

Interim Financial Report



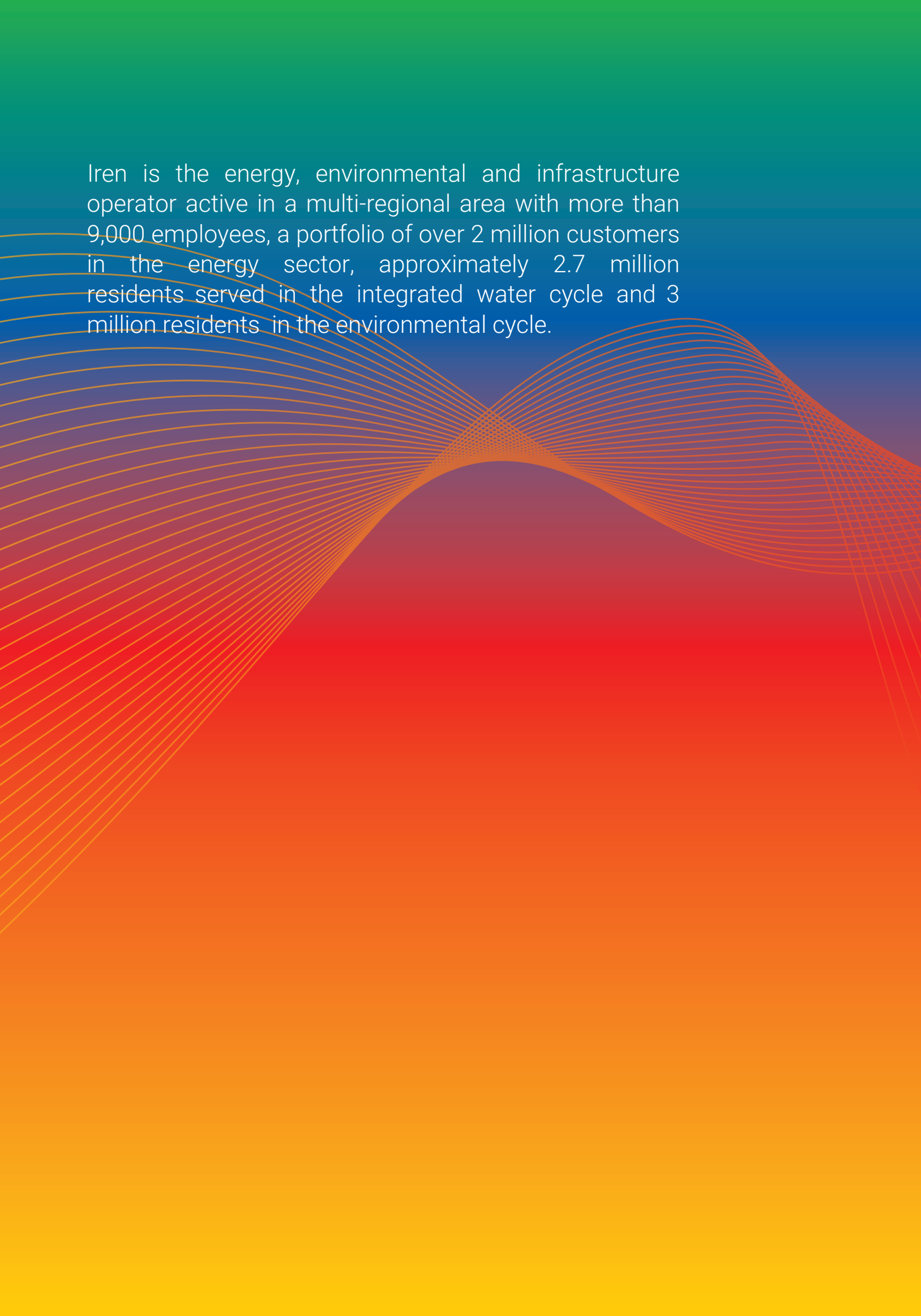
| At 30 June 2022



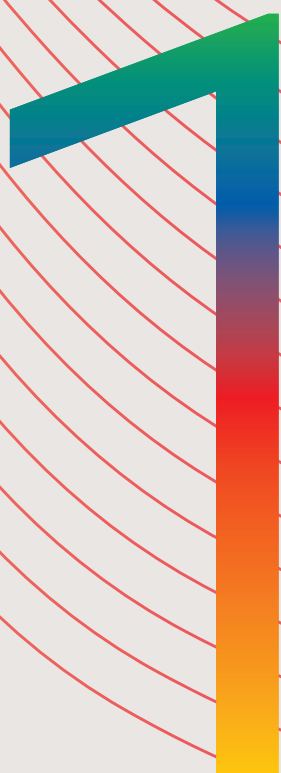
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Iren is the energy, environmental and infrastructure operator active in a multi-regional area with more than 9,000 employees, a portfolio of over 2 million customers in the energy sector, approximately 2.7 million residents served in the integrated water cycle and 3 million residents in the environmental cycle.

The background features a vertical color gradient from green at the top to yellow at the bottom. Overlaid on this are several thin, wavy orange lines that create a sense of movement and depth, resembling a stylized landscape or a network of connections.

Introduction



At 30 June 2022

COMPANY OFFICERS

Board of Directors ⁽¹⁾

Chairperson	Luca Dal Fabbro ⁽²⁾
Deputy Chairperson	Moris Ferretti ⁽³⁾
Chief Executive Officer and General Manager	Gianni Vittorio Armani ⁽⁴⁾
Directors	Francesca Culasso ⁽⁵⁾ Enrica Maria Ghia ⁽⁶⁾ Pietro Paolo Giampellegrini ⁽⁷⁾ Francesca Grasselli ⁽⁸⁾ Cristiano Lavaggi ⁽⁹⁾ Giacomo Malmesi ⁽¹⁰⁾ Giuliana Mattiazzo ⁽¹¹⁾ Tiziana Merlini ⁽¹²⁾ Gianluca Micconi ⁽¹³⁾ Patrizia Paglia ⁽¹⁴⁾ Cristina Repetto ⁽¹⁵⁾ Licia Soncini ⁽¹⁶⁾

Board of Statutory Auditors ⁽¹⁷⁾

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

Independent Auditors

KPMG S.p.A. ⁽¹⁸⁾

Manager in charge of financial reporting

Anna Tanganelli

⁽¹⁾ Appointed by the Shareholders' Meeting of 21 June 2022 for the 2022-2024 three-year period.

⁽²⁾ Appointed Chairperson by the Shareholders' Meeting of 21 June 2022. Until that date, the office was held by Renato Boero.

⁽³⁾ Deputy Chairperson in the three-year period 2019-2021. He was confirmed in office for the 2022-2024 three-year period at the meeting of the Board of Directors on 21 June 2022.

⁽⁴⁾ Chief Executive Officer and General Manager from 29 May 2021. He was confirmed in the offices for the 2022-2024 three-year period at the meeting of the Board of Directors on 21 June 2022.

⁽⁵⁾ Chairperson of the Control, Risk and Sustainability Committee, appointed on 21 June 2022.

⁽⁶⁾ Member of the Control, Risk and Sustainability Committee, in office for the 2019-2021 three-year period and confirmed for the 2022-2024 three-year period on 21 June 2022.

⁽⁷⁾ Chairperson of the Remuneration and Appointments Committee, in office for the three-year period 2019-2021 and confirmed in the same office for the 2022-2024 three-year period by the Board of Directors on 21 June 2022.

⁽⁸⁾ Member of the Remuneration and Appointments Committee from 30 May 2019 until 21 June 2022. From that date, for the 2022-2024 three-year period, appointed as member of the Related Party Transactions Committee by the Board of Directors.

⁽⁹⁾ Member of the Control, Risk and Sustainability Committee from 30 May 2019 until 21 June 2022. From that date, appointed as member of the Remuneration and Appointments Committee for the 2022-2024 three-year period.

⁽¹⁰⁾ Chairperson of the Control, Risk and Sustainability Committee and member of the Related Party Transactions Committee from 30 May 2019 until 21 June 2022. From that date, appointed as member of the Control, Risk and Sustainability Committee for the 2022-2024 three-year period.

⁽¹¹⁾ Member of the Related Party Transactions Committee, appointed for the 2022-2024 three-year period by the Board of Directors on 21 June 2022.

⁽¹²⁾ Member of the Control, Risk and Sustainability Committee, appointed for the 2022-2024 three-year period by the Board of Directors on 21 June 2022.

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⁽¹⁵⁾ Member of the Related Party Transactions Committee, appointed for the 2022-2024 three-year period by the Board of Directors on 21 June 2022.

⁽¹⁶⁾ Chairperson of the Related Party Transactions Committee, in office for the 2019-2021 three-year period and confirmed in the same office for the 2022-2024 three-year period by the Board of Directors on 21 June 2022.

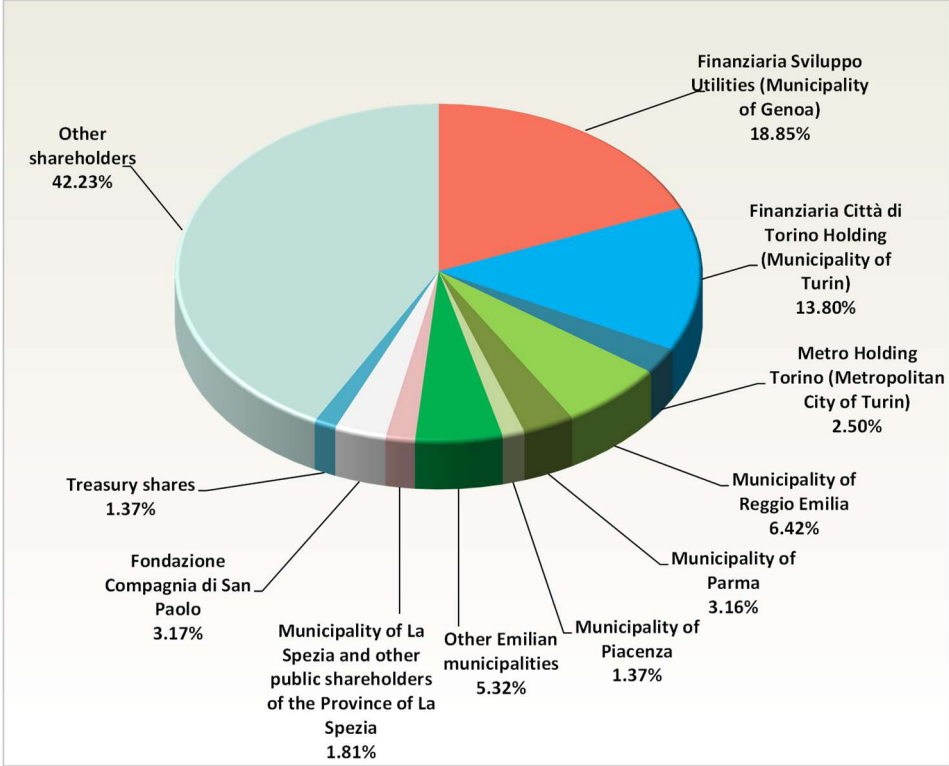
⁽¹⁷⁾ Appointed by the Shareholders' Meeting of 6 May 2021 for the 2021-2023 three-year period.

