to the previous year.

NOTE 23 PROVISIONS FOR RISKS AND CHARGES

The item amounted to 422,989 thousand euro (409,091 thousand euro as at 31 December 2020). These are detailed in the following table, and refer both to the current and non-current portions:

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	gains (losses)	Changes in consolidation scope	31/12/2021	Non-current portion
Provision for restoration of third-party assets	165,460	7,666	-	868	-	173,994	173,994
"Post-closure" provisions	72,342	8,972	(7,531)	4,672	-	78,455	69,299
Provision for dismantling and reclaiming sites	43,871	2,846	(176)	3,507	-	50,048	50,002
Provision for early retirement	15,045	713	(5,733)	-	-	10,025	3,115
Provision for risks on equity investments	6,565	-	(6,500)	-	-	65	-
ETS cancellation obligation	82,527	143,864	(82,527)	-	-	143,864	-
Other provisions for risks and charges	179,253	34,461	(36,092)	-	1,417	179,039	126,579
Total	565,063	198,522	(138,559)	9,047	1,417	635,490	422,989

If the effect of discounting the value of money is significant, the provisions are discounted using a pre-tax discount rate which, on the basis of the time period envisaged for the future cash flows, does not exceed 2.22%.

"Changes in consolidation scope" mainly refers to the balances acquired during the year relating to the companies Futura and Bosch Energy and Building Solutions Italy.

Provision for restoration of third-party assets

This provision refers to liabilities which, if the water service concessions for the Parma, Piacenza and Reggio Emilia ATOs are reassigned to third parties, will be deducted from the fee to be paid to the Group by the incoming operator. These liabilities are estimated according to the depreciation of the pool of assets and equipment relating to the aforementioned integrated water cycle which, as a result of the spin-offs completed in 2005 by the three companies AGAC, Tesa and AMPS (later merged into Enìa), were transferred to the financial statements of three full publicly-held companies as envisaged in Art. 113 paragraph 13 of T.U.E.L. This pool of assets is used to perform the water service against the payment of a rental fee and with a contractual commitment to set aside the aforementioned provisions.

"Post-closure" provisions

These are mainly provisions for future expense for environmental remediation of controlled landfill plants which also include costs for post-operating management until the sites involved have been completely converted into green areas. These provisions are supported by specific appraisals periodically updated in order to adjust the existing provisions to the estimate of the future costs to be incurred. The decreases refer in particular to the utilisation of the provision to cover costs incurred in the post-operating phase until the mineralisation of waste and the conversion of landfills into "green areas" are completed.

Provision for dismantling and reclaiming sites

The "Provision for dismantling and reclaiming sites" represents the estimate of expense associated with the future dismantling of the Group's waste-to-energy plants and the estimate of charges to be incurred in relation to the future reclamation of former AMNU in Parma on which an incinerator was located.

Provision for early retirement

The provision refers to expenses associated with early retirement of some employees and arises from the results of agreements between the Iren Group and the Trade Unions that provide for early retirement incentives for some employees, on a voluntary basis among the Group's personnel who are potentially involved. The transaction should be seen in the wider context of professional and demographic rebalancing of the Iren Group's personnel, in view of a plan to recruit young individuals.

The incentive, completely chargeable to the Iren Group (in application of Art. 4 of Law no. 92/2012), will enable the personnel who meet the legal requisites to retire ahead of the date of eligibility, making up in part for the delay in retirement created by the social security reform.

The provision represents the estimated payment to the employees involved in the Plan, through the social security institution, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules ("early retirement") with payment of the contribution to the social security institution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law no. 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.

During 2019, in order to continue in the programme for professional and demographic rebalancing of the personnel and following agreements with the Trade Unions, the Group set aside provisions for retirement incentives on a voluntary basis for employees interested and with the requisites introduced by Decree Law no. 4/2019 containing the so-called "quota 100". Article 14 of the aforementioned Decree Law no. 4/2019 introduces starting from 2019 the possibility of retiring once workers meet the requirements of reaching 62 years of age and 38 years of contributions by 31 December 2021.

Provision for risks on equity investments

The provision for risks on equity investments was set up to cover the potential charges deriving from the liquidation of the investee Sinergie Italiane S.r.l.; during 2021, the liquidators resolved the last element of uncertainty pending on the company, proceeding with the sale of the onerous contract with the supplier TAG, the entity managing the Austrian methane gas transportation network. This contract was acquired from the quotaholders, including Iren Mercato, and the transaction provided for the simultaneous recognition to the purchasers of a monetary amount equal to the estimated total cost of the contract. In order to enable this transaction to be carried out, the quotaholders themselves first had to provide a non-interest-bearing quotaholder loan: the existing provision for risks on equity investments of 6,500 thousand euro was therefore used to adjust the financial asset and reflect the risk of partial non-recoverability of the same.

ETS cancellation obligation

This item refers to obligations related to carbon dioxide emission rights under the Emission Trading Scheme. The changes relate to estimated obligation costs for the year and cancellation of ETS certificates for having met the prior year obligation.

Other provisions for risks and charges

The amount of the provisions mainly refers to the probable risk of higher charges for the construction of plants which are completed or yet to be finished, the estimated IMU/ICI tax to be paid based on the value of plant systems as envisaged in Art. 1-quinquies of Decree Law no. 44 of 31 March 2005, the estimate of charges related to the return of emissions quotas, charges for environmental offsets, risks of a regulatory nature and probable charges for various disputes.

The current portion referring to the provisions described above was presented under "provisions for risks and charges - current portion" (Note 31).

NOTE 24 DEFERRED TAX LIABILITIES

Deferred tax liabilities of 182,997 thousand euro (209,317 thousand euro as at 31 December 2020) are due to the temporary difference between the carrying amount and tax base of assets and liabilities recognised in the financial statements.

Deferred taxation is calculated with reference to the expected tax rates applicable when the temporary differences will reverse.

For further details please see the note to the income statement, "Income taxese", note 42, and the attached table.

NOTE 25 SUNDRY LIABILITIES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Due after 12 months	59,828	54,988
Deferred income for grants related to assets- non current	431,783	429,448
Non-current accrued expenses and deferred income	4,198	3,569
Total	495,809	488,006

The item "Due after 12 months" refers to advances paid by users to guarantee water supply, to amounts related to previous years to be paid for the government-sponsored temporary redundancy fund (CIG), for the government-sponsored extraordinary redundancy fund (CIGS) and for furloughs and to tax liabilities for substitute taxes due more than 12 months after the reporting date.

Deferred income for grants related to assets includes the amounts relating to connection grants of 144,248 thousand euro and the Fo.N.I. component (Provision for New Investments), amounting to 59,085 thousand euro, provided for by the tariff method for the Integrated Water Service, which will be reversed to profit or loss more than 12 months after the reporting date. The portion that will be taken to profit or loss in the 12 months following the reporting date amounts to 7,553 thousand euro and 3,249 thousand euro, respectively, and is included in the item "Sundry liabilities and other current liabilities under deferred income" for grants related to assets.

CURRENT LIABILITIES

NOTE 26 CURRENT FINANCIAL LIABILITIES

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

Current financial liabilities can be analysed as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Bonds	359,135	181,628
Bank loans	55,677	74,489
Loans from associates	-	964
Loans from owners	3,140	3,789
Loans from other related parties	1	2
Lease liabilities	9,120	9,804
Loans from others	19,187	8,033
Current derivative liabilities	21,327	568
Total	467,587	279,277

Bonds

The amounts relate to Bonds maturing within 12 months and represent the amortised cost of the financial instruments, specifically:

- at 31 December 2021, this relates to the Bonds issued in 2015 maturing in 2022 (nominal value of 359,634 thousand euro maturing);
- at 31 December 2020 the amortised cost of the Bonds issued in 2014 was shown; it was repaid on maturity in July 2021 at the nominal value of 181,836 thousand euro.

Bank loans

Current bank loans may be broken down as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Loans - current portion	42,540	49,150
Other current bank loans	2,126	12,558
Accrued financial expenses and deferred financial income	11,011	12,781
Total	55,677	74,489

Loans from associates

As at 31 December 2020, these refer to amounts due from the companies Amter (437 thousand euro), SEI Toscana (431 thousand euro), and CSAI (96 thousand euro).

Loans from owners

This item relates to dividends of the company TRM still to be paid to the shareholder Municipality of Turin.

Loans from others

These amount to 19,187 thousand euro (8,033 thousand euro as at 31 December 2020) and refer to:

- 8,227 thousand euro relating to the price adjustment for the purchase of Iren Energy Solutions (formerly Bosch Energy and Building Solutions Italy);
- 4,026 thousand euro for "Put option for non-controlling investors", relating to the fair value measurement of the put options granted to non-controlling investorson their shares, in accordance with specific agreements. This item refers mainly to the put option of the non-controlling interest in IBlu S.r.l., equal to 20% of the quota capital, partly held by Idealservice Soc Coop;
- 1,579 thousand euro relate to the acquisition of the right of use of 25% of the total capacity of the TLC network sold to BT Enia.

Current derivative liabilities

These relate to the fair value of derivative contracts entered into to hedge the exposure to the risk of fluctuations in commodity prices.

NOTE 27 TRADE PAYABLES

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

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Trade payables to suppliers	1,482,557	923,212
Trade payables to joint ventures and associates	12,356	19,864
Trade payables to owners	6,820	13,767
Trade payables to other related parties	7,372	6,600
Advances due within 12 months	9,012	7,376
Guarantee deposits due within 12 months	5,579	7,077
Charges to be reimbursed within 12 months	9	10
Total	1,523,705	977,906

NOTE 28 CURRENT CONTRACT LIABILITIES

This item totalled 89,262 thousand euro (28,279 thousand euro as at 31 December 2020) and refers to the amounts paid by customers as advance payments for energy efficiency measures in buildings, which have not yet been completed.

NOTE 29 SUNDRY LIABILITIES AND OTHER CURRENT LIABILITIES

All amounta recognised in this item are due within 12 months. The carrying amount of these liabilities approximates their fair value as the impact of discounting is negligible.

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
VAT liability	196	1,024
Government land tax/UTIF	17,412	960
IRPEF liability	2,361	2,192
Other tax liabilities	27,449	21,298
Tax liabilities due within 12 months	47,418	25,474
Amounts due to employees	59,235	55,050
Cassa Servizi Energetici e Ambientali (CSEA)	31,102	42,925
Amounts due to social security institutions within 12 months	26,399	24,616
Other current liabilities	68,240	142,951
Sundry liabilities due within 12 months	184,976	265,542
Accrued expenses and deferred income	28,662	26,152
Total	261,056	317,168

The increase in for the government land tax is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.

The change in amounts due to Cassa per i Servizi Energetici e Ambientali (the Energy and Waste Management Services Fund) in the year is related to the estimates of negative equalisation of electricity and gas.

Other current liabilities mainly refer to the cost estimates for the obligations relating to energy efficiency certificates, payables for tariff components of electricity distribution to be paid to the GSE, liabilities for purification fees, liabilities for RAI fees collected in the bill and amounts due to customers for works invoiced but not yet carried out relating to the energy efficiency of buildings.

The decrease in the item is largely related to the quantitative reduction in the obligations for Energy Efficiency Certificates (White Certificates) in 2020, which electricity and natural gas distributors are required to comply with, introduced by the Decree of the Ministry of Ecological Transition of 21 May 2021.

NOTE 30 CURRENT TAX LIABILITIES

The item “Current tax liabilities” amounting to 48,674 thousand euro (5,309 thousand euro as at 31 December 2020) is made up of IRES and IRAP, comprising the estimate of taxes for the current year.

NOTE 31 PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounted to 212,501 thousand euro (155,972 thousand euro as at 31 December 2020) and refers to the current portion of the provisions, divided as follows:

- provisions for charges related to the obligation to cancel ETS allowances of 143,864 thousand euro;
- provisions for environmental offset charges of 12,193 thousand euro;
- provision for early retirement of 6,910 thousand euro;
- provision for dismantling and reclaiming sites and post-closure provisions for 9,202 thousand euro;
- other provisions for risks of 40,332 thousand euro.

For further details on the breakdown of and changes in provisions for risks and charges see Note 23.

NOTE 32 LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

There are no liabilities associated with assets held for sale at 31 December 2021.

FINANCIAL POSITION

Net financial debt, calculated as the difference between current and non-current financial debt and current and non-current financial assets, can be broken down as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Non-current financial assets	(131,766)	(173,736)
Non-current financial debt	3,549,612	3,829,543
Non-current net financial debt	3,417,846	3,655,807
Current financial assets	(979,612)	(986,843)
Current financial debt	467,587	279,277
Current net financial debt	(512,025)	(707,566)
Net financial debt	2,905,821	2,948,241

Net Financial debt with related parties

Non-current financial assets include 34,801 thousand euro due from the Municipality of Turin and 43,967 thousand euro due from from associates.

Current financial assets include 7,567 thousand euro due from the Municipality of Turin and 2,786 thousand euro due from associates.

Non-current financial debt includes 611 thousand euro due to associates.

Current financial debt includes 3,140 thousand euro due to the Municipality of Turin.

Net financial debt according to the structure proposed by ESMA in the document of 04 March 2021 *Guidelines on disclosure requirements under the Prospectus Regulation and* implemented by Consob with *Warning notice No. 5/21 of 29 April 2021* is shown below.

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
A. Cash and cash equivalents	(606,888)	(890,169)
B. Cash equivalents	-	-
C. Other current financial assets	(103,595)	(4,695)
D. Liquidity (A) + (B) + (C)	(710,483)	(894,864)
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	56,792	38,695
F. Current portion of non-current financial debt	410,795	240,582
G. Current financial debt (E + F)	467,587	279,277

	31/12/2021	31/12/2020
H. Net current financial debt (G - D)	(242,896)	(615,587)
I. Non-current financial debt (excluding current portion and debt instruments)	589,436	692,861
J. Debt instruments	2,960,176	3,124,430
K. Trade payables and other non-current debt	-	12,252
L. Non-current financial debt (I + J + K)	3,549,612	3,829,543
M. Total financial debt (H + L)	3,306,716	3,213,956

The table below shows the changes in the year in current and non-current financial liabilities.

(THOUSANDS OF EURO)

Current and non-current financial liabilities at 31.12.2020	4,108,820
Monetary changes as accounted for in the Statement of Cash Flows	
New non-current loans	205,000
Repayment of non-current loans	(293,765)
Repayment of finance leases	(11,509)
Change in other financial liabilities	17,746
Interest paid	(75,930)
Non-monetary changes	
Liabilities acquired following change in consolidation scope	38,588
New finance leases	11,676
Fair value change in derivatives	(2,919)
Interest and other financial expense	55,160
Other changes	(176)
Current and non-current financial liabilities 31.12.2021	4,017,199

XI. Information on the Income Statement

Unless otherwise stated, the following comments and tables show the figures in thousands of euro.

The consolidated income statement includes the income statement amounts of the entities over which the Group acquired control in 2021: Futura, SidIren, Lab231, the SAS business unit merged into Alfa Solutions, Nove and Bosch Energy and Building Solutions Italy.

Again for the purposes of a correct analysis, it should also be noted that the items include, throughout the entire time span, the results of the district heating branch of SEI Energia, Asti Energia e Calore, Nord Ovest Servizi, I. Blu and the companies of the Unieco Waste Management Division, acquired in 2020.

Revenue

NOTE 33 REVENUE FROM GOODS AND SERVICES

This item amounted to 4,826,741 thousand euro (3,537,997 thousand euro in 2020) as reported in the table below.

(THOUSANDS OF EURO)

	2021	2020
Electricity revenue	2,321,317	1,424,822
District heating revenue	237,775	174,435
Gas revenue	615,591	535,970
Integrated water service revenue	423,468	417,121
Waste management revenue	734,735	645,060
Revenue from asset construction services under concession - IFRIC 12	225,846	207,874
Revenue from other services	268,009	132,715
Total	4,826,741	3,537,997

The following table shows the reconciliation between revenue from goods and services and the information reported by business segment in the Section XIII Segment reporting.

(THOUSANDS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Eliminations	Total
Revenue from goods and services	902,031	840,924	2,148,600	2,992,343	22,028	(2,079,185)	4,826,741
Other revenue	88,787	75,218	132,205	77,250	4,275	(248,605)	129,130
Total	990,818	916,142	2,280,805	3,069,593	26,303	(2,327,790)	4,955,871

The following tables shows revenue from goods and services divided by business segment:

(THOUSANDS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Eliminations	Total
Electricity revenue	132,638	53,841	1,715,055	1,289,775	-	(869,992)	2,321,317
District heating revenue	-	18,063	238,970	232,907	-	(252,165)	237,775
Gas revenue	118,473	2,440	-	1,426,060	-	(931,382)	615,591
Integrated water service revenue	423,226	4,295	-	-	-	(4,053)	423,468
Waste management revenue	17	742,584	-	-	-	(7,866)	734,735
Revenue from asset construction services under concession - IFRIC 12	218,710	4,928	2,208	-	-	-	225,846
Revenue from other services	8,967	14,773	192,367	43,601	22,028	(13,727)	268,009
Total Revenue from goods and services	902,031	840,924	2,148,600	2,992,343	22,028	(2,079,185)	4,826,741

Below is a description of the nature and when performance obligations are to be considered fulfilled:

Sale and distribution of electricity, gas and heat to end customers

Sale of energy contracts include fees that relate to both sale and distribution of the related commodities, identified as a single indistinct performance obligation. This obligation shall be fulfilled at the time of disbursement at the redelivery point or heat exchange substation.

These contracts relate to continuous supplies which imply the fulfillment of the related obligations in an over-time logic, given that the final customer benefits repeatedly over time from single units of homogeneous commodities.

The revenue in this case includes the estimate of disbursements made but not yet invoiced. This estimate is based on the customer's historical consumption profile, adjusted to reflect weather conditions or other factors that may affect consumption.

In this context, revenue from the electricity and gas distribution service, supplied through the Group's networks to third-party sellers, is recognised based on the tariffs determined by the competent Authorities. They reflect the remuneration paid for the investments made by taking into account the equalisation mechanisms. They also indicate services aimed at fulfilling the related obligations on an ongoing basis.

Integrated water services

Similar to the other network businesses mentioned above, the water main services (collection, purification, lifting and distribution), sewerage and wastewater purification services relate to obligations fulfilled over time. They are also reported on the basis of the rates determined by the competent Authorities to reflect the remuneration recognised against the investments made.

Waste management revenue

The revenue generated by the waste management segment essentially relate to:

- Collection and urban hygiene, in this case the obligations are fulfilled continuously over time based on existing assignments.
- The treatment of municipal and special waste, including its disposal and reuse. The Group evaluates services as provided over time, with reference to the non-stop disposal of homogeneous waste units within the framework of the agreements in place with the competent authorities.

It should also be noted that in this context there are, to a residual extent, services provided on time and related to event obligations (e.g., the snow removal service).

Revenue from other services

The revenue included in this item refers to:

- Products / services related to the sale of commodities (the so-called new downstream), which concern obligations to be fulfilled at the time of transfer of the product / service to the customer.
- Services related to energy services management, including the maintenance service, and to plants and buildings contracts for energy efficiency activities. They both refer to obligations fulfilled over time. In particular, the revenue relating to the efficiency contracts is recognised based on the progress of the activities, derived from the costs incurred attributed to the total estimated expected costs, by recognising a contract asset until complete fulfillment of the obligation.

NOTE 34 OTHER INCOME

Other income totalled 129,130 thousand euro (188,211 thousand euro in 2020) and refers to grants, revenue for energy certificates and sundry income. The tables below show the details of the individual items.

GRANTS (THOUSANDS OF EURO)

	2021	2020
Grants related to assets	13,741	12,697
Connection grants	10,653	10,302
Other grants	5,520	7,954
Total	29,914	30,953

The grants related to assets and connection grants represent the relevant portion of grants calculated in proportion to the depreciation rates of the plants to which they refer.

The connection grants include amounts received for connection to the Group's electricity, water, gas and heat distribution networks.

REVENUE FROM ENERGY EFFICIENCY CERTIFICATES (THOUSANDS OF EURO)

	2021	2020
Revenue from ex-Green Certificates incentive	53,442	58,143
Revenue from Energy Efficiency Certificates (White Certificates)	28,778	55,182
Reduction in tariff contribution for White Certificates from previous years	(33,078)	-
Total	49,142	113,325

The reduction in the tariff contribution relating to White Certificates from previous years originates from the reduction of the obligations for 2020, which electricity and natural gas distributors are required to meet, introduced by the Decree of the Ministry of Ecological Transition of 21 May 2021.

OTHER INCOME (THOUSANDS OF EURO)

	2021	2020
Service contracts	2,595	3,058
Lease income	1,608	1,495
Capital gains on sale of assets	2,252	978
Insurance settlements	5,105	4,767
Sundry reimbursements	7,461	4,973
Other revenue and income	31,053	28,662
Total	50,074	43,933

COSTS

NOTE 35 RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

(THOUSANDS OF EURO)

	2021	2020
Purchase of electricity	441,523	299,764
Purchase of gas	1,368,234	498,479
Purchase of heat	302	-
Purchase of other fuels	168	-
Purchase of water	4,282	4,458
Other raw materials and inventory materials	112,137	93,525
CO_2 Emissions	144,200	82,527
White certificates	728	28,761
Reduction in obligations for White Certificates from previous years	(35,806)	-
Change in inventories	(45,273)	13,987
Total	1,990,495	1,021,501

Costs for raw materials, consumables, supplies and goods increased by approximately 968,994 thousand euro. The increase in the cost of purchasing electricity and gas is mainly linked to the increase in prices.

The reduction in obligations for White Certificates from previous years refers to the revision of the estimated costs for the purchase of certificates to meet the obligations for 2020, following the quantitative reduction of obligations introduced by the Decree of the Ministry of Ecological Transition of 21 May 2021.

The change in inventories was partly due to gas stocks.

NOTE 36 SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services amounted to 1,386,547 thousand euro (1,261,070 thousand euro in 2020), as follows:

(THOUSANDS OF EURO)

	2021	2020
Electricity transport and electricity system expenses	471,396	510,353
Gas carriage	69,346	63,672
Heat carriage	-	110
Third-party works, maintenance and industrial services	377,307	273,107
Collection and disposal, snow clearing, public parks	250,008	219,755
Expenses related to personnel (meal allowance, training, business travel)	10,439	8,792
Technical, administrative and commercial consulting and advertising expenses	82,446	68,297
Legal and notary fees	2,529	2,869
Insurance	19,170	14,886
Bank expenses	8,388	7,137

	2021	2020
Telephone expenses	5,737	6,105
IT expenses	47,901	44,856
Reading and invoicing services	11,653	11,404
Board of Statutory Auditors' fees	1,118	938
Other costs for services	29,109	28,789
Total costs for services	1,386,547	1,261,070

Costs for third-party works mainly relate to operating and maintenance costs of plants and networks.

"Other costs for services" consist of the remaining costs for internal consumption, back office, transport and other services.

Use of third-party assets amounted to 35,043 thousand euro (34,229 thousand euro in 2020). The item included mainly fees paid to the single operator of the Genoa Area and fees paid to the companies that own the assets of the integrated water service of the Municipalities of Parma, Piacenza, and Reggio Emilia.

Secondarily, this item includes short-term leases or when the underlying asset is of low value, which the group has decided to exclude from the scope of application of IFRS 16.

NOTE 37 OTHER OPERATING EXPENSES

Other operating expenses amounted to 87,832 thousand euro (71,472 thousand euro in 2020), as follows:

(THOUSANDS OF EURO)

	2021	2020
General expenses	24,703	14,171
Instalments and higher instalments for water shunting	20,550	18,911
Taxes and duties	21,784	25,163
Capital losses on sale of assets	2,059	1,975
Other sundry operating expenses	18,736	11,252
Total	87,832	71,472

General expenses include among other things contributions to the running costs of various entities and penalties from service providers. The item "Taxes and duties" relates mainly to expenses for IMU property tax on the Group's plants and buildings and expenses for occupying and reclaiming public land.

The item "Other sundry operating expenses" includes adjustments of revenue pertaining to previous years.

NOTE 38 INTERNAL WORK CAPITALISED

Internal work capitalised amounted to 43,387 thousand euro (38,262 thousand euro in 2020), and regards increases in capital assets made with internal resources and production factors.

(THOUSANDS OF EURO)

	2021	2020
Capitalised personnel expense	(36,345)	(32,247)
Capitalised materials	(7,042)	(6,015)
Total	(43,387)	(38,262)

NOTE 39 PERSONNEL EXPENSE

Personnel expense amounted to 483,489 thousand euro (449,341 thousand euro in 2020), as follows:

(THOUSANDS OF EURO)

	2021	2020
Gross remuneration	343,430	321,441
Social security contributions	106,596	100,978
Post-employment benefits	481	584
Other long-term employee benefits	80	202
Other personnel expense	31,028	24,466
Directors' fees	1,883	1,670
Total	483,498	449,341

As specified in Note 35, 36,345 thousand euro of personnel expense was capitalised.

Other personnel expense includes social security and recreational contributions, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion of post-employment benefits, and contributions to be paid by the employer to supplementary pension funds.

The composition of the workforce is shown in the following table.

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020	Average for the year
Executives	104	101	103
Junior managers	345	318	339
White collars	3,915	3,733	3,871
Blue collars	4,691	4,528	4,640
Total	9,055	8,680	8,953

The main changes in the workforce compared to 31 December 2020 were ascribable to:

- the acquisition, in March 2021, of Futura S.p.A. by Iren Ambiente, for a total of 28 resources;
- the acquisition, in August 2021, by Alfa Solutions (formerly Studio Alfa) of the business unit of SAS - Sviluppo Ambiente e Sicurezza and of Lab231, for a total of 26 resources;
- Bosch Energy and Building Solutions Italy (now Iren Energy Solutions), for a total of 156 resources, acquired by Iren Smart Solutions at the end of November 2021;
- the company San Germano due to the launch/conclusion of contracted services, including seasonal work;
- continuation of the generational turnover plan, with a considerable number of recruitments on the labour market.

NOTE 40 DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the year amounted to 477,890 thousand euro (440,793 thousand euro in 2020).

(THOUSANDS OF EURO)

	2021	2020
Depreciation	282,321	277,181
Amortisation	195,569	163,612
Total	477,890	440,793

For further details on depreciation/amortisation, refer to the tables of changes in property, plant and equipment and intangible assets.

NOTE 41 PROVISIONS AND IMPAIRMENT LOSSES

This item amounted to a total of 83,842 thousand euro (70,651 thousand euro in 2020) as follows:

(THOUSANDS OF EURO)

	2021	2020
Impairment losses on loans and receivables	53,521	61,708
Provisions for risks and restoration of third-party assets	21,197	32,986
Releases	(15,620)	(28,504)
Impairment losses	24,744	4,461
Total net other provisions and impairment losses	30,321	8,943
Total	83,842	70,651

The impairment losses for the year were recognised to adjust the amount of the loss allowance to the expected credit losses determined on the basis of the simplified model provided for in IFRS 9, where "loss" means the present value of all cash shortfalls considering forward-looking information.

The trend of provisions for risks and restoration of third-party assets is referable to the assessment of risks of liabilities in the electrical and water fields, as well as to probable costs in the waste management segment, while releases of provisions in the year refer to the revision of estimates of expenses accrued in previous years.

Details of changes in provisions are provided in the note to the Statement of financial position item "Provisions for risks and charges".

The impairment losses mainly refer to the waste-to-energy plant in Scarlino (Grosseto) as, following the interruption of the authorisation process for the plant operation, the recoverable amount of the asset is substantially nil.

NOTE 42 FINANCIAL MANAGEMENT

Financial income

Financial income amounted to 28,173 thousand euro (38,372 thousand euro in 2020). The details are shown in the following table:

(THOUSANDS OF EURO)

	2021	2020
Bank interest income	562	600
Interest income on loans	2,928	5,731
Interest income from customers	5,238	10,190
Fair value gains on derivatives	1,068	9,413
Capital gain on disposal of financial assets	409	5,713
Other financial income	17,968	6,631
Total	28,173	38,372

Interest income on loans refers primarily to interest on current account overdrafts between the Group and the Municipality of Turin (1,415 thousand euro) and interest on loans granted to associates (767 thousand euro).

Fair value gains on derivatives refer to the ineffective portion of hedging instruments.

Other financial income consists mainly of income for the early settlement of financial liabilities, discounting of provisions and for changes in the fair value of financial instruments.

Financial expense

The item amounted to 74,553 thousand euro (93,702 thousand euro in 2020). The breakdown of financial expense is as follows:

(THOUSANDS OF EURO)

	2021	2020
Interest expense on loans	1,815	3,143
Interest expense on bonds	50,386	54,703
Interest expense on bank current accounts	133	116
Other interest expense	1,005	957
Capitalised borrowing costs	(1,874)	(629)
Fair value losses on derivatives	-	5,835
Realised losses on derivatives	5,848	16,100
Capital losses on disposal of financial assets	759	1,866
Interest cost – Employee benefits	-	916
Financial expense on lease liabilities	506	696
Other financial expense	15,975	9,999
Total	74,553	93,702

Interest expense on loans and bonds includes the expense relating to the measurement at amortised cost.

The fair value losses on derivatives for 2020 included the reversal to profit or loss of the hedging reserve relating to some hedging positions terminated during the year.

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

NOTE 43 GAINS ON EQUITY-ACCOUNTED INVESTMENTS

These gains came to 5,782 thousand euro (2,673 thousand euro in 2020) and essentially refer to the income from the acquisition of the net assets of Nove (4,627 thousand euro) and the effect of the recalculation at fair value, at the date of acquisition of control, of the non-controlling interest in Futura (1,305 thousand euro).

In 2020, the gains came to 2,673 thousand euro and were largely comprised of negative goodwill relating to the acquisition of Nord Ovest Servizi.

NOTE 44 SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES

The profit of equity-accounted investees amounted to 10,294 thousand euro (a profit of 6,535 thousand euro in 2020). For more details please see Note 5 “Equity-accounted investments”.