⁽¹⁸⁾ Appointed by the Shareholders' Meeting of 22 May 2019 for the 2021-2029 nine-year period.

OWNERSHIP STRUCTURE

The Company's share capital 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.

At 30 June 2022, based on available information, the Iren ownership structure was as follows:



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, with 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 multi-utility company that wants to build this future through innovative choices.

For everyone, every day.

KEY FIGURES OF THE IREN GROUP: FIRST HALF 2022 HIGHLIGHTS

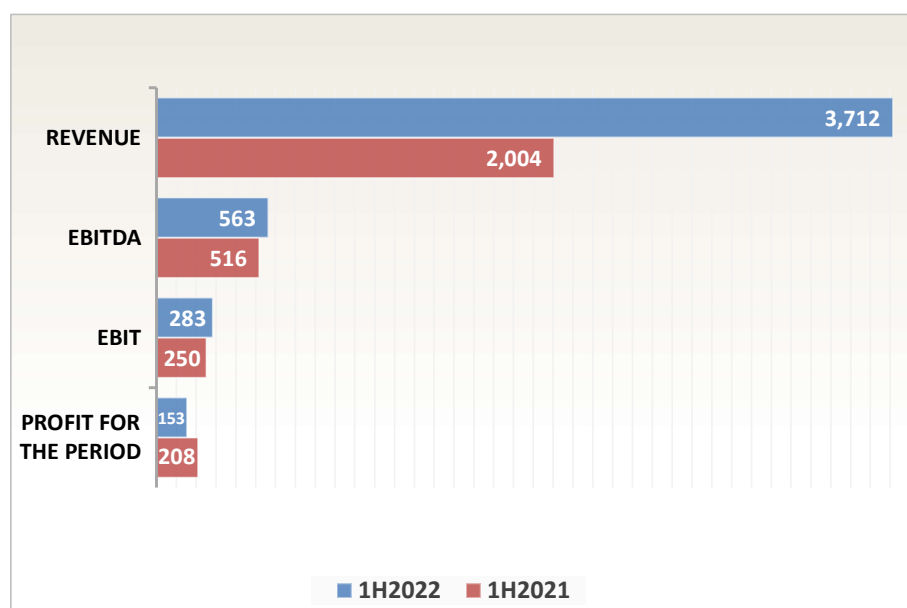
Results

millions of euro

	First Half of 2022	First Half of 2021 Restated	Change %
Revenue	3,711.6	2,003.8	85.2
EBITDA	562.7	516.3	9.0
EBIT	282.9	250.2	13.1
Profit for the period	152.6	208.3	(26.7)
<hr/>			
EBITDA margin (EBITDA/Revenue)	15.2%	25.8%	

The comparative figures of the first half of 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the purchase price allocation to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division, Futura and I.Blu, which took place at the end of 2021. For further information, please refer to the chapter "Business Combinations" in the Notes to the Condensed Interim Consolidated Financial Statements.

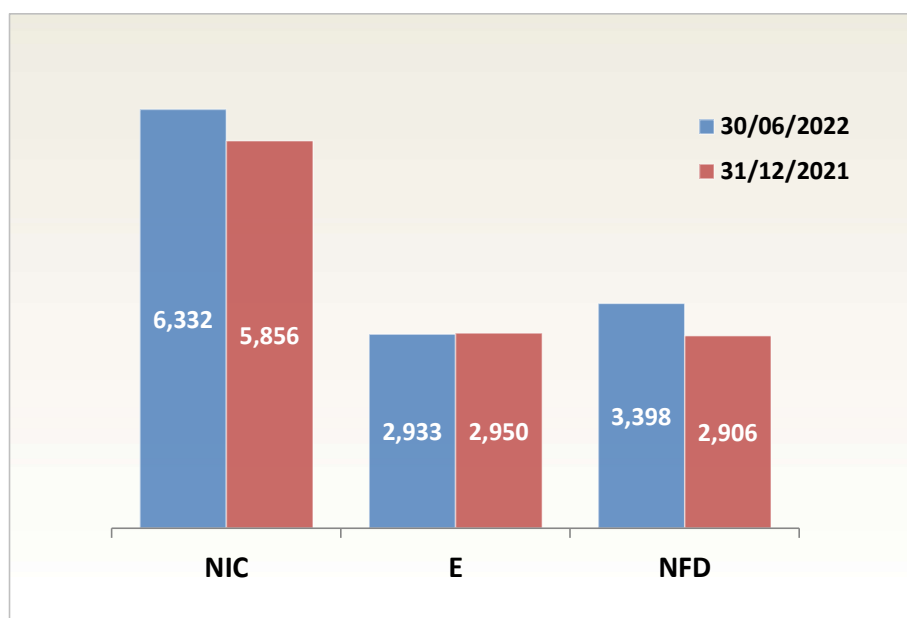
For definitions of Alternative Performance Measures, see the relevant section in this Report.



Financial position

	millions of euro		
	30.06.2022	31.12.2021 Restated	Change %
Net Invested Capital (NIC)	6,331.7	5,856.2	8.1
Equity (E)	2,933.4	2,950.4	(0.6)
Net Financial Debt (NFD)	3,398.3	2,905.8	16.9
Net Financial Debt/Equity	1.16	0.98	

The comparative figures at 31 December 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the purchase price allocation to the final fair value of the acquired assets and liabilities of Sidren, which took place at the end of the first half of 2022. For further information, please refer to the chapter "Business Combinations" in the Notes to the Condensed Interim Consolidated Financial Statements.

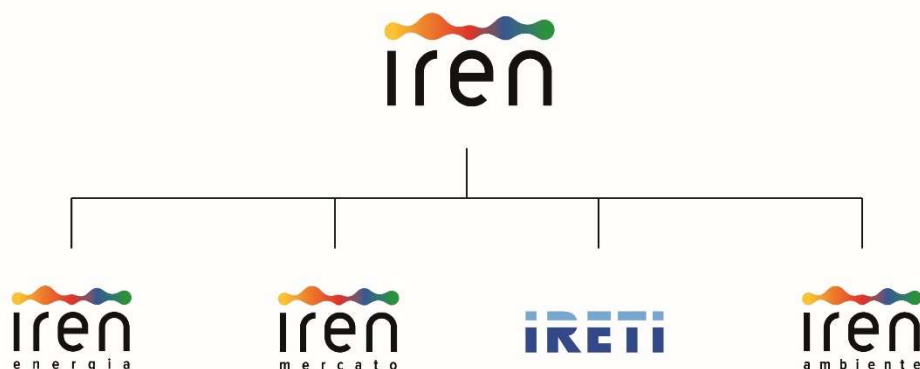


Technical and commercial figures

	First Half of 2022	First Half of 2021	Change %
Electricity produced (GWh)	4,588.1	4,883.5	(6.0)
Thermal energy produced (GWht)	1,835.9	1,868.1	(1.7)
Electricity distributed (GWh)	1,820.8	1,807.8	0.7
Gas distributed (mln m ³)	713.7	777.3	(8.2)
Water sold (mln m ³)	83.9	86.1	(2.6)
Electricity sold (GWh)	7,244.3	7,324.1	(1.1)
Gas sold (mln m ³) (*)	1,389.9	1,424.9	(2.5)
District heating volume (mln m ³)	99.0	96.7	2.4
Waste treated (tonnes)	1,714,166	1,752,139	(2.2)

* of which for internal use: 804.7 mln m³ in the first half of 2022 (839.7 mln m³ in the first half of 2021, -4.2%)

THE CORPORATE STRUCTURE OF THE IREN GROUP



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 at the main operating sites in 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, street cleaning, waste 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 Waste Management Division), located in a number of Italian regions (Emilia Romagna, Piedmont, Tuscany, Marche 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 company 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 53 treatment, selection, storage, recovery, biodigestion and composting plants.

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.

Also completed at the beginning of the year was the acquisition of 100% of the capital of Puglia Holding (now Iren Green Generation), which through special purpose vehicles holds the authorisations for the construction and management of the ASI Troia photovoltaic parks in San Vincenzo and Montevergine (Province of Foggia) and the Palo del Colle complex (Province of Bari). With an installed capacity of 121.5 MW, the photovoltaic park in Apulia is the largest built to date in Italy.

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, generate 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 Turbigio 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 second half 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 99.0 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.

At the end of 2021, Iren Smart Solutions acquired 100% of Bosch Energy and Building Solutions Italy S.r.l. (later renamed Iren Energy Solutions and merged by incorporation into Iren Smart Solutions with effect from 1 March 2022), 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 965 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. The company was merged into Iren Mercato effective 1 January 2022.

With the completion during the second quarter of the purchase of 80% of the investment in the Alessandria-based multi-utility Alegas s.r.l., Iren Mercato increased its customer portfolio by strengthening its presence in Piedmont, with the aim of implementing new commercial campaigns that will favour the sale of products and services related to the reduction of consumption in buildings and electric mobility.

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

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 THE FIRST HALF OF 2022

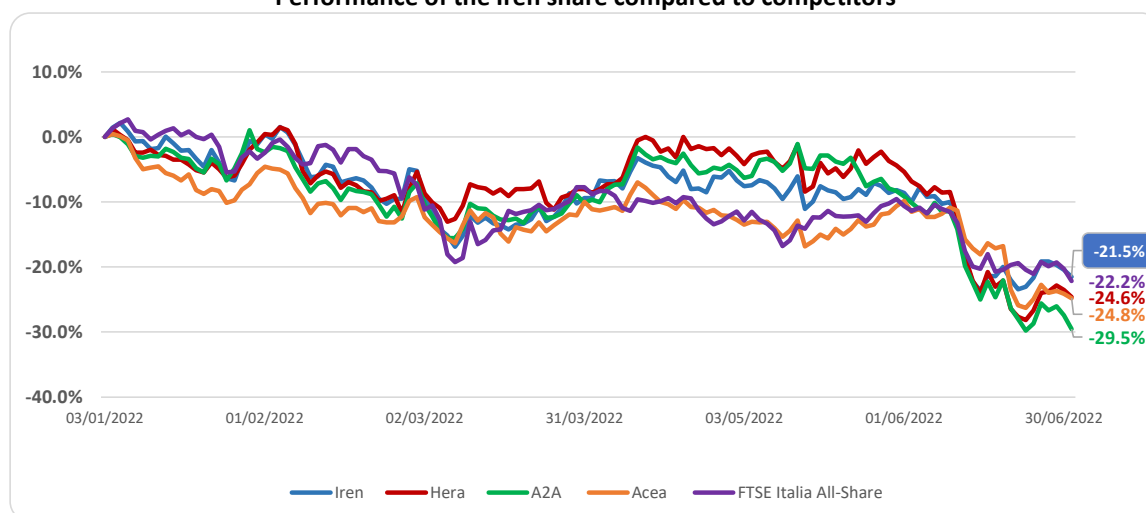
Iren share performance

In the first half of 2022, the world's major stock market indexes reported a downward trend due, at first, to expectations regarding inflation, driven by energy commodity prices, and the resulting monetary policy decisions, which lean toward higher interest rates. Adding to the uncertainty was Russia's invasion of Ukraine, which, among other effects, exacerbated the rise in commodity prices, particularly natural gas and oil.

During the first half of the year, the FTSE Italia All-Share (the main index of the Italian Stock Exchange) fell by 22.2%, mainly due to the events described above, in a context of Italy's high dependence on natural gas supplies from Russia, the generalised increase in prices driven by energy costs, and the consequent expectation of a restrictive monetary policy by the European Central Bank.

The four multi-utilities performed overall in line with, if not at a lower level particularly at period-end than, the FTSE index, being impacted by the high volatility of the energy scenario and the regulatory uncertainty related to the measures introduced by the Italian government to contain energy prices in favour of end consumers.

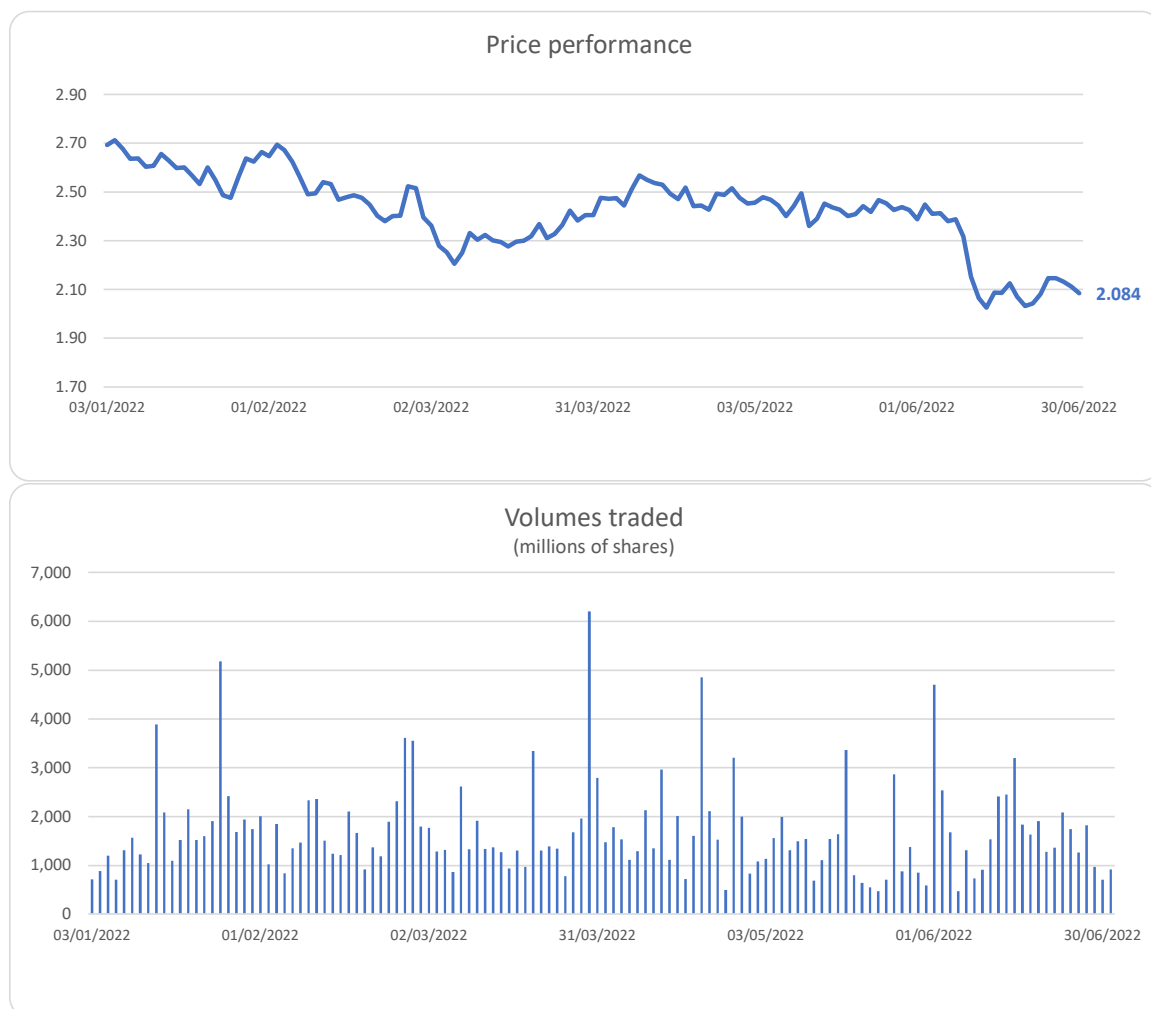
Performance of the Iren share compared to competitors



At 30 June 2022, the last trading day in the period, the price of the IREN share stood at 2.084 euro/share, down by 21.5% compared to the price at the beginning of the year, with average trading volumes during the period amounting to approximately 1.7 million units. The average price during the first half of 2022 was 2.42 per share.

The high for the period was recorded on 4 January 2022, at 2.71 euro/share; the low for the period, at 2.026 euro/share, was recorded on 14 June.

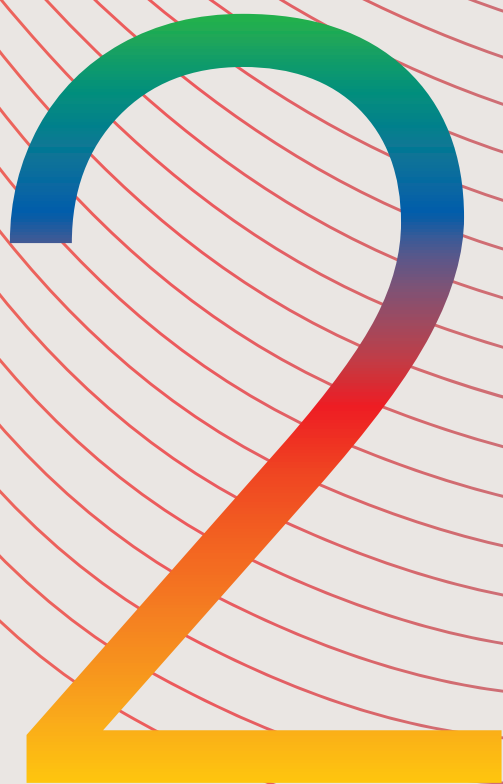
The two charts below show the Iren share price performance and volumes traded in the period.



Share coverage

During the period the Iren Group was covered by six brokers: Equita, Exane (sponsored research), Intermonte, Intesa Sanpaolo, Kepler Cheuvreux and Mediobanca.

Directors' Report



At 30 June 2022

MARKET CONTEXT

THE MACROECONOMIC SCENARIO

The consequences of the conflict in Ukraine weigh on growth prospects. In its June report, the OECD estimates world growth of 3% for 2022¹, a downward revision of 1.5 percentage points compared to its December forecast. Significant increases in energy and food prices, together with persistent problems in production chains still related to logistical bottlenecks resulting from the business disruptions caused by the pandemic, and the concomitant need for normalisation of interest rates, are behind the revision. The level of uncertainty is high, with the risk of a further reduction in gas flows from Russia to Europe and further increases in commodity prices or new slowdowns in global supply chains.

In the first quarter of 2022 (data available), GDP in the Eurozone increased in cyclical terms by 0.3%. At national level, the economic growth of Italian GDP was positive (by 0.1%), thanks to the construction sector (+6% on a quarterly basis). For the second quarter, high-frequency indicators point to Italian GDP growth close to zero. In this respect, the industrial production index for April was back above pre-pandemic levels. However, war-related uncertainty, supply slowdowns, and limitations in passing on high raw material costs to final prices negatively impacted this figure.

Strong price growth also continued. The Italian price index for energy products rose between 40% and 50% in the first six months of 2022, bringing the average level of inflation in the first half of the year to 6.3%. Energy prices slowed slightly in April and May, due to the seasonal drop in energy demand and the Italian government's tax cut on petrol and diesel, however rose again in June (+48%), supported by reductions in gas supplies from Russia. Meanwhile, the war in Ukraine fuelled food prices, with the food price index rising 8.8% year-on-year in June. The core inflation index, which excludes food, tobacco and energy products, exceeded 3.5% in June 2022, signalling price increases in other sectors as well.

The recent rise in prices has prompted central banks to accelerate the normalisation of monetary policy. The European Central Bank (ECB) decided to bring forward the end of the Asset Purchase Programme (APP) to 1 July, and then proceed with the first interest rate increase of 50 basis points in July, with a further increase in interest rates expected in September 2022. The ECB confirmed a medium-term inflation target of 2%, while trying to balance the trade-off between economic impact and price stabilisation.

Household spending

ISTAT data for the first quarter of 2022 show an increase in household consumption expenditure of 1.4% compared to the previous quarter, compared to a 2.6% increase in household disposable income. The savings rate of consumer households was 12.6% (+1.1% compared to the previous quarter). Rising prices in the face of weak wage developments are weighing on household income, with a negative impact on the expected recovery of consumption after the end of restrictions due to the Covid-19 pandemic.

Investments

In the first quarter of 2022, investments increased by 3.9% compared to the previous quarter. The recovery involved all sectors except for intellectual property products and cultivated biological resources, which declined by 1.9% and 0.5% respectively. The most significant increase was in investment in transport equipment (+6.5%), followed by construction (+5.5%). Despite the positive development of the industry production index between February and April this year (+1.3% compared to the fourth quarter of 2021), the expected contribution of investment in industry is limited by the uncertainty of the context, rising energy prices and worsening financial conditions.

¹ Source: OECD, *Economic Outlook*, 8 June 2022.

Exports

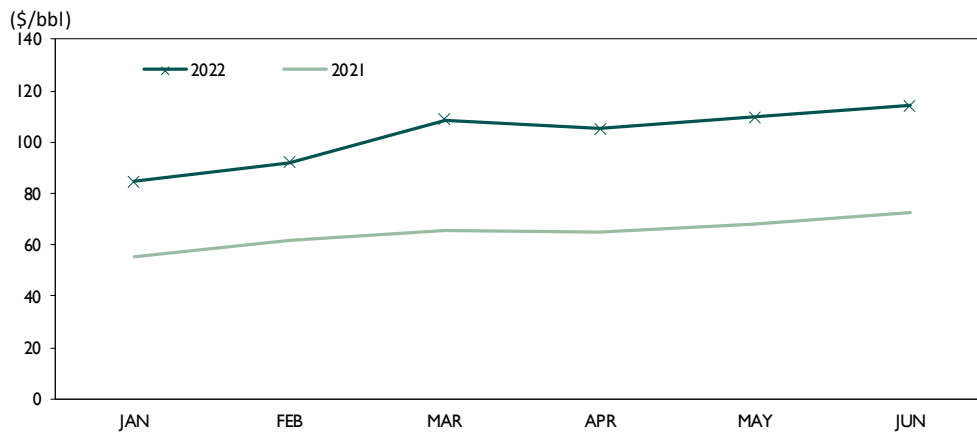
In the first quarter of 2022, imports and exports increased by 10% and 8%, respectively, compared to the previous quarter. The lower growth of exports compared to imports in the quarter (with two months of negative growth) led to a 224% drop in the trade balance. ISTAT trade data for April show higher trade values than in April 2020. On a trend basis, import and export changes in the first four months of the year were +43% and +20.5% respectively. The increase in exports in the first four months of the year was sustained more by EU countries (+23%) than by non-EU countries (+18%).