NOTE 45 INCOME TAXES

Income taxes for 2021 are estimated at 90,332 thousand euro (100,006 thousand euro in 2020). The breakdown of taxes is provided in the following table:

(THOUSANDS OF EURO)

	2021	2020
Current taxes (IRES)	140,378	96,920
Current taxes (IRAP)	29,386	22,765
Current taxes (IRES and IRAP) previous years	1,588	(10,078)
Pre-paid tax	(36,008)	2,477
Deferred taxes	(45,013)	(12,077)
Total	90,332	100,006

The Group’s effective tax rate in 2021 is 21.3% (in 2020 it was 27.1 %). The change in the effective tax rate was primarily influenced by the option to realign carrying amounts and tax bases pursuant to art. 110 of Legislative Decree no. 104 of 14 August 2020 (“Decree no. 104/20”), as amended, which, in paragraphs 8 and 8-bis, grants IFRS-adopters and OIC-adopters the possibility of opting for the realignment of the (lower) tax bases to the (higher) carrying amounts of certain property, plant and equipment and intangible assets (paragraph 8), as well as goodwill and other intangible assets (paragraph 8-bis).

The rule provides that a 3% substitute tax on income tax and IRAP is payable on the values subject to realignment and that the option for realignment is finalised through the exercise of the same in the tax return relating to the tax period following the one in progress as of 31 December 2019 (the option was finalised in the tax return relating to 2020 submitted by 30 November 2021).

Moreover, the change in the effective tax rate was also influenced, to a lesser extent, by the redemption of goodwill and other intangible assets pursuant to art. 176 of Presidential Decree no. 917/1986.

The total misalignment between the tax bases and carrying amounts identified in the consolidated financial statements at 31 December 2020 (the reference date) is 128.6 million euro.

Application of the regulations contained in Decree no. 104/20 has thus entailed recognition in 2021 of net tax income of 32,371 thousand euro deriving from the reversal of deferred taxes previously allocated for 36,345 thousand euro and recognition of substitute tax of 3,974 thousand euro.

The table below shows the breakdown of the tax rate for 2021 and 2020.

(THOUSANDS OF EURO)

	2021		2020	
Profit before tax	423,802		369,291	
IRES tax	101,712	24.0%	88,630	24.0%
Permanent differences	(3,858)	-0.9%	2,844	0.8%
IRAP (regional business tax)	29,386	6.9%	18,260	4.9%
Previous years' taxes and other differences	(36,908)	-8.7%	(9,728)	-2.6%
Total income taxes	90,332	21.3%	100,006	27.1%

The Group also exercised the option, pursuant to Art. 117 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the tax consolidation parent IREN S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES assets.

The companies in the domestic tax consolidation for 2021, not including the Parent Iren Spa, are as follows: Iren energia S.p.A., Ireti S.p.A., Territorio e Risorse S.r.l., Iren Acqua S.p.A., Iren Mercato S.p.A., Iren Ambiente S.p.A., Iren Smart Solution S.p.A., Acam Ambiente S.p.A., Acam Acque S.p.A., Maira S.p.A., AMIAT S.p.A., AMIAT V S.p.A., Formaira S.p.A., Alfa Solutions S.p.A., Recos S.p.A., Iren Laboratori S.p.A., IAM Parma S.r.l., IAM Piacenza S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., Gia in liquidazione S.r.l., San Germano S.p.A., Rigenera Materiali S.r.l., UHA s.r.l., Uniproject S.r.l. (and merged company Uniservizi S.r.l.), Manduriambiente Spa, Scarlino Immobiliare S.r.l., Scarlino Energia S.p.A., Picena Depur S.r.l., Iren Ambiente Toscana S.p.A. (formerly STA S.p.A. and merged companies UCH H S.r.l. and Scarlino H S.r.l.), TB S.p.A., Produrre Pulito S.r.l., Borgo Ambiente Scarl and STA Partecipazioni S.r.l., Energy side S.r.l. and Biometano Italia S.r.l. settled during the year.

In particular, the companies of the Unieco Waste Management Division, which used to draw up the Domestic Tax Consolidation, adhered during the year to that of the Iren Group pursuant to the provisions of article 13, paragraph 4 of the Decree of the MEF of 01.03.2018 containing the implementing provisions of the tax consolidation regime. The quoted paragraph in fact provides that:

"*if, during the period of duration of the option for group taxation, the consolidating company opts jointly with another company for group taxation as a subsidiary, the group taxation is interrupted with regard to the consolidation in which it participated as consolidator, with the effects envisaged by article 124 of the Consolidated Act*".

However, pursuant to the following paragraph 5, the typical effects of the interruption can be avoided if all the companies that adhered as consolidated companies to the taxation of Unieco Waste Management Division (and therefore all 15 companies) opt in their turn as consolidated companies for group taxation by the new consolidating company (Iren S.p.A.), at the same time as their former consolidating company (Unieco Holding Ambiente S.r.l.).

Therefore, since all the companies in the Unieco Waste Management Division have opted to participate in the Iren Group's consolidated tax return, the tax consolidation of the Unieco Waste Management Division has not been interrupted, but rather has been seamlessly merged into the Iren Group's consolidated tax return.

The following table shows deferred tax assets and liabilities and their impact.

(THOUSANDS OF EURO)

	2021	2020
Deferred tax assets		
Non-taxable provisions	175,109	145,874
Differences in non-current assets	186,327	179,971
Connection grants	4,390	16,769
Derivatives	54,696	22,109
Tax losses carried forward + ACE	3,375	2,786
Other	3,675	5,259
Total	427,572	372,768
Deferred tax liabilities		
Differences in non-current assets	128,147	192,371
Loss allowance	440	440
Other provisions	5,024	553
Other	49,386	15,952
Total	182,997	209,317
Net deferred tax assets	244,575	163,451
Total variation	81,123	7,665
Of which:		
Equity	(1,113)	
Profit or loss	80,922	
Change in consolidation scope	1,315	

NOTE 46 PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

Not present in 2021 or 2020.

NOTE 47_ PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests, which amounted to 30,382 thousand euro (30,113 thousand euro in 2020), relates to the share of profit of non-controlling interests in companies fully consolidated but not wholly owned by the Group.

NOTE 48_EARNINGS PER SHARE

For the purposes of calculating basic and diluted earnings per share, it is noted that the number of shares for 2021 represents the weighted average number of shares in issue in the reporting period based on the provisions of IAS 33 § 20. The Parent has not issued any financial instruments that have the potential to dilute its common stock, therefore diluted earnings per share is equal to basic earnings per share.

	2021	2020
Profit for the year (thousands of euro)	303,088	239,172
Weighted average number of shares outstanding over the year (thousand)	1,283,304	1,291,894
Basic earnings per share (euro)	0.24	0.19

NOTE 49 OTHER COMPREHENSIVE INCOME

Other comprehensive income amounted to 4,261 thousand euro (12,788 thousand euro in 2020) and included other comprehensive income that will be subsequently reclassified to profit or loss and other comprehensive income that will not be subsequently reclassified to profit or loss.

Other comprehensive income that will be subsequently reclassified to profit or loss relates to:

- the effective portion of fair value gains on cash flow hedges, of 7,646 thousand euro, which refers to derivatives hedging changes in interest rates and derivatives hedging changes in commodity prices (for the Group, this concerns gas).
- the share of other gains of equity-accounted investees, of 19 thousand euro, which refers to fair value gains on cash flow hedges of associates;
- the change in the translation reserve, amounting to a positive 752 thousand euro, due to the change in the exchange rate used to translate the financial statement balances of associates that prepare their financial statements in currencies other than the euro;
- the tax effect, for 1,505 thousand euro.

Other comprehensive income that will not be subsequently reclassified to profit or loss relates to:

- actuarial losses, related to defined benefit plans, for 3,046 thousand euro;
- the share of actuarial gains of equity-accounted investees related to defined benefit plans, for 3 thousand euro;
- the tax effect, for 392 thousand euro.

XII. Guarantees and contingent liabilities

Guarantees relate to:

a) Sureties and other guarantees for own commitments of 741,391 thousand euro (793,583 thousand euro as at 31 December 2020); the most significant items refer to sureties issued in favour of:

  - the Tax Authority for 129,795 thousand euro for a VAT refund request;
  - ARPAE for 59,433 thousand euro for waste transfer and operations and post-closure management of plants subject to Integrated Environmental Authorisation (I.E.A.);
  - the Turin Provincial/Metropolitan City Governments, for 58,204 thousand euro for waste transfer and post-closure management of plants subject to I.E.A.;
  - Unieco for 46,000 thousand euro to guarantee the acquisition of the "Unieco Waste Management Division";
  - ATO-R, for 44,335 thousand euro, as definitive guarantees in the Amiat/TRM tender procedure;
  - the Electricity Market Operator (GME) for 29,718 thousand euro to guarantee the energy market participation contract;
  - CONSIP for 51,022 thousand euro mainly for electricity supply contracts;
  - Municipality of Turin, for 31,557 thousand euro, definitive guarantee in the AMIAT/TRM acquisition;
  - Ministry of the Environment, for 23,422 thousand euro for various authorisations;
  - Customs Authority, for 21,166 thousand euro to guarantee the regular payment of revenue tax and additional local and provincial duties on electricity consumption and gas excise;
  - Province of La Spezia for 21,545 thousand euro for waste transfer and management of plants;
  - ATERSIR for 19,066 thousand euro for agreements and tenders in progress relating to the Integrated Water Service and the Urban Waste Management Service;
  - Province of Parma for 17,136 thousand euro as guarantee for authorisations for various plants;

- the Puglia Region for 12,444 euro to guarantee landfill and plant authorisations;
- SNAM Reti Gas for 7,270 thousand euro to guarantee contracts and network codes;
- Consorzio di Bacino Basso Novarese for 6,989 thousand euro to guarantee the contract for the collection and disposal of urban waste;
- Terna for 5,810 thousand euro to guarantee injection and withdrawal dispatching contracts and to guarantee the electricity transport service contract;
- Rimateria for 6,108 thousand euro as a guarantee for sureties;
- SETA SpA for 5,850 thousand euro to guarantee regular execution of post-closure activities at the Chivasso 0 landfill site;
- Province of Savona for 6,912 thousand euro to guarantee management of plants.

b) Guarantees provided on behalf of subsidiaries and associates for 265,746 thousand euro, primarily to guarantee credit facilities and sales/Parent Guarantee contracts on behalf of Iren Mercato SpA.

The most significant amounts, regarding the guarantees granted on behalf of associates, refer to the associate Sinergie Italiane in liquidation, i.e. guarantees for credit facilities and letters of patronage for 10,999 thousand euro (23,999 thousand euro as at 31 December 2020). The liquidators have completed the main supply contracts and as of 30 September 2021, the activity of purchasing gas from Gazprom and following resale to commercial companies (shareholders or their subsidiaries) including Iren Mercato has ceased and at the same time, the activities for the final release of the remaining guarantees are continuing.

Commitments

Commitments to suppliers

During the course of its business activities, the Group has signed multiple contracts for the purchase of a specific quantity of commodities and CO_2 emissions allowances at a certain future date. Since they have the characteristics of own use, the contracts fall within the so-called "own use exemption" provided for by IFRS 9. These commitments are:

- Methane gas purchase contracts at a fixed price, for a total of 203.2 million of euro;
- Methane gas purchase contracts at a price index, for a previsional quantity of 262.5 million cubic meters;
- Electricity purchase contracts, for a total of 9.1 million euro;
- CO_2 emissions allowances purchase contracts, for a total of 109.3 million of euro;

Commitments to F2i

In relation to the subsidiary Iren Acqua (formerly Mediterranea delle Acque), we can note the existence of a commitment within the framework Agreement with the Shareholder F2i rete idrica S.p.A. Article 15 of this agreement envisages that Ireti is bound to pay damages in the event of liabilities, losses or damage suffered by F2i or Iren Acqua or its investees, resulting from incorrect or unfair statements included in the agreement.

Contingent liabilities

Disclosure on the Inspection Report of 26 July 2019 served on Iren Mercato S.p.A.

On 20 February 2019, Agenzia delle Entrate - Regional Revenue Authority Department of Liguria initiated a tax audit, for the 2013 and 2014 tax years, against the company Iren Mercato S.p.A. which concluded in the notification of the official tax audit report (OTAR) of 26 July 2019: the audit concerned mainly the business relationships between the company and the investee Sinergie Italiane, in implementation of the contract for the purchase of natural gas signed on 20 March 2013.

The Office with the aforementioned OTAR, for IRES and IRAP purposes, claimed that the company applied undue deduction, in breach of Art. 109 of the Consolidated Law on Income Tax (TUIR), of part of the price of the gas paid to Sinergie Italiane (for the part constituted, in fact, of the mark-up applied by the latter on its natural gas purchase price), for a total of 4,274,009 euro for 2013 and 3,748,010 euro for 2014.

In the OTAR, the Office also contested the undue deduction (in violation of Article 19, paragraph 1, of Presidential Decree no. 633/1972) of VAT (applied at a 10% rate) paid by the company in relation to the invoices issued by Sinergie Italiane.

In relation to the transactions covered by the accusation, Iren Mercato produced, during the audit, briefs with which ample clarifications were provided on the nature of the commercial transactions that occurred between the two companies.

In addition, the company - although convinced of the legitimacy of its actions and for the sole purpose of benefiting from the criminal non-punishability cause introduced by Article 39, paragraph 1, of Legislative Decree no. 124/2019 - on 6 February 2020, carried out the so-called "voluntary correction of the tax return" (in relation to the Mark-up irregularity) for the years 2015, 2016, and 2017, through the submission of supplementary statements and simultaneous payment of taxes, interest and penalties.

As of today, the Office has not yet served on the company any notice of assessment.

With regard to the aforementioned findings, during 2020, an invitation to provide relevant data and information and subsequently an invitation to a cross-examination were notified in relation to the 2015 tax year, which did not result in any definition. Therefore, on 23 March 2021 a VAT assessment notice was served in relation to this year in which the invoicing of the mark-up on the supply by Sinergie Italiane under the reverse charge regime was contested. Similarly, on 17 December 2021, a notice of dispute was served for VAT tax year 2016 in which the same mark-up already contested for 2015 is replicated.

The risks connected with the Tax Authority's findings did not lead to any provisions in the present consolidated financial statements as they are estimated as "potential" in application of the IFRS, considering that there are a series of factual circumstances and considerations on points of law in support of the legitimate operation of the company.

On the other hand, the risk associated with the possibility of not obtaining a refund of the amounts paid for the voluntary correction for the 2015, 2016 and 2017 tax periods, is estimated as "probable", and a provision has therefore been made as an impairment lossof the asset recognised in relation to the amounts assessed to act on the aforementioned voluntary correction.

Iren Mercato S.p.A. / Local Health Authority Rome 1

Proceedings initiated by a claim form dated 10 April 2020 by ASL ROMA 1 against Iren Mercato and the other parties belonging to the RTI (Temporary Consortium) set up at the time, each on their own behalf and in their respective capacities within the RTI, are pending before the Court of Rome, with the aim of ascertaining the undue receipt of the fee for the supply of hot water and steam for the period from 01 July 2007 to 28 February 2017, contesting the incorrect application of the tariff, and the consequent repayment of the sum; the plaintiff has quantified this amount as 8 million euro.

Following the appointment of a court-appointed expert witness by the Judiciary, the expert operations were started, and the hearing for the definition of conclusions was set for 13 March 2023.

The risk of losing the case has been cautiously estimated as possible, given the uncertainty connected with expert appraisals involving highly technical services completed many years ago.

XIII. Segment reporting

Segment reporting, based on the Group's management and internal reporting structure, is given below in accordance with IFRS 8.

Given the nature of the activity performed by Group companies, a geographical segment analysis is not relevant.

The operating segments in which the Group operates are:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Energy (Hydroelectric Production and production from other renewable sources, Combined Heat and Power, District Heating Networks, Thermoelectric Production, Public Street Lighting, Global services, Energy efficiency services)
- Market (Sale of electricity, gas, heat)
- Other services (Laboratories, Telecommunications and other minor services).

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

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

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

Net invested capital by operating segment compared to the figures as at 31 December 2020 and income statements (up to the operating profit/(loss)) for the current year by operating segment are presented below, compared against the 2020 figures restated.

It shall be noted that there are revenue from transactions with a single customer that are equal or greater than 10% of total revenue.

The following quantities are presented in the sectoral analysis schemes:

Net Invested Capital (NIC): determined as the algebraic sum of non-current Assets, Other non-current assets (liabilities), net working capital, Deferred tax assets (liabilities), provisions for risks, employee benefits and Assets (liabilities) held for sale.

Net financial debt: determined as the sum of Non-current Financial Liabilities net of Non-current Financial Assets and Current Financial Liabilities net of Current Financial Assets and Cash and cash equivalents.

Net Working Capital (NWC): determined by the algebraic sum of current and non-current contract assets, current and non-current trade receivables, Inventories, current tax Assets and liabilities, sundry assets and other current assets, trade payables and sundry liabilities and other current liabilities.

Non-current assets: determined as the sum of Property, Plant and Equipment, Investment Property, Intangible Assets with a finite useful Life, Goodwill, Equity-accounted investments and other equity investments.

Gross Operating Profit or Loss: determined as the sum of Profit (loss) before tax, share of profit/(loss) of equity-accounted investees, gains and losses on equity-accounted investments, financial income and expenses, Depreciation, Amortisation, Provisions, and Impairment losses.

Operating profit or loss: determined as the sum of Profit (loss) before tax, share of profit/(loss) of equity-accounted investees, gains and losses on equity-accounted investments and financial income and expense.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION BY OPERATING SEGMENT
AT 31 DECEMBER 2021

(MILLIONS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,132	1,277	2,108	252	26	226	7,021
Net Working Capital	(60)	91	29	(286)	3	-	(223)
Other non-current assets and liabilities	(606)	(198)	(125)	(16)	3	-	(942)
Net invested capital (NIC)	2,466	1,170	2,012	(50)	32	226	5,856
Equity							2,951
Net financial debt							2,906
Own funds and net financial debt							5,856

RECLASSIFIED STATEMENT OF FINANCIAL POSITION BY OPERATING SEGMENT
AT 31 DECEMBER 2020, RESTATED

(MILLIONS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,980	1,241	1,953	202	35	177	6,588
Net Working Capital	(102)	63	20	58	2	-	42
Other non-current assets and liabilities	(601)	(213)	(86)	(18)	1	-	(917)
Net invested capital (NIC)	2,277	1,091	1,887	242	38	177	5,713
Equity							2,765
Net financial debt							2,948
Own funds and net financial debt							5,713

INCOME STATEMENT BY OPERATING SEGMENT FOR 2021 (MILLIONS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	991	916	2,280	3,071	26	(2,328)	4,956
Total operating expenses	(608)	(689)	(1,982)	(2,967)	(22)	2,328	(3,940)
Gross Operating Profit	383	227	298	104	4	-	1,016
Net amortisation, depreciation and impairment losses	(195)	(135)	(140)	(90)	(2)	-	(562)
Operating profit	188	92	158	14	2	-	454

INCOME STATEMENT BY OPERATING SEGMENT FOR 2020, RESTATED (MILLIONS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,041	765	1,145	2,085	25	(1,335)	3,726
Total operating expenses	(665)	(592)	(917)	(1,938)	(22)	1,335	(2,799)
Gross Operating Profit	376	173	228	147	3	-	927
Net amortisation, depreciation and impairment losses	(190)	(123)	(117)	(80)	(2)	-	(512)
Operating profit	186	50	111	67	1	-	415

XIV. Annexes to the consolidated financial statements

LIST OF CONSOLIDATED COMPANIES

LIST OF JOINT VENTURES

LIST OF ASSOCIATES

LIST OF EQUITY INVESTMENTS IN OTHER COMPANIES

FINANCIAL FIGURES OF THE MAIN CONSOLIDATED COMPANIES , JOINT VENTURES AND ASSOCIATES

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

LIST OF GRANTSS PURSUANT TO DECREE LAW NO. 34/2019 ART. 35

DEFERRED TAX ASSETS AND LIABILITIES

RELATED PARTY TRANSACTIONS

INDEPENDENT AUDITORS' FEES

LIST OF CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00	Iren
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00	Iren
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00	Iren
Ireti S.p.A.	Genoa	Euro	196,832,103	100.00	Iren
Acam Acque S.p.A.	La Spezia	Euro	24,260,050	100.00	Ireti
Acam Ambiente S.p.A.	La Spezia	Euro	3,000,000	100.00	Iren Ambiente
AMIAT S.p.A.	Turin	Euro	46,326,462	80.00	AMIAT V
AMIAT V S.p.A.	Turin	Euro	1,000,000	93.06	Iren Ambiente
ASM Vercelli S.p.A.	Vercelli	Euro	120,812,720	59.97	Ireti
Asti Energia e Calore S.p.A.	Asti	Euro	120,000	62.00	Iren Energia
Atena Trading S.r.l.	Vercelli	Euro	556,000	100.00	ASM Vercelli
Bonifica Autocisterne S.r.l.	Piacenza	Euro	595,000	51.00	Iren Ambiente
Borgo Ambiente S.c.a.r.l.	Reggio Emilia	Euro	100,000	51.00	UHA
Bosch Energy and Building Solutions Italy S.r.l.	Milan	Euro	4,510,000	100.00	Iren Smart Solutions
Consorzio GPO	Reggio Emilia	Euro	20,197,260	62.35	Ireti
Formaira S.r.l.	San Damiano Macra (CN)	Euro	40,000	100.00	Maira
Futura S.p.A.	Grosseto	Euro	7,000,000	40.00	Iren Ambiente Toscana
				20.00	Iren Ambiente
I. Blu S.r.l.	Pasian di Prato (UD)	Euro	9,001,000	80.00	Iren Ambiente
Iren Acqua S.p.A.	Genoa	Euro	19,203,420	60.00	Ireti
Iren Acqua Tigullio S.p.A.	Chiavari (GE)	Euro	979,000	66.55	Iren Acqua
Iren Ambiente Parma S.r.l.	Parma	Euro	4,000,000	100.00	Iren Ambiente
Iren Ambiente Piacenza S.r.l.	Piacenza	Euro	4,000,000	100.00	Iren Ambiente
Iren Ambiente Toscana S.p.A.	Florence	Euro	15,934,370	64.71	UHA
				35.29	Iren Ambiente

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Iren Laboratori S.p.A.	Genoa	Euro	2,000,000	90.89	Ireti
Iren Smart Solutions S.p.A.	Reggio Emilia	Euro	2,596,721	60.00	Iren Energia
				20.00	Iren Ambiente
				20.00	Iren Mercato
LAB 231 S.r.l.	Parma	Euro	10,000	100.00	Studio Alfa
Maira S.p.A.	San Damiano Macra (CN)	Euro	596,442	66.23	Iren Energia
Manduriambiente S.p.A.	Manduria (TA)	Euro	4,111,820	95.28	UHA
Nord Ovest Servizi S.p.A.	Turin	Euro	7,800,000	45.00	Ireti
				30.00	Amiat
Picena Depur S.r.l.	Ascoli Piceno	Euro	46,000	100.00	UHA
Produrre Pulito S.r.l.	Sesto Fiorentino (FI)	Euro	25,721	100.00	Iren Ambiente Toscana
ReCos S.p.A.	La Spezia	Euro	1,000,000	99.51	Iren Ambiente
Rigenera Materiali S.r.l.	Genoa	Euro	3,000,000	100.00	
Salerno Energia Vendite S.p.A.	Salerno	Euro	3,312,060	50.00	Iren Mercato
San Germano S.p.A.	Turin	Euro	1,425,000	100.00	Iren Ambiente
Scarlino Energia S.p.A.	Scarlino (GR)	Euro	1,000,000	89.54	Iren Ambiente Toscana
Scarlino Immobiliare S.r.l.	Florence	Euro	10,000	100.00	
SidIren S.r.l.	Salerno	Euro	29,910,000	100.00	Salerno Energia Vendite
Studio Alfa S.p.A.	Reggio Emilia	Euro	100,000	86.00	Iren Smart Solutions
TB S.p.A.	Florence	Euro	2,220,000	90.09	Iren Ambiente Toscana
Territorio e Risorse S.r.l.	Turin	Euro	2,510,000	65.00	Iren Ambiente
				35.00	ASM Vercelli
TRM S.p.A.	Turin	Euro	86,794,220	80.00	Iren Ambiente
Unieco Holding Ambiente (UHA) S.r.l.	Reggio Emilia	Euro	49,324,031	100.00	
Uniproject S.r.l.	Maltignano (AP)	Euro	91,800	100.00	

LIST OF JOINT VENTURES

Company	Registered office	Currency	Share capital	% interest	Investor
Acque Potabili S.p.A.	Turin	Euro	7,633,096	47.546	Ireti

LIST OF ASSOCIATES

Company	Registered office	Currency	Share/quota capital	% interest	Investor
A2A Alfa S.r.l.[1]	Milan	Euro	100,000	30.00	Iren Mercato
Acos S.p.A.	Novi Ligure	Euro	17,075,864	25.00	Ireti
Acos Energia S.p.A.		Euro	150,000	25.00	Iren Mercato
Acquaenna S.c.p.a.	Enna	Euro	3,000,000	48.50	Ireti
Aguas de San Pedro S.A. de C.V.	S.Pedro Sula (Honduras)	Lempiras	159,900	39.34	
Aiga S.p.A.[1]	Ventimiglia	Euro	104,000	49.00	
Amat S.p.A.[1]	Imperia	Euro	5,435,372	48.00	
Amter S.p.A.	Cogoleto (GE)	Euro	404,263	49.00	Iren Acqua
ASA S.p.A.	Livorno	Euro	28,613,406	40.00	Ireti
Asa S.c.p.a.	Castel Maggiore (BO)	Euro	1,820,000	49.00	Iren Ambiente
Astea S.p.A.	Recanati (MC)	Euro	76,115,676	21.32	Consorzio GPO
Asti Servizi Pubblici S.p.A.	Asti	Euro	7,540,270	45.00	Nord Ovest Servizi
Barricalla S.p.A.	Turin	Euro	2,066,000	35.00	Iren Ambiente
BI Energia S.r.l.	Reggio Emilia	Euro	100,000	47.50	Iren Energia
Centro Corsi S.r.l.		Euro	12,000	33.00	Studio Alfa
CSA S.p.A.[1]	Terranuova Bracciolini (AR)	Euro	1,369,502	47.97	Iren Ambiente Toscana
CSAI S.p.A.		Euro	1,610,511	40.32	
Fata Morgana S.p.A.[2]	Reggio Calabria	Euro	2,225,694	25.00	Ireti
Fin Gas S.r.l.	Milan	Euro	10,000	50.00	Iren Mercato
Fratello Sole Energie Solidali Impresa Sociale S.r.l.	Genoa	Euro	350,000	40.00	Iren Energia
G.A.I.A. S.p.A.	Asti	Euro	5,539,700	45.00	Iren Ambiente

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Global Service Parma S.c.a.r.l.[1]	Parma	Euro	20,000	30.00	Ireti
Iniziative Ambientali S.r.l.	Novellara (RE)	Euro	100,000	40.00	Iren Ambiente
Mondo Acqua S.p.A.	Mondovì (CN)	Euro	1,100,000	38.50	Ireti
Piana Ambiente S.p.A.[2]	Gioia Tauro	Euro	1,719,322	25.00	
Rimateria S.p.A.[3]	Piombino (LI)	Euro	4,589,273	30.00	Iren Ambiente
SEI Toscana S.r.l.	Siena	Euro	44,272,566	30.96	Iren Ambiente Toscana
				24.90	Sienambiente SpA
Seta S.p.A.	Turin	Euro	12,378,237	48.85	Iren Ambiente
Sienambiente S.p.A.	Siena	Euro	2,866,575	40.00	Iren Ambiente Toscana
Sinergie Italiane S.r.l.[1]	Milan	Euro	1,000,000	30.94	Iren Mercato
STU Reggiane S.p.A.	Reggio Emilia	Euro	12,222,580	30.00	Iren Smart Solutions
Tirana Acque S.c. a r.l.[1]	Genoa	Euro	95,000	50.00	Ireti
Valle Dora Energia S.r.l.	Turin	Euro	537,582	49.00	Iren Energia

[1] Company in liquidation
[2] Company in liquidation classified under assets held for sale
[3] Company in bankruptcy

LIST OF EQUITY INVESTMENTS IN OTHER COMPANIES

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Acque Potabili Siciliane S.p.A.[1]	Palermo	Euro	5,000,000	9.83	Iren Acqua
Aeroporto di Reggio Emilia S.p.A.	Reggio Emilia	Euro	2,177,871	0.11	Studio Alfa
AISA S.p.A.	Arezzo	Euro	3,867,640	3.00	Iren Ambiente Toscana
AISA Impianti S.p.A.		Euro	6,650,000	3.00	
Alpen 2.0 S.r.l.	Turin	Euro	70,000	14.29	Maira
ATO2ACQUE S.c.a.r.l.	Biella	Euro	48,000	16.67	ASM Vercelli
Aurora S.r.l.	S. Martino in Rio (RE)	Euro	514,176	0.10	Studio Alfa
Autostrade Centro Padane S.p.A.	Cremona	Euro	30,000,000	1.46	Ireti
C.R.P.A. S.p.A.	Reggio Emilia	Euro	2,201,350	2.27	
CIDIU Servizi S.p.A.	Collegno (TO)	Euro	10,000,000	17.90	Amiat
Consorzio CIM 4.0 s.c.a.r.l.	Turin	Euro	232,000	4.30	Iren
CCC-Consorzio cooperative costruzioni	Bologna	Euro	15,637,899	0.06	UHA
Consorzio Integra		Euro	42,548,492	0.02	
Consorzio Topix	Turin	Euro	1,600,000	0.30	Iren Energia
Enerbrain S.r.l.		Euro	28,181	10.00	Iren Smart Solutions
Environment Park S.p.A.		Euro	11,406,780	3.39	Iren Energia
				7.41	AMIAT
I-TES S.r.l.	Turin	Euro	10,204	2.00	Iren Energia
Genera S.c.a.r.l.	Ascoli Piceno	Euro	1,390,361	1.00	Uniproject
L.E.A.P. S.c. a r.l.	Piacenza	Euro	180,000	8.30	Iren Ambiente
Obiettivo ValdArno Srl in liquidation	Montevarchi AR	Euro	800,000	1.50	Iren Ambiente Toscana
Parma Servizi Integrati S.c. a r.l.	Parma	Euro	20,000	11.00	Iren Smart Solutions
Reggio Emilia Innovazione S.c.a.r.l. in liquidation[2]	Reggio Emilia	Euro	871,956	0.99	Iren Ambiente
Re Mat Srl	Turin	Euro	57,750	9.09	
Serchio Verde Ambiente S.p.a. in liquidation[2]	Castelnuovo di Garfagnana (LU)	Euro	1,128,950	5.93	Iren Ambiente Toscana
Società di Biotecnologie S.p.A.	Turin	Euro	536,000	2.93	Iren Smart Solutions
Stadio Albaro S.p.A. in liquidation[2]	Genoa	Euro	1,230,000	2.00	Iren Mercato
T.I.C.A.S.S. S.c. a r.l.		Euro	136,000	2.94	Ireti
Valdisieve S.c. a r.l.	Florence	Euro	1,400,000	0.96	Iren Ambiente Toscana