THE OIL MARKET

The price of Brent rose sharply in the months following the start of the conflict in Ukraine. In the first half of 2022, Brent crude oil was close to 105 \$/bbl, up more than 60% compared to the first half of 2021; this rise is close to 80% for euro prices, with a January-June total of more than 95 €/bbl.

In this regard, it should be noted that Canada, the UK and the US have imposed import bans on Russian oil. The EU has also done so, placing a ban on oil imports from Russia that will be effective by the end of the year. In this context, there are logistical bottlenecks, difficulties in accessing credit and insurance that discourage oil trade from that country.

BRENT PRICE TRENDS



Data processed by MBS Consulting

THE NATURAL GAS MARKET

Supply and Demand

In the first half of 2022, gas consumption showed a decrease compared to the first half of 2021 (-2%). The decrease affected the industrial and residential sectors (-8.3% and -5.6% respectively), while the thermoelectric sector grew by +6.7%.

The decrease in residential and industrial demand (-1.1 Bln m³ and -0.6 Bln m³ respectively) can be attributed to higher than average temperatures in the first months of the year, which contributed to lower residential demand, and to higher prices, which impacted both residential and industrial demand. On the other hand, thermoelectric demand increased by almost 1 Bln m³, mainly due to the low generation of renewable energies since the beginning of the year, linked to the low hydroelectric production, due to the severe drought in northern Italy in particular.

Uses and sources of natural gas in the first half of 2022 and comparison with previous years

GAS WITHDRAWN (Bln m ³)*	2022	2021	2020	Change	Change
				% 2022 vs 2021	% 2021 vs 2020
Industrial uses	6.6	7.2	6.5	-8.3%	10.8%
Thermoelectric uses	12.7	11.9	10.9	6.7%	9.2%
Distribution plants	18.4	19.5	17.6	-5.6%	10.8%
Third party network and system consumption / line pack	1.4	1.2	0.8	16.7%	50.0%
Total withdrawn	39.1	39.8	35.8	-1.8%	11.2%

*Cumulative amounts as at 30 June processed by MBS Consulting

GAS INPUT (bln m ³)*	2022	2021	2020	Change	Change
				% 2022 vs 2021	% 2021 vs 2020
Imports	36.1	36.7	33.6	-1.6%	9.2%
Domestic production	1.5	1.6	2.0	-6.3%	-20.0%
Storage	1.5	1.5	0.2	0.0%	(**)
Total input (incl. storage)	39.1	39.8	35.8	-1.8%	11.2%
Maximum capacity	92.8	90.4	71.9		
Load factor	38.9%	40.6%	46.8%		

*Cumulative amounts as at 30 June, processed by MBS Consulting, the value of inventories indicates net movement

**Change of more than 100%

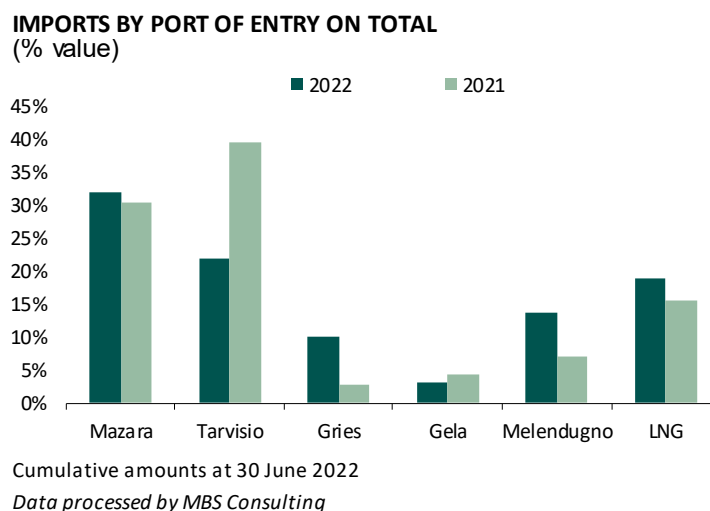
Imports from abroad decreased compared to the same period last year (-1.6%). In this regard, the significant reduction of gas flows from Russia (-45%) compared to the first half of 2021 is underlined. The loss of more than 6 billion cubic metres of Russian gas was compensated:

- by higher LNG imports (+20% compared to the first half of 2021, or an additional 1 Bln m³);
- by the increased flows at Gries Pass from Northern Europe, which more than tripled compared to the same period last year, amounting to more than 2.5 Bln m³;
- by flows from Azerbaijan via TAP (over 2 Bln m³ more than in the first half of 2021);
- by increased imports from Algeria, which were 3% higher than in the same period last year (an additional 300 million cubic metres).

Libya, on the other hand, exported 26% less gas to Italy than last year (by 0.5 Bln m³).

The downward trend in domestic production continued in the first half of 2022 (about -6.3% compared to the same period of the previous year), while, compared with the first half of 2021, there was no significant contribution from gas injected into the network through storage systems, the balance of which (supply +/ injections -) remained unchanged at about 1.5 Bln m³.

The first half of 2022 was therefore characterised by an import mix in which Russian gas arriving in Tarvisio (22% of the total at the end of June 2022) no longer prevailed, but rather gas from Algeria (32% of the total), followed by LNG imports (19%), Azerbaijan (14%) and Northern Europe (10% of the total).



Wholesale gas prices

In the first half of 2022, wholesale natural gas prices showed increases on all major European hubs, both compared to the last quarter of 2021 and to the same period last year. The following factors contributed to the sharp increase in prices:

- the war in Ukraine and the risk of disruption of gas supplies from Russia via pipelines passing through the territories where the armed battles are taking place;
- the reduction of gas flows through the main pipelines bringing gas to Europe from Russia. In particular, the sudden decrease in the flow of Nord Stream 1, which directly connects Russia to Germany, due to delays in the supply of certain materials needed for maintenance work, led to a dramatic increase in prices in June;
- the interruption of operations at the Freeport liquefaction terminal, one of the largest in the US, due to a fire - this contributed to increased tensions in the gas market in Europe, as LNG is one of the alternatives needed to replace part of Russia's gas imports.

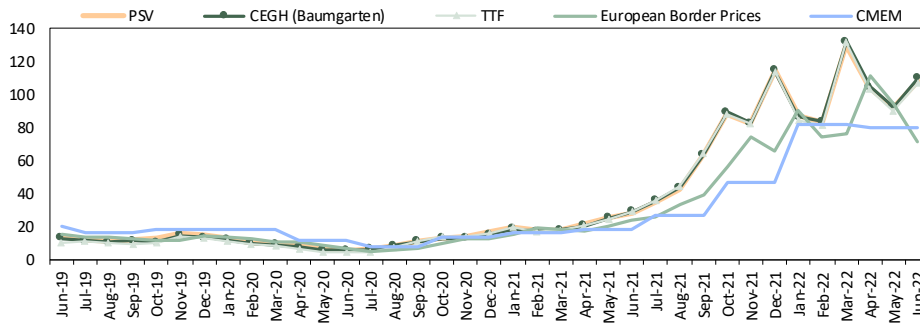
In this context, the average price at the TTF was 99.5 €/MWh during the first half of 2022, an increase of over 300% compared to the same period in 2021. The CEGH, the Austrian gas market, produced an average value of 101.5 €/MWh, corresponding to an increase of 370% compared to the first half of 2021. The Italian PSV hub also gained about 360% of its value compared to the same period in 2021, registering an average price of 100.7 €/MWh.

The average spread between PSV and TTF during the first half of 2022 increased by about 1 €/MWh compared to the first half of 2021, from 0.26 €/MWh to 1.18 €/MWh on average, due to higher volumes coming from Northern Europe via Gries Pass.

On average, in the first half of 2022, gas prices at the border increased compared to the first six months of last year by more than 350% (from 19.1 €/MWh in the first half of 2021 to 86.3 €/MWh in the first half of 2022).

WHOLESALE PRICES IN EUROPE

(€/MWh)



Latest data 30 June 2022

Data processed by MBS Consulting

In the Italian market, the average imbalance price for the first half of 2022 is 99.7 €/MWh², an increase of over 385% compared to the same period in 2021. In the same period, a volume of 7.8 Bln m³ was traded on the markets of the MGAS platform that are instrumental in setting the imbalance price, an increase of 21% compared to the first half of last year, when a volume of 6.5 Bln m³ was traded. On the intraday market MI traded on average 38% of the functional balancing volumes (2.9 Bln m³ since the beginning of the year). The so-called “CMEM component”, intended to reflect the cost of gas procurement in the price on the protected market, defined by ARERA on the basis of the forward quotations of the TTF, was 82.19 €/MWh in the first quarter of the year and 80.33 €/MWh in the second.

² The price refers to the SAP, System Average Price, as defined by ARERA Resolution 312/2016/R/gas.

THE ELECTRICITY MARKET

Supply and demand

In the first half of 2022, net electricity production in Italy was 135.4 TWh, up 0.7% compared to the same period of 2021. At 158.0 TWh, 85.7% of the electricity demand was met by domestic production. At the national level, thermoelectric production amounted to 92.5 TWh, up 10.3% compared to 2021, and accounted for 68.4% of Italy's net production; production from hydroelectric sources was equal to 14.6 TWh (-38.7% on a trend basis), 10.8% of national production, while geothermal, wind and photovoltaic sources produced 28.2 TWh (+6.0% compared to the comparison period), 20.9% of total supply. Consumption in the first half of 2022 was 2.0% higher than in the same period of 2021. The recovery was mainly driven by the recovery of electricity demand in the North (+5.1%).

Cumulative electricity supply and demand (GWh and trend changes)

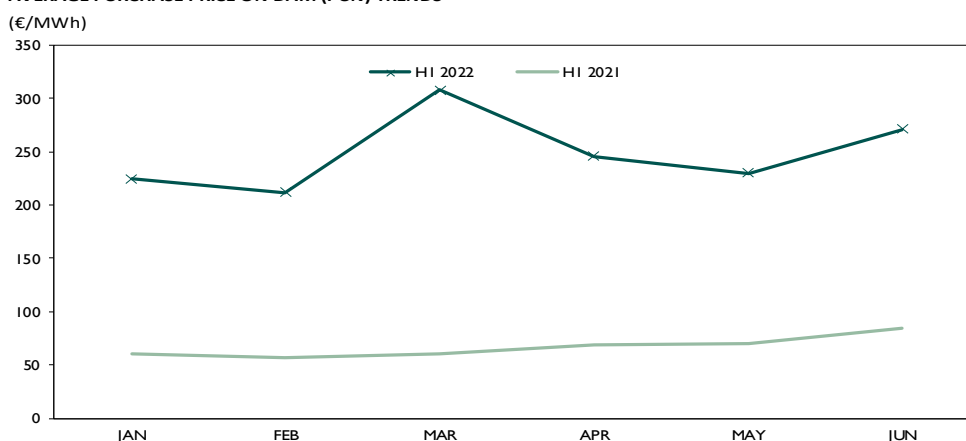
	until 30/06/2022	until 30/06/2021	Change %
Demand	158,027	154,861	2.0%
<i>North</i>	77,492	73,760	5.1%
<i>Central Italy</i>	45,638	45,174	1.0%
<i>South</i>	21,128	22,378	-5.6%
<i>Islands</i>	13,769	13,549	1.6%
Net production	135,365	134,390	0.7%
<i>Hydroelectric</i>	14,582	23,787	-38.7%
<i>Thermoelectric</i>	92,542	83,894	10.3%
<i>Geothermoelectric</i>	2,735	2,747	-0.4%
<i>Wind and photovoltaic</i>	25,506	23,962	6.4%
Pumping consumption	-1,242	-1,420	-12.5%
Foreign balance	23,904	21,891	9.2%

Data processed by MBS Consulting

Day-Ahead Market (DAM) prices

In the first half of the year, the national single price (PUN – “Prezzo Unico Nazionale”) rose by 272% compared with the same period in 2021 to an average of 248.6 €/MWh. The progressive growth brought the PUN to an average monthly value of 271.3 €/MWh in June (+220% compared to June 2021).

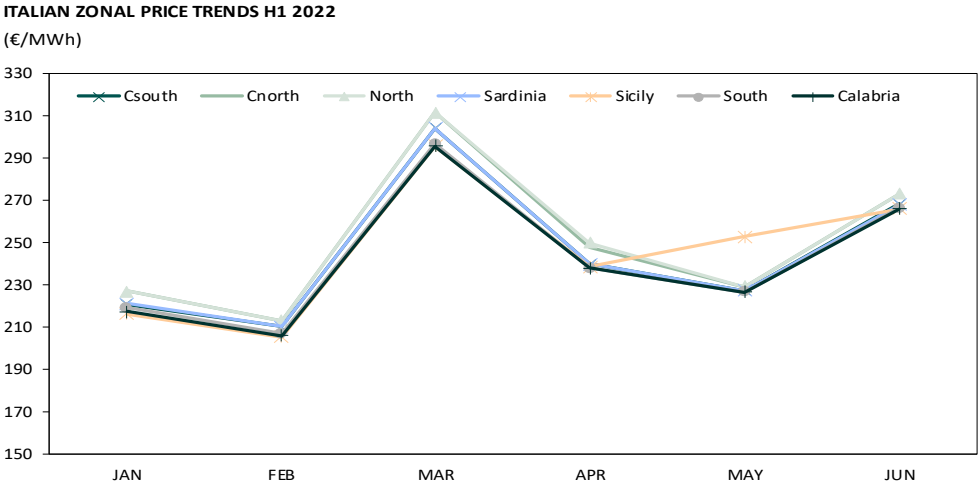
AVERAGE PURCHASE PRICE ON DAM (PUN) TRENDS



Data processed by MBS Consulting

In the first half of 2022, zonal prices increased by an average of 272% compared to the same period in 2021. The highest increase was in the North (+276%) and the lowest in Sicily (+248%). In absolute terms, the zonal prices averaged 245.15 €/MWh for Sardinia, 241.7 €/MWh for Calabria, 242.3 €/MWh for the South, 250.3 €/MWh for the Center-North, 250.6 €/MWh for the North, 245.1 €/MWh for the Center-South, 245.8 €/MWh for Sicily.

Overall, average zonal prices remained more aligned in the first quarter of the year than in the second, with the maximum spread between zonal prices reached in May (25.9 €/MWh, between the Sicilian price and the North Zone price).

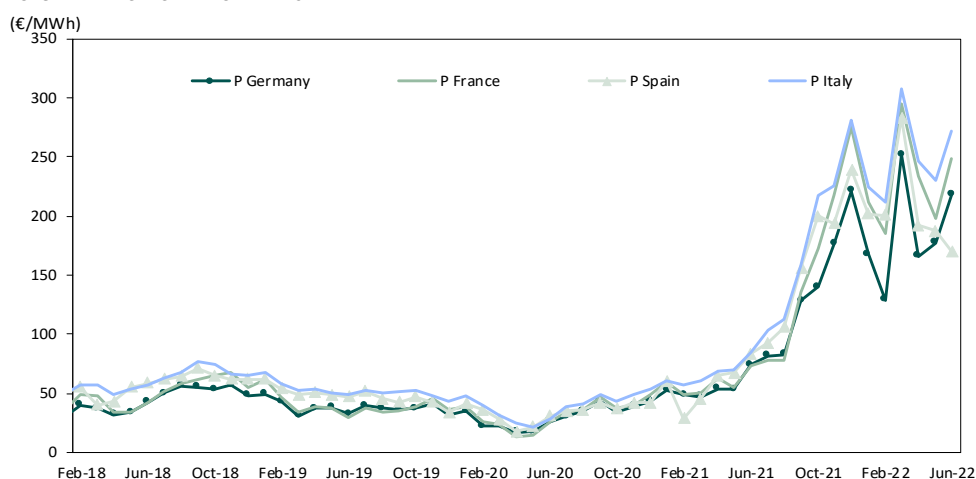


Data processed by MBS Consulting

Trends in the main European power exchanges

In the first six months of 2022, the main European electricity exchanges recorded an average price of 206.3 €/MWh, up sharply on the previous year (+261%), with an average differential compared with the national single price (PUN) of 42.3 €/MWh (the differential recorded in the same period of 2021 was 8.2 €/MWh). The recovery of electricity prices in Germany, France and Spain intensified in the second quarter of the year, with an average growth of 209% compared to the second quarter of 2021 and 204% compared to the previous quarter.

EUROPEAN ELECTRICITY PRICE TRENDS



Data processed by MBS Consulting

Futures of Baseload PUN on the EEX

The following table shows the comparison between the average futures prices of the products available for the first half of 2022 referred to the national single price (PUN). During the first half of the year, the trend in futures prices for the months of March to July was positive. Futures prices for Q3 and Q4 2022 also gradually recovered, with an overall increase of 101.5 €/MWh and 102.4 €/MWh respectively. Calendar-22 followed the same positive trend as the quarterly products, reporting an increase of 93.7 €/MWh between the average quotations in January and June 2022.

Apr-22 Futures		May-22 Futures		June-22 Futures	
Monthly	€/MWh	Monthly	€/MWh	Monthly	€/MWh
May-22	252.1	Jun-22	235.8	Jul-22	254.8
Jun-22	249.2	Jul-22	240.7	Aug-22	290.9
Jul-22	256.4	Aug-22	253.7	Sept-22	285.8
Quarterly		Quarterly		Quarterly	
Q3 22	263.4	Q3 22	253.3	Q3 22	292.0
Q4 22	267.3	Q4 22	266.3	Q4 22	300.0
Q1 23	260.2	Q1 23	257.0	Q1 23	269.9
Yearly		Yearly		Yearly	
Y1 23	203.6	Y1 23	211.0	Y1 23	227.7

Data processed by MBS Consulting

SIGNIFICANT EVENTS OF THE PERIOD

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 operation, 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.

Acquisition of concessions in the field of gas distribution

Following the award of the tender in December 2021, on 1 April 2022, the consortium formed by Ascopiave, ACEA, and Iren finalised the closing of the agreement with the A2A Group for the acquisition of assets in the natural gas distribution service.

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 125.4 million euro.

In terms of substance, these assets were transferred in the first quarter to a dedicated company, Romeo Gas S.p.A., of which IRETI acquired 13.77% on 1 April 2022.

The Iren perimeter of interest consists of concessions in 4 ATEMs, 1 of which in Lombardy and 3 in Emilia Romagna, for a total of approximately 12,000 PDR. The Enterprise Value of this portion is 16.4 million euro.

Acquisition of Alegas

Following the preliminary agreement signed 29 December, on 21 April 2022, Iren Mercato signed 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 consideration for the acquisition was 17.1 million euro.

The acquisition will enable the Iren Group to increase its customer portfolio by strengthening its presence in Piedmont, with the aim of implementing new commercial campaigns that will promote the sale of products and services related to consumption reduction in buildings and electric mobility.

Underwriting two Sustainability Linked loans

On 21 April and 30 May 2022 Iren S.p.A. signed, respectively, with Intesa San Paolo and Cassa Depositi e Prestiti, two term loans for an amount of 150 million euro each, with bullet repayment after 6 years.

The amount of the spread of the new credit lines is linked to the achievement of specific objectives outlined in the Sustainable Financing Framework published in March: the reduction of climate-altering emissions,

the progressive growth in production from renewable sources and the rational use of water resources. In this regard, these goals are expected to be achieved through the set of investments envisaged throughout the plan.

The transactions described aim to combine sustainability and development through the bonus/penalty mechanism linked to the achievement of the targets set and are part of the context of strengthening the liquidity profile, with interest rate and duration conditions appropriate to the Group's standards.

Shareholders' Meeting

On 21 June 2022, the Ordinary Shareholders' Meeting approved the Company's financial statements at 31 December 2021 and the Report on Operations, and resolved to distribute a dividend of 0.105 euro per ordinary share, confirming the proposal made by the Board of Directors.

The Shareholders also:

- approved the first section ("2022 remuneration policy") of the 2022 Report on the remuneration policy and on fees paid for 2021;
- issued a favourable vote on the second section ("Fees paid for 2021") of the same Report;
- appointed the new Board of Directors and its Chairperson for the three-year period 2022-2024 (expiring on the date of approval of the 2024 financial statements) and determined the annual remuneration to be paid to the members.

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 as the algebraic sum of non-current assets, other non-current assets (liabilities), net working capital, deferred tax assets (liabilities), provisions for risks, and 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 (EBITDA): calculated as the sum of the profit before tax, share of profit of equity-accounted investees, gains (losses) on equity-accounted investments, financial income and expense, and amortisation, depreciation, provisions and impairment losses. Gross operating profit 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 (EBIT): calculated as the sum of the profit before tax, share of profit of equity-accounted investees, gains (losses) on equity-accounted investments and financial income and expense. Operating profit 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 as indicated in the condensed statement of cash flows.

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

This APM is used by the Group in the context of internal documents of the Group and external documents, and measures the financial resources absorbed in purchases of consumer durable goods in the period.

Gross operating profit/revenue margin: calculated as the ratio of adjusted gross operating profit to revenue from sales and services.