FINANCIAL FIGURES OF THE MAIN CONSOLIDATED COMPANIES , JOINT VENTURES AND ASSOCIATES

CONSOLIDATED COMPANIES

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
Iren Ambiente S.p.A.	Euro	976,986,853	261,494,544	37,771,144	29,037,579
Iren Energia S.p.A.	Euro	2,499,028,012	1,322,475,547	2,026,288,014	135,201,871
Iren Mercato S.p.A.	Euro	1,261,509,840	162,068,827	2,976,259,257	11,439,074
Ireti S.p.A.	Euro	2,717,815,534	1,187,498,402	531,296,907	106,647,457
Acam Acque S.p.A.	Euro	282,364,122	36,258,673	82,583,654	3,295,158
Acam Ambiente S.p.A.	Euro	56,113,285	(372,720)	53,683,966	(5,414,556)
Alfa Solutions S.p.A. (formerly Studio Alfa S.p.A.)	Euro	24,562,324	5,105,268	23,645,495	1,693,495
AMIAT S.p.A.	Euro	242,178,235	94,947,471	211,202,755	15,839,538
AMIAT V S.p.A.	Euro	50,961,248	46,277,199		14,546,557
ASM Vercelli S.p.A.	Euro	170,721,406	134,932,865	37,862,891	5,188,215
Asti Energia e Calore S.p.A.	Euro	116,074	718,334	302,086	203,501
Atena Trading S.r.l.	Euro	19,963,418	8,852,144	44,886,235	730,606
Bonifica Autocisterne S.r.l.	Euro	1,472,860	1,095,447	1,504,295	269,082
Borgo Ambiente Soc. Cons. a r.l.	Euro	126,654	100,000	546,311	-
Bosch Energy and Building Solutions Italy S.r.l.	Euro	52,999,596	5,734,520	38,454,074	(9,691,872)
Consorzio GPO	Euro	22,837,080	22,808,179	-	229,374
Formaira S.r.l.	Euro	213,582	37,982	88,803	(876)
Futura S.p.A.	Euro	49,888,946	6,682,440	7,329,571	(2,995,873)
Iblu S.r.l.	Euro	61,466,585	16,248,654	50,603,713	2,182,311
Iren Acqua S.p.A.	Euro	716,095,325	477,295,454	209,175,952	36,687,096
Iren Acqua Tigullio S.p.A.	Euro	48,554,474	19,346,937	25,052,721	824,237
Iren Ambiente Parma S.p.A	Euro	3,999,068	3,983,390	-	(25,526)
Iren Ambiente Piacenza S.p.A.	Euro	3,995,201	3,983,285	-	(25,631)
Iren Laboratori S.p.A.	Euro	14,072,441	7,619,417	15,309,342	2,008,570
Iren Smart Solutions S.p.A.	Euro	346,069,604	42,187,892	183,597,726	13,868,208

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
LAB 231 S.r.l.	Euro	187,254	121,155	254,889	83,288
Maira S.p.A.	Euro	9,269,073	8,007,907	1,315,891	98,856
Manduriambiente S.p.A.	Euro	39,273,110	9,647,547	20,103,261	1,714,111
Nord Ovest Servizi S.p.A.	Euro	18,587,924	18,491,500	5,094	347,792
Picena Depur S.r.l.	Euro	11,404,302	(902,473)	1,788,294	(1,337,341)
Produrre Pulito S.r.l.	Euro	4,268,050	784,784	2,228,714	710,267
ReCos S.p.A.	Euro	36,270,096	5,388,428	10,725,213	(1,029,039)
Rigenera Materiali S.r.l.	Euro	5,421,255	2,789,694	-	(167,089)
Salerno Energia Vendite S.p.A.	Euro	87,236,001	8,389,185	90,080,785	(187,713)
San Germano S.p.A.	Euro	60,456,760	7,057,770	69,256,510	516,991
Scarlino Energia S.p.A.	Euro	56,041,080	12,454,500	14,642,615	(20,352,702)
Scarlino Immobiliare S.r.l.	Euro	3,931,257	1,276,732	314,000	89,095
Sidiren S.r.l.	Euro	48,720,285	30,186,860	14,221,141	278,147
Iren Ambiente Toscana S.p.A. (formerly STA S.p.A.)	Euro	41,468,367	(606,584)	7,669,561	(203,470,094)
TB S.p.A.	Euro	12,011,605	7,676,718	4,487,860	686,419
Territorio e Risorse S.r.l.	Euro	20,633,611	2,669,612	1,933,433	(786,534)
TRM S.p.A.	Euro	424,372,007	106,731,781	137,681,361	48,116,495
UHA S.r.l.	Euro	44,179,100	34,079,039	32,428,051	(16,999,136)
UNIPROJECT S.r.l.	Euro	14,097,152	5,038,381	4,327,121	172,398

JOINT VENTURES

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
Acque Potabili S.p.A.	Euro	48,702,000	17,380,000	894,000	(3,042,000)

ASSOCIATES

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
A2A Alfa S.r.l.[1]	Euro	226,358	721	13,573	(6,367)
Acos Energia S.p.A.[1]	Euro	9,544,794	4,990,948	17,641,520	1,055,157
Acos S.p.A.[1]	Euro	167,349,884	63,169,812	76,812,121	4,642,125
Acquaenna S.c.p.a.[1]	Euro	103,927,831	8,131,029	26,471,675	431,987
Aguas de San Pedro[1]	Lempiras	1,611,495,363	971,509,910	985,405,452	92,245,313
Aiga S.p.A.[1]	Euro	5,190,379	(1,190,849)	2,640,105	(230,828)
Amat S.p.A.[1]	Euro	35,812,818	(9,043,069)	8,047,497	(10,925,052)
Amter S.p.A.[1]	Euro	13,937,372	2,338,103	5,481,822	268,310
ASA S.c.p.a.	Euro	18,877,373	2,442,485	3,016,540	-
ASA S.p.A.[1]	Euro	339,143,776	86,569,330	111,900,268	4,319,237
ASTEA S.p.A.[1]	Euro	193,670,334	110,430,227	48,191,685	4,565,140
Asti Servizi Pubblici S.p.A.[1]	Euro	57,925,688	13,386,785	39,026,205	1,375,956
Barricalla S.p.A.	Euro	38,781,636	6,661,666	20,131,626	3,586,054
BI Energia S.r.l.[1]	Euro	8,071,215	982,006	346,609	(414,527)
Centro Corsi srl	Euro	138,673	26,330	147,702	9,873
CSA Centro Servizi Ambientali S.p.A. in liq.	Euro	1,384,488	1,269,760	25,720	-
CSAI - Centro Servizi Ambientali Impianti S.p.A.	Euro	55,029,492	2,659,510	15,015,588	(133,500)
Fin Gas S.r.l.	Euro	11,793,732	11,793,610	-	(26,643)
Fratello Sole Energie Solidali Impresa Sociale S.r.l.[1]	Euro	22,103,264	239,821	3,311,648	(102,770)
G.A.I.A. S.p.A.[1]	Euro	46,392,959	18,901,972	19,524,670	76,355
Global Service Parma[1]	Euro	2,925,030	20,000	69,420	-
Iniziative Ambientali S.r.l.[1]	Euro	5,730,402	1,219,288	-	36,160
Mondo Acqua[1]	Euro	12,151,968	1,935,225	4,728,586	206,865
SEI Toscana S.r.l.	Euro	186,136,318	25,313,356	184,072,410	(7,947,227)
Seta S.p.A[1]	Euro	26,327,136	15,444,797	34,859,299	1,998,832
Sienambiente S.p.A	Euro	66,077,853	24,678,254	25,459,751	1,151,925
Sinergie Italiane S.r.l. (in liquidation)[2]	Euro	56,505,544	(18,675,058)	205,342,810	(18,850,756)
STU Reggiane S.p.A.[1]	Euro	25,724,173	15,465,346	1,626,010	25,931
Valle Dora Energia S.r.l.[1]	Euro	25,681,001	2,029,310	2,055,382	(463,105)

[1] Figures as at 31/12/2020
[2] Figures as at 30/09/2021

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

(THOUSANDS OF EURO)

IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	3,937,586	Property, plant and equipment	3,937,586
Investment property	2,456	Investment property	2,456
Intangible assets	2,646,864	Intangible assets	2,646,864
Goodwill	208,089	Goodwill	208,089
Equity-accounted investments	217,339	Equity-accounted investments	217,339
Other equity investments	8,469	Other equity investments	8,469
Total (A)	7,020,803	Non-current Assets (A)	7,020,803
Other non-current assets	37,167	Other non-current assets	37,167
Sundry liabilities and other non-current liabilities	(495,809)	Sundry liabilities and other non-current liabilities	(495,809)
Total (B)	(458,642)	Other non-current assets (Liabilities) (B)	(458,642)
Inventories	111,812	Inventories	111,812
Non-current contract assets	77,262	Non-current contract assets	77,262
Current contract assets	46,391	Current contract assets	46,391
Non-current trade receivables	20,824	Non-current trade receivables	20,824
Trade receivables	1,063,926	Trade receivables	1,063,926
Current tax assets	7,114	Current tax assets	7,114
Sundry assets and other current assets	385,061	Sundry assets and other current assets	385,061
Trade payables	(1,523,705)	Trade payables	(1,523,705)
Contract liabilities	(89,262)	Contract liabilities	(89,262)
Sundry liabilities and other current liabilities	(261,057)	Sundry liabilities and other current liabilities	(273,250)
Current tax liabilities	(48,674)	Current tax liabilities	(48,674)
Total (C)	(210,308)	Net working capital (C)	(222,501)
Deferred tax assets	427,572	Deferred tax assets	427,572
Deferred tax liabilities	(182,997)	Deferred tax liabilities	(182,997)
Total (D)	244,575	Deferred tax assets (Liabilities) (D)	244,575
Employee benefits	(105,601)	Employee benefits	(105,601)

IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Provisions for risks and charges	(422,989)	Provisions for risks and charges	(422,989)
Provisions for risks and charges - current portion	(212,501)	Provisions for risks and charges - current portion	(200,308)
Total (E)	(741,091)	Provisions and employee benefits (E)	(728,898)
Assets held for sale	1,144	Assets held for sale	1,144
Liabilities associated with assets held for sale	-	Liabilities associated with assets held for sale	-
Total (F)	1,144	Assets (Liabilities) held for sale (F)	1,144
		Net invested capital (G=A+B+C+D+E+F)	5,856,481
Equity (H)	2,950,660	Equity (H)	2,950,660
Non-current financial assets	(131,766)	Non-current financial assets	(131,766)
Non-current financial liabilities	3,549,612	Non-current financial liabilities	3,549,612
Total (I)	3,417,846	Non-current financial debt (I)	3,417,846
Current financial assets	(372,724)	Current financial assets	(774,624)
Cash and cash equivalents	(606,888)	Cash and cash equivalents	(606,888)
Current financial liabilities	467,587	Current financial liabilities	467,587
Total (L)	(512,025)	Current financial debt (L)	(512,025)
		Net financial debt (M=I+L)	2,905,821
		Own funds and net financial debt (H+M)	5,856,481

LIST OF GRANTS PURSUANT TO DECREE LAW NO. 34/2019 ART. 35

ACAM ACQUE

Lender	Type of grant	Amount in euro
Municipality of La Spezia (SP)	Installation grants	486,292
		295,940
		625,622
		91,499
Municipality of Portovenere (SP)		212,877
Municipality of La Spezia (SP)		52,456

ASM

Lender	Type of grant	Amount in euro
A.T.O. N.2 Piemonte	Installation grants	154,000

IREN ACQUA

Lender	Type of grant	Amount in euro
Metropolitan city of Genova	Installation grants	953,820
		115,109

IREN AMBIENTE

Lender	Type of grant	Amount in euro
Atersir	Lfa grant	36,967

IRETI

Lender	Type of grant	Amount in euro
Anas	Network extension	495,480
Port authority		72,850
ASL		30,100
Municipality of Casalgrande		28,600
Entity Ambito in Mantova		199,943
Region of Emilia Romagna		16,735
Region of Emilia Romagna	Installation grants	288,239
Enty ATO in the area of Asti		30,000

DEFERRED TAX ASSETS AND LIABILITIES - 2021

	Differences				
	Opening balance	Formation	Change in consolidation scope	Reversal	Closing balance
Deferred tax assets					
Non-taxable provisions	565,033	297,797	3,726	187,370	679,187
Differences in non-current assets	719,005	145,257	-	125,615	738,648
Connection grants	197,964	358	-	54,941	143,381
Derivatives	93,577	153,624	-	46,329	200,872
Tax losses carried forward + ACE	5,623	4,265	-	1,685	8,203
Other	60,771	41,022	5,916	62,317	45,392
Total taxable income/deferred tax assets	1,641,973	642,323	9,642	478,257	1,815,682
Deferred tax liabilities					
Differences in non-current assets	748,249	11,769	1,848	382,359	379,507
Loss allowance	6,621	57	-	1	6,677
Other provisions	2,638	30,000	-	14,368	18,270
Other	53,637	164,559	2,880	54,296	166,779
Total taxable income/deferred tax liabilities	811,145	206,384	4,727	451,024	571,233
Net deferred tax assets	830,828	435,939	4,915	27,233	1,244,449

DEFERRED TAX ASSETS AND LIABILITIES - 2020

	Differences				
	Opening balance	Formation	Change in consolidation scope	Reversal	Closing balance
Deferred tax assets					
Non-taxable provisions	571,917	154,793	27,414	189,091	565,033
Differences in non-current assets	556,950	192,079	10,301	40,324	719,005
Connection grants	337,810	2,758	-	142,604	197,964
Derivatives	124,540	18,803	-	49,766	93,577
Tax losses carried forward + ACE	18,746	1,746	4,623	19,492	5,623
Other	47,784	41,231	696	28,940	60,771
Total taxable income/deferred tax assets	1,657,747	411,410	43,034	470,217	1,641,973
Deferred tax liabilities					
Differences in non-current assets	749,455	8,437	36,460	46,102	748,249
Loss allowance	6,624	-	-	3	6,621
Other provisions	2,536	183	-	81	2,638
Other	54,576	19,505	157	20,601	53,637
Total taxable income/deferred tax liabilities	813,191	28,125	36,616	66,787	811,145
Net deferred tax assets	844,556	383,285	6,417	403,430	830,828

(THOUSANDS OF EURO)

		Taxes			
Change in consolidation scope	Taxes To profit or loss	Taxes To Equity	IRES (Corporate Income Tax)	IRAP (Regional Business Tax)	Total
859	28,428	(52)	147,092	28,017	175,109
-	6,355	-	165,831	20,496	186,327
-	(12,379)	-	3,666	724	4,390
-	(2,032)	34,619	48,132	6,564	54,696
-	589	-	3,375	-	3,375
1,668	(3,714)	461	2,400	1,275	3,675
2,527	17,247	35,029	370,496	57,076	427,572
522	(64,746)	-	108,249	19,898	128,147
-	-	-	428	12	440
-	4,471	-	4,331	694	5,024
691	(3,400)	36,142	42,870	6,516	49,386
1,213	(63,674)	36,142	155,877	27,121	182,997
1,315	80,922	(1,113)	214,619	29,955	244,575

(THOUSANDS OF EURO)

		Taxes			
Change in consolidation scope	Taxes To profit or loss	Taxes To Equity	IRES (Corporate Income Tax)	IRAP (Regional Business Tax)	Total
7,731	(2,789)	347	132,148	13,726	145,874
2,905	44,674	-	164,025	15,946	179,971
-	(31,794)	-	15,946	823	16,769
-	(2,173)	(6,425)	21,498	611	22,109
1,110	(3,443)	-	2,786	-	2,786
326	705	895	3,383	1,876	5,259
12,072	5,180	(5,183)	339,786	32,982	372,768
10,233	(10,556)	-	164,243	28,129	192,371
-	(1)	-	440	-	440
-	22	5	460	93	553
38	6,113	934	15,051	901	15,952
10,271	(4,422)	939	180,194	29,123	209,317
1,801	9,602	(6,122)	159,592	3,860	163,451

RELATED PARTY TRANSACTIONS (THOUSANDS OF EURO)

	Trade Receivables	Loan assets	Sundry assets	Trade Payables	Financial liabilities
OWNERS					
Municipality of Genoa	570	-	-	9	-
Municipality of Parma	13,867	-	-	843	-
Municipality of Piacenza	251	-	-	1,300	-
Municipality of Reggio Emilia	4,231	-	-	994	-
Municipality of Turin	103,254	42,369	-	3,616	3,140
Finanziaria Sviluppo Utilities	16	-	41	-	-
JOINT VENTURES					
Acque Potabili	114	-	-	(2)	-
ASSOCIATES					
ACOS	12	5,581	-	-	-
ACOS Energia	2	-	-	-	-
Acquaenna	70	4,175	-	-	-
Aguas de San Pedro	1	133	-	-	-
AIGA	207	95	-	85	-
AMAT	29	-	-	-	-
AMTER	7,305	131	-	162	-
ASA	209	-	-	-	-
ASA Livorno	860	-	-	6	-
ASTEA	8	512	-	1	-
Asti Servizi Pubblici	101	-	-	20	-
Barricalla	537	-	-	4,135	-
BI Energia	12	786	-	-	-
Centro Corsi	-	40	-	17	-
CSAI	443	-	-	3,019	151
CSP - Innovazione nelle ICT	-	-	-	46	-
Fratello Sole Energie Solidali	674	-	-	-	-
GAIA	429	-	-	842	-
Global Service Parma	(4)	-	-	45	-
Iniziative Ambientali	8	-	-	-	-
Mondo Acqua	41	-	-	-	-
Piana Ambiente in liquidation	70	-	-	-	-
SEI Toscana	3,067	2,709	-	10	460
SETA	2,483	-	-	204	-
Sienambiente	149	-	-	-	-
Sinergie Italiane in liquidation	14	9,409	-	-	-
STU Reggiane	(26)	456	-	275	-
Valle Dora Energia	12	22,725	-	3,650	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Turin	1,701	-	769	1,025	-
Subsidiaries of Municipality of Genoa	1,315	-	-	223	1
Subsidiaries of Municipality of Parma	451	-	-	1,173	-
Subsidiaries of Municipality of Piacenza	69	-	-	571	-
Subsidiaries of Municipality of Reggio Emilia	346	-	-	60	-
Others	43	-	-	-	-
TOTAL	142,941	89,121	810	22,329	3,752

The balances reported in the "Trade receivables" column are shown gross of any loss allowance.

(THOUSANDS OF EURO)

	Sundry liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
OWNERS					
Municipality of Genoa	-	1,682	7,961	-	-
Municipality of Parma	-	35,224	1,174	-	-
Municipality of Piacenza	-	18,849	1,797	-	-
Municipality of Reggio Emilia	-	35,239	465	-	-
Municipality of Turin	-	214,647	6,068	1,415	-
Finanziaria Sviluppo Utilities	-	-	-	-	-
JOINT VENTURES					
Acque Potabili	-	48	(229)	-	-
ASSOCIATES					
ACOS	-	34	-	-	-
ACOS Energia	-	3	59	-	-
Acquaenna	-	130	-	68	-
Aguas de San Pedro	-	1	-	-	-
AIGA	-	9	-	-	-
AMAT	-	11	-	-	-
AMTER	(2)	4,320	360	-	1
ASA	45	318	-	-	-
ASA Livorno	-	223	76	-	-
ASTEA	-	7	7	-	-
Asti Servizi Pubblici	-	1,378	55	-	-
Barricalla	1	855	2,831	-	-
BI Energia	-	3	-	27	-
Centro Corsi	-	-	26	-	-
CSAI	-	1,635	5,332	-	2
CSP - Innovazione nelle ICT	(8)	1	94	-	200
Fratello Sole Energie Solidali	101	924	-	-	-
GAIA	-	1,246	5,191	-	-
Global Service Parma	-	(32)	-	-	-
Iniziative Ambientali	-	6	-	-	-
Mondo Acqua	-	268	-	-	-
Piana Ambiente in liquidation	-	-	-	-	-
SEI Toscana	-	5,281	-	34	20
SETA	-	11,535	781	-	-
Sienambiente	-	146	-	-	-
Sinergie Italiane in liquidation	-	7,801	54,799	-	-
STU Reggiane	-	67	250	11	-
Valle Dora Energia	-	490	3,735	626	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Turin	(18)	4,826	4,626	-	7
Subsidiaries of Municipality of Genoa	-	2,833	1,111	3	-
Subsidiaries of Municipality of Parma	126	1,812	3,311	(5)	1
Subsidiaries of Municipality of Piacenza	-	256	1,143	-	-
Subsidiaries of Municipality of Reggio Emilia	-	890	6,909	-	-
Others	-	192	-	-	-
TOTAL	245	353,158	107,932	2,179	231

INDEPENDENT AUDITORS' FEES

Pursuant to art. 149-duodecies of the Regulation implementing Legislative Decree no. 58/1998, the fees for the year due to KPMG S.p.A. can be summarised as follows:

(THOUSANDS OF EURO)

	Statutory audit	Non-audit services		Total
		Services for the purpose of issuing an attestation	Other services	
Iren S.p.A.	238	127		365
Direct and indirect subsidiaries of Iren S.p.A.	1,152	116		1,268
Total Iren Group	1,390	243		1,633

Statement regarding the Consolidated Financial statements pursuant to art. 81-Ter of Consob Regulation no. 11971 Of 14 May 1999, as subsequently amended and supplemented

1) The undersigned Gianni Vittorio Armani, Chief Executive Officer, and Anna Tanganelli, Administration, Finance, Control and M&A Manager and Manager in charge of financial reporting of Iren S.p.A., hereby certify, in view of the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998:
   - the suitability in respect of the group's characteristics and
   - the effective application of the administrative and accounting procedures in preparing the 2021 consolidated financial statements.
2) It is also hereby certified that:

   2.1 the consolidated financial statements:

      a) are prepared in compliance with the applicable IFRS endorsed by the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council, of 19 July 2002;
      b) correspond to the results of the books and accounting records;
      c) are suitable to offer a true and fair view of the financial position and financial performance of the issuer and the group companies included in the consolidation scope.

   2.2 the Directors' Report includes a reliable analysis of the operating performance and results, and of the situation of the issuer and of all companies included in the consolidation, together with a description of the major risks and uncertainties to which they are exposed.

29 March 2022

Chief Executive Officer	Administration, Finance, Control and M&A Manager and Manager in charge of financial reporting under Law 262/05
Ing. Gianni Vittorio Armani	Dott.ssa Anna Tanganelli

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Corso Vittorio Emanuele II, 48
10123 TORINO TO
Telefono +39 011 8395144
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(The accompanying translated consolidated financial statements of the Iren Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Iren S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Iren Group (the "group"), which comprise the statement of financial position as at 31 December 2021, income statement and the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Iren Group as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Iren S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The group's 2020 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 14 April 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of goodwill

Notes to the consolidated financial statements as at 31 December 2021: note V "Accounting policies" and note 4 "Goodwill"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2021 include goodwill of €208 million, accounting for 2% of total assets. The directors tested the cash-generating units (CGUs) to which goodwill is allocated for impairment. The directors have calculated the CGUs' estimated recoverable amount, based on their value in use, using the discounted cash flow model and the cash flows derived from the business plan approved by the parent's board of directors on 11 November 2021 (the "plan"). The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: — the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	— Analysing the process adopted by the parent to prepare the impairment test. — Analysing the criteria used to identify the CGUs and trace their carrying amounts to the consolidated financial statements. — Assessing the consistency of the cash flows used for impairment testing with the cash flows forecast in the plan. — Checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors. — Analysing the expected cash flows and the reasonableness of the main assumptions used to calculate the CGUs' value in use. — Involving experts in the assessment of the reasonableness of the valuation models and related assumptions. — Checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing. — Assessing the appropriateness of the disclosures provided in the notes.

Recognition of revenue accrued and not yet invoiced

Notes to the consolidated financial statements as at 31 December 2021: note V "Accounting policies", note 14 "Trade receivables" and note 33 "Revenue from goods and services"

Key audit matter	Audit procedures addressing the key audit matter
Revenue from the supply of gas and heat to end users is recognised at the time of supply and includes, in addition to amounts invoiced on the basis of periodic meter readings or on the volumes notified by distributors, an estimate of the gas and heat supplied during the year but not yet invoiced that is calculated also taking account of any network losses. Revenue accrued between the date of the last meter reading and the year-end is based on estimates of the daily consumption of individual customers, primarily determined on their historical information, adjusted to reflect the climate factors or other matters that may affect the estimated consumption. Since the accruals are determined using methods that require significant estimates and the use of complex algorithms, we believe that the recognition of this revenue component and the related invoices to be issued is a key audit matter.	— Analysing the processes and controls implemented by management, including by involving our IT specialists. — Analysing the previous year accruals retrospectively. — Analysing the reasonableness of the estimates and main assumptions used to measure this revenue component, including the models, assumptions and data sources used. — Checking the accuracy and completeness of the data used to recognise revenue accrued and not invoiced. — Checking the correct recognition of sales performed near the year end on an accruals basis. — Assessing the appropriateness of the disclosures provided in the notes.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 13 June 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Iren S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Turin, 29 April 2022

KPMG S.p.A.

(signed on the original)

Roberto Bianchi
Director of Audit

Separate Financial Statements and Notes to the Financial Statements

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At 31 december 2021

Statement of financial position

(AMOUNTS IN EURO)

	Notes	31.12.2021	of which related parties	31.12.2020	of which related parties
ASSETS					
Property, plant and equipment	(1)	166,969,021		159,328,186	
Intangible assets with a finite useful life	(2)	79,953,672		69,706,149	
Investment property		-		-	
Investments in subsidiaries, associates and joint ventures	(3)	2,564,031,856		2,564,031,856	
Other equity investments	(4)	150,000		100,000	
Non-current financial assets	(5)	2,499,027,889	2,472,238,796	2,225,873,362	2,201,369,269
Other non-current assets	(6)	1,662,322	41,520	1,831,926	41,520
Deferred tax assets	(7)	8,460,181		11,035,376	
Total non-current assets		5,320,254,941	2,472,280,316	5,031,906,855	2,201,410,789
Inventories	(8)	3,954,348		4,022,987	
Trade receivables	(9)	107,802,796	107,296,078	90,698,750	90,534,715
Current tax assets	(10)	59,923		927,034	
Sundry assets and other current assets	(11)	117,194,736	58,308,049	123,259,215	38,531,019
Current financial assets	(12)	70,632,654	40,299,610	74,097,463	69,134,178
Cash and cash equivalents	(13)	430,162,174		745,110,781	
Assets held for sale	(14)	-		240,000	
Total current assets		729,806,631	205,903,737	1,038,356,230	198,199,912
TOTAL ASSETS		6,050,061,572	2,678,184,053	6,070,263,085	2,399,610,702

(AMOUNTS IN EURO)

	Notes	31.12.2021	of which related parties	31.12.2020	of which related parties
EQUITY					
Share capital		1,300,931,377		1,300,931,377	
Reserves and Retained Earnings		551,548,320		460,912,293	
Profit for the year		218,850,794		210,063,020	
TOTAL EQUITY	(15)	2,071,330,491		1,971,906,690	
LIABILITIES					
Non-current financial liabilities	(16)	3,278,813,634		3,490,489,308	
Employee benefits	(17)	17,997,003		18,484,829	
Provisions for risks and charges	(18)	6,694,033		12,400,174	
Deferred tax liabilities	(19)	942,831		945,186	
Sundry liabilities and other non-current liabilities	(20)	1,474,768	230	9,809,608	8,498,580
Total non-current liabilities		3,305,922,269	230	3,532,129,105	8,498,580
Current financial liabilities	(21)	464,708,167	69,347,888	306,937,086	72,853,189
Trade payables	(22)	87,672,308	6,416,892	89,834,218	5,489,914
Sundry liabilities and other current liabilities	(23)	82,337,054	54,074,519	167,856,201	142,047,746
Current tax liabilities	(24)	31,708,637		-	
Provisions for risks and charges - current portion	(25)	6,382,646		1,599,785	
Liabilities associated with assets held for sale		-		-	
Total current liabilities		672,808,812	129,839,299	566,227,290	220,390,849
TOTAL LIABILITIES		3,978,731,081	129,839,529	4,098,356,395	228,889,429
TOTAL EQUITY AND LIABILITIES		6,050,061,572	129,839,529	6,070,263,085	228,889,429

Income statement

(AMOUNTS IN EURO)

	Notes	2021	of which related parties	2020	of which related parties
Revenue					
Revenue from goods and services	(26)	235,752,785	234,816,613	218,968,009	218,080,314
Other income	(27)	11,566,759	9,599,174	12,963,956	10,741,969
Total revenue		247,319,544	244,415,787	231,931,965	228,822,282
Operating expenses					
Raw materials, consumables, supplies and goods	(28)	(7,370,458)	(24,488)	(12,312,604)	(10,250)
Services and use of third-party assets	(29)	(137,851,832)	(17,716,358)	(128,802,431)	(16,782,096)
Other operating expenses	(30)	(11,008,313)	(1,342,617)	(9,156,866)	(2,156,202)
Internal work capitalised	(31)	4,901,842		4,966,137	
Personnel expense	(32)	(77,093,283)		(73,684,541)	
Total operating expenses		(228,422,044)	(19,083,463)	(218,990,305)	(18,948,548)
GROSS OPERATING PROFIT		18,897,500		12,941,660	
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(33)	(36,266,835)		(31,356,116)	
Impairment losses on loans and receivables	(34)	-		-	
Other provisions and impairment losses	(34)	(72,642)		96,022	
Total depreciation, amortisation, provisions and impairment losses		(36,339,477)		(31,260,094)	
OPERATING LOSS		(17,441,977)		(18,318,434)	
Financial management	(35)				
Financial income		288,829,589	286,369,950	290,010,960	285,687,927
Financial expense		(53,598,164)	(60,685)	(65,834,043)	(73,226)
Net financial income		235,231,425	286,309,265	224,176,917	285,614,701
Gains (losses) on equity investments	(36)	-		-	
Profit before tax		217,789,448		205,858,483	
Income tax benefit	(37)	1,061,346		4,204,537	
Profit from continuing operations		218,850,794		210,063,020	
Profit (loss) from discontinued operations		-		-	
Profit for the year		218,850,794		210,063,020	

Statement of other comprehensive income

(AMOUNTS IN EURO)

	Notes	2021	2020
Profit for the year (A)		218,850,794	210,063,020
Other comprehensive income that will be			
subsequently reclassified to profit or loss	(38)		
- effective portion of fair value gains/(losses) on cash flow hedges		8,732,205	(232,243)
- fair value gains/(losses) on financial assets			
Tax effect		(2,095,729)	55,738
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss, net of tax effect (B1)		**6,636,476**	**(176,505)**
Other comprehensive income that will not be subsequently reclassified to profit or loss			
- actuarial losses on defined benefit plans (IAS 19)		(169,872)	(1,369,220)
Tax effect		40,769	328,613
Other comprehensive income that will not be subsequently reclassified to profit or loss, net of tax effect (B2)		**(129,103)**	**(1,040,607)**
Comprehensive income (A)+(B1)+(B2)		**225,358,167**	**208,845,908**

Statement of changes in equity

	Share capital	Share premium reserve Issue of shares	Legal reserve
31.12.2019	1,300,931	133,019	64,642
Owner transactions			
Dividends			
Retained earnings			12,071
Repurchase of treasury shares			
Other changes			
Total owner transactions	-	-	12,071
Comprehensive income for the year			
Profit for the year			
Other comprehensive expense			
Total comprehensive income for the year			
31.12.2020	1,300,931	133,019	76,713
31.12.2020	1,300,931	133,019	76,713
Owner transactions			
Dividends			
Retained earnings			10,503
Repurchase of treasury shares			
Other changes			
Total owner transactions	-	-	10,503
Comprehensive income for the year			
Profit for the year			
Other comprehensive income			
Total comprehensive income for the year			
31.12.2021	1,300,931	133,019	87,216

(THOUSANDS OF EURO)

Hedging reserve	Other reserves and retained earnings (losses carried forward)	Total reserves and retained earnings (losses carried forward)	Profit (loss) for the year	Equity
(9,340)	177,493	365,814	241,413	1,908,159
		-	(119,504)	(119,504)
	109,838	121,909	(121,909)	-
	(25,594)	(25,594)		(25,594)
		-		-
-	84,244	96,315	(241,413)	(145,098)
				-
			210,063	210,063
(176)	(1,041)	(1,217)		(1,217)
(176)	(1,041)	(1,217)	210,063	208,846
(9,516)	260,696	460,912	210,063	1,971,907
(9,516)	260,696	460,912	210,063	1,971,907
		-	(121,892)	(121,892)
	77,668	88,171	(88,171)	-
	(4,042)	(4,042)		(4,042)
		-		-
-	73,626	84,129	(210,063)	(125,934)
				-
			218,851	218,851
6,636	(129)	6,507		6,507
6,636	(129)	6,507	218,851	225,358
(2,880)	334,193	551,548	218,851	2,071,331

Statement of cash flows

(THOUSANDS OF EURO)

	2021	2020
A. Opening cash and cash equivalents	745,111	239,115
Cash flows from operating activities		
Profit for the year	218,851	210,063
Adjustments:		
Income tax benefit for the year	(1,061)	(4,205)
Net financial expense (income)	(235,232)	(224,177)
Amortisation and depreciation	36,266	31,356
Net impairment losses (reversals of impairment losses) on assets	-	-
Impairment losses on loans and receivables	-	-
Net provisions for risks and other charges	1,116	710
Capital (gains) losses	58	1,065
Payment of employee benefits	(1,507)	(1,260)
Utilisations of provisions for risks and other charges	(1,662)	(5,200)
Change in other non-current assets	170	40
Change in sundry liabilities and other non-current liabilities	(8,335)	(964)
Other changes in equity	-	-
Taxes paid	6,655	33,991
Change in inventories	571	(1,691)
Change in trade receivables	(17,026)	23,462
Change in current tax assets and other current assets	30,875	4,932
Change in trade payables	(2,162)	(5,437)
Change in current tax liabilities and other current liabilities	(82,830)	51,650
B. Net cash and cash equivalents generated by/(used in) operating activities	(55,253)	114,335

	2021	2020
Cash flows from/(used in) investing activities		
Investments in property, plant and equipment and intangible assets	(49,868)	(51,253)
Investments in financial assets	(50)	(50)
Proceeds from the sale of investments	587	1,341
Change in company scope	-	-
Dividends received	235,329	236,437
C. Net cash and cash equivalents generated by investing activities	185,998	186,475
Cash flows from/(used in) financing activities		
Capital increase	-	-
Repurchase of treasury shares	(4,042)	(25,594)
Dividends paid	(121,743)	(119,523)
New non-current loans	205,000	875,000
Repayment of non-current loans	(235,327)	(190,099)
Change in cash pooling arrangements	(191,905)	(435,433)
Change in lease liabilities	(4,631)	(103,830)
Change in other financial liabilities	(9,426)	(97,079)
Change in loan assets	(76,837)	314,413
Interest paid	(59,848)	(78,900)
Interest received	53,065	66,231
D. Net cash and cash equivalents generated by/(used in) financing activities	(445,694)	205,186
E. Cash flow for the year (B+C+D)	(314,949)	505,996
F. Cash and cash equivalents (A+E)	430,162	745,111

Notes to the separate financial statements

Introduction

Iren S.p.A. is an Italian multi-utility company, listed on the Italian Stock Exchange (Borsa Italiana) and established on 1 July 2010 through the merger of IRIDE and ENÌA. The Company's registered office is in Italy, in Reggio Emilia, Via Nubi di Magellano 30. There were no changes in the company name during 2021.

Iren S.p.A. is an industrial holding company, with registered office in Reggio Emilia, parent of the four companies responsible for the operational activity (Business Units) in the main operating offices of Genoa, La Spezia, Parma, Piacenza, Reggio Emilia, Turin and Vercelli.

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

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

I. Basis of presentation

These financial statements represent the separate financial statements of the Parent Iren S.p.A. (annual report) and were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as with the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005. The "IFRS" comprise also the revised International Accounting Standards ("IAS"/"IFRS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In drawing up these separate financial statements, the same accounting policies were applied as those adopted for the separate Financial Statements at 31 December 2020, with the exceptions highlighted in the section "Standards, amendments and interpretations effective as of 1 January 2021".

The separate financial statements at 31 December 2021 consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. The schedules are the same as those used in the preparation of the separate financial statements as at and for the year ended 31 December 2020.

In line with what was previously published, in the statement of financial position, assets and liabilities are classified as "current/non-current". Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the company's ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the ordinary operating cycle or during the twelve months following year end.

The Income Statement is classified on the basis of the nature of the costs. In addition to the Operating Profit, the Income Statement also shows the Gross Operating Profit obtained by deducting total operating expense from total revenue.

The indirect method is used in the Statement of Cash Flows. The cash configuration analysed in the Statement of Cash Flows includes cash on hand and cash in current accounts.

The separate financial statements are drawn up on the basis of the historical cost principle, with the exception of certain financial instruments and the asset relating to the variable portion of the sale price of OLT Offshore LNG Toscana, measured at fair value, as well as on a going concern basis. The company did not detect any particular risks connected with the Company's business and/or any uncertainties that might cast doubt on its ability to continue as a going concern.

These separate financial statements are stated in euro, the company's functional currency. Data included in the notes, unless otherwise specified, are expressed in thousands of euro. Due to rounding, there could be cases in which the detailed tables contained in this document show a difference of around one thousand euro. It is believed that these cases do not alter the reliability and informative value of these separate financial statements.

Lastly, in accordance with CONSOB Resolution No. 15519 of 27 July 2006 regarding the format of financial statements, specific additional columns have been added to the Income Statement and the Statement of Financial Position to highlight transactions with related parties.

Use of estimates and assumptions by management

Estimates

Preparation of the Separate Financial Statements entails making estimates, opinions and assumptions that have an effect on the amounts of revenue, costs, assets and liabilities, including contingent liabilities, and on the information provided. These estimates and assumptions are based on past experience and other factors considered reasonable in the case in question, particularly when the value of assets and liabilities is not readily apparent from comparable sources.

Estimates and assumptions were used in applying the accounting policies, in particular to measure the following items of the financial statements:

- impairment losses on non-financial assets: assets such as property, plant and equipment, investment property, intangible assets, right-of-use assets, goodwill and equity investments in associates/joint ventures are impaired when their carrying amount exceeds their recoverable amount, represented by the higher of fair value, net of costs to sell, and value in use. The recoverable amount is sensitive to the estimates and assumptions used to determine the amount of cash flows and the discount rates applied. However, possible variations in the basic assumptions on which these calculations are based could produce different recoverable amounts.
- Expected losses on financial assets: at the end of each reporting date, the company recognises a loss allowance for trade receivables and other financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and all other assets within the scope of impairment. Loss allowances for financial assets are based on assumptions regarding the risk of default and the measurement of expected credit losses. In making these assumptions and selecting the inputs to calculate the expected credit loss, management uses its professional judgement, based on past experience, current market conditions, as well as forward-looking estimates at the end of each reporting date.
- The determination of the fair value of derivative instruments and certain financial assets. The fair value of financial instruments is determined on the basis of prices directly observable on the market, where available, or, for unlisted financial instruments, using specific valuation techniques (mainly based on present value) that maximise the use of inputs observable on the market. In the rare circumstances where this is not possible, the inputs are estimated by management taking into account the characteristics of the instruments being measured. For further details on financial instruments measured at fair value, please refer to section III Financial Risk Management of Iren S.p.A.. Changes in the assumptions made in estimating input data could affect the fair value recognised for these instruments, especially in the current context in which markets are volatile and the economic outlook highly uncertain and subject to rapid changes. When valuations are subject to significant measurement uncertainty due to the current environment and there is a wide range of possible fair value estimates, the company is required to apply judgement in determining the point within that range that is most representative of fair value under the circumstances.
- Hedge accounting. Hedge accounting is applied to derivatives in order to reflect the effects of risk management strategies in the financial statements. To this end, the company documents at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well

as the risk management objectives and strategy. In addition, the company assesses, both at the inception of the relationship and on a systematic basis, whether hedging instruments are highly effective in offsetting changes in the fair value or cash flows of hedged items. Based on the opinion of the Directors, the assessment of effectiveness based on the existence of an economic relationship between hedging instruments and hedged items, the dominance of credit risk in changes in value and the hedge ratio, as well as the measurement of ineffectiveness, are evaluated by means of a qualitative assessment or a quantitative calculation, depending on the specific facts and circumstances and the characteristics of the hedging instruments and hedged items. With respect to cash flow hedges of future transactions, management assesses and documents that they are highly probable and present an exposure to changes in cash flows that impacts the Income Statement. For more details about the key assumptions on assessing effectiveness and measuring ineffectiveness, please refer to Section III Financial Risk Management of Iren S.p.A..

- The determination of the amount of provisions for future risks and charges. The company is a party to various civil, administrative and tax proceedings connected with the normal course of its business, which could give rise to liabilities of a significant amount, for which it is not always objectively possible to predict the final outcome. The assessment of the risks connected with the above procedures is based on complex elements that by their nature entail recourse to the judgement of the Directors, also taking account of elements acquired from external consultants assisting the company, with reference to their classification among contingent liabilities or among liabilities. Provisions have been established to cover all significant liabilities for cases where attorneys have noted the likelihood of an adverse outcome and a reasonable estimate of the amount of the expense. The company determines whether to consider each uncertain tax treatment separately or jointly with one or more uncertain tax treatments, as well as whether to report the effect of uncertainty using the most probable amount method or the expected value method, choosing the one that, according to its projections, best provides for the resolution of the uncertainty, taking into account tax regulations. The company makes significant use of professional judgement in identifying uncertainties about income tax treatments and reviews opinions and estimates made when there is a change in facts and circumstances that could change the conclusion about the acceptability of a particular tax treatment or the estimated effects of the uncertainty, or both. Refer to Note 37 Income Tax Benefit for further details regarding income taxes.
- Onerous Contracts. In order to identify an onerous contract, the company estimates the non-discretionary costs required to perform the obligations assumed (including any penalties) under the contract and the economic benefits expected to be obtained from the same contract.
- Determining the useful life of non-financial assets. In determining the useful life of property, plant and equipment and intangible assets with a finite useful life, the Company considers not only the future economic benefits - contained in the assets - enjoyed through their use, but also many other factors, such as physical deterioration, obsolescence of the product or service provided by the asset (e.g. technical, technological or commercial), legal restrictions or other similar constraints (e.g. safety, environmental, etc.) on the use of the asset, if the useful life of the asset depends on the useful life of other assets.

The estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the year in which they are revised, if the revision refers only to the year under evaluation. Should the revision involve both current and future years, the variation is recognised in both the year in which the revision occurs and in the related future years.

The criticality inherent in these evaluations relates to the use of assumptions and judgements regarding issues that are, by their nature, uncertain. In addition, any changes in the conditions underlying the assumptions and judgements could have a significant impact on the results of subsequent years.

II. Accounting policies

The accounting policies adopted in drawing up these Separate Financial Statements of Iren S.p.A. at 31 December 2021 are indicated below; the accounting policies described have not changed with respect to those adopted at 31 December 2020.

Property, plant and equipment

- Property, plant and equipment owned

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all directly attributable costs necessary to make the asset available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and reclaiming the site on which it is located), net of trade discounts and rebates.

Borrowing costs related to the purchase or internal construction of items of property, plant and equipment are capitalised for the part of the cost of the asset until it becomes operative.

If significant items of such property, plant and equipment have different useful lives, these items are accounted for separately.

In particular, under this policy, land and buildings located on the land are to be recognised separately; only the buildings are depreciated, while the carrying amount of land is subject to impairment, as described in the section “Impairment losses on non-financial assets” below.

Ordinary maintenance costs are fully recognised in profit or loss. Other costs of an incremental nature are allocated to the assets to which they refer, in accordance with IAS 16, and depreciated in relation to the residual possibility of use of the assets to which they refer. Costs that reasonably expect an increase in future economic benefits, such as an increase in useful life, an increase in production capacity, an improvement in product quality or the adoption of production processes that result in a substantial reduction in production costs, are considered to be incremental.

Assets under construction include costs related to the construction or improvement of plants incurred until the reporting date. These investments are depreciated once the asset becomes operative.

Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives.

The rates applied are set out below. The tables also show the residual term of the lease contracts on the basis of which the right-of-use assets recognised among property, plant and equipment are depreciated:

	Min. rate	Max. rate
Buildings	2.00%	7.00%
Light constructions	10.00%	10.00%
Vehicles	20.00%	25.00%
Sundry equipment	10.00%	10.00%
Furniture and office machines	12.00%	12.00%
Hardware	20.00%	20.00%
Plants	3.00%	33.00%

	Years	
Right-of-use assets IFRS 16 - Leases	from	to
Land	12	12
Buildings	2	57
Other assets (motor vehicles)	2	4

The rates relating to the plants refer, respectively as minimum and maximum rates, to a reserve transformer at the Piacenza site and to a prototype in the context of innovation activities.

Grants related to assets are recognised as deferred revenue and taken to profit or loss over the depreciation period of the related item of property, plant and equipment.

- Leased assets

Lessee

IFRS 16 establishes a criterion based on the control (right of use) of an asset to distinguish leases from contracts for services, regardless of the contractual form adopted (lease, rental or hire). The discriminants are: the identification of the asset, the right to replace the same, the right to obtain substantially all the economic benefits deriving from use of the asset and the right to direct the use of the asset underlying the contract.

On the lessee's part, IFRS 16 provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months, unless the underlying asset has a new value of less than five thousand euro.

The lease liability is initially measured at the present value of the payments due for the lease, primarily the fixed and/or variable payments contractually provided for and the price to exercise the option if the reasonable certainty of exercising it exists; as regards the rate to be used for discounting, reference is made to the marginal loan rate derived from the market value of the listed debt instruments issued by Iren. Subsequently, the liability is reduced by the principal repaid and, if necessary, restated to take account of new valuations or changes. The residual debt must be accounted for by separating the current portion (within 12 months) from the non-current portion.

The right of use of the asset underlying the lease contract is recognised under property, plant and equipment at cost, consisting of the initial measurement of the financial liability increased by any initial costs incurred. The asset is depreciated over the term of the lease or, if the transfer of ownership at the end of the lease is provided for, over the expected useful life of the underlying asset. The asset may also be reduced as the result of any impairment losses, and adjusted to take into account any redetermination of the lease liability.

In the income statement interest on the debt and depreciation are recognised separately, as is any impairment loss on the right-of-use asset.

Lessor

At the inception of a contract or upon amendment of a contract that contains a lease component, the contract consideration is allocated to each lease component based on its stand-alone price.

At the inception of the lease, the company, in its role as lessor, classifies each of its leases as either a finance lease or an operating lease.

For this purpose, it generally assesses whether the lease transfers substantially all the risks and rewards associated with ownership of the underlying asset. In this case, the lease is classified as a finance lease, otherwise as an operating lease. As part of this assessment, the company considers, among other indicators, whether the lease term covers most of the economic life of the underlying asset.

With respect to sub-leases, the company, as an intermediate lessor, classifies its share in the head lease separately from the sub-lease. For this purpose, it classifies the sub-lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the head lease is a short-term lease that it has accounted for by applying the above exemption, the sub-lease is classified as an operating lease.

For contracts containing a lease component and one or more lease and non-lease components, the contract consideration is allocated by applying IFRS 15.

The Company applies the derecognition and impairment provisions of IFRS 9 to the net investment in the lease and periodically reviews the estimates of non-guaranteed residual values used in calculating the gross investment in the lease.

Payments received for operating leases are recognised as income on a straight-line basis over the lease term in "other income".

Intangible assets

Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Development expenditure is capitalised if all of the following features can be demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If even one of these requirements is not met, the expenditure is fully recognised in the year in which it is incurred.

Intangible assets with a finite useful life are amortised on a systematic basis over their useful lives so that the carrying amount at year end matches their residual life or recoverable amount based on the company's plans to develop production. Amortisation begins when the asset is available for use.

Amortisation of intangible assets is calculated on a straight-line basis over the following useful lives:

	Years	
	from	to
Industrial patents and intellectual property use rights	20	20
Software	5	5
Other intangible assets with a finite useful life	5	5

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation expires on the later of either the date on which the asset is classified as held for sale (or included in a disposal group classified as held for sale), pursuant to IFRS 5, or the date on which the asset is derecognised.

Assets under development relate to internal and external costs referring to intangible assets for which the company has not yet acquired the right to and has not started to use in production. These investments are amortised from the date they begin to be used in production.

Under IAS 36, assets under development are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

Non-current assets held for sale - Discontinued operations

A non-current asset (or group of assets and liabilities held for disposal) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset are measured in accordance with the company's accounting policies. The asset (or disposal group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with the company's accounting policies. Impairment losses on the initial classification of an asset as held for sale compared to subsequent measurements are recognised in profit or loss. Reversals of impairment losses are recognised only to the extent of any accumulated impairment loss.

Discontinued operations represent a part of the company that has been discontinued or classified as held for sale, and:

a) represents an important business unit or geographical segment;

b) forms part of a single coordinated disposal plan or an important autonomous business unit or geographical segment;

c) is a subsidiary acquired solely with a view to resale.

If a single non-current asset is involved (e.g. a property or an investment in an associate), the recognition of profit or loss from the disposal or valuation depends on the nature of the asset.

If it is a discontinued operation and is a material component of the item "Profit/loss from discontinued operations", a single amount is recorded represented by the total of:

i) profit or loss on the discontinued operation, net of tax effects; and

ii) the capital gain or loss, net of tax effects, recognised after the fair value measurement, net of costs to sell or actual disposal of the asset.

The income statement of the comparative year is restated in order to guarantee consistent comparison.

If the asset is immaterial, revenue and costs from the discontinued operation continue to be recognised on a line-by-line basis under the related income statement items, whilst the profit/loss from discontinued operations includes only the capital gain or loss referred to under point ii) above.

Impairment losses on non-financial assets

The IFRS require a company to assess whether there are any specific indications of impairment. The company performs an impairment test, which consists of estimating the recoverable amount of the asset and comparing it to its carrying amount.

The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or Cash-Generating Unit, inclusive of taxes, by applying a discount rate, before taxes, which reflects the current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior years no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased, with a balancing item in profit or loss, up to the estimated new recoverable amount. The latter amount shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is not applicable to goodwill.

The value in use is generally defined by discounting the cash flows expected from use of the asset or Cash Generating Units and from the amount expected from its disposal at the end of its useful life.

Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Financial instruments

All financial instruments, including derivatives, are recognised in the statement of financial position when the company becomes a party to the agreement and therefore acquires a right to receive cash flows or an obligation to pay.

- *Financial assets and liabilities*

At the moment of initial recognition the financial asset or liability is measured at fair value plus or minus, in the case of a financial asset or liability not measured at fair value recognised in profit or loss, the transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition the financial asset or liability is measured as described below.

Financial assets are classified in three categories: a) financial assets measured at amortised cost; b) financial assets measured at fair value through other comprehensive income (FVOCI); c) financial assets measured at fair value through profit or loss (FVTPL).

The classification under the categories indicated above is made on the basis of the entity's business model and in relation to the characteristics of the cash flows generated by the said assets:

a) a financial asset is measured at amortised cost if the entity's business model envisages that the financial asset is held to collect the related cash flows (therefore, substantially, not to make a profit also from sale of the instrument) and the characteristics of the cash flows of the asset correspond only to payment of principal and interest;

b) a financial asset is measured at Fair Value with a balancing item in Other Comprehensive Income if it is held with the objective both of collecting the contractual cash flows, and of being sold (Hold to Collect and Sell model);

c) finally if it is a financial asset held for trading and in any case does not come within the cases indicated in points a) and b) it is measured at fair value through profit or loss.

At each reporting date all financial assets, with the exception of those measured at fair value recognised in profit (loss) for the year, are subjected to an impairment test to determine whether there is objective evidence that can lead to the belief that the value of the asset is not fully recoverable. In accordance with what is provided for in IFRS 9 the impairment model adopted by the Iren group is based on expected credit losses, where "loss" means the present value of all cash shortfalls considering forward-looking information. According to the general approach concerning all financial activities, the expected credit losses is a function of probability of default (PD) of the loss given default (LGD) and exposure at default (EAD): the PD represents the probability that an asset will not be repaid and will go into default; the LGD is the amount of money lost when a borrower defaults on a loan; the EAD represents the exposure claimed against the counterparty, including any guarantees, collateral, etc. The estimate is made initially on the expected credit losses in the subsequent 12 months; in view of any gradual deterioration of the financial asset, the estimate is adjusted to cover the expected credit losses along the entire life of the financial asset.

Financial liabilities are generally classified as measured at amortised cost, with the exception of derivatives which are measured at fair value through profit or loss. Changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to a change in the creditworthiness of the liability itself are recognised under other comprehensive income.

- *Equity investments in subsidiaries and associates*

Investments in subsidiaries and associates are measured at cost. In the event of impairment, the carrying amount of the investment is written down. The impairment loss is recognised in profit or loss.

- *Other equity investments*

Other equity investments, consisting of non-controlling interests in unlisted companies that the Company intends to keep in its portfolio in the near future, are measured at fair value through profit or loss (FVTPL).

- *Hedging instruments*

The Company holds hedging instruments, acquired for non-speculative purposes, solely to hedge its exposure to interest rate and currency risks.

A hedging relationship qualifies for hedge accounting if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the company's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
- for cash flow hedges, an expected future transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are recognised at fair value, determined by using adequate measurement models for each type of financial instrument using, where available, the market forward curves, both regulated and not regulated (intrinsic value). For options fair value is supplemented with the time value, which is based on their residual life and the volatility of the underlying.

At each reporting date, hedging instruments are tested for effectiveness to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting. A hedging relationship is effective if:

- there is an economic relationship between the hedged instrument and hedging instrument;
- the credit risk effect does not dominate the change in value that results from the economic relationship;
- the ratio between the quantity of the hedging instrument and the quantity of the hedged instrument in terms of relative weight does not determine an imbalance in terms of the hedge ratio.

If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, changes in the fair value of the hedging instrument are recognised in equity for the effective portion of the hedge (intrinsic value), and in profit or loss for the time-value portion and any ineffective portion (over-hedging);
- for fair value hedges, changes in the fair value of both the hedging instrument and the hedged item are recognised in profit or loss.

If the hedge does not meet the criteria for hedge accounting, the gains or losses deriving from measurement at fair value of only the hedging instrument are fully recognised in profit or loss.

Considering the provisions of IFRS 7 on the fair value hierarchy, as extended by IFRS 13, for each category of financial instrument measured at fair value the fair value hierarchy is as follows:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability which are not based on observable market data.

- *Trade receivables and payables*

Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement, and are recognised at fair value (equal to their nominal amount). After initial recognition they are measured at amortised cost.

Trade receivables are shown net of loss allowances determined, in accordance with IFRS 9, applying, instead of the general approach, valid for all financial assets with the exception of those measured at fair value through profit (loss) for the year, the simplified approach and, more specifically, the provision matrix model, which is based on identifying the default rates by maturity bands observed on a historical basis, applied for the entire expected life of the receivable and updated on the basis of significant future scenario elements.

- *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents, including ancillary charges, are measured at fair value.

Cash on hand and equivalents in hand are measured at their nominal amount.

- Derecognition of financial assets and liabilities

Financial assets are derecognised whenever one of the following conditions occurs:

- the contractual right to receive the cash flows associated with the asset has expired;
- the company has substantially transferred all the risks and benefits associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to shift these cash flows to one or more beneficiaries

under a contract that meets the requirements under IFRS 9 (pass through test);

- the company has transferred the control of the financial asset but has neither transferred nor retained the risks and rewards associated with the financial asset.

Financial liabilities are derecognised when they are settled, i.e. when the contractual obligation is fulfilled, cancelled or prescribed. When an existing financial liability is replaced by another to the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such replacement or modification is treated as derecognition of the original liability and recognition of a new liability.

The difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are carried at the lower of cost (purchase cost, transformation and other costs incurred to bring the inventories to their current place and condition) and their expected net realisable or replacement value.

Cost is determined using the weighted average cost method. If the cost of inventories cannot be recovered because they are damaged, have become entirely or partly obsolete or their sales prices have decreased, they are written down to their net realisable value. If the circumstances leading to the write-down no longer exist, the write-down is reversed.

Equity

Share capital, including the various categories of shares, is stated at its nominal amount less share capital proceeds to be received.

The purchase cost of treasury shares is recognised as a reduction in equity.

Costs directly attributable to share capital transactions, for new subscriptions, are accounted for reducing equity.

Dividends are recognised as liabilities when they are approved by the Shareholders.

Employee benefits

Post-employment benefits are defined according to plans which, based on their characteristics, are separated into "defined contribution" and "defined benefit" plans.

In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For the company these are included under post-employment benefits accrued since 1 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the share paid to the supplementary pension funds.

The liability relating to defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For the company, included in this category are post-employment benefits accrued until 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the tariff discounts for employees and former employees, additional monthly salaries (Art. 47, national labour agreement for the sector), the loyalty bonus paid to employees and contributions paid to the Premungas fund.

The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, considering economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured. For post-employment benefits accrued as at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the proportional basis is not applied because at the reporting date the benefits can be considered accrued in full.

The demographic, economic and financial variables are validated annually by an independent actuary.

As regards presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:

1) operating (service costs), personnel expense;

2) financial (financial expense), net interest income/expense;

3) measuring (remeasurement costs), actuarial gains/losses.

Gains and losses deriving from actuarial calculations regarding post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in profit or loss.

As regards disclosures, information is given on the characteristics of the plans and related amounts recognised in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of fluctuations in demographic risk.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover liabilities of uncertain amount or due date that are recognised when, and only when, the following conditions are met:

- the company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the separate financial statements, and no provision is made.

No additional information is provided for events that are remote, i.e. where it is very unlikely they will arise, and no provision is made.

The provisions are recognised at the amount representing the best estimate of the total that the company would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.

On discounting, the time-related increase in the provision is recognised as financial expense.

Revenue from goods and services

Revenue is measured at fair value with respect to the amount received or due, taking account of any trade discounts and reductions connected with quantity. A distinction is made between revenue from operating activities and any financial income accruing up to the date of collection.