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 measures under IFRS;
- they shall not be used as alternatives to operating profit, profit for the period/year, cash flows from operating and investing activities, 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

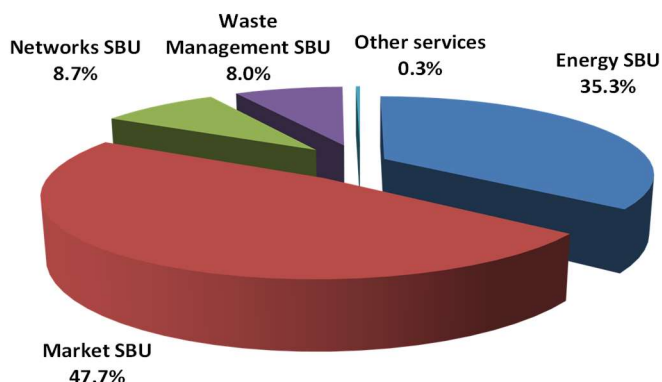
	thousands of euro		
	First half of 2022	First half of 2021 Restated	Change %
Revenue			
Revenue from goods and services	3,650,475	1,965,489	85.7
Other income	61,138	38,293	59.7
Total revenue	3,711,613	2,003,782	85.2
Operating expenses			
Raw materials, consumables, supplies and goods	(2,134,848)	(562,083)	(*)
Services and use of third-party assets	(728,639)	(663,309)	9.8
Other operating expenses	(49,246)	(34,879)	41.2
Internal work capitalised	21,649	20,714	4.5
Personnel expense	(257,798)	(247,971)	4.0
Total operating expenses	(3,148,882)	(1,487,528)	(*)
GROSS OPERATING PROFIT	562,731	516,254	9.0
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(251,585)	(228,172)	10.3
Impairment losses on loans and receivables	(35,644)	(33,662)	5.9
Other provisions and impairment losses	7,414	(4,198)	(*)
Total depreciation, amortisation, provisions and impairment losses	(279,815)	(266,032)	5.2
OPERATING PROFIT	282,916	250,222	13.1
Financial management			
Financial income	5,764	26,964	(78.6)
Financial expense	(37,465)	(41,603)	(9.9)
Net financial expense	(31,701)	(14,639)	(*)
Gains (losses) on equity-accounted investments	(13)	1,305	(*)
Share of profit of equity-accounted investees, net of tax effect	5,863	5,372	9.1
Profit before tax	257,065	242,260	6.1
Income taxes	(104,424)	(33,987)	(*)
Profit from continuing operations	152,641	208,273	(26.7)
Profit (loss) from discontinued operations	-	-	-
Profit for the period	152,641	208,273	(26.7)
attributable to:			
- Profit for the period attributable to the owners of the parent	133,318	193,102	(31.0)
- Profit for the period attributable to non-controlling interests	19,323	15,171	27.4

(*) Change of more than 100%

The comparative figures of the First half of 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the purchase price allocation to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division, Futura and I.Blu, which took place at the end of 2021. For further information, please refer to the chapter "Business Combinations" in the Notes to the Condensed Interim Consolidated Financial Statements.

Revenue

In the first half of 2022, the Group reported revenue of 3,711.6 million euro, up 85.2% compared to 2,003.8 million euro in the first half of 2021. The main factors contributing to the increase include higher energy revenue, which was influenced by the rise in commodity prices (over 1,400 million euro) and the climate effect and consumption (approximately 16 million euro). Energy efficiency upgrading and building renovation activities, favoured by tax breaks (tax deductions for new façades and the 110% “superbonus” deduction for energy efficiency upgrades), also contributed approximately 125 million euro to the change in turnover. Finally, changes in the consolidation scope impacted revenue by 27 million euro, largely due to the consolidation of Puglia Holding (now Iren Green Generation).

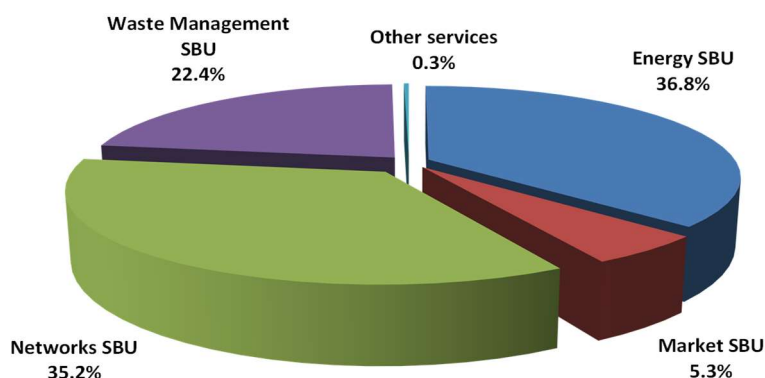


Gross operating profit

The gross operating profit amounted to 562.7 million euro, up 9.0% compared to 516.3 million euro in the first half of 2021.

Contributing positively to the improvement in the gross operating profit is the trend in the energy scenario characterised by a sharp increase in the price of electricity and thermal energy compared to the first half of 2021. Indeed, the integrated management of the energy supply chain has created, in a highly volatile context, an offset of the positive effects (margins on electricity and heat production up, consideration for the capacity market) against the negative effects (margins on gas and electricity sales down sharply, significant decrease in the volumes of energy produced the hydroelectric sources as a result of the drought). The organic growth related to the tariff increases on the network services linked to the investments made to improve the infrastructures, the development of the activities related to the energy requalification works and the full operation, following the expansion of capacity, of the new biodigesters in Cairo Montenotte and Santhià also had a positive effect. About 20 million euro of the increase in margin is due to the expansion of the consolidation scope primarily related to the acquisition of Puglia Holding.

Overall, the increase in the gross operating profit with reference to the individual business units is broken down as follows: Waste Management (+27.7%), Energy (+54.5%), Networks (+4.3%) while that of the Market business unit declined (-68.0%) due to the increase in the Energy BU as part of the integrated management of the energy supply chain.



Operating profit

Operating profit amounted to 282.9 million euro, up 13.1% compared to 250.2 million euro in the first half of 2021. Amortisation and depreciation for the period rose by 23.4 million euro, due to the placement in service of new investments, the expansion of the consolidation scope and higher credit losses and provisions for risks (up 2.0 million euro). There were also higher releases of provisions of 11 million euro, mainly related to the settlement of disputes with suppliers.

Financial management

Financial management shows net financial expense of 31.7 million euro; in the comparative period, the figure stood at 14.6 million euro.

The change is mainly attributable to lower financial income, which amounted to 5.8 million compared to 27.0 million in the first half of 2021, which included income from early settlement of financial liabilities.

On the financial expense side, there was a decrease of 4.1 million euro (37.5 million in the first half of 2022 versus 41.6 million in the same period of 2021), to which lower expense for discounting provisions for charges contributed.

Gains (losses) on equity-accounted investments

This item, of minimal amount in the first half of 2022, refers to the impairment of shares of an investee in the Market business unit. In the comparative period, the amount of 1.3 million euro referred to the remeasurement at fair value, at the date when control was obtained, of the previously held interest in Futura.

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

This item, which amounts to 5.9 million euro (5.4 million in the first half of 2021), includes the Group's share of the profit of its associates, the most significant of which regard Valle Dora Energia (associate until May 2022, then subsidiary), ASA and Sienambiente.

Profit before tax

As a result of the above trends the Group's profit before tax came out at 257.1 million euro (242.3 million in the first half of 2022).

Income taxes

Income taxes for the period amounted to 73.9 million euro, up from 34.0 million euro in the comparative period, which included a non-recurring tax benefit of 32.3 million euro related to the exercise of the option to align carrying amounts and tax values pursuant to Decree-Law no. 104/20 (so-called "DL Agosto").

The tax rate for the first half of 2022 stands at 28.8% and the item also includes the best estimate of the effects of the measure referred to in Article 37 of Decree-Law 21/2022, which provides for a non-recurring levy as an "extraordinary contribution against high utility bills" equal to 25% of the "extra-profits" of companies operating in the energy sector. For the Group, the total contribution is estimated at 30.5 million euro.

Profit for the period

As a result of the above, there was a profit for the period of 152.6 million euro, a decrease of 26.7% compared to the same period in 2021.

The figure is due to the profit attributable to the owners of the parent of 133.3 million euro, while profit attributable to non-controlling interests was 19.3 million euro.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE IREN GROUP

	thousands of euro		
	30.06.2022	31.12.2021 Restated	Change %
Non-current assets	7,276,214	7,026,225	3.6
Net other non-current liabilities	(460,496)	(458,642)	0.4
Net working capital	(81,271)	(222,501)	(63.5)
Net deferred tax assets	257,823	238,847	7.9
Provisions for risks and employee benefits	(661,751)	(728,898)	(9.2)
Net assets held for sale	1,144	1,144	-
Net invested capital	6,331,663	5,856,175	8.1
Equity	2,933,397	2,950,354	(0.6)
<i>Non-current financial assets</i>	<i>(143,912)</i>	<i>(131,766)</i>	9.2
<i>Non-current financial debt</i>	<i>3,656,232</i>	<i>3,549,612</i>	3.0
Non-current net financial debt	3,512,320	3,417,846	2.8
<i>Current financial assets</i>	<i>(859,081)</i>	<i>(979,612)</i>	(12.3)
<i>Current financial debt</i>	<i>745,027</i>	<i>467,587</i>	59.3
Current net financial debt	(114,054)	(512,025)	(77.7)
Net financial debt	3,398,266	2,905,821	16.9
Own funds and net financial debt	6,331,663	5,856,175	8.1

The comparative figures at 31 December 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the purchase price allocation to the final fair value of the acquired assets and liabilities of SidIren, which took place at the end of the first half of 2022. For further information, please refer to the chapter "Business Combinations" in the Notes to the Condensed Interim 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 Condensed Interim Consolidated Financial Statements.

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

Non-current assets at 30 June 2022 amounted to 7,276.2 million euro, up compared to 31 December 2021, when they were 7,026.2 million euro. The increase (+250.0 million euro) was mainly due to the effect of the following:

- the investments in property, plant and equipment and intangible assets (+337.8 million euro) and depreciation and amortisation (-251.6 million euro) in the period;
- the increase in the equity investment in the associate SEI Toscana (28.1 million euro) and the purchase of the equity investment in Romeo Gas (16.4 million euro), a company holding gas distribution concessions of interest to the Group;
- the new assets deriving from the M&A transactions of the period: the photovoltaic farms in some locations in Apulia, including goodwill, of Puglia Holding (166.0 million euro), the hydroelectric generation plants of Valle Dora Energia (21.6 million euro), the goodwill related to the Alegas business (20.5 million euro), and the waste treatment assets of CRCM, acquired as part of the Valdarno Ambiente transaction (3.2 million euro);
- the change in the portfolio of CO2 emission rights, between purchases in the period and cancellation due to obligation (-100.5 million euro);
- the recognition of rights of use in application of IFRS 16 – Leases for 9.0 million, 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 period, reference should be made to the section "Segment Reporting" below.

Net working capital, with a negative balance, increased by 141.2 million euro to -81.3 million euro, compared to -222.5 million euro as at the end of 2021. The change is attributable to trade receivables and gas inventories in storage, partially offset by estimated taxes for the period.