For correct recognition of revenue from contracts with customers, reference is made to IFRS 15 which provides for a revenue recognition model based on 5 steps:

1) identify the contract with the customer. Contract means a commercial agreement approved by two or more parties that creates enforceable rights and obligations. A contract is valid when the following conditions are jointly met: a) the parties have approved the contract (in writing or according to usual commercial practices); b) it is possible to identify the customer's rights as regards the goods or services that must be transferred; c) the payment terms are identifiable; d) the contract has commercial substance; e) it is probable that the price will be collected (only the customer's ability and intention to pay are considered);

2) identify the "Performance Obligations" contained in the contract. Where a contract provides for the supply/provision of multiple goods and services, it is assessed whether these should be recognised separately or together, considering their individual characteristics.
   Activities carried out to execute the contract, such as administrative formalities for preparing the contract itself, do not transfer separate goods and services to the customer, and therefore do not represent performance obligations. Non-refundable initial expenses charged to the customer are not revenue unless they refer to separate goods and services.
   If in a contract an entity gives the customer an option to purchase future goods and services, this option constitutes a separate performance obligation only if it gives the customer a benefit that the customer would not have been able to obtain in another way, for example a discount higher than those typically given for those particular goods or services. An option to purchase goods or services at a price that reflects its stand-alone selling price, is not a separate performance obligation even if it can be obtained only by signing the contract in question.
   In this context, it is determined whether the entity is acting as "principal" or "agent," depending

on whether or not, respectively, it controls the promised good or service before control thereof is transferred to the customer. When the entity acts as an "agent," particularly with respect to gas and electric grid connection services, revenue is recognised on a net basis;

3) determine the "Transaction Price". The following elements must be considered in determining the transaction price: a) any amounts collected on behalf of third parties, which must be excluded from the price; b) variable components of the price (such as performance bonuses, penalties, discounts, refunds, incentives, etc.); c) financial component, if the payment terms grant the customer a significant extension;

4) allocate the price to the Performance Obligations on the basis of the "Relative Stand Alone Selling Price". For any bundled supplies, the selling price is generally allocated on the basis of the stand-alone price of each good or service, i.e., the price at which the company would sell such good or service separately to the customer;

5) recognise revenue when the Performance Obligation is satisfied. The asset or service is transferred when the customer obtains control over the asset or service and that is when it has the ability to decide and/or direct its use and obtain substantially all its benefits. The transfer of control, and consequently the recognition of revenue may occur at a certain point in time or over time.

For each obligation fulfilled over time, revenue is recognised by evaluating progress toward complete fulfilment of the obligation. On the asset side, contract assets, specifically identified in the financial statements, represent the right to the price for goods and services transferred to the customer when said right is subject to a condition other than the passage of time.

When said right is unconditional, i.e. collection of the price depends solely on the passage of time, a receivable is recognised.

If the customer pays the price before the transfer of goods or services occurs, a liability arising from contracts with customers is recognised at the time payment is made (or payment is due); this liability is recognised as revenue when the obligation under the contract is fulfilled.

With reference to the specific activity of Iren S.p.A., i.e. the provision of corporate and technical-administrative services to its investees, the related revenue is recognised upon provision of the services. For each contract, the fees for the individual services rendered are identified and recorded separately.

In the event of contractual amendment, that is a change in the subject and/or the price of the contract approved by the parties, if the amendment introduces new separate goods and/or services and the increase in the contractual price is equal to the stand-alone selling price of the new goods and/or services, the contractual amendment is accounted for as a new contract. If the two aforementioned conditions are not met and the goods and/or services still to be delivered are separate with respect to what has already been transferred to the customer before the amendment, the change is treated as cancellation of the old contract and introduction of a new contract with prospective effect on revenue; otherwise the amendment is treated as continuation of the original contract with retrospective effect on revenue.

The costs of obtaining contracts with customers are capitalised in accordance with the provisions of IFRS 15 and are amortised over the duration of the relationship with the customer. In order to determine this expected period, reference is made to historical experience with churn rates.

Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically recognised as income over the useful life of the asset to which they refer. The deferred revenue related to the grants is recognised in the statement of financial position, under Other liabilities, with suitably separated current and non-current amounts.

Grants related to income are recognised in profit or loss when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Other income

Other income includes all kinds of revenue not included in the previous types and not of a financial nature.

Income is measured at the fair value of the price received or due and is recognised when:

- the amount of revenue can be estimated reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company.

Costs for the purchase of goods and services

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. Costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

Financial income and expense

Financial income and expense are recognised when they accrue on the basis of the interest earned on the net amount of the related financial assets and liabilities using the effective interest rate.

Financial expense directly attributable to the acquisition, construction or production of a plant is capitalised when:

- it is likely that it will result in future economic benefits for the company;
- it can be reliably measured.

Dividends on equity investments are recognised when the right to receive payment is established. This usually coincides with the resolution passed by the Shareholders.

Income taxes

Income taxes comprise all the taxes calculated on the company's taxable income.

Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable. The amendments to IAS 12 approved by the European Commission with Regulation (EU) 2017/1989 of 6 November 2017 provide some clarifications on the criteria to be adopted to determine whether there are sufficient future taxable incomes against which to use the deductible temporary differences.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply for the year in which the differences are reversed.

The Group also exercised the option, pursuant to Art. 118 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the Parent Iren S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES assets.

Uncertainty of income tax treatment

The definition of uncertainty should consider whether a given tax treatment would be acceptable to the Tax Authority. If it is considered probable that the Tax Authority will accept the tax treatment (the term "probable" being understood as "more likely than not"), then the Company recognises and measures its current or deferred tax assets and liabilities by applying the provisions of IAS 12.

Conversely, if the Company believes that it is not likely that the Tax Authority will accept the tax treatment for income tax purposes, it reflects the effect of such uncertainty by using the method that best provides for the resolution of the uncertain tax treatment. The Company decides whether to consider each uncertain tax treatment separately or in conjunction with one or more uncertain tax treatments, choosing the approach that best provides for resolution of the uncertainty. In assessing whether and how uncertainty affects tax treatment, the Company assumes that the Tax Authority does or does not accept uncertain tax treatment on the assumption that the Tax Authority, on audit, will check the amounts it is entitled to examine and that it will be fully aware of all relevant information. The Company reflects the effect of uncertainty in determining current and deferred income taxes, using either the expected value method or the most probable amount method, depending on which method best provides for resolution of the uncertainty. Since uncertain tax positions relate to the definition of income taxes, the Company reports uncertain tax assets/liabilities as current taxes or deferred taxes.

Standards, amendments and interpretations applied from 1 January 2021

As of 1 January 2021, the following standards and amendments to standards, issued by the IASB and endorsed by the European Union, are obligatorily applicable:

Interest Rate Benchmark Reform - Phase 2

In August 2020, the IASB published the Interest Rate Benchmark Reform - Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16), endorsed by the European Union with Reg. 2021/25 of 13 January 2021. While Phase 1 focused on the consequences of pre-reform IBOR by providing exceptions to hedge accounting requirements, Phase 2 examines the consequences of contractual changes resulting from the reform by clarifying the proper accounting treatment of the financial instruments involved when interest rate benchmarks are replaced by alternative rate benchmarks.

The amendments mainly concern the following topics:

1) The accounting impacts of a change in the cash flows of a financial instrument resulting from a change in the contractually agreed index. With reference to the changes resulting from the reform of interest rates, the IASB has identified two types of scenarios: a) scenarios in which the reform of interest rates leads to a change in contractual conditions and b) scenarios in which the reform leads to changes in cash flows without requiring changes in contractual conditions. In either case, if the changes are the direct result of the interest rate reform and generate cash flows that are economically equivalent to those expected immediately before the changes resulting from the reform, then the instrument should not be derecognised. In essence, the effective interest rate of the instrument must be changed to reflect these changes, without any impact immediately recognised in profit or loss (IFRS 9 B5.4.5.).
2) The consequences of an index change for hedge accounting. In Phase 2, the IASB introduces additional exceptions to the hedge accounting requirements to ensure that hedging relationships affected by the IBOR reform do not have to be discontinued upon replacement:
   i) the hedging report must not be interrupted if the change in documentation meets certain conditions (IFRS 9 6.9.1);
   ii) when the hedging relationship is changed to consider the new reference rate, the Hedging reserve recognised under Other comprehensive income is deemed to be calculated based on the alternative reference rate (IFRS 9 6.9.7);
   iii) for the purpose of assessing the retrospective effectiveness of a hedging relationship on a cumulative basis, as soon as the Phase 1 exceptions cease to apply, the cumulative change in the fair value of the hedged item and the hedging instrument can be reset to zero to prevent the hedging relationship from being terminated due to the accumulated ineffectiveness during Phase 1 (IAS 39 102V);
   iv) where the alternative reference rate is designated as a non-contractually specified risk component or the elements have been hedged at portfolio level, specific guidance is provided to manage the transition (IFRS 9 6.9.9-13).
3) Information required in the notes. In order to help all users of financial statements understand the nature and extent of risks arising from the reform and the progress made by entities in completing the transition to alternative reference rates, the following disclosures are required:
   - a description of how the entity manages the IBOR transition for the various rates involved and the risks arising from that transition;
   - the carrying amount of financial assets and liabilities not linked to derivatives and the nominal value of derivatives that continue to relate to benchmark interest rates subject to reform. These amounts are broken down by reference interest rate and presented separately;
   - the impact of the IBOR reform on the entity's risk management strategy.

4) The impact of the IBOR reform on standards other than those relating to financial instruments, in particular IFRS 4 Insurance Contracts and IFRS 16 Leases. With respect to IFRS 16, in the case of leases that include variable payments indexed to benchmark rates that are within the scope of the IBOR reform, the document provides, as a practical expedient, that changes in lease payments resulting from the IBOR reform are accounted for as adjustments to the lease liability, rather than as lease modifications. This exception is strictly limited to changes that are the direct result of the IBOR reform and are economically equivalent to previous assumptions (e.g. the previous reference rate).

Iren hedging relationships are exposed to the EURIBOR benchmark index. The EURIBOR calculation methodology was subject to review in 2019 by the European Money Markets Institute (EMMI) in order to meet the requirements of the Benchmarks Regulation (EU) 2016/1011 (BMR): it is therefore assumed that EURIBOR will continue to be used in the immediate future, and the directors believe that the risk associated with the IBOR transition is therefore almost nil and no significant effects are expected in the Company's separate financial statements. Iren also continues to monitor developments in the interest rate benchmark reform for determining interest rates and the inclusion of fallback clauses in contracts for financial transactions to guarantee the effectiveness of hedging relationships. It should be noted that the IBOR reform has not, at present, had any impact on the Company's interest rate risk management strategy.

At 31 December 2021, the nominal amount of financial liabilities not linked to derivatives and correlated to the EURIBOR benchmark was 54,140 thousand euro, while the nominal amount of hedging instruments correlated to this index was 272,067 thousand euro.

Amendments to IFRS 16 – Covid-19-Related Rent Concessions.

The document, issued by the IASB on 31 March 2021 and endorsed by the European Union through Reg. 2021/1421 dated 30 August 2021, extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting for concessions granted to lessees due to Covid-19.

In practice, lessees who, as a direct result of the Covid-19 pandemic, benefit from concessions, such as reductions, rebates or deferral of rent, may use a practical expedient to assume, without making any assessment, that the reduction or deferral of payments due does not constitute a contractual modification if, without prejudice to the other conditions set forth in paragraph 46B, the reduction concerns payments due on or before 30 June 2022.

The amendment must be applied in annual periods beginning after 1 April 2021, but may be applied to all financial statements, including interim financial statements, not yet approved as of the date of issuance of the document.

To date, Iren S.p.A. has not benefited from discounts or rebates on payments due for leases in relation to the Covid-19 pandemic, therefore the practical expedient in question is not applicable.

Extension of the temporary extension from the application of IFRS 9 (Amendments to IFRS 4). In particular, the amendments to IFRS 4 extend the expiry of the temporary exemption from the application of IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and thus remedy the temporary accounting consequences that could arise in the event that the two standards come into force on different dates.

Standards, amendments and interpretations endorsed but not yet applicable and not adopted early by the company

Amendments to IAS 37 – Onerous contracts

The document, issued by the IASB in May 2020 and endorsed by the European Union through Reg. 2021/1080 of 28 June 2021, specifies which costs should be included in the cost of performing a contract in order to identify any onerous contract. In particular, paragraph 68A clarifies that costs necessary to perform the contract include: (a) incremental costs incurred by the entity in performing the contract, such as materials and direct labour; and (b) an allocation of other costs, such as a portion of the depreciation of a facility used to perform the contract on a non-exclusive basis. The amendment must be applied as of 1 January 2022, with respect only to contracts in effect on the date of initial application. An entity shall not restate prior years; the cumulative effect of applying the amendment for the first time shall be recognised in the opening balance of retained earnings (or other equity component if appropriate).

Amendments to IAS 16 - Proceeds before Intended Use

The document, issued by the IASB in May 2020 and endorsed by the European Union through Reg. 2021/1080 of 28 June 2021, introduces some changes to *IAS 16 - Property, Plant and Equipment* with reference to the accounting for any revenue from the sale of items produced by the entity to "bring the asset to the location and condition necessary for it to operate in the manner intended by management" (e.g. samples produced during the testing of machinery). Such revenue no longer has to be deducted from the cost of property, plant and equipment (the offset is therefore cancelled). Sales revenue and costs of such items shall be recognised in profit or loss in accordance with the standards applicable to them.

If not presented separately in the statement of comprehensive income, an entity shall disclose in the notes to the financial statements the amounts of income and expense to items produced that are not an output of the entity's ordinary activities and specify which lines of the statement of comprehensive income include them.

The amendment is to be applied retrospectively from 1 January 2022, but only with respect to property and equipment that came into use or became available for use after the beginning of the first comparative period presented. The cumulative effect of applying the amendment for the first time shall be recognised in the opening balance of retained earnings (or other equity component if appropriate).

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts, which replaces IFRS 4, issued in 2004. The standard aims to improve investor understanding of insurers' risk exposure, profitability and financial position by requiring that all insurance contracts be accounted for consistently by overcoming the comparison problems created by IFRS 4.

The standard goes into effect on 1 January 2023. However, earlier application is permitted.

Annual Improvements to IFRS Standards 2018-2020

The amendment will be applicable for annual reporting periods beginning 1 January 2022.

The main amendments regard:

- IFRS 1 First-time Adoption of IFRS - Subsidiary as a First-time adopter - A subsidiary that applies the IFRS for the first time after its parent, may apply paragraph D16(a) of IFRS 1 and measure cumulative translation differences using the amounts recognised in the parent's consolidated financial statements, which were determined based on the parent's date of transition to IFRS. The above exemption can also be applied by associates and joint ventures that apply IFRS for the first time after their investor.
- IFRS 9 Financial instruments - Fees included in the "10% test" for the purposes of derecognition of financial liabilities - The amendment to IFRS 9 has clarified that the fees to be considered in the above 10% test are only the fees paid or received between the borrower and the lender and the fees paid or received by the borrower or the lender on behalf of the other party.
- Illustrative Examples of IFRS 16 Leases - Lease Incentives - Removed from Illustrative Example 13 accompanying IFRS 16, the accounting treatment in a lessee's financial statements of collection received from the lessor for leasehold improvement, as the conclusion of the example was not supported by an adequate explanation.
- IAS 41 Agriculture - Taxes in Fair Value Measurement - The IASB Board has clarified that tax-related cash flows need not be excluded in the fair value measurement of biological assets.

Amendment to IFRS 3 - Reference to the Conceptual Framework

The amendment will be applicable for annual reporting periods beginning 1 January 2022.

Amendment to IAS 1 and IAS 8

Regulation (EU) 2022/357 of 2 March 2022 adopts the amendments to IAS 1 and IAS 8 published by the IASB on 12 February 2021. The amendments clarify the differences between accounting policies and accounting estimates as to ensure the consistent application of accounting policies and the comparability of financial statements. The amendments shall apply at the latest from the start date of the first financial year or after 1 January 2023. Early application is, however, allowed.

Standards, amendments and interpretations not yet endorsed by the european union

It should be noted that these documents will only be applicable once they have been approved by the EU.

Document title	Issue date by the IASB	Effective date of the IASB document	Date of expected approval by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Approval process suspended pending new accounting standard on "rate-regulated activities".
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of IASB project on the equity method	Endorsement process suspended pending conclusion of IASB project on the equity method
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020[1]	January 2020 July 2020	1 January 2023	TBD
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021		
Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)	December 2021		

[1] A project is underway by the IASB to modify the requirements of the document published in 2020 and to postpone its entry into force to 1 January 2024. The Exposure Draft was published on 19 November 2021.

As regards the new standards applicable starting from 2022 or subsequent years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.

III. Financial risk management of Iren S.p.A.

A summary of the risk management methods is shown hereunder for the risk management and control with respect to the financial instruments (liquidity risk, interest rate risk, credit risk).

As part of its Risk Management activities, the Company uses non-speculative hedging contracts to limit interest rate risk.

Liquidity risk

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

The current and prospective financial position and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the coverage of short-term financial commitments. At the end of the year short-term bank credit facilities used by the company totalled 2 million euro.

Moreover, having evaluated from time to time the convenience and opportunity in the context of the activities of optimisation of the available financial resources, the Company carries out non-recourse factoring of trade receivables, assets related to energy certificates and tax assets, benefiting from the advance liquidity deriving from them.

In this context, to support the liquidity profile of the company and the rating level, Iren has medium/long-term credit lines agreed and available but not used for 295 million euro, which are added to current liquid assets.

The table below illustrates the nominal cash flows required to settle financial liabilities:

(THOUSANDS OF EURO)

Data at 31/12/2021	Carrying amount	Contractual cash flows	Within 12 months	1-5 years	Over 5 years
Mortgage loan and bond liabilities*	3,643,375	(3,853,575)	(419,408)	(1,239,512)	(2,194,655)
Hedging of interest rate risk**	3,790	(3,790)	(2,781)	(1,672)	663
Lease liabilities	11,441	(11,253)	(4,009)	(5,846)	(1,398)

* The carrying amount of "Mortgage loan and bond liabilities" includes both current and non-current portions.

** The carrying amount of "Hedging of interest rate risk" includes the fair value of hedging contracts (both positive and negative).

Cash flows required to settle remaining financial liabilities, other than those shown in the above tables, do not differ significantly from the recognised carrying amount.

Financial indebtedness from loans at year-end consisted of 9% in loans and 91% in bonds; it is noted that 63% of the total debt was financed by sustainable funds and that 91% of the residual debt for loans was at fixed rate and 9% at floating rate

For details of the liquidity risk management policies, reference is made to the Notes to the Consolidated Financial Statements included in this report.

Interest rate risk

Iren is exposed to interest rate fluctuations especially with regard to the measurement of borrowing costs. The strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

For non-speculative purposes, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with financial counterparties of high credit standing, for the sole purpose of hedging. At the end of the year, all the contracts entered into meet the requisite of limiting the exposure to the risk of fluctuations in interest rates and, except for a few positions with insignificant impacts, they also meet the formal requirements for the application of hedge accounting.

The total fair value of the aforementioned interest rate hedges was a negative 3,790 thousand euro at 31 December 2021.

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 99% of loans against interest rate risk, in line with the goal of maintaining adequate protection against significant increases in the interest rate.

For a more complete understanding of the interest rate risks to which the Company is exposed, stress testing was performed on the sensitivity of net financial expense and evaluation portions in derivative contracts to changes in interest rates. As regards financial expense, this analysis was performed on the basis of reasonable assumptions as follows:

- a theoretical increase and decrease of 100 basis points in the Euribor interest rates over the year was applied to net financial debt;
- if there was any existing hedge, interest rate shock was applied to both the debt position and related hedging derivative with an extremely limited net effect on the income statement;

- the change in interest rates is also applied to any portion of interest expense capitalised in the year.

With regard to hedging derivatives at year end, a 100 basis points theoretical increase and decrease was applied to the forward curve of interest rates used to measure the fair value of the hedges.

The table below illustrates the results of the above sensitivity analysis performed with reference to 31 December 2021.

(THOUSANDS OF EURO)

	Financial expense		Heding Reserve	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Cash flow sensitivity (net)				
Net financial debt				
(including hedging contracts)	(4,866)	5,397	-	-
Change in fair value				
Hedging contracts				
(evaluation portions only)	-	(67)	14,884	(15,901)
Total impact from sensitivity analysis	(4,866)	5,330	14,884	(15,901)

Recognition of derivatives

Financial derivatives are measured at fair value, determined on the basis of market values or, if unavailable, according to an internal measurement technique.

In order to recognise derivatives, it is necessary to distinguish between transactions that meet all of the IFRS 9 requirements in order to account for them in compliance with the hedge accounting rules and transactions that do not fulfil all of the aforesaid requirements.

Transactions recognised under hedge accounting

These transactions may include:

- fair value hedges: the derivative and the hedged item are recognised at fair value in the statement of financial position and the change in their fair values is recognised directly in profit or loss;
- cash flow hedges: the derivative is recognised at fair value with a balancing entry in a specific equity reserve for the effective portion of the hedge and in profit or loss for the ineffective portion; when the hedged item arises, the amount suspended in equity is reversed to profit or loss.

Classification in the income statement of the ineffective portion and the deferred amount transferred from equity is based on the nature of the underlying instrument. Specifically, in the case of interest rate risk hedges, it is recognised in financial income and expense.

Transactions not recognised under hedge accounting

The derivative is recognised at fair value in the statement of financial position. The change in the fair value of the derivative is recognised in profit or loss and is classified based on the type of underlying instrument; in the case of interest rate risk hedges, it is recognised in financial income and expense.

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

Fair value

The following table shows, for each financial asset and liability:

- the carrying amount, including the method of accounting;
- the fair value, including the Level in the relative hierarchy.

In this regard, the various levels were defined as shown below:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability which are not based on observable market data.

In particular, the fair value of mortgages, level 2, is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense, discounted with reference to the reporting date. This present value is determined by applying the forward interest rate curve at the reporting date.

With regard to bonds, the related fair value derives from the listing on the regulated market of the Irish Stock Exchange (Euronext Dublin) and on the ExtraMOT Pro market of Italian Stock Exchange (Borsa Italiana).

All Iren S.p.A.'s hedging financial instruments have a fair value which can be classified as level 2. This level is measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from the prices of the financial instruments, or in any case that do not require a significant adjustment based on data which cannot be observed on the market.

Finally, it should be noted that there have been no transfers between the various levels of the fair value hierarchy and that information on the fair value of financial assets and liabilities not measured at fair value is excluded when their carrying amount is reasonably representative of their fair value.

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

(THOUSANDS OF EURO)

31.12.2021	Carrying amount Fair value of hedging instruments	Fair Value Through Profit or Loss	Financial assets measured at amortised cost	Other financial liabilities	TOTAL
Financial assets measured at fair value					
Interest rate hedging derivative contracts	2,024				2,024
Assets for variable portion of transfer price OLT Offshore LNG Toscana		24,725			24,725
Investments in subsidiaries		2,564,032			2,564,032
Other equity investments		150			150
Total Financial assets measured at fair value	**2,024**	**2,588,907**	**-**	**-**	**2,590,931**
Financial assets not measured at fair value					
Non-current loan assets with related parties			2,395,737		2,395,737
Trade receivables			107,803		107,803
Loan assets			147,175		147,175
Sundry assets and other assets*			105,062		105,062
Cash and cash equivalents			430,162		430,162
Total Financial assets not measured at fair value	**-**	**-**	**3,185,939**	**-**	**3,185,939**
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)	(5,814)				(5,814)
Total Financial liabilities measured at fair value	**(5,814)**	**-**	**-**	**-**	**(5,814)**
Financial liabilities not measured at fair value					
Bonds				(3,319,311)	(3,319,311)
Mortgages				(324,064)	(324,064)
Other financial liabilities**				(82,892)	(82,892)
Trade payables				(87,672)	(87,672)
Sundry liabilities and other liabilities*				(83,565)	(83,565)
Total Financial liabilities not measured at fair value	**-**	**-**	**-**	**(3,897,504)**	**(3,897,504)**
TOTAL	(3,790)	2,588,907	3,185,939	(3,897,504)	1,873,552

* Prepaid expenses and deferred income are excluded

** Lease liabilities recognised in accordance with IFRS 16 are excluded

		Fair Value		
31.12.2021	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value				
Interest rate hedging derivative contracts		2,024		2,024
Assets for variable portion of transfer price OLT Offshore LNG Toscana			24,725	24,725
Investments in subsidiaries			2,564,032	2,564,032
Other equity investments				
Total Financial assets measured at fair value	-	2,024	2,588,757	2,590,781
Financial assets not measured at fair value				
Non-current loan assets with related parties		2,548,823		2,548,823
Trade receivables				-
Loan assets				-
Sundry assets and other assets*				-
Cash and cash equivalents				-
Total Financial assets not measured at fair value	-	2,548,823	-	2,548,823
Financial liabilities measured at fair value				
Derivative hedging contracts (rate and commodities)		(5,814)		(5,814)
Total Financial liabilities measured at fair value	-	(5,814)	-	(5,814)
Financial liabilities not measured at fair value				
Bonds	(3,421,160)			(3,421,160)
Mortgages		(323,426)		(323,426)
Other financial liabilities**				-
Trade payables				-
Sundry liabilities and other liabilities*				-
Total Financial liabilities not measured at fair value	(3,421,160)	(323,426)	-	(3,744,586)
TOTAL	(3,421,160)	2,221,607	2,588,757	1,389,204

* Prepaid expenses and deferred income are excluded

** Lease liabilities recognised in accordance with IFRS 16 are excluded

The non-current portion of "Financial assets at fair value" includes at Level 3 the asset relating to the variable portion of the sale price of OLT Offshore LNG Toscana, amounting to 24,725 thousand euro at 31 December 2021, the fair value of which is determined on the basis of the application of the price formula provided for in the contract, taking into account the average income of the company relating to its historical financial statements and the discount rates inferred from its financial statements. In this regard, the reported sensitivity analysis on the fair value of the variable portion of the sale price expresses the variation of such fair value to the increase/decrease of one percentage point of the expected profitability and the discount rate.

(THOUSANDS OF EURO)

	+1%	-1%
Profitability (flows)	985	(951)
Discount Rate	(1.582)	1.711

The fair value level of "Other equity investments" (which refer to companies not listed on regulated markets) is not reported, since the related carrying amount is a reasonable approximation.

(THOUSANDS OF EURO)

	Carrying amount				
31.12.2020	Fair value of hedging instruments	Fair Value Through Profit or Loss	Financial assets measured at amortised cost	Other financial liabilities	TOTAL
Financial assets measured at fair value					
Interest rate hedging derivative contracts	40				40
Assets for variable portion of transfer price OLT Offshore LNG Toscana		24,423			24,423
Investments in subsidiaries		2,564,032			2,564,032
Other equity investments		100			100
Total Financial assets measured at fair value	40	2,588,555	-	-	2,588,595
Financial assets not measured at fair value					
Non-current loans assets with related parties			2,201,369		2,201,369
Trade receivables			90,699		90,699
Loan assets			74,139		74,139
Sundry assets and other assets*			120,314		120,314
Cash and cash equivalents			745,111		745,111
Assets held for sale			240		240
Total Financial assets not measured at fair value	-	-	3,231,872	-	3,231,872
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)	(13,617)				(13,617)
Total Financial liabilities measured at fair value	(13,617)	-	-	-	(13,617)
Financial liabilities not measured at fair value					
Bonds				(3,306,058)	(3,306,058)
Mortgages				(372,469)	(372,469)
Other financial liabilities**				(93,593)	(93,593)
Trade payables				(89,834)	(89,834)
Sundry liabilities and other liabilities*				(176,706)	(176,706)
Total Financial liabilities not measured at fair value	-	-	-	(4,038,660)	(4,038,660)
TOTAL	(13,577)	2,588,555	3,231,872	(4,038,660)	1,768,190

* Prepaid expenses and deferred income are excluded

** Lease liabilities recognised in accordance with IFRS 16 are excluded

(THOUSANDS OF EURO)

	Fair Value			
31.12.2020	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value				
Interest rate hedging derivative contracts		40		40
Assets for variable portion of transfer price OLT Offshore LNG Toscana			24,423	24,423
Investments in subsidiaries			2,564,032	2,564,032
Other equity investments			100	100
Total Financial assets measured at fair value	-	40	2,588,555	2,588,595
Financial assets not measured at fair value				
Non-current loan assets with related parties		2,417,227		2,417,227
Trade receivables				-
Loan assets				-
Sundry assets and other assets*				-
Cash and cash equivalents				-
Assets held for sale				
Total Financial assets not measured at fair value	-	2,417,227	-	2,417,227
Financial liabilities measured at fair value				
Derivative hedging contracts (rate and commodities)		(13,617)		(13,617)
Total Financial liabilities measured at fair value	-	(13,617)	-	(13,617)
Financial liabilities not measured at fair value				
Bonds	(3,527,103)			(3,527,103)
Mortgages		(370,112)		(370,112)
Other financial liabilities**				-
Trade payables				-
Sundry liabilities and other liabilities*				-
Total Financial liabilities not measured at fair value	(3,527,103)	(370,112)	-	(3,897,215)
TOTAL	(3,527,103)	2,033,538	2,588,555	1,094,990

* Prepaid expenses and deferred income are excluded

** Lease liabilities recognised in accordance with IFRS 16 are excluded

Credit risk

From a business point of view, Iren S.p.A. is not particularly exposed to credit risk as it mainly provides professional services to the subsidiaries, according to their needs, based on service agreements signed by the parties.

Loan assets with subsidiaries arise from the centralised procurement of financial resources 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.

For details of the credit risk management policies, reference is made to the Notes to the Consolidated Financial Statements included in this report.

IV. Related party transactions

As indicated in the Directors' Report, contained in this document, the information on main transactions with related parties, carried out for Iren S.p.A. is provided below.

Transactions with subsidiaries

Intra-group Services

In order to make the most of the organisational synergies that can be achieved, Iren's configuration is based on the model of an industrial holding company, with staff structures that are adequate to support the Group's strategic, development, financial, IT, administrative, and control activities. Therefore, Iren is able to provide professional services of a technical-administrative nature in favour of its subsidiaries, which operate in the relevant business field. All these activities are governed by special supply contracts at arm's length.

Financial management

Organisational solutions were adopted with the aim of cash pooling for the entire Group under the direct responsibility of Iren S.p.A., in order to optimise the structure and conditions of access to third party financing. For this purpose, loans have been contracted by Iren with banks, whereby the funds are subsequently transferred to the Group's companies to support the investments made by these companies based on intra-group facility agreements.

The conditions of intra-group loan agreements have been defined according to the conditions at which the Parent procures on the financial market.

Tax consolidation

The Group also exercised the option, pursuant to Art. 118 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the tax consolidation parent IREN S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES assets.

The companies in the domestic tax consolidation for 2021, not including the Parent Iren Spa, are as follows: Iren energia S.p.A., Ireti S.p.A., Territorio e Risorse S.r.l., Iren Acqua S.p.A., Iren Mercato S.p.A., Iren Ambiente S.p.A., Iren Smart Solution S.p.A., Acam Ambiente S.p.A., Acam Acque S.p.A., Maira S.p.A., AMIAT S.p.A. AMIAT V S.p.A., Formaira S.p.A., Alfa Solutions S.p.A., Recos S.p.A., Iren Laboratori S.p.A., IAM Parma S.r.l., IAM Piacenza S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., Gia in liquidazione S.r.l., San Germano S.p.A., Rigenera Materiali S.r.l., UHA s.r.l., Uniproject S.r.l. (and merged company Uniservizi S.r.l.), Manduriambiente Spa, Scarlino Immobiliare S.r.l., Scarlino Energia S.p.A., Picena Depur S.r.l., Iren Ambiente Toscana S.p.A. (formerly STA S.p.A. and merged companies UCH H S.r.l. and Scarlino H S.r.l.), TB S.p.A., Produrre Pulito S.r.l., Borgo Ambiente Scarl and STA Partecipazioni S.r.l., Energy side S.r.l. and Biometano Italia S.r.l. settled during the year.

In particular, the companies of the Unieco Waste Management Division, which used to draw up the Domestic Tax Consolidation, adhered during the year to that of Iren pursuant to the provisions of article 13, paragraph 4 of the Decree of the MEF of 01.03.2018 containing the implementing provisions of the tax consolidation regime. The quoted paragraph in fact provides that:

"*if, during the period of duration of the option for group taxation, the consolidating company opts jointly with another company for group taxation as a subsidiary, the group taxation is interrupted with regard to the consolidation in which it participated as consolidator, with the effects envisaged by article 124 of the Consolidated Act*".

However, pursuant to the following paragraph 5, the typical effects of the interruption can be avoided if all the companies that adhered as consolidated companies to the taxation of Unieco Waste Management Division (and therefore all 15 companies) opt in their turn as consolidated companies for group taxation by the new consolidating company (Iren S.p.A.), at the same time as their former consolidating company (Unieco Holding Ambiente S.r.l.).

Therefore, since all the companies in the Unieco Waste Management Division have opted to participate in the Iren consolidated tax return, the tax consolidation of the Unieco Waste Management Division has not been interrupted, rather has been seamlessly merged into the Iren consolidated tax return.

VAT Group

In September 2019 Iren exercised the option for establishment of a VAT Group to which the Tax Authority attributed a new VAT number with effect from 1 January 2020.

The companies that take part in the VAT Group for 2021, not including the Parent Iren S.p.A., are as follows: Iren Energia S.p.A., IRETI S.p.A., Iren Mercato S.p.A., Iren Ambiente S.p.A. (and the merged companies Sereco S.P.A., Gheo S.A. S.r.l., AMA S.p.A., Montequerce S.c.r.l.), AMIAT S.p.A, Iren Smart Solutions S.p.A., Iren Acqua Tigullio S.p.A., Iren Acqua S.p.A. Iren Laboratori S.p.A., Bonifica Autocisterne S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l, ACAM Ambiente S.p.A., ACAM Acque S.p.A., ReCos S.p.A., Alfa Solutions S.p.A., TRM S.p.A, San Germano S.p.A., Maira S.p.A., Formaira S.p.A., Territorio e Risorse S.r.l. and Rigenera Materiali S.r.l.

Transactions with joint ventures and associates

Among the main transactions carried out by the Iren S.p.A. with joint ventures and associates, we can note:

- the loan to Sei Toscana, with a term of 5 years at the rate of 3.25%;
- a cash pooling credit line provided to Valle Dora Energia;
- the reversible fees paid to Iren S.p.A. for the participation of its employees in the Boards of Directors of the related companies;
- the supply of administrative services.

Quantitative information on transactions with related parties is provided in the section "X. Annexes to the Separate Financial Statements", considered an integral part of these Notes.

Finally, as regards the Directors and Statutory Auditors of Iren S.p.A. with the exception of payment of the fees envisaged for the performance of duties in the management or control bodies, there were no transactions.

Transactions that consist of assigning remunerations and economic benefits, in any form, to members of the management and control bodies of Iren S.p.A. and Key Management Personnel of the IREN Group are also subject to the provisions of the RPT Procedure.

The remuneration of key management (members of the Board of Directors and Executives with Strategic Responsibilities) totals 5,802 thousand euro and refers to fixed remuneration (2,578 thousand euro), remuneration for participation in committees (80 thousand euro), bonuses and other incentives (2,153 thousand euro), non-cash benefits (25 thousand euro) and other remuneration (966 thousand euro).

V. Significant events after the reporting date

Financing to support investments for the development of district heating in Turin

Continuing the cooperation in the field of environmental sustainability started in 2020, on 25 March 2022, the Council of Europe Development Bank (CEB) and Iren S.p.A. signed a Public Finance Facility (PFF) loan for 80 million euro to support the investments for the development of the district heating network in the metropolitan area of Turin, provided for in the Business Plan.

The investments financed are aimed at saturating and extending district heating to new areas by connecting new users and improving the operational efficiency and flexibility of the network.

Russia-Ukraine conflict

On 24 February 2022, the Russian President Vladimir Putin announced the beginning of a full-scale land, sea and air military operation targeting Ukrainian military assets and cities across the country. It was the consequence of the intensification of a state of crisis began by the end of 2021, when Russian troops moved to the Russia-Ukraine borders and diplomatic negotiations between Russia and NATO countries failed. This marked the beginning of hostilities between the two countries' armed forces.

As a result, several states and supranational organisations decried Russian doings and supported Ukrainian forces. In particular, the United Nations General Assembly and the European Council, based on international law, passed on a resolution condemning Russian military actions and demanding that Russia immediately cease its use of force in Ukraine.

At the same time, the European Commission has implemented several emergency aid programmes, including financial support and interventions aimed at mitigating the humanitarian crisis caused by the conflict in Ukraine. There are ongoing negotiations between the parties involved whose goal is to identify the most appropriate diplomatic solutions on international peace, security, and stability.

The European Union and other countries (the United States, Great Britain, Australia, Japan and Switzerland among others) have tightened and extended the packages of sanctions on Russia which, although with different terms and effectiveness, aim at both hitting the Russian economy strategic and financial sectors and imposing targeted restrictions on the President and other figures constituting Russia's industrial, defensive and political base.

These sanctions have had a direct impact on the exchange rate of the Russian currency (the ruble has sharply depreciated against the euro and the US dollar), on local interest rates (increased to 20% by the Russian Central Bank) and on the share price of companies listed on the Moscow Stock Exchange (with a significant sign of decline recorded in March).

In this context, the Italian government is defining measures addressing the exceptional instability of the national natural gas system resulting from the conflict in Ukraine. These measures include actions to soar gas availability, the reduction of consumption and actions aimed at filling gas storage for the 2022-2023 thermal year.

Considering the actual energy sector scenario, Iren has activated a task force to carefully monitor the situation and evolution of the impact that the international crisis has on its businesses, even though the Group is not present in Russia and Ukraine. The focus is on the supply of raw materials and services, in terms of their economic and financial outcomes that could be eventually arising from the shortage of raw materials coming from areas involved in the conflict and, lastly, by the generalised increase in commodity prices considering that that the gas supplied by Russia covers 40% of national needs. In this context, the increase in commodity prices leads to greater quantitative exposure and greater risk in the event of late payments in both gas and electricity retail sectors.

The Group implements direct risk reduction actions by leveraging on:

- The purchase of gas from the main Italian operators, thus excluding the risk of application of non-supply contractual clauses as a result of geopolitical events
- Hedging policies, which ensure that margins are kept under control
- Measures to protect the company from cyber-attacks, in particular trading and dispatching platforms.

In a constantly evolving scenario, characterised by regulatory uncertainty in addition to high and volatile prices regardless of the Ukrainian crisis, the Iren Group continues to monitor macroeconomic and business variables to promptly have potential impacts best estimates on regulatory changes, suppliers and contracts applicable to the Group.

VI. Other information

Consob communication no. Dem/6064293 of 28 July 2006

Significant non-recurring events and transactions

During 2021, the Company was not affected by "non-recurring" events and did not carry out significant transactions identified as such on the basis of the definitions contained in the Communication. In particular, it was not affected by events which do not reoccur frequently during the normal performance of the business.

Positions or transactions deriving from atypical and/or unusual operations

In 2021, the Company was not involved in atypical and/or unusual transactions, as defined in the Communication, i.e. transactions that may, due to their significance/materiality, nature of the counterparties, subject of the transaction, methods for determining the transfer price and timing of the event (near year end), give rise to concerns about the correctness/completeness of the financial statements disclosures, conflict of interest, safeguard of the company's assets or protection of non-controlling interests.

Disclosure on public disbursements

With reference to what is provided for on the subject of transparency in the system of public disbursements pursuant to article 35 of Decree Law no. 34/2019 ("Decreto Crescita") we can specify that the National Register of State Aid includes aid, in favour of the company, which must be disclosed. For the related details please see the aforementioned Register, under the terms of article 35, paragraph 125-quinquies.

VII. Information on the statement of financial position

Unless otherwise stated, the tables below are in thousands of euro.

Assets

NON-CURRENT ASSETS

NOTE 1 PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, including right-of-use assets, is shown in the table below:

(THOUSANDS OF EURO)

	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021	Cost as at 31/12/2020	Accumulated depreciation as at 31/12/2020	Carrying amount as at 31/12/2020
Land	14,644	(861)	13,783	13,963	(636)	13,327
Buildings	132,590	(21,911)	110,679	130,496	(17,653)	112,843
Plant and machinery	5,129	(1,375)	3,754	3,523	(851)	2,672
Industrial and commercial equipment	1,047	(562)	485	1,009	(490)	519
Other assets	47,617	(28,730)	18,887	41,477	(22,806)	18,671
Assets under construction and payments on account	19,381	-	19,381	11,296	-	11,296
Total	220,408	(53,439)	166,969	201,764	(42,436)	159,328

The variation in the historical cost of property, plant and equipment, including right-of-use assets, is as follows:

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	Reclassifi-cations	31/12/2021
Land	13,963	-	(31)	712	14,644
Buildings	130,496	3,103	(526)	(483)	132,590
Plant and machinery	3,523	1,411	(13)	208	5,129
Industrial and commercial equipment	1,009	48	(10)	-	1,047
Other assets	41,477	7,591	(1,451)	-	47,617
Assets under construction and payments on account	11,296	8,522	-	(437)	19,381
Total	201,764	20,675	(2,031)	-	220,408

Changes in accumulated depreciation are shown below:

(THOUSANDS OF EURO)

	31/12/2020	Depreciation for the year	Decreases	Reclassifi-cations	31/12/2021
Land	(636)	(9)	6	(222)	(861)
Buildings	(17,653)	(4,996)	516	222	(21,911)
Plant and machinery	(851)	(524)	-	-	(1,375)
Industrial and commercial equipment	(490)	(72)	-	-	(562)
Other assets	(22,806)	(7,332)	1,408	-	(28,730)
Total	(42,436)	(12,933)	1,930	-	(53,439)

The main categories refer to:

- Land and buildings: this item mainly includes buildings relating to management offices or in support of operating activities;
- Plant and equipment: this item includes the auxiliary systems of buildings, air conditioning systems, telecommunications equipment and some prototypes for development activities;
- Other assets: include motor vehicles and cars, furniture, office machines and IT equipment;
- Assets under construction and payments on account: this item includes all expenses incurred for investments in progress and not yet in operation.

Finally, no assets are pledged against liabilities.

Increases

The increases in the year, of 20,675 thousand euro, refer mainly to:

- extraordinary maintenance of buildings and auxiliary plants at the various Company Offices;
- upgrading of hardware infrastructure and telecommunications equipment;
- investments in motor vehicles, including those leased and recorded in accordance with IFRS 16;
- costs incurred for the new conference room and office building at the Reggio Emilia office, currently under construction;
- costs incurred for the building renovation of the Piazza Raggi (Genoa) office, which is currently underway.

Depreciation

Ordinary depreciation for 2021, amounting to 12,933 thousand euro, was calculated on the basis of the rates indicated in the section "Accounting standards and policies" and deemed representative of the residual useful life of the assets.

Reclassifications

It is noted that changes in statement of financial position items, in addition to the normal entry into operation of investments made in the previous year, concern mainly the separation of the value of the land underlying the property complexes repurchased during the year.

Right-of-use assets - IFRS 16

IFRS 16 provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months, unless the underlying asset is of low value. The contracts in which Iren S.p.A. acts as lessee refer to property leases and long-term hires of cars and other motor vehicles.

The breakdown of right-of-use assets, divided between historical cost, accumulated depreciation and carrying amount, is as follows:

(THOUSANDS OF EURO)

	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021	Cost as at 31/12/2020	Accumulated depreciation as at 31/12/2020	Carrying amount as at 31/12/2020
Land	111	(18)	93	141	(15)	126
Buildings	15,860	(6,980)	8,880	16,545	(5,595)	10,950
Other assets	5,642	(2,635)	3,007	5,215	(2,346)	2,869
Total	21,613	(9,633)	11,980	21,901	(7,956)	13,945

The variation in the historical cost of right-of-use assets, is as follows:

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	Other Changes	31/12/2021
Land	141	-	(30)	-	111
Buildings	16.545	2.811	(515)	(2.981)	15.860
Other assets	5.215	1.627	(1.200)	-	5.642
Total	21.901	4.438	(1.745)	(2.981)	21.613

Finally, changes in the accumulated depreciation of right-of-use assets are shown below:

(THOUSANDS OF EURO)

	31/12/2020	Depreciation for the year	Decreases	Other Changes	31/12/2021
Land	(15)	(9)	6	-	(18)
Buildings	(5.595)	(2.832)	515	932	(6.980)
Other assets	(2.346)	(1.458)	1.169		(2.635)
Total	(7.956)	(4.299)	1.690	932	(9.633)

NOTE 2 INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The breakdown of intangible assets, divided between historical cost, accumulated amortisation and carrying amount is as follows:

(THOUSANDS OF EURO)

	Cost as at 31/12/2021	Accumulated amortisation as at 31/12/2021	Carrying amount as at 31/12/2021	Cost as at 31/12/2020	Accumulated amortisation as at 31/12/2020	Carrying amount as at 31/12/2020
Development expenditure	47	(47)	-	47	(47)	-
Industrial patents and intellectual property rights	143,931	(86,207)	57,724	122,038	(63,432)	58,606
Concessions, licences, trademarks and similar rights	34	(4)	30	34	(4)	30
Other intangibleassets	9,605	(9,182)	423	9,605	(8,657)	948
Assets under development and payments on account	21,777	-	21,777	10,122	-	10,122
Total	175,394	(95,440)	79,954	141,846	(72,140)	69,706

The change in the historical cost of intangible assets is as follows:

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	Reclassifications	31/12/2021
Development expenditure	47	-	-	-	47
Industrial patents and intellectual property rights	122,038	18,476	(80)	3,497	143,931
Concessions, licences, trademarks and similar rights	34	-	-	-	34
Other intangible assets	9,605	-	-	-	9,605
Assets under development and payments on account	10,122	15,155	(3)	(3,497)	21,777
Total	141,846	33,631	(83)	-	175,394

Changes in the accumulated amortisation are shown below:

(THOUSANDS OF EURO)

	31/12/2020	Amortisation for the year	Decreases	Reclassifications	31/12/2021
Development expenditure	(47)	-	-	-	(47)
Industrial patents and intellectual property rights	(63,432)	(22,808)	33	-	(86,207)
Concessions, licences, trademarks and similar rights	(4)	-	-	-	(4)
Other intangible assets	(8,657)	(525)	-	-	(9,182)
Total	(72,140)	(23,333)	33	-	(95,440)

The main categories refer to:

- Industrial patents and intellectual property rights: the item consists of software use licenses and costs incurred for the internal production of software created in order to adapt and update the licensed applications; these fixed assets are amortized over a five-year period;
- Assets under development: this item consists mainly of costs incurred for new implementations and studies relating to IT projects, concerning applications supporting operating and management activities.

Increases

Increases in the year, amounting to 33,631 thousand euro, primarily refer to the purchase, internal development (including ongoing development), implementation and adaptation of software for administrative, commercial and customer management within the Group.

NOTE 3 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Equity investments in subsidiaries

Data on investments in direct subsidiaries, i.e., the lead companies of the Group's business units, at 31 December 2021 can be found in the appropriate section of the Annexes.

The carrying amounts of equity investments are as follows, and are unchanged from the previous year.

(THOUSANDS OF EURO)

	Cost of equity investment	Equity at 31/12/2021	Difference between equity - Cost of equity investment
Iren Ambiente	243,437	261,495	18,058
IRETI	1,039,418	1,187,545	148,127
Iren Energia	1,139,112	1,322,476	183,364
Iren Mercato	142,065	161,801	19,736
Total	2,564,032	2,933,317	369,285

The impairment per BU presented in the Note to "Goodwill" of the consolidated financial statements is also used for the valuation of equity investments in subsidiaries held by Iren S.p.A. and allows to conclude that, with reference to these investments, there are no indications of impairment.

NOTE 4 OTHER EQUITY INVESTMENTS

This item relates to investments in companies over which Iren S.p.A. has neither control nor significant influence. These equity investments are measured at fair value but, as the most recent information available for measuring the fair value is insufficient and the cost represents the best estimate of the fair value, they are recognised at cost.

As of the date of these separate financial statements, the only investment held relates to the consortium company Competence Industry Manufacturing 4.0, and amounts to 150 thousand euro (100 thousand euro as at 31 December 2020).

NOTE 5 NON-CURRENT FINANCIAL ASSETS

The total of the item amounted to 2,499,028 thousand euro (2,225,873 thousand euro at 31 December 2020).

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Centralised treasury arrangement- subsidiaries	2,370,489	2,179,741
Centralised treasury arrangement - associates	22,561	19,953
Loan assets with subsidiaries	76,502	1,675
Loan assets with associates	2,687	-
Fair value of derivatives – non-current portion	2,024	40
Sundry assets	40	40
Other financial assets	24,725	24,424
Total	2,499,028	2,225,873

For details on the item "Centralised treasury arrangement ", see the table showing "Transactions with related parties" in the Annexes to this document.

The fair value of derivative contracts, for the non-current portion, amounted to 2,024 thousand euro (40 thousand euro at 31 December 2020). For comments, please see the "Financial risk management of Iren S.p.A." section.

Sundry assets refer to participation in a film production under a Tax credit regime for 40 thousand euro (unchanged from 31 December 2020).

The item "Other financial assets" consists of the variable portion of the sale price of the investment in OLT Offshore LNG Toscana and the related loan, measured at fair value with changes recognised in profit (loss) for the year.

NOTE 6 OTHER NON-CURRENT ASSETS

These amounted to 1,662 thousand euro (1,832 thousand euro as at 31 December 2020) and consisted mainly of tax assets accrued with the tax authorities following the request for deduction of IRAP from the IRES taxable base amount for 64 thousand euro (612 thousand euro as at 31 December 2020), tax assets for grants accrued for innovation projects for 1,437 thousand euro (1,040 thousand euro as at 31 December 2020) and loan assets with personnel for 102 thousand euro (122 thousand euro as at 31 December 2020).

NOTE 7 DEFERRED TAX ASSETS

This item amounts to 8,460 thousand euro (11,035 thousand euro at 31 December 2020) and refers to deferred tax assets arising from costs that will be deductible in future years.

For further information, reference is made to the note to the income statement "Income tax benefit" and to the Annexes concerning the details on temporary differences related to deferred taxation.

CURRENT ASSETS

NOTE 8 INVENTORIES

The item amounted to 3,954 thousand euro (4,023 thousand euro at 31 December 2020). Inventories include stocks of items used by all Group companies (technical clothing, hardware, stationery and signs).

The provision for inventory write-down, which was established in 2020 with the aim of taking into account the technical obsolescence and low movement of certain materials, amounted to 208 thousand euro (709 thousand euro at 31 December 2020).

NOTE 9 TRADE RECEIVABLES

These are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Trade receivables from customers	1,731	1,388
Trade receivables from subsidiaries	106,227	89,775
Trade receivables from joint ventures and associates	563	744
Trade receivables from owners	506	16
Loss allowance	(1,224)	(1,224)
Total	107,803	90,699

Trade receivables from customers

These relate to receivables for services rendered to third-party customers.

Trade receivables from subsidiaries

Trade receivables from subsidiaries relate to normal trade transactions performed at arm's length, and refer mainly to corporate services, of a technical/administrative nature provided to the Group companies. The details of these receivables by counterparty are annexed in the "Transactions with related parties" section of the Annexes to the Separate Financial Statements.

Trade receivables from joint ventures and associates

This item refers mainly to fees that may be charged back for offices held by Iren's employees at associates, as well as to the chargeback of insurance costs borne by the Parent. The details of these receivables by counterparty are annexed in the "Transactions with related parties" section of the Annexes to the Separate Financial Statements.

Trade receivables from owners

Trade receivables from owners recorded a balance of 506 thousand euro (16 thousand euro at 31 December 2020) and refer to amounts due for services and activities performed for the Municipality of Turin for 483 thousand euro (nil at 31 December 2020), for the Municipality of Reggio Emilia for 7 thousand euro (nil at 31 December 2020), for FSU for 16 thousand euro (unchanged compared to 31 December 2020).

Loss allowance

The item amounted to 1,224 thousand euro (unchanged compared to 31 December 2020). No accrual was made during the year, as the allowance was adequate for the amount of expected credit losses on the basis of the simplified model envisaged by IFRS 9, where "loss" means the present value of all cash shortfalls considering forward-looking information, also considering historical data.

NOTE 10 CURRENT TAX ASSETS

The item amounted to 60 thousand euro (927 thousand euro at 31 December 2020) and refers to amounts due for IRAP advances.

NOTE 11 SUNDRY ASSETS AND OTHER CURRENT ASSETS

These are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Amounts due from subsidiaries for VAT group	15,467	20,921
Amounts due from subsidiaries for tax consolidation scheme	42,802	17,566
VAT assets	39,275	72,051
Other tax assets	1,048	4,624
Tax assets within 12 months	**98,592**	**115,162**
Advances to suppliers	2,705	1,526
Amounts due from others	2,103	1,794
Other current assets	**4,808**	**3,320**
Prepaid expenses	13,795	4,777
Total	117,195	123,259

As noted in the section "Transactions with related parties", in September 2019 Iren exercised the option for establishment of the VAT Group to which the Tax Authority attributed a new VAT number with effect from 1 January 2020.

The option for the Group tax consolidation scheme was exercised by the Group. This requires that the consolidated companies transfer their IRES assets/ liabilities to the Parent Iren S.p.A.

The other tax assets shown in the table consist mainly of amounts due from the tax authorities for tax assets, while prepaid expenses relate largely to the portion pertaining to future IT services.

NOTE 12 CURRENT FINANCIAL ASSETS

The item amounted to a total of 70,633 thousand euro (74,097 thousand euro at 31 December 2020). All financial assets recognised in this item are due within 12 months. The carrying amount of these assets approximates their fair value as the impact of discounting is negligible. Current financial assets relate to:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Loan assets with subsidiaries	40,114	69,027
Loan assets with joint ventures and associates	186	107
Loan assets with third parties for deposit of treasury shares repurchase	-	4,181
Loan assets with others	30,333	782
Total	70,633	74,097

Loan assets with subsidiaries

These refer to:

- the loan to the subsidiary Iren Ambiente Toscana for 26,665 thousand euro;
- interest accrued on credit lines, in particular cash pooling arrangements (13,449 thousand euro);

Loan assets with joint ventures and associates

These relate to interest accrued on the cash pooling arrangement with Valle Dora Energia and Sei Toscana.

Loan assets with others

These amounted to 30,333 thousand euro (782 thousand euro as at 31 December 2020) and refer to: 30,014 thousand euro for the purchase of certificates of deposit and 319 thousand euro in pre-paid expenses of a financial nature.

NOTE 13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Bank and postal deposits	430,162	745,042
Cash and similar on hand	-	69
Total	430,162	745,111

Cash and cash equivalents consist of available bank and postal deposits.

Iren S.p.A. does not hold cash equivalents, intended as short-term and highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

NOTE 14 ASSETS HELD FOR SALE

This item is not recognised (240 thousand euro at 31 December 2020) because during 2021 Iren Spa sold the investment in the company Plurigas in liquidation, which was classified at the time among the assets held for sale because the company's operations ended in 2014.

Liabilities

NOTE 15 EQUITY

Net equity may be analysed as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Share Capital	1,300,931	1,300,931
Reserves and Retained Earnings	551,548	460,912
Profit for the year	218,851	210,063
Total	2,071,330	1,971,906

Share capital

Share capital amounts to 1,300,931,377 euro (unchanged compared to 31 December 2020), which is fully paid up and comprises 1,300,931,377 ordinary shares with a nominal value of 1 euro each.

On 29 April 2020, the Shareholder authorised the Board of Directors to repurchase treasury shares for eighteen months for a maximum of 65,000,000 shares, equal to 5% of the share capital, in accordance with the applicable regulations. This transaction was completed on 02 November 2021.

As of 31 December 2021, 17,855,645 shares were repurchased for a total price of 38,690 thousand euro recognised as a reduction of equity in the item "Reserves and Retained Earnings".

Reserves and Retained Earnings

The breakdown of this item is as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Treasury shares	(38,690)	(34,648)
Share premium reserve	133,020	133,020
Legal reserve	87,216	76,712
Hedging reserve	(2,880)	(9,517)
Other reserves and Retained earnings	372,882	295,345
Total	551,548	460,912

Treasury shares

On 29 April 2020, the Shareholders of Iren S.p.A. authorised the Board of Directors to repurchase and dispose of treasury shares for eighteen months from that date, at the same time revoking, for the non-executed portion, the previous authorisation to repurchase resolved on 5 April 2019. On 12 May 2020, the Board of Directors, authorising the CEO to carry out the repurchase, had set the limit at 2% of the Company's share capital (equal to 26,000,000 shares), taking into account the shares already held in portfolio.

In November 2021, the repurchase of treasury shares was completed and as of 31 December 2021, the portfolio had 17,855,645 shares for a total price of 38,690 thousand euro recognised as a reduction of equity in the item "Reserves and Retained Earnings".

Hedging reserve

Changes in the fair value of effective hedging derivatives are recognised with a corresponding balancing item directly in equity under the hedging reserve. These contracts were concluded to hedge exposure to the risk of interest rate fluctuations of floating rate loans.

Other reserves and Retained earnings

These comprise mainly the goodwill arising on the merger of AMGA into AEM Torino and the subsequent merger of Enìa into Iride, from retained earnings and losses carried forward, and the actuarial reserve, for actuarial gains and losses resulting from the measurement of post-employment benefits.

During the financial year, they changed owing mainly to the carrying forward of profits for the previous financial year (77,668 thousand euro).

Dividends

At their Ordinary Meeting held on 6 May 2021, the shareholders of Iren S.p.A. approved the Company's separate financial statements at 31 December 2020 and the Directors' Report, and resolved to distribute a dividend of 0.095 euro per ordinary share, confirming the proposal made by the Board of Directors. At the ex-dividend date, the number of outstanding shares was 1,283,075,732 and, consequently, the total amount of dividends distributed was 121,892,194.54 euro.

CAPITAL MANAGEMENT

The capital management policies of the Board of Directors involve maintaining a high level of capital to uphold relations of trust with investors, creditors and the market, and also allowing future business development.

The Board of Directors monitors the return on capital and the level of dividends for distribution to shareholders and aims to maintain a balance between achieving extra yield by recourse to indebtedness and the benefits and security offered by a solid equity position.

For further details, reference should be made to the statement of changes in equity.

NON-CURRENT LIABILITIES

NOTE 16 NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities amounted to

3,278,814 thousand euro (3,490,489 thousand euro as at 31 December 2020) and consist of:

Bonds

These amounted to 2,960,176 thousand euro due after 12 months (3,124,430 thousand euro as at 31 December 2020). The item entirely refers to Public Bond issues, accounted for at amortised cost, against a total nominal amount outstanding at 31 December 2021 of 3,000,000 thousand euro (3,159,634 thousand at 31 December 2020). The details of Public Bonds with maturity after 12 months are as follows:

- Bonds maturing November 2024, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 497,405 thousand euro);
- Green Bonds maturing October 2027, coupon 1.5%, amount 500 million euro, all outstanding (amount at amortised cost 493,918 thousand euro);
- Green Bonds maturing September 2025, coupon 1.95%, amount 500 million euro, all outstanding (amount at amortised cost 496,434 thousand euro);
- Green Bonds maturing October 2029, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 495,726 thousand euro);
- Bonds maturing July 2030, coupon 1%, amount 500 million euro, all outstanding (amount at amortised cost 490,741 thousand euro);
- Green Bonds maturing January 2031, coupon 0.25%, amount 500 million euro, including TAP issue of October 2021, all outstanding (amount at amortised cost 485,952 thousand euro).

The bonds were subscribed by Italian and foreign institutional investors, are listed on the Irish Stock Exchange and were assigned a Fitch and S&P rating.

The change in the total carrying amount compared to 31 December 2020 is due to the reclassification to short term of the Bonds maturing in November 2022 (amount outstanding at 31 December 2021 equal to 359,634 thousand euro, amount at amortised cost 359,135 thousand euro), to the issue in October 2021 of the TAP Green Bonds maturing in January 2031, coupon 0.25%, amounting to 200 million euro and to the allocation of the relevant financial expense, calculated on the basis of the amortised cost method.