Net deferred tax assets decreased to 257.9 million euro (238.8 million as at 31 December 2021) due to the tax effect on the change in the fair value of interest rate and commodity derivatives.

The “Provisions for Risks and Employee Benefits” amounted to 661.8 million euro and decreased compared to the figure at the end of 2021 (728.9 million euro) as a result of the fulfilment of the obligation related to CO2 emission rights for the period and the use and release of allocated risks, which exceeded the provisions for the period.

Equity amounted to 2,933.4 million euro, compared with 2,950.4 million at 31 December 2021 (-17.0 million). The change refers to the profit for the period (+152.6 million), dividends approved (-164.7 million), the trend in the hedging reserve as a result of the derivatives hedging interest rate and commodities risks (-7.0 million) and other changes (2.1 million).

Net financial debt stood at 3,398.3 million euro as at 30 June 2022, up 16.9% from the 31 December 2021 figure. In this regard, the cash flow generated by operating activities helped to mitigate the effect of the outlays made for investments and M&A transactions during the period and dividends paid. 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 period.

	Thousands of euro		
	First half of 2022	First half of 2021 Restated	Change %
Opening net financial debt	(2,905,821)	(2,948,241)	(1.4)
Profit for the period	152,641	208,273	(26.7)
Non-monetary adjustments	525,038	374,951	40.0
Payment of employee benefits	(4,879)	(4,918)	(0.8)
Utilisations of provisions for risks and other charges	(24,175)	(9,714)	(*)
Change in other non-current assets and liabilities	1,543	(12,214)	(*)
Taxes paid	(128,708)	(42,630)	(*)
Purchase of ETS	(42,638)	(43,619)	(2.2)
Cash flows for transactions on commodities derivatives markets	(30,850)	18,475	(*)
Other changes in equity	265	(1,365)	(*)
Cash flows from changes in NWC	(154,342)	(80,575)	91.6
Cash flows from operating activities	293,895	406,664	(27.7)
Investments in property, plant and equipment and intangible assets	(337,795)	(279,130)	21.0
Investments in financial assets	(39,892)	(1,701)	(*)
Proceeds from the sale of investments and change in assets held for sale	659	2,743	(76.0)
Change in consolidation scope	(238,997)	(24,862)	(*)
Dividends received	1,705	1,604	6.3
Total cash flows used in investing activities	(614,320)	(301,346)	(*)
Free cash flow	(320,425)	105,318	(*)
Equity cash flows	(164,710)	(153,374)	7.4
Other changes	(7,310)	37,790	(*)
Change in net financial debt	(492,445)	(10,266)	(*)
Closing net financial debt	(3,398,266)	(2,958,507)	14.9

(*) Change of more than 100%

The comparative figures of the first half of 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the purchase price allocation to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division, Futura and I.Blu, which took place at the end of 2021. For further information, please refer to the chapter "Business Combinations" in the Notes to the Condensed Interim Consolidated Financial Statements.

The increase in Net Financial Debt compared to 31 December 2021 of 492.4 million euro is due to the following factors:

- *cash flows from operating activities* of 293.9 million, down 27.7% on the first half of 2021;
- *cash flows used in investing activities* of 614.3 million euro, which includes, in particular, capital expenditures in the period (337.8 million, 21.1% higher than in the same period of 2021), purchases of non-controlling interests (39.9 million euro), and, under "Changes in consolidation scope", the consideration paid, including the net financial debt assumed, for the acquisition of the equity investments in Puglia Holding (180.3 million euro), Valdarno Ambiente (10.4 million euro), Alegas (32.8 million euro) and Valle Dora Energia (15.5 million euro). The first half year 2021 figure of 24.8 million euro was related to the acquisition of Futura;
- *equity cash flows* of -164.7 million euro related to the payment of dividends for the period. The figure for the first half of 2021 (-153.4 million euro) also included the purchase of treasury shares in the amount of 4.1 million euro;
- the item *other changes*, amounting to -7.3 million (+37.8 million in the comparative period), relating mainly to the combined effect of the positive change in the fair value of interest rate and commodity derivative hedging instruments (greater in the first half of 2022) and of interest paid.

Finally, the statement of cash flows prepared according to the model expressed as a change in cash and cash equivalents is presented at the beginning of the section "Condensed Interim Consolidated Financial Statements and Notes".

SEGMENT REPORTING

The Iren Group identifies the following operating 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 presented pursuant to IFRS 8, which requires segment reporting based on the information that management uses to make operational and strategic decisions.

For a proper interpretation of the income statements by operating segment 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 geographical area, the following segment reporting does not include a breakdown by geographical segment.

The tables below show the Net Invested Capital compared to 31 December 2021 restated and the income statements for the first half of 2022 (up to the operating profit) by operating segment, compared to the figures for the first half of 2021 restated. In the first half of 2022, non-regulated activities contributed 17% of the gross operating profit (31% in the first half of 2021), regulated activities accounted for 54% (substantially in line with the 53% of the corresponding period of 2021), and semi-regulated activities contributed 29% (16% in the first half of 2021).

Reclassified statement of financial position by operating segment at 30 June 2022

	millions of euro						
	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,192	1,295	2,183	299	35	272	7,276
Net working capital	81	96	117	(392)	17	-	(81)
Net other non-current assets (liabilities)	(611)	(201)	(76)	23	2	-	(863)
Net invested capital	2,662	1,190	2,224	(70)	54	272	6,332
Equity							2,933
Net financial position							3,398
Own funds and net financial debt							6,332

Reclassified statement of financial position by operating segment as at 31 December 2021, restated

	millions of euro						
	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,132	1,277	2,108	258	26	226	7,027
Net working capital	(60)	91	29	(286)	3	-	(223)
Net other non-current assets (liabilities)	(606)	(198)	(125)	(21)	3	-	(948)
Net invested capital	2,466	1,170	2,012	(49)	32	226	5,856
Equity							2,950
Net financial position							2,906
Own funds and net financial debt							5,856

Income statement by operating segment for the first half of 2022

	millions of euro						
	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	528	486	2,139	2,888	14	(2,343)	3,712
Total operating expenses	(330)	(360)	(1,932)	(2,858)	(12)	2,343	(3,149)
Gross operating profit (EBITDA)	198	126	207	30	2	-	563
Net amortisation, depreciation, provisions and impairment losses	(99)	(63)	(63)	(54)	(1)	-	(280)
Operating profit (EBIT)	99	63	144	(24)	1	-	283

Income statement by operating segment for the first half of 2021 restated

	millions of euro						
	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	442	435	715	1,159	10	(757)	2,004
Total operating expenses	(252)	(337)	(581)	(1,066)	(9)	757	(1,488)
Gross operating profit (EBITDA)	190	98	134	93	1	-	516
Net amortisation, depreciation, provisions and impairment losses	(96)	(55)	(70)	(44)	(1)	-	(266)
Operating profit (EBIT)	94	43	64	49	-	-	250

Networks SBU

In the first half of 2022, the Networks business unit, which includes the Gas Distribution, Electricity and Integrated Water Service businesses, reported revenue of 527.9 million euro, up 19.6% compared to 441.5 million euro in the first half of 2021. Roughly 34 million euro of the increase in revenue is attributable to the effect generated by the recognition of the obligation of energy efficiency certificates (TEE) related to previous years, which is non-recurring.

There were also increases in revenue related to the construction of assets under concession falling within the scope of IFRIC 12, and prior-year end related to the ruling of the Council of State on the tariff awards from previous years.

The gross operating profit amounted to 198.0 million euro, up 4.3% on the 189.8 million euro in the first half of 2021, while the operating profit was 99.4 million euro, an increase of 6.3% compared to 93.5 million euro in the first half of 2021.

The trend in the operating profit was characterised by higher depreciation and amortisation by about 4 million euro, related to increasing investments, and lower credit losses by about 2 million euro.

		First half of 2022	First half of 2021	Change %
Revenue	€/mln	527.9	441.5	19.6
Gross operating profit	€/mln	198.0	189.8	4.3
% of revenue		37.5%	43.0%	
	<i>from Electricity Networks</i>	€/mln 37.3	40.1	(7.0)
	<i>from Gas Networks</i>	€/mln 40.9	45.8	(10.6)
	<i>from Integrated Water Service</i>	€/mln 119.8	104.0	15.3
Operating profit	€/mln	99.4	93.5	6.3
Investments	€/mln	130.1	113.8	14.3
	<i>in Electricity Networks</i>	€/mln 25.2	22.5	12.2
	<i>in Gas Networks</i>	€/mln 16.7	19.1	(12.9)
	<i>in Integrated Water Service</i>	€/mln 84.6	70.3	20.2
	<i>Other</i>	€/mln 3.7	1.9	92.5
Electricity distributed	GWh	1,820.8	1,807.8	0.7
Gas distributed	Mcm	713.7	777.3	(8.2)
Water sold	Mcm	83.9	86.1	(2.6)

Networks SBU - Electricity

The gross operating profit amounted to 37.3 million euro, down 7.0% compared to 40.1 million euro in the first half of 2021. The decrease in margins is attributable to the contraction of the revenue constraint characterised by a reduction in the remuneration of invested capital (WACC) provided for by the ARERA tariff measures, only partially offset by the positive effect of higher investments, and by penalties related to technical quality referring to previous years.

Investments amounted to 25.2 million euro, up 12.2% from 22.5 million euro in the first half of 2021, relating mainly to connections, distribution network resilience activities, the construction of new stations and LV/MV lines in addition to the launch of the replacement plan for electronic meters with 2G technology.

Networks SBU - Gas Distribution

The gross operating profit amounted to 40.9 million euro, a decrease of 10.6% compared to 45.8 million euro in the first half of 2021. The decrease in the margin can be attributed to a contraction in the revenue constraint resulting from a reduction in the remuneration of invested capital (WACC) provided for at the beginning of the year by ARERA tariff measures, and higher operating costs, including mainly the higher cost of gas used in the decompression stations, and the effect of some extraordinary items referable to previous years.

Investments amounted to 16.7 million euro, down 12.9% due to seasonal programming, compared with 19.1 million euro in the first half of 2021, and involved upgrading the network to cathodic protection and installing electronic meters.

Networks SBU - Water Cycle

The gross operating profit amounted to 119.8 million euro, up 15.3%, compared to 104 million euro in the first half of 2021. The improvement is mainly attributable to the implementation of the rulings of the Council of State regarding the recognition of the tariff adjustments for the 2011-2013 periods and the increase in the tariff revenue constraint (VRG) due to the increase in invested capital (regulatory asset base – RAB), albeit against a reduction in the remuneration of invested capital (WACC) provided for by ARERA tariff measures; this increase absorbed the effect of the operations sold, the higher operating costs and the inapplicability of extraordinary items related to insurance claims present in the previous year.

Investments amounted to 84.6 million euro, up 20.2% compared to 70.3 million euro in the first half of 2021. 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 with new technology involving remote reading.

In addition, investments of 3.7 million euro were made in information systems and the development of electric mobility across the three businesses.