Non-current bank loans

Non-current loans relate exclusively to the non-current portion of loans/credit lines due after 12 months granted by banks, and amounted to 305,465 thousand euro (345,239 thousand euro as at 31 December 2020).

Non-current loans, all at floating rate, can be analysed by maturity (referring to the portion due after 12 months), as follows:

(THOUSANDS OF EURO)

	TOTAL
min/max rate	0.00% - 0.00%
maturity	2023-2036
1.1.2023 – 31.12.2023	23,490
1.1.2024 – 31.12.2024	33,221
1.1.2025 – 31.12.2025	33,221
1.1.2026 – 31.12.2026	33,221
subsequent	182,312
Total after 12 months as at 31/12/2021	305,465
Total after 12 months as at 31/12/2020	345,239

All loans are denominated in euro.

The changes in non-current loans during the year are summarised as follows:

(THOUSANDS OF EURO)

	31/12/2020				31/12/2021
	Total after 12 months	Increases	Decreases	Change in amortised cost	Total after 12 months
TOTAL	345,239	5,000	(44,861)	87	305,465

Total non-current loans at 31 December 2021 decreased overall compared to 31 December 2020, as a combined result of:

- disbursement of a loan of 5,000 thousand euro from CEB (Council of Europe Development Bank), in relation to the investment programme in the integrated water service infrastructure in the Parma and Genoa areas;
- a decrease of a total of 44,861 thousand euro for the voluntary early repayment of loans, for Liability Management activities, and for the classification of the portions of loans falling due within the next 12 months as current;
- Changes in amortised cost for the purpose of IFRS accounting of loans.

Non-current lease liabilities

This item relates to the portion of the Company's lease, rental and hire liabilities due after 12 months, recognised in accordance with IFRS 16, and amounted to 7,359 thousand euro (7,203 thousand euro as at 31 December 2020). This figure will be gradually reduced on the basis of repayment of the lease principal.

Other financial liabilities

These amounted to 5,814 thousand euro (13,617 thousand euro as at 31 December 2020) and refer to the fair value of derivative contracts entered into by Iren as hedges against the interest rate risk on floating rate loans (please refer to the "financial risk management of Iren S.p.A." section for comments).

NOTE 17 EMPLOYEE BENEFITS

Changes in this item in 2021 were as follows:

(THOUSANDS OF EURO)

	31/12/2020	Obligations vested during the year	Financial expense	Disbursements for the year	Intra-group transfers	Actuarial (gains)/ losses	31/12/2021
Post-employment benefits	14,150	-	-	(1,021)	12	283	13,424
Additional monthly salaries	720	492	-	(114)	-	(64)	1,034
Loyalty bonus	581	22	-	(50)	-	(30)	523
Tariff discounts	2,625	-	-	(165)	-	(171)	2,289
Premungas	409	366	-	(169)	-	121	727
Total	18,485	880	-	(1,519)	12	139	17,997

The tariff discounts include benefits related to the supply of natural gas for domestic use. Following the signing of specific agreements with the trade unions, the "Energy discount" awarded up to 30 September 2017 to employees in service was converted into other forms of employee benefits.

Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries. The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accrual basis in line with the service necessary to obtain benefits.

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

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

- relevant market;
- the measurement date;
- expected average term of the liabilities.

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

The economic and financial assumptions adopted in the calculations are as follows:

Annual discount rate	-0.17% - 0.98%
Annual inflation rate	1.75%
Annual rate of increase of Post-employment benefits	2.813%

In accordance with the provisions of IAS 19 the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the subsequent year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the table below.

	Change in liabilities according to changes in discount rate		Service cost 2022	Duration of the plan	Disbursements 2022
	+0.25%	-0.25%			
Post-employment benefits	251	(259)	-	8.2	1,020
Additional salary payments (seniority bonus)	24	(25)	33	10.5	43
Loyalty bonus	7	(7)	21	5.2	29
Tariff discounts	53	(51)	-	9.4	144
Premungas	10	(10)	-	5.8	101

NOTE 18 PROVISIONS FOR RISKS AND CHARGES

Details and changes are shown in the table below:

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	31/12/2021	Non-current portion
Provision for early retirement	5,618		(1,708)	3,910	801
Other provisions for risks and charges	8,382	1,601	(817)	9,166	5,893
Total	14,000	1,601	(2,525)	13,076	6,694

Provision for early retirement

The provision refers to expenses associated with early retirement of some employees and arises from the results of agreements between the Iren Group and the Trade Unions that provide for early retirement incentives for some employees, on a voluntary basis among the Group's personnel who are potentially involved. The transaction should be seen in the wider context of professional and demographic rebalancing of the Iren Group's personnel, in view of a plan to recruit young individuals.

The incentive, completely chargeable to the Iren Group (in application of Art. 4 of Law no. 92/2012), will enable the personnel who meet the legal requisites to retire ahead of the date of eligibility, making up in part for the delay in retirement created by the social security reform.

The provision represents the estimated payment to the employees involved in the Plan, through the social security institution, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules ("early retirement") with payment of the contribution to the social security institution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law no. 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.

During 2019, in order to continue in the programme for professional and demographic rebalancing of the personnel and following agreements with the Trade Unions, the Group set aside provisions for retirement incentives on a voluntary basis for employees interested and with the requisites introduced by Decree Law no. 4/2019 containing the so-called "quota 100". Article 14 of the aforementioned Decree Law 4/2019 introduces starting from 2019 the possibility of retiring once workers meet requirements of reaching 62 years of age and 38 years of contributions mby 31 December 2021.

Other provisions for risks and charges

Among other provisions, the increases relate mainly to personnel disputes and the adjustment of the provision for long-term incentive plans, while the decreases refer mainly to the outcome of disputes with suppliers that arose in previous years.

NOTE 19 DEFERRED TAX LIABILITIES

Deferred tax liabilities of 943 thousand euro (945 thousand euro as at 31 December 2020) are due to the temporary difference between the carrying amount and tax base of assets and liabilities recognised in the financial statements. Deferred taxation is calculated with reference to the expected tax rates applicable when the temporary differences will reverse.

For further information, reference is made to the note to the income statement "Income tax benefit" and to the Annexes concerning the details on temporary differences related to deferred taxation.

NOTE 20 SUNDRY LIABILITIES AND OTHER NON-CURRENT LIABILITIES

This item amounts to 1,475 thousand euro (9,810 thousand euro as at 31 December 2020) and mainly refers to portions of grants received on innovation projects, relating to future years for an amount of 1,285 thousand euro (1,279 thousand euro as at 31 December 2020). During 2021, Iren Spa settled amounts due to the companies included in the tax consolidation procedure as IRES reimbursement for IRAP deductibility referred to the years 2007 - 2011 for 8,499 thousand euro, present as at 31 December 2020.

CURRENT LIABILITIES

NOTE 21 CURRENT FINANCIAL LIABILITIES

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

Current financial liabilities can be analysed as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Bonds	359,135	181,628
Bank loans	31,572	47,960
Loans from subsidiaries	69,348	72,484
Loans from associates	-	369
Lease liabilities	4,082	4,486
Loans from others	571	10
Total	464,708	306,937

Bonds

The amounts relate to Bonds maturing within 12 months and represent the amortised cost of the financial instruments, specifically:

- at 31 December 2021, this relates to the Bonds issued in 2015 maturing in 2022 (nominal value of 359,634 thousand euro maturing);
- at 31 December 2020 the amortised cost of the Bonds issued in 2014 was shown; it was repaid on maturity in July 2021 at the nominal value of 181,836 thousand euro.

Bank loans

The related amounts are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Loans - current portion	18,599	27,229
Other current loans	2,000	8,000
Other current bank loans	76	158
Accrued expenses and deferred income	10,897	12,573
Total	31,572	47,960

Lease liabilities

These regard the portion of the Company's lease, rental and hire liabilities due within 12 months; they amounted to 4,082 thousand euro (4,486 thousand euro as at 31 December 2020).

Loans from subsidiaries

Amounting to 69,348 thousand euro at 31 December 2021 (72,484 thousand euro as at 31 December 2020) these refer to the cash pooling arrangement with Group companies that have a credit position with Iren S.p.A. The amount includes an estimate of the related accrued interest expense still to be paid.

Loans from others

These amounted to 571 thousand euro (10 thousand euro at 31 December 2020) and refer mainly to accrued interest relating to the TAP issue to reopen the Green Bonds issued in 2020, to be settled with the annual coupon in 2022 for 412 thousand euro and to shareholder loans for 149 thousand euro.

NOTE 22 TRADE PAYABLES

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

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Trade payables to suppliers	81,240	84,345
Trade payables to subsidiaries	5,760	5,106
Trade payables to associates	47	59
Trade payables to owners	481	141
Trade payables to other related parties	144	183
Total	87,672	89,834

NOTE 23 SUNDRY LIABILITIES AND OTHER CURRENT LIABILITIES

All amounts recognised in this item are due within 12 months. The carrying amount of these liabilities approximates their fair value as the impact of discounting is negligible.

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Amounts due to subsidiaries for VAT group	44,178	129,464
Amounts due to subsidiaries for tax consolidation scheme	9,836	12,525
For IRPEF	296	87
Other tax liabilities	4,162	3,667
Tax liabilities due within 12 months	58,472	145,743
Amounts due to employees	10,013	10,047
Amounts due to social security institutions	4,096	3,891
Sundry liabilities	9,697	7,245
Other current liabilities	23,806	21,183
Deferred income	59	931
Total	82,337	167,857

Amounts due to social security institutions consist mainly of withholdings and contributions to be paid to INPS and INPDAP.

Deferred income, amounting to 59 thousand euro (931 thousand euro as at 31 December 2020), refers to reimbursements for surety expenses.

The sundry liabilities refer mostly to adjustments of premiums related to insurance policies entered into in favour of the Group.

NOTE 24 CURRENT TAX LIABILITIES

The item amounts to 31,709 thousand of euro (nil at 31 December 2020) and refers to IRES tax liabilities.

NOTE 25 PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

The current portion of the provisions for risks and charges amounted to 6,383 thousand euro (1,600 thousand euro as at 31 December 2020). This amount refers for 3,274 thousand euro (nil at 31 December 2020) to the provision for risks and concerns the LTI quota referring to the three-year period 2019-2021 to be paid in the following year, as well as the provision for early retirement for 3,109 thousand euro (1,600 thousand euro at 31 December 2020).

For more details on the breakdown see Note “Provisions for risks and charges”.

Financial position

Net financial debt, calculated as the difference between current and non-current financial liabilities and current and non-current financial assets, can be broken down as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Non-current financial assets	(2,499,028)	(2,225,873)
Non-current financial debt	3,278,814	3,490,489
Non-current net financial debt	779,786	1,264,616
Current financial assets	(500,795)	(819,208)
Current financial debt	464,708	306,937
Current net financial debt	(36,087)	(512,271)
Net financial debt	743,699	752,345

Net Financial debt with related parties

Non-current financial assets are related to cash pooling arrangements with subsidiaries and associates for 2,393,049 thousand euro.

Current financial assets include 26,665 thousand euro for loans and 13,449 thousand euro for invoices to be issued to subsidiaries for interest.

Current financial debt of 69,349 thousand euro refers to cash pooling arrangements with subsidiaries and the related interest.

For additional information, see the annexed tables on related party transactions.

Net financial debt according to the structure proposed by ESMA in the document of 4 March 2021 *Guidelines on disclosure requirements under the Prospectus Regulation and implemented by Consob with Warning notice No. 5/21 of 29 April 2021 is shown below.*

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
A. Cash and cash equivalents	(430,162)	(745,111)
B. Cash equivalents	-	-
C. Other current financial assets	-	-
D. Liquidity (A) + (B) + (C)	(430,162)	(745,111)
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	82,892	93,594
F. Current portion of non-current financial debt	381,816	213,343
G. Current financial debt (E + F)	464,708	306,937
H. Net current financial debt (G - D)	34,546	(438,174)
I. Non-current financial debt (excluding current portion and debt instruments)	318,638	366,059
J. Debt instruments	2,960,176	3,124,430
K. Trade payables and other non-current debt	-	-
L. Non-current financial debt (I + J + K)	3,278,814	3,490,489
M. Total financial debt (H + L)	3,313,360	3,052,315

The table below reports on the changes during the year in current and non-current financial liabilities.

(THOUSANDS OF EURO)

Current and non-current financial liabilities 31.12.2020	3,797,426
Monetary changes as reported in the Statement of Cash Flows	
New non-current loans	205,000
Repayment of non-current loans	(235,327)
Repayment of finance leases	(4,631)
Change in other financial liabilities	(9,426)
Interest paid	(59,848)
Non-monetary changes	
New finance lease contracts	4,383
Fair value change in derivatives	(7,802)
Interest and other financial expense	53,598
Other changes	149
Current and non-current financial liabilities 31.12.2021	3,743,522

VIII. Information on the income statement

Unless otherwise stated, the tables below are in thousands of euro.

Revenue

NOTE 26 REVENUE FROM GOODS AND SERVICES

Revenue from services provided can be broken down as follows:

(THOUSANDS OF EURO)

	2021	2020
Services to subsidiaries	234,603	217,546
Services to associates	214	534
Services to others	936	888
Total	235,753	218,968

Revenue from services refer to corporate, administrative and technical services provided to Group companies and associates.

For additional information, see the annexed tables on related party transactions.

NOTE 27 OTHER INCOME

Other income includes:

(THOUSANDS OF EURO)

	2021	2020
Revenue for personnel at other companies	7,868	7,293
Sale of materials	2,322	3,785
Lease income	498	538
Grants related to income	415	338
Insurance settlements	51	317
Capital gains on sale of assets	36	30
Penalties to suppliers	21	27
Revenue from previous years	255	426
Other revenue and income	101	210
Total	11,567	12,964

Revenue from personnel at other companies includes reversible fees which were paid to Iren Directors and employees by Group companies and the chargeback of costs for personnel seconded to subsidiaries.

The sale of materials mainly relates to sales to subsidiaries, as a result of the procurement and centralised management of materials for common use by the Group's businesses.

Revenue from previous years mainly regards the settlement of prior items with reference to estimates made in previous years and adjustments to prior years' invoices.

Costs

NOTE 28 RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

Costs for raw materials, consumables, supplies and goods are as follows:

These costs refer mainly to the purchase of materials for common use by subsidiaries (technical clothing, hardware, stationery and signs) and fuel for Group vehicles.

The provision for inventory write-down amounting to 208 thousand euro (709 thousand euro in 2020) was set up last year in order to take into account the technical obsolescence and low level of movement of certain materials.

(THOUSANDS OF EURO)

	2021	2020
Raw materials and inventories	2,897	9,715
Purchase of fuels	4,405	3,581
Change in inventories	570	(1,692)
Accrual/(use) of provision for inventory write-down	(502)	709
Total	7,370	12,313

NOTE 29 SERVICES AND THIRD-PARTY ASSETS

Costs for services are broken down as follows:

(THOUSANDS OF EURO)

	2021	2020
Technical and administrative services from subsidiaries and Group companies	10,280	9,948
Third-party works, maintenance and industrial services	13,453	17,708
Snow clearing	2,033	1,562
Expenses related to personnel (meal allowance, training, business travel)	8,027	7,004
Technical, administrative and commercial consulting and advertising expenses	21,755	17,860
Legal and notary fees	957	1,503
Insurance	15,736	12,631
Bank and postal expenses	677	694
Telephone expenses	4,082	4,377
Internal utilities (electricity, water, gas, cleaning, etc.)	9,770	8,631
IT expenses	46,028	41,515
Reading and invoicing services	-	7
Board of Statutory Auditors' fees	150	111
Other costs for services	3,882	4,554
Total	136,830	128,105

Use of third-party assets amounted to 1,022 thousand euro (697 thousand euro in 2020) and relates mainly to short-term rentals of technical equipment and the rental of exhibition space for promotional events.

Secondarily, this item includes short-term leases or when the underlying asset is of low value, which the group has decided to exclude from the scope of application of IFRS 16.

NOTE 30 OTHER OPERATING EXPENSES

Other operating expenses are as follows:

(THOUSANDS OF EURO)

	2021	2020
Membership fees	2,088	2,008
General expenses	1,500	1,350
Taxes and duties	1,872	1,486
Prior year expenses	3,154	1,202
Charitable donations	2,230	2,787
Other sundry operating expenses	164	324
Total	11,008	9,157

The item "taxes and duties" refers mainly to charges for IMU property tax on the Company's plants and buildings, which increased following the repurchase of property complexes for management use. Prior year expense refers mainly to adjustments related to differences on estimates.

NOTE 31 INTERNAL WORK CAPITALISED

Internal work capitalised amounted to 4,902 thousand euro (4,966 thousand euro in 2020) and refers to labour costs mainly for the study, creation and implementation of software and IT projects.

NOTE 32 PERSONNEL EXPENSE

Personnel expense is broken down as follows:

(THOUSANDS OF EURO)

	2021	2020
Gross remuneration	53,003	52,481
Social security contributions	15,930	16,092
Other long-term employee benefits	46	50
Other personnel expense	7,461	4,410
Directors' fees	653	652
Total	77,093	73,685

Other personnel expense includes social security and recreational contributions, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion of post-employment benefits, and contributions to be paid by the employer to supplementary pension funds.

The workforce is broken down as follows:

	31/12/2021	31/12/2020	Yearly average
Executives	50	49	49
Junior managers	127	121	127
White collars	823	816	815
Blue collars	74	77	74
Total	1,074	1,063	1,065

NOTE 33 DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the year amounted to 36,267 thousand euro (31,356 thousand euro in 2020).

(THOUSANDS OF EURO)

	2021	2020
Depreciation	12,934	13,457
Amortisation	23,333	17,899
Total	36,267	31,356

Depreciation of includes the depreciation for the year of right-of-use assets recognised in accordance with IFRS 16.

For further details on depreciation/amortisation, refer to the tables of changes in property, plant and equipment and intangible assets.

NOTE 34 PROVISIONS AND IMPAIRMENT LOSSES

The item amounted to a total of 73 thousand euro (in 2020, it had a positive balance of 96 thousand euro) and is detailed in the following table:

(THOUSANDS OF EURO)

	FY 2021	FY 2020
Impairment losses on loans and receivables	-	-
Provisions for risks	504	247
Releases	(431)	(343)
Total	73	(96)

There were no accruals made to the loss allowance during 2021, as the allowance was adequate to the amount of expected credit losses determined on the basis of the simplified model envisaged by IFRS 9, where "loss" means the current value of all cash shortfalls considering forward-looking information.

The trend in provisions for risks is mainly due to probable charges related to personnel.

Details of changes in provisions are provided in the note to the Statement of financial position item "Provisions for risks and charges".

NOTE 35 FINANCIAL MANAGEMENT

Financial income

The breakdown of financial income is as follows:

(THOUSANDS OF EURO)

	2021	2020
Dividends	235,329	236,439
Bank interest income	534	572
Interest income from subsidiaries	50,381	48,958
Interest income from associates	660	311
Interest income on loans	-	1,733
Fair value gains on derivatives	1,054	349
Income from discounting earn out Olt	301	1,625
Income from the sale of securities	309	-
Default interest	78	-
Other financial income	178	19
Total	288,830	290,011

Income from the sale of securities refers to the sale of the investment in the company Plurigas in liquidation, classified at 31 December 2020 under assets held for sale as the company's operations were wound up in 2014.

Fair value gains on derivatives refer to the hedging instruments that do not meet the formal requirements for the application of hedge accounting.

Financial expense

The breakdown of financial expense is as follows:

(THOUSANDS OF EURO)

	2021	2020
Interest expense on loans	235	667
Interest expense on bonds	50,386	54,703
Realised losses on derivatives	2,597	3,920
Fair value losses on derivatives	-	5,835
Capital losses on disposal of financial assets	-	31
Interest expense subsidiaries	60	73
Interest cost – Employee benefits	-	158
Financial expense on lease liabilities	107	154
Other financial expense	212	291
Total	53,598	65,834

Interest expense on loans and bonds includes the expense relating to the measurement at amortised cost.

Interest expense on bonds decreased as a result of the lower average cost of bonds.

NOTE 36 GAINS (LOSSES) ON EQUITY INVESTMENTS

This item had a nil balance for both 2021 and 2020.

NOTE 37 INCOME TAX BENEFIT

The income tax benefit amounted to 1,061 thousand euro (4,205 thousand euro in 2020) and can be broken down as follows:

- IRES, a benefit of 1,712 thousand euro (6,785 thousand euro in 2020), as a result of negative operating income;
- net deferred tax expense, given by the reversal of taxable temporary differences, of 520 thousand euro (3,054 thousand in 2020);
- deferred tax income of 2 thousand euro (nil in 2020) due to reversal of deferred taxes on accelerated depreciation;
- taxes related to previous years, an expense of 133 thousand euro (a benefit of 474 thousand euro in 2020).

Under the terms of Art. 96 of the Consolidated Law on Income Tax, the interest expense rules provide for their deductibility up to a maximum of 30% of the Gross Operating Profit ("fiscal" GOP) with the option to carry forward any surpluses of non-deductible interest expense to subsequent years and, if Group taxation is implemented, with the right to offset such surpluses with any "fiscal" GOP surpluses accrued from other group companies.

For Iren S.p.A., in 2021, application of the rules pursuant to Art. 96 of the Consolidated Law on Income Tax entailed forming surpluses of net non-deductible interest expense.

The table below shows the reconciliation between standard and effective IRES tax rates. The reconciliation between standard and effective IRAP rate was not significant.

The table shows current taxes only, thus excluding deferred taxes. Therefore, changes to the theoretical tax refer to temporary and final changes.

The table below shows the breakdown of the tax rate for 2021 and 2020.

	IRES RATE RECONCILIATION	2021	2020
A)	Profit before tax	217,789	205,858
B)	Theoretical tax charge (24% rate)	52,269	49,406
C)	Temporary differences taxable in future years	-	-
	Alloc. Tax assets loss allowance		
D)	Temporary differences deductible in future years	7,079	8,360
	Fees to independent auditors and directors	*205*	*233*
	Plus minus amortisation	*1,000*	-
	Alloc. Provisions and interest expense	*2,056*	*3,474*
	Other	*3,818*	*4,654*
E)	Reversal of previous year temporary differences	(9,183)	(19,884)
	Dividends not collected during the year		
	Use of provisions and interest expense	(4,269)	(16,668)
	Fees to independent auditors and directors	(233)	(259)
	Other	(4,682)	(2,956)
F)	Differences which will not carry forward	(220,429)	(220,905)
	Non-taxable share of dividends (95%) received as at 31/12	(223,563)	(224,616)
	Other	*3,134*	*3,711*
G)	Taxable income (A)+C)+D)+E)+F))	(4,744)	(26,570)
H)	Current taxes for the year	(1,712)	(6,785)
	Income from consolidation	(1,139)	(6,377)
	Art Bonus	(573)	(408)
M)	Rate	-1%	-3%

The table below shows the composition of deferred tax assets and iabilities for the two years, broken down by type of temporary difference, and the resulting effects.

(THOUSANDS OF EURO)

	FY 2021	FY 2020
Deferred tax assets		
Non-taxable provisions	4,088	4,546
Differences in non-current assets	485	554
Derivatives	783	2,879
Other	3,104	3,057
Total	8,460	11,035
Deferred tax liabilities		
Differences in non-current assets	821	823
Loss allowance	11	11
Other	111	111
Total	943	945
Net deferred tax assets	7,517	10,090

NOTE 38 OTHER COMPREHENSIVE INCOME

Other comprehensive income amounted to 6,507 thousand euro (other comprehensive expense of 1,217 thousand euro in 2020).

Specifically, other comprehensive income that will be subsequently reclassified to profit or loss relates to:

- the effective portion of fair value gains on cash flow hedges, of 8,732 thousand euro, which refers to derivatives hedging changes in interest rates;
- the tax effect of 2,096 thousand euro.

Other comprehensive income that will not be subsequently reclassified to profit or loss relates to:

- actuarial losses, related to defined benefit plans, for 170 thousand euro;
- the tax effect, for 41 thousand euro.

IX. Guarantees and contingent liabilities

Guarantees provided

Personal guarantees amounted to 417,782 thousand euro (451,608 thousand euro as at 31 December 2020) broken down as follows:

- 152,036 thousand euro of bank and insurance guarantees provided to various Entities. Among the above, it is worth noting guarantees granted in favour of:
  - Tax Authority for 119,992 thousand euro to guarantee VAT refund requests for 2019 and 2020;
  - Municipality of Turin, for 27,476 thousand euro, as definitive guarantee in the AMIAT/TRM tender
  - Procedure;

- INPS for 152 thousand euro as guarantees envisaged for planned retirement procedures;
- FCT Holding for 2,000 thousand euro, as definitive guarantee in the Amiat/TRM tender procedure;
- Municipality of Genoa for 860 thousand euro to guarantee urbanisation works and the cost of building new premises;
- Atersir/Ato for 820 thousand euro to guarantee the management of the integrated water service.

• 251,302 thousand euro in guarantees granted on behalf of subsidiaries, primarily to guarantee credit facilities and their transactions (mainly commercial contracts/Parent Guarantees on behalf of Iren Mercato Spa);

• 14,444 thousand euro of guarantees given on behalf of associates, mainly relating to the associate Sinergie Italiane.

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane in liquidation (namely guarantees for credit facilities and letters of patronage for 10,999 thousand euro). The liquidators concluded the main procurement contracts and, therefore, since 1 October 2012 the Company's operating activity concerns only the purchase of gas from the Russian Gazprom supplier and the sale of gas to shareholders or their subsidiaries, including Iren Mercato.

X. Annexes to the separate financial statements

LIST OF EQUITY INVESTMENTS

INDEPENDENT AUDITORS' FEES

STATEMENT OF EQUITY WITH ADDITIONAL INFORMATION

DEFERRED TAX ASSETS AND LIABILITIES

RELATED PARTY TRANSACTIONS

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

LIST OF EQUITY INVESTMENTS

Company	Registered office	Currency	Share capital	% interest
SUBSIDIARIES				
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00
IReti S.p.A.	Reggio Emilia	Euro	196,832,103	100.00
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00

INDEPENDENT AUDITORS' FEES

Pursuant to art. 149-duodecies of the Regulation implementing Legislative Decree no. 58/1998, the fees for the year due to KPMG S.p.A. can be summarised as follows:

(THOUSANDS OF EURO)

		Non-audit services		
	Statutory audit	Services for the purpose of issuing an attestation	Other services	Total
Iren S.p.A.	238	125	-	363

PROSPETTO DI PATRIMONIO NETTO CON INFORMAZIONI AGGIUNTIVE

(AMOUNTS IN EURO)

	31.12.2021	31.12.2020	31.12.2019
SHARE CAPITAL	1,300,931,377	1,300,931,377	1,300,931,377
EQUITY-RELATED RESERVES			
Share premium reserve (1)	133,019,647	133,019,647	133,019,647
Negative goodwill	56,792,947	56,792,947	56,792,947
Treasury shares negative reserve	(38,690,318)	(34,648,147)	9,054,404
INCOME-RELATED RESERVES			
Legal reserve	87,215,666	76,712,515	64,641,843
Other reserves:			
Extraordinary reserve	53,766,557	53,766,557	53,766,557
Hedging reserve	(2,880,211)	(9,516,688)	(9,340,183)
IAS 19 actuarial reserve	(4,766,110)	(4,637,006)	(3,596,399)
Other reserves untaxed	1,402,976	1,402,976	1,402,976
Retained earnings	265,687,166	188,019,492	78,180,732
TOTAL	1,852,479,697	1,761,843,670	1,666,745,093
Non-distributable amount	1,482,476,372	1,476,015,392	1,489,538,463
Distributable residual amount	370,003,325	285,828,278	177,206,630

(AMOUNTS IN EURO)

Possible utilisation	Available portion	Summary of uses over the last three years	
		To cover losses	Other reasons
B	1,300,931,377		
A, B	133,019,647		
A, B, C	56,792,947		
	(38,690,318)		
B	87,215,666		
A, B, C	53,766,557		
	(2,880,211)		
	(4,766,110)		
A, B, C	1,402,976		
A, B, C	265,687,166		
	1,852,479,697		
	1,482,476,372		
	370,003,325		

DEFERRED TAX ASSETS AND LIABILITIES - 2021

		Differences		
	Opening balance	Formation	Reversal	Closing balance
Deferred tax assets				
Non-taxable provisions	18,940	1,770	3,677	17,033
Differences in non-current assets	2,308	171	460	2,019
Derivatives	11,996	-	8,732	3,264
Other	12,736	5,244	5,046	12,935
Total taxable income/deferred tax assets	45,981	7,185	17,915	35,251
Deferred tax liabilities				
Differences in non-current assets	3,430	-	10	3,420
Loss allowance	44	-	-	44
Other	464	-	-	464
Total taxable income/deferred tax liabilities	3,938	-	10	3,928
Net deferred tax assets	42,042	7,185	17,906	31,322

DEFERRED TAX ASSETS AND LIABILITIES - 2020

		Differences		
	Opening balance	Formation	Reversal	Closing balance
Deferred tax assets				
Non-taxable provisions	32,890	2,390	16,340	18,940
Differences in non-current assets	2,308	-	-	2,308
Derivatives	11,764	232	-	11,996
Other	10,144	6,137	3,544	12,736
Total taxable income/deferred tax assets	57,105	8,759	19,884	45,981
Deferred tax liabilities				
Differences in non-current assets	3,430	-	-	3,430
Loss allowance	44	-	-	44
Other	464	-	-	464
Total taxable income/deferred tax	3,938	-	-	3,938
Net deferred tax assets	53,167	8,759	19,884	42,042

(THOUSANDS OF EURO)

		Taxes		
To profit or loss	To Equity	IRES (Corporate Income Tax)	IRAP (Regional Business Tax)	Total
(431)	(27)	4,088	-	4,088
(69)	-	485	-	485
-	(2,096)	783	-	783
(20)	68	3,104	-	3,104
(520)	(2,055)	8,460	-	8,460
(2)	-	821	-	821
-	-	11	-	11
-	-	111	-	111
(2)	-	943	-	943
(518)	(2,055)	7,517	-	7,517

(THOUSANDS OF EURO)

		Taxes		
To profit or loss	To Equity	IRES (Corporate Income Tax)	IRAP (Regional Business Tax)	Total
(3,412)	64	4,546	-	4,546
-	-	554	-	554
-	56	2,879	-	2,879
358	265	3,057	-	3,057
(3,054)	384	11,035	-	11,035
-	-	823	-	823
-	-	11	-	11
-	-	111	-	111
-	-	945	-	945
(3,054)	384	10,090	-	10,090

RELATED PARTY TRANSACTIONS

(THOUSANDS OF EURO)

	Trade Receivables	Loan assets, Cash and cash equivalents	Sundry assets	Trade Payables	Financial liabilities
OWNERS					
Municipality of Genoa	-	-	-	-	-
Municipality of Parma	-	-	-	-	-
Municipality of Piacenza	-	-	-	-	-
Municipality of Reggio Emilia	7	-	-	85	-
Municipality of Turin	483	-	-	396	-
FSU - Finanziaria Sviluppo Utilities S.r.l.	16	41	-	-	-
SUBSIDIARIES					-
ACAM Acque S.p.A.	1,247	155,646	37	18	-
ACAM Ambiente S.p.A.	927	26,901	346	116	-
Alfa Solutions S.p.A.	128	-	434	228	3,424
AMIAT S.p.A.	5,352	48,062	256	734	-
AMIAT V. S.p.A.	3	4,452	-	-	-
ASM Vercelli S.p.A.	1,654	-	47	385	2,957
Asti Energia e Calore S.p.A.	-	2,983	-	-	-
ATENA Trading S.r.l.	209	1,009	201	3	-
Bonifica Autocisterne S.r.l.	13	-	1	-	471
Consorzio GPO	-	-	-	-	2,142
Formaira S.r.l.	1	-	5	-	79
Futura S.p.A.	1	25,659	-	-	-
GIA - Gestione Impianti Ambientali S.p.A.	-	-	-	-	-
I. Blu S.r.l.	137	28,675	-	77	-
Iren Acqua Tigullio S.p.A.	457	2,724	1,042	-	-
IREN Ambiente S.p.A.	14,128	432,882	3,014	349	-
IREN Ambiente Parma S.r.l.	-	-	-	-	3,981
IREN Ambiente Piacenza S.r.l.	-	-	-	-	3,977
IREN Energia S.p.A.	19,440	501,486	29,397	318	-
Iren Energy Solutions S.r.l.	3	-	-	-	-
IREN Mercato S.p.A.	28,938	91	9,849	941	44,232
Iren Smart Solutions S.p.A.	2,456	167,570	4,815	659	-
IRETI S.p.A.	23,953	870,318	6,440	1,537	-
Iren Laboratori S.p.A.	798	-	177	164	6,599
Iren Acqua S.p.A.	3,413	77,538	1,262	85	-
Maira S.p.A.	12	-	-	-	1,487
Manduriambiente S.p.A.	-	-	718	-	-
Nord Ovest Servizi S.p.A.	-	-	-	-	-
Picena Depur S.c.a.r.l.	-	-	-	-	-
Produrre Pulito S.r.l.	15	-	-	-	-
ReCos S.p.A.	363	11,077	-	-	-
Rigenera Materiali (Ri. Ma.) S.r.l.	27	2,504	-	-	-
Salerno Energia Vendite S.p.A.	55	37,808	-	-	-
San Germano S.p.A.	1,248	25,040	-	52	-
Scarlino Energia S.p.A.	88	17,175	-	-	-
Scarlino Immobiliare S.r.l.	-	-	9	-	-
Sidiren S.r.l.	8	4,113	-	-	-
Iren Ambiente Toscana S.p.A.	36	26,944	96	-	-

RELATED PARTY TRANSACTIONS

(THOUSANDS OF EURO)

	Sundry liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
OWNERS					
Municipality of Genoa	-	200	1,019	-	-
Municipality of Parma	-	-	30	-	-
Municipality of Piacenza	-	-	70	-	-
Municipality of Reggio Emilia	-	6	297	-	-
Municipality of Turin	-	559	672	-	-
FSU - Finanziaria Sviluppo Utilities S.r.l.	-	-	-	-	-
SUBSIDIARIES					
ACAM Acque S.p.A.	609	4,509	260	3,060	-
ACAM Ambiente S.p.A.	1,222	3,660	334	534	-
Alfa Solutions S.p.A.	-	595	833	-	-
AMIAT S.p.A.	5,171	20,314	3,531	1,537	-
AMIAT V. S.p.A.	270	252	-	153	-
ASM Vercelli S.p.A.	2,326	4,184	1,427	-	58
Asti Energia e Calore S.p.A.	-	-	-	64	-
ATENA Trading S.r.l.	416	549	17	-	2
Bonifica Autocisterne S.r.l.	-	44	-	-	1
Consorzio GPO	-	-	-	-	-
Formaira S.r.l.	3	5	-	-	-
Futura S.p.A.	-	1	-	426	-
GIA - Gestione Impianti Ambientali S.p.A.	-	-	-	-	-
I. Blu S.r.l.	-	335	78	473	-
Iren Acqua Tigullio S.p.A.	1,225	1,192	-	24	-
IREN Ambiente S.p.A.	8,761	35,420	1,305	25,678	-
IREN Ambiente Parma S.r.l.	3	1	-	-	-
IREN Ambiente Piacenza S.r.l.	3	1	-	-	-
IREN Energia S.p.A.	16,484	32,086	592	79,795	-
Iren Energy Solutions S.r.l.	-	3	-	-	-
IREN Mercato S.p.A.	6,461	44,832	3,527	46,817	-
Iren Smart Solutions S.p.A.	2	12,072	1,476	2,219	-
IRETI S.p.A.	2,864	69,675	2,278	120,665	-
Iren Laboratori S.p.A.	339	2,496	203	-	-
Iren Acqua S.p.A.	2,501	7,150	318	1,946	-
Maira S.p.A.	24	59	-	-	-
Manduriambiente S.p.A.	-	-	-	-	-
Nord Ovest Servizi S.p.A.	-	1	-	-	-
Picena Depur S.c.a.r.l.	75	-	-	-	-
Produrre Pulito S.r.l.	7	15	-	-	-
ReCos S.p.A.	703	845	-	355	-
Rigenera Materiali (Ri. Ma.) S.r.l.	236	50	-	4	-
Salerno Energia Vendite S.p.A.	-	16	-	217	-
San Germano S.p.A.	2,760	1,751	202	538	-
Scarlino Energia S.p.A.	-	-	-	263	-
Scarlino Immobiliare S.r.l.	-	-	-	-	-
Sidiren S.r.l.	-	-	-	18	-
Iren Ambiente Toscana S.p.A.	-	10	-	377	-

RELATED PARTY TRANSACTIONS

(THOUSANDS OF EURO)

	Trade Receivables	Loan assets, Cash and cash equivalents	Sundry assets	Trade Payables	Financial Liabilities
TB S.p.A.	-	-	162	-	-
Territorio e Risorse S.r.l.	184	16,340	-	-	-
TRM S.p.A.	411	-	-	72	-
UHA - Unieco Holding Ambiente S.r.l.	521	108	-	23	-
Uniproject S.r.l.	-	-	-	-	-
JOINT VENTURES					
Acque Potabili S.p.A.	114	-	-	-	-
ASSOCIATES					-
Acquaenna S.c.p.a.	10	-	-	-	-
Aguas de San Pedro S.A. de C.V.	1	-	-	-	-
AMAT S.p.A.	-	-	-	-	-
AMTER S.p.A.	83	-	-	-	-
ASA Livorno S.p.A.	115	-	-	1	-
ASTEA S.p.A.	8	-	-	-	-
Asti Servizi Pubblici S.p.A.	49	-	-	-	-
CSP - Innovazione nelle ICT S.c. a r.l.	-	-	-	46	-
Fratello Sole Energie Solidali S.r.l.	103	-	-	-	-
Iniziative Ambientali S.r.l.	4	-	-	-	-
Mondo Acqua S.p.A.	2	-	-	-	-
Piana Ambiente S.p.A.	62	-	-	-	-
SEI Toscana S.r.l.	-	2,709	-	-	-
SETA S.p.A.	-	-	-	-	-
Valle Dora Energia S.r.l.	12	22,725	-	-	-
OTHER RELATED PARTIES					-
Subsidiaries of Municipality of Genoa	-	-	-	2	-
Subsidiaries of Municipality of Parma	-	-	-		-
Subsidiaries of Municipality of Piacenza	-	-	-		-
Subsidiaries of Municipality of Reggio Emilia	-	-	-		-
Subsidiaries of Municipality of Turin	-	-	-	127	-
TOTAL	107,296	2,512,580	58,308	6,417	69,348

RELATED PARTY TRANSACTIONS

(THOUSANDS OF EURO)

	Sundry liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
TB S.p.A.	-	-	-	-	-
Territorio e Risorse S.r.l.	484	206	-	275	-
TRM S.p.A.	916	581	252	-	-
UHA - Unieco Holding Ambiente S.r.l.	129	495	75	275	-
Uniproject S.r.l.	73	-	-	-	-
JOINT VENTURES					
Acque Potabili S.p.A.	-	28	-	-	-
ASSOCIATES					
Acquaenna S.c.p.a.	-	10	-	-	-
Aguas de San Pedro S.A. de C.V.	-	1	-	-	-
AMAT S.p.A.	-	2	-	-	-
AMTER S.p.A.	-	85	-	-	-
ASA Livorno S.p.A.	-	14	-	-	-
ASTEA S.p.A.	-	7	-	-	-
Asti Servizi Pubblici S.p.A.	-	-	-	-	-
CSP - Innovazione nelle ICT S.c. a r.l.	8	-	75	-	-
Fratello Sole Energie Solidali S.r.l.	-	20	-	-	-
Iniziative Ambientali S.r.l.	-	2	-	-	-
Mondo Acqua S.p.A.	-	2	-	-	-
Piana Ambiente S.p.A.	-	-	-	-	-
SEI Toscana S.r.l.	-	-	-	34	-
SETA S.p.A.	-	3	-	-	-
Valle Dora Energia S.r.l.	-	72	-	626	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Genoa	-	-	41	-	-
Subsidiaries of Municipality of Parma	-	-	5	-	-
Subsidiaries of Municipality of Piacenza	-	-	1	-	-
Subsidiaries of Municipality of Reggio Emilia	-	-	-	-	-
Subsidiaries of Municipality of Turin	-	-	165	-	-
TOTAL	54,074	244,416	19,083	286,370	61

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

(THOUSANDS OF EURO)

IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	166,969		
Intangible assets with a finite useful life	79,954		
Investment property	-		
Investments in subsidiaries, associates and joint ventures	2,564,032		
Other equity investments	150		
Total (A)	2,811,105	Non-current Assets (A)	2,811,105
Other non-current assets	1,662		
Other non-current liabilities	(1,474)		
Total (B)	188	Other non-current assets (Liabilities) (B)	188
Inventories	3,954		
Trade receivables	107,803		
Current tax assets	60		
Sundry assets and other current assets	117,195		
Trade payables	(87,672)		
Sundry liabilities and other current liabilities	(82,337)		
Current tax liabilities	(31,709)		
Total (C)	27,294	Net working capital (C)	27,294
Deferred tax assets	8,460		
Deferred tax liabilities	(943)		
Total (D)	7,517	Deferred tax assets (Liabilities) (D)	7,517

IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Employee benefits	(17,997)		
Provisions for risks and charges	(6,694)		
Provisions for risks and charges - current portion	(6,383)		
Total (E)	(31,074)	Provisions for risks and employee benefits (E)	(31,074)
		Net invested capital (G=A+B+C+D+E+F)	2,815,030
Equity (F)	2,071,330	Equity (F)	2,071,330
Non-current financial assets	(2,499,028)		
Non-current financial liabilities	3,278,814		
Total (G)	779,786	Non-current financial debt (G)	779,786
Current financial assets	(70,633)		
Cash and cash equivalents	(430,162)		
Current financial liabilities	464,708		
Total (H)	(36,087)	Current financial debt (H)	(36,087)
		Net financial debt (I=G+H)	743,699
		Own funds and net financial debt (F+I)	2,815,029

Statement regarding the Separate financial statements pursuant to art. 81-ter of Consob regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1) The undersigned Gianni Vittorio Armani, Chief Executive Officer, and Anna Tanganelli, Administration, Finance, Control and M&A Manager and Manager in charge of financial reporting of Iren S.p.A., hereby certify, in view of the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998:

   - the suitability in respect of the company's characteristics and
   - the effective application of the administrative and accounting procedures in preparing the separate financial statements during 2021.

2) It is also hereby certified that:

   2.1 the separate financial statements:

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

      b) correspond to the results of the books and accounting records;

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

   2.2 the Directors' Report includes a reliable analysis of the operating performance and results, and of the situation of the issuer and of all companies included in the consolidation, together with a description of the major risks and uncertainties to which they are exposed.

29 March 2022

Chief Executive Officer	Administration, Finance, Control and M&A Manager and Manager in charge of financial reporting under Law no. 262/05
Ing. Gianni Vittorio Armani	Dott.ssa Anna Tanganelli

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Corso Vittorio Emanuele II, 48
10123 TORINO TO
Telefono +39 011 8395144
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(The accompanying translated separate financial statements of Iren S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Iren S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Iren S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2021, income statement and the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Iren S.p.A. as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The company's 2020 separate financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 14 April 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of investments in subsidiaries

Notes to the separate financial statements as at 31 December 2021: note II "Accounting policies" and note 3 "Investments in subsidiaries, associates and joint ventures"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2021 include investments in subsidiaries of €2,564 thousand, accounting for approximately 42% of total assets. Considering the current structure of the Iren Group, the assessment of the recoverability of the carrying amount of investments in subsidiaries coincides with the assessment of the recoverability of the carrying amount of goodwill performed for the purposes of the consolidated financial statements, because the company's subsidiaries and their investees make up the cash-generating units (CGUs) identified for the purposes of testing goodwill for impairment. The directors have calculated the CGUs' estimated recoverable amount, based on their value in use, using the discounted cash flow model and the cash flows derived from the business plan approved by the board of directors on 11 November 2021 (the "plan"). The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: — the expected cash flows, calculated by taking into account the general economic performance and that of the company's sector, the actual cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate.	— Analysing the process adopted by the directors to prepare the impairment test. — Analysing the criteria used to identify the CGUs and trace their carrying amounts to the separate financial statements. — Assessing the consistency of the cash flows used for impairment testing with the cash flows forecast in the plan. — Checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors. — Analysing the expected cash flows and the reasonableness of the main assumptions used to calculate the CGUs' value in use. — Involving experts in the assessment of the reasonableness of the valuation models and related assumptions. — Checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing. — Assessing the appropriateness of the disclosures provided in the notes.

For the above reasons, we believe that the recoverability of the carrying amount of investments in subsidiaries is a key audit matter.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 13 June 2019, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Turin, 29 April 2022

KPMG S.p.A.

(signed on the original)

Roberto Bianchi
Director of Audit

Report of the board of Statutory Auditors of iren S.p.A. To the Shareholders' Meeting

Dear Shareholders,

the current Board of Statutory Auditors was appointed on 6 May 2021 by the Ordinary Shareholders' Meeting, the number of its members has increased from three to five. The Shareholders' Meeting confirmed the statutory auditors Michele Rutigliano, as Chairman, Simone Caprari and Cristina Chiantia, as standing auditors. It also appointed Ugo Ballerini and Sonia Ferrero as standing auditors.

The Board of Statutory Auditors who, pursuant to Art. 153 of Legislative Decree no. 58/1998, Consolidated Law on Financial Intermediation (hereinafter referred to as the "TUF"), is called upon to report to the Shareholders' Meeting on the supervisory activities carried out and on any omissions or reprehensible facts discovered. The Board of Statutory Auditors may also make observations and proposals regarding the financial statements, their approval and matters within its competence.

During the year, the Board of Statutory Auditors carried out the supervisory duties assigned to it by current laws and regulations. The Board of Statutory Auditors monitored compliance with the law and the articles of association, as well as respect for the principles of correct administration; it also monitored the adequacy of the Company's organisational, administrative and accounting structure to the extent of its competence. The Board of Statutory Auditors does not believe that there are any irregularities that require disclosure in this Report

1) <u>Independence of the members of the Board of Statutory Auditors</u>

The Board of Statutory Auditors verified the absence of causes of disqualification, pursuant to art. 148 TUF, for its members, as well as the permanence of independence requirements for the same: (i) pursuant to article 148, paragraph 3 of the TUF, and (ii) pursuant to article 2 Recommendation 7 of the new Corporate Governance Code.

2) <u>Significant transactions and events</u>

The Board of Statutory Auditors certifies, to the extent of its competence, the compliance with the law and the Articles of Association of the most important economic, financial and asset operations carried out by the company and that they are not manifestly imprudent or risky, in potential conflict of interest, in contrast with the resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

The aforementioned transactions, as well as the significant events of the 2021 financial year and subsequent years, relating to IREN S.p.A and the companies directly and indirectly controlled by it ("IREN Group" or "Group"), are set out in the paragraphs "Significant events during the financial year" and "Significant events after the end of the financial year and outlook" in the Directors' Report at 31 December 2021.

With regard to the consequences of the Russia-Ukraine conflict, the energy scenario and the exposure to related risks, Directors' Report – as recommended by ESMA and Consob – calls the attention to Group's implemented actions, together with the constant monitoring of macroeconomic, business and regulatory variables in order to promptly estimate potential impacts, indirect ones included, deriving from the increase in consumer products prices and the consequent feasible contraction of GDP with a decrease in energy consumption.

3) Transactions with related parties or intragroups

Pursuant to art. 2391-bis of the Civil Code, the Board of Directors has adopted, in accordance with the general principles indicated by Consob, rules ensuring the transparency and substantial and procedural fairness of transactions with related parties, for which reference should be made to the Directors' Report. The paragraphs "Disclosure on relations with related parties" of the Explanatory Notes of the Separate Financial Statements of IREN S.p.A. and the Explanatory Notes of the Consolidated Financial Statements as at 31 December 2021 set out the economic and financial relations with the related parties. The details of these reports are highlighted in paragraph X "Annexes to the separate financial statements" and in paragraph XIV "Annexes to the consolidated financial statements".

The Chairman of the Board of Statutory Auditors and/or one or more regular auditors regularly attend the work of the Committee for Related Party Transactions, monitoring the procedures concretely adopted for important resolutions in the interest of the Company and the Group, and in this regard, there are no particular observations to report.

Considering the model adopted by the Group with IREN SpA as a holding company with adequate centralised staff structures, as well as the management and coordination activity carried out, the company provides services to subsidiaries on the basis of specific contracts. Other non-recurring intra-Group transactions, if any, are dictated by the need to rationalize operations in accordance with the structure of operations by Business Unit.

4) Atypical and/or unusual transactions

The Notes to the Separate Financial Statements of IREN S.p.A. and the Consolidated Financial Statements, the information provided to the Board of Directors and the information received from the directors and company management did not reveal the existence of any atypical and/or unusual transactions, including intragroup transactions or transactions with related parties, as defined by CONSOB Communication no. DEM/6064293 of 28 July 2006. As of the date of preparation of this Report, the Board of Statutory Auditors had not received any communications from the Boards of Statutory Auditors of subsidiaries, associates or joint ventures or from the Independent Auditors containing observations worthy of note.

5) Meetings of the Board of Statutory Auditors, the Board of Directors and the Board Committees

During the year ended 31 December 2021, the Board of Statutory Auditors met eighteen times (of which six times in the previous composition and twelve with the current members) with an almost total participation of its members.

The Board also attended the meetings of the Board of Directors (twenty-two meetings) and ensured the presence of at least one member at the meetings of the Control, Risk and Sustainability Committee (nineteen meetings, three of which jointly with the Remuneration and Nomination Committee), the meetings of the Related Party Transactions Committee (nine meetings) and the meetings of the Remuneration and Appointments Committee (seventeen meetings, three of which are jointly with the Control, Risk and Sustainability Committee).

6) Observations pursuant to d. lgs. No. 39/2010, of d. lgs. No. 254/2016 and the independence of the company of revision

With regard to statutory audit tasks, the Board of Statutory Auditors reminds that they are attributed to the auditing firm KPMG S.p.A. (the "Independent Auditors"), which issued the reports on 29 April 2022, pursuant to art. 14 of d.lgs. n. 39/2010 and art. 10 of EU Regulation no. 537/2014, relating to the Financial Statements of IREN S.p.A. and the Consolidated Financial Statements of the Group as at 31 December 2021, to which we refer you, noting that they do not present any remarks.

On this matter, the Board of Statutory Auditors points out that both reports contain: (i) a true and correct presentation of the financial position of Iren S.p.A. and the Group as at 31 December 2021, of the economic result and of cash flows for the year ended said date in accordance with International Financial Reporting Standards adopted by the European Union, as well as the measures issued in implementation of art. 9 of d.lgs. No 38/2005; (ii) a description of audit key aspects audit and their related procedures; (iii) consistency assessment of the annual report and of some specific information contained in the report on corporate governance and ownership structure with the financial statements and consolidated financial statements as at 31 December 2021 and on their compliance with the law; (iv) confirmation that both the opinion on the financial statements and on the consolidated financial statements, stated in the respective reports, are in line with what is indicated in the additional report addressed to the undersigned Board of Statutory Auditors, in its function as Committee for Internal Control and Audit, prepared pursuant to art. 11 of EU Regulation 537/2014.

The Independent Auditors have also issued a conformity assessment showing that the consolidated financial statements and the financial statements have been prepared in XHTML format, in accordance with the provisions of Delegated Regulation (EU) 2019/815 of the European Commission.

On 29 April 2022, the Independent Auditors also issued the Additional Report for the Board of Statutory Auditors, as the Internal Control and Audit Committee, referred to in Article 11 of EU Regulation 537/2014.

The Independent Auditors confirmed its independence in carrying out the statutory audit.

The Board of Statutory Auditors supervised the effectiveness of the statutory audit process, through periodic meetings with the representatives of the Independent Auditors.

Further tasks assigned to the Independent Auditors are regulated by the specific Guideline "Assignment of tasks to the Independent Auditors" in accordance with the relevant legislation. The related amounts are set out in the Explanatory Notes to the Separate Financial Statements and in the Explanatory Notes to the Consolidated Financial Statements in the paragraph "Fees to the independent auditors".

The Board of Statutory Auditors monitored the organisational and operational process aimed at preparing the Consolidated Non-Financial Statement (DNF), through discussions with the competent internal function, with the Control, Risk and Sustainability Committee and with the Independent Auditors.

The Board confirms that the Consolidated Non-Financial Statement is drawn up in accordance with the provisions of Articles 3 and 4 of Legislative Decree no. 254/2016. The Independent Auditors expressed, with a specific Report dated 20 April 2022 and based on the audit procedures specified therein, a certificate of compliance, in all significant aspects, of the information provided with respect to the requirements of the aforementioned legislative decree and with respect to the reporting standards indicated in the "Methodological Note" of the DNF. The Board of Statutory Auditors states that the DNF has been subject to limited scrutiny ("limited assurance engagement" according to the criteria indicated by the ISAE 3000 Revised standard).

7) Observations on the financial reporting process and the internal control system

During the 2021 financial year, the Board of Statutory Auditors monitored the adequacy of the administrative and accounting system, as well as the reliability of the latter to correctly represent operating events, by obtaining information from the Manager responsible for preparing the company's financial reports and from the other heads of administrative functions. The Board of Statutory Auditors believes that, overall, the administrative and accounting system is adequate and reliable in relation to the size and complexity of the Company and the Group.

The Board of Statutory Auditors monitored, as part of its duties, the adequacy of the internal control system through: (i) obtaining information from the heads of the corporate structures; (ii) meetings with the heads of the Risk Management department and the Internal Audit department; (iii) attendance, with at least one of its members, at the meetings of committees outside of the council; (iv) exchange of information with the Independent Auditors.

Due to the constraints related to the Covid-19 pandemic, the control functions were not always able to carry out on-the-spot checks, but instead used technology that allowed them to carry out their activities properly.

The Board of Statutory Auditors was also informed, by means of the half-yearly reports submitted to the Board of Directors, on the activities carried out by the Supervisory Body set up pursuant to Legislative Decree no. 231/2001 and subsequent amendments.

Lastly, the Board of Statutory Auditors acknowledged the attestations provided by the Chief Executive Officer and the Manager pursuant to Law no. 262/05 responsible for preparing the Company's financial reports, pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May, 1999, as amended, concerning the adequacy and effective implementation of the administrative and accounting procedures for the preparation of the separate and consolidated financial statements.

Based on the results of the activities carried out, the Board of Statutory Auditors believes that the internal control system is adequate for the size and structure of the operations.

8) <u>Observations on the adequacy of the organisational structure</u>

The Board of Statutory Auditors monitored, to the extent of its responsibility, the adequacy of the Company's organizational structure, acquiring information from the heads of company departments, and considers this structure to be overall adequate for the characteristics of the Company and the activities carried out.

9) <u>Other activities of the Board of Statutory Auditors</u>

The Board of Statutory Auditors:

(i) has not received complaints *pursuant to ex* Article 2408 of the Civil Code, nor exposed;

(ii) did not issue opinions pursuant to law during the financial year;

(iii) verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members;

(iv) noted the existence of instructions given by the parent company for subsidiaries to provide all the information necessary to the parent company to fulfil the disclosure obligations required by law;

(v) with regard to the first-level subsidiaries, it has obtained information from the relevant control bodies, in which there is a statutory auditor of the parent company, and in this regard confirms that there are no aspects to be reported;

(vi) it acknowledged the preparation of the Report on the 2022 Remuneration Policy and on the remuneration paid 2021, pursuant to Article 123-ter of the TUF, and has no particular observations to report;

(vii) with regard to the Company's adherence to the new Corporate Governance Code, please refer to the Report on Corporate Governance and Ownership Structure, drawn up pursuant to art. 123-bis TUF;

(viii) with the support of a qualified consultant, it has carried out a self-assessment activity aimed at identifying areas to improve the efficiency and effectiveness of its actions;

(ix) confirms that during the periodic meetings with the representatives of the Independent Auditors, no aspects emerged that should be highlighted in this report.

During the course of our supervisory activities, as described above, no reprehensible facts, omissions or irregularities were found that require reporting in this Report.

Moreover, the Board of Statutory Auditors does not believe that there are grounds for exercising its right to submit proposals to the Shareholders' Meeting pursuant to Article 153, Section 2, TUF.

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The draft Separate Financial Statements and the Consolidated Financial Statements as at 31 December 2021, as well as the Annual Report, were approved at the meeting of the Board of Directors held on 29 March 2022. The Separate Financial Statements show a net result for the period of euro/thousand 218,851, while the Consolidated Financial Statements show a net result for the period of euro/thousand 333,470.

Since the Board of Statutory Auditors is not responsible for the statutory audit of the accounts, prerogative of the Independent Auditor KPMG S.p.A., the Board of Statutory Auditors verified, with reference to the separate and consolidated financial statements, that they generally comply with the rules governing their preparation and structure. The Board of Statutory Auditors also verified, to the extent of its competence, that the facts and information of which it became aware in the course of its duties were substantially true. The Board of Statutory Auditors has no particular observations to make in this regard.

In the "Risks and uncertainties" section of the Directors' Report, the Directors describe the principal risks to which the Company is exposed: financial (liquidity, interest rate, exchange rate), credit, energy, operational, IT, tax and climate change risks. Contingent liabilities are discussed in the "Guarantees and Contingent Liabilities" section of the Notes to the Separate Financial Statements and the Notes to the Consolidated Financial Statements.

The effects of the Covid-19 pandemic, as well as the actions and initiatives taken to protect employees and ensure full operations, are discussed in a separate section of the Directors' Report.

In light of the above, the Board of Statutory Auditors, having acknowledged the aforementioned certifications issued jointly by the Chief Executive Officer and the Manager responsible for preparing the Company's financial reports, as well as the reports of the independent auditors PwC, finds no grounds, within the scope of its authority, to oppose the approval of the proposed Financial Statements for the year ended 31 December 2020 formulated by the Board of Directors and the proposal for the allocation of the net result for the period.

Finally, we remind you that the mandate of the Board of Directors has expired. The Shareholders' Meeting is therefore called upon to appoint the new Administrative Body for the next three years.

For the Board of Statutory Auditors

Michele Rutigliano – Chairman

Reggio Emilia, 29 April 2022

SUMMARY OF THE RESOLUTIONS OF THE SHAREHOLDERS' MEETING

The Ordinary Shareholders' Meeting:

- acknowledged the Financial Statements at 31 December 2021 and Directors' Report;
- acknowledged the Report of the Board of Statutory Auditors;
- acknowledged the Report of the Independent Auditors KPMG S.p.A.

resolves

1) to approve the Financial Statements at 31 December 2021 of Iren S.p.A.

and, in a separate resolution,

2) to approve the proposed allocation of the profit of the year of 218,850,794.04 euro as follows:
   - euro 10,942,539.70, equal to 5% of the profit of the year, to the legal reserve;
   - a maximum of 136,597,794.59 euro as dividend to shareholders, corresponding to 0.105 euro for each of the maximum no. 1,300,931,377 ordinary shares constituting the Company's share capital. It is worth noting that the divided will not be distributed to treasury shares held by the Company, if any. The dividend will be paid from 20 July 2022, with the ex-dividend date falling on 18 July 2022 and the record date falling on 19 July 2022;
   - the remaining amount, equal to at least 71,310,459.75 euro, to a specific retained earnings reserve.

Iren S.p.A.
Via Nubi di Magellano, 30
42123 Reggio Emilia - Italy
www.gruppoiren.it