Waste Management SBU

As at 30 June 2022, the segment's revenue amounted to 485.9 million euro, up 11.6% from 435.2 million euro in the first half of 2021. The increase is due to energy revenue (up 22 million euro) as a result of the rise in electricity prices, revenue from waste treatment and use (up 12 million euro), waste disposal revenue (up 8 million euro), and waste collection revenue (up 8 million euro).

		First half of 2022	First half of 2021 restated	Change %
Revenue	€/mln	485.9	435.2	11.6
Gross operating profit	€/mln	125.9	98.5	27.7
% of revenue		25.9%	22.6%	
Operating profit	€/mln	63.1	43.5	45.2
Investments	€/mln	66.9	47.3	41.4
Electricity sold	GWh	240.0	246.6	(2.7)
Thermal energy produced	GWht	202.5	169.7	19.3
Waste managed	tonnes	1,714,166	1,752,139	(2.2)
Emilia area sorted waste collection	%	78.2	78.4	(0.2)
Piedmont area sorted waste collection	%	57.9	56.9	1.9
Liguria area sorted waste collection	%	73.0	72.9	0.0

The gross operating profit amounted to 125.9 million euro, an increase of 27.7% compared to 98.5 million euro in the first half of 2021. The increase in the margin is due to the strong improvement in energy margins following the increase in the sale price of electricity and thermal energy, the collection and sale of recovered materials and the treatment and use of organic waste mainly due to the entry into operation of the biodigesters in Cairo Montenotte (SV) and Santhià (VC).

The operating profit amounted to 63.1 million euro, up 45.2% compared to 43.5 million euro in the first half of 2021. During the period, there was higher depreciation and amortisation by about 6 million euro and higher provisions by about 2 million euro.

Investments amounted to 66.9 million euro, up 41.4% compared to 47.3 million euro in the first half of 2021. Investments related to the purchase of collection vehicles and equipment and the construction of plants; in particular, the latter include the wood treatment and recycling plant in Vercelli and the FORSU plant in Reggio Emilia.

Energy SBU

In the first half of 2022, 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 2,138.9 million euro, a significant increase compared to 714.8 million euro in the first half of 2021.

The increase in revenue is primarily due to the higher sales prices for electricity (around 1,140 million euro). Revenue from heat production are also up by over 120 million euro, mainly as a result of higher sales prices, correlated to the increased costs of combustible gas, as well as revenue from activities connected with energy requalification and building restructuring favoured by recent tax breaks and other activities of energy services (up 125 million euro).

The consolidation of the photovoltaic parks (121.5 MW of installed power) of Puglia Holding, which was acquired at the beginning of the year for about 27 million euro, contributed to the increase in revenue.

		First half of 2022	First half of 2021	Change %
Revenue	€/mln	2,138.9	714.8	(*)
Gross operating profit	€/mln	207.3	134.2	54.5
<i>% of revenue</i>		9.7%	18.8%	
Operating profit	€/mln	144.4	64.6	(*)
Investments	€/mln	63.6	68.1	(6.6)
Electricity produced	GWh	4,326.6	4,612.5	(6.2)
<i>from hydroelectric and other renewable sources</i>	GWh	466.6	734.8	(36.5)
<i>from cogeneration sources</i>	GWh	2,992.1	3,130.9	(4.4)
<i>from thermoelectric sources</i>	GWh	867.9	746.8	16.2
Heat produced	GWht	1,633.5	1,698.4	(3.8)
<i>from cogeneration sources</i>	GWht	1,457.1	1,456.7	0.0
<i>from non-cogeneration sources</i>	GWht	176.4	241.8	(27.0)
District heating volumes	Mcm	99.0	96.7	2.3

(*) Change of more than 100%

At 30 June 2022, electricity generated totalled 4,326.6 GWh, down 6.2% from 4,612.5 GWh in the first half of 2021.

Electricity production from cogeneration sources amounted to 2,992.1 GWh, down (-4.4%) compared to 3,130.9 GWh in the first half of 2021, while thermoelectric production was equal to 867.9 GWh, an increase of 16.2% compared to 746.8 GWh in the first half of 2021.

Production from renewable sources amounted to 466.6 GWh, down 36.5% from 734.8 GWh in the first half of 2021. The decrease can be attributed to hydroelectric production, which amounted to 361.4 GWh compared to 724.1 GWh (-50%) in the corresponding period of 2021 due to low hydraulicity during the period. On the other hand, photovoltaic production of 105.2 GWh (10.7 GWh in the first half of 2021) appears to be on the rise, thanks to the productions of the plants of Puglia Holding.

The heat produced amounted to 1,633.5 GWht, a decrease of 3.8% compared to 1,698.4 GWht in the first half of 2021.

District heated volumes amounted to 99.0 Mcm, an increase of 2.3% compared to 96.7 Mcm in the corresponding period of 2021.

Domestic electricity demand was 155.9 TWh, compared with 154.9 TWh in the first half of 2021 (+0.6%).

The gross operating profit amounted to 207.3 million euro, up 54.5% compared to 134.2 million euro in the first half of 2021.

The trend in the energy scenario was characterised by a sharp increase in electricity prices and in the price of gas used as a raw material in Generation activities. These dynamics led to an increase in generation margins from which the Electricity and Heat Cogeneration and Thermoelectric sectors benefited.

On the other hand, there was a deterioration in the margin of Hydroelectric production, which, despite the sharp increase in sales prices, suffered a sharp reduction in the quantities produced due to the low level of the reservoirs at the end of 2021 and the continuing lack of hydraulicity in the course of the first half of 2022, also leading to a reduction in the number of green certificates earned. These effects are partly mitigated by the greater margin in the Photovoltaic business thanks to the inclusion in the consolidation scope of Puglia Holding's plants, which contribute approximately 18 million euro to gross operating profit for the period.

The positive effects linked to the recognition of the Capacity Market that the Group was awarded through the competitive tenders managed by Terna should also be noted. It should be noted that from the beginning of the year the recognition of energy efficiency certificates for the cogeneration plant in Torino Nord ceased, which had contributed approximately 15 million euro to gross operating profit in the first half of 2021.

Energy Efficiency related activities show an improvement of 12 million euro compared to the corresponding period of 2021, due to the development of activities related to energy efficiency projects (the "Superbonus" 110% tax deduction).

The operating profit amounted to 144.4 million euro, up 120.6% compared to 64.6 million euro in the first half of 2021. Contributing to the strong increase, in addition to the trend in the gross operating profit, were the higher release of provisions by about 10 million euro, relating to settled disputes with suppliers/bodies for which there is therefore no longer a need to maintain the related provisions, higher depreciation and amortisation by about 5 million euro, and lower accruals to provisions for risks by about 2 million euro.

Investments amounted to 63.6 million euro, down 6.6% compared to 68.1 million euro in the first half of 2021. The main investments in the period included the repowering of the Turbigio thermoelectric power plant and the development of district heating networks.

Market SBU

In the first half of 2022, the segment's revenue amounted to 2,887.9 million euro, up 149.2% from 1,159.0 million euro in the first half of 2021. The increase in revenue is primarily due to the sharp rise in the prices of both gas and electricity, and in a lesser degree is due to the higher quantities of electricity and gas sold.

The gross operating profit amounted to 29.6 million euro, down 68.0% on the 92.5 million euro of the first half of 2021, which was characterised by extraordinarily positive margins that cannot be replicated in subsequent periods. The sharp decline in margins is primarily due to electricity sales, which registered a gross operating loss of 30.8 million euro, whilst gas sales, although down considerably, were less affected by the unfavourable energy scenario.

The other services sector made a positive contribution to the profit margin, thanks to the significant development of the services and accessory products marketed (e-mobility, boilers, energy system maintenance, etc.).

The operating loss amounted to 24.5 million euro, significantly down compared to the operating profit of 48.5 million euro in the first half of 2021. During the period, higher depreciation and amortisation of approximately 6 million euro and higher credit losses by approximately 3 million euro were recorded.

		First half of 2022	First half of 2021	Change %
Revenue	€/mln	2,887.9	1,159.0	(*)
Gross operating profit	€/mln	29.6	92.5	(68.0)
% of revenues		1.0%	8.0%	
	<i>from Electricity</i>	€/mln	21.2	(*)
	<i>from Gas</i>	€/mln	67.6	(20.6)
	<i>from Heat and other services</i>	€/mln	3.7	82.5
Operating profit	€/mln	-24.5	48.5	(*)
Investments		45.6	32.3	41.3
Electricity Sold	GWh	4,644.8	3,397.9	36.7
Gas Purchased	Mcm	1,523.8	1,535.6	(0.8)
	<i>Gas sold by the Group</i>	Mcm	585.2	0.0
	<i>Gas for internal use</i>	Mcm	839.7	(4.2)
	<i>Gas in storage</i>	Mcm	110.7	21.0

(*) Change of more than 100%

Sale of electricity

The volumes of electricity sold on the free market amounted to 4,510.4 GWh, an increase of +40.3% compared to 3,215.9 GWh in the first half of 2021.

The increase in the deregulated market affected all segments with the sole exception of the Business segment; in particular, the wholesalers segment recorded sales of 1,884.4 GWh (+126.8%), the small business segment recorded sales of 518 GWh (+95.7%), also thanks to the greater quantities deriving from the auctions of gradual residential protection, while the retail segment stood at 971.1 GWh sold (+39.3%). On the other hand, sales were down in the Business segment (-20.1%) with sales of 1,137 GWh.

Sales on the protected market amounted to 134.4 GWh, down 26.2% compared to 182 GWh in the first half of 2021.

The gross operating loss from the sale of electricity was 30.8 million euro, compared to a gross operating profit of 21.2 million euro in the first half of 2021. In addition to a negative scenario effect, the sharp contraction was also due to the combination of two factors, namely the disappearance of the natural hedging volumes of the Energy BU hydroelectric production, characterised by a sharp drop in production (-50%), and the balancing effect of the consumption profiles of retail customers with fixed-price contracts. The combined effect of the two factors resulted in the recourse to the spot market for the procurement of raw material at high prices, with a strongly negative effect on margins. The above effects were partially offset by the trade policy adopted.

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

	First half of 2022	First half of 2021	Change %
<i>Business</i>	1,137.0	1,423.3	(20.1)
<i>Small business</i>	518.0	264.7	(*)
<i>Retail</i>	971.1	697.1	39.3
<i>Wholesale</i>	1,884.4	830.8	(*)
Free market	4,510.4	3,215.9	40.3
Protected market	134.4	182.0	(26.2)
Total Electricity sold	4,644.8	3,397.9	36.7

Sale of natural gas

Purchased volumes amounted to 1,523.8 Mcm, down 0.8% compared with 1,535.6 Mcm in the first half of 2021.

Gas sold by the Group amounted to 585.2 Mcm in line with the quantities marketed in the first half of 2021. The gas used for internal consumption within the Group amounted to 804.7 Mcm, a decrease of 4.2% compared to 839.7 Mcm in the first half of 2021.

The gross operating profit from the sale of gas amounted to 53.7 million euro, down -20.6% compared to 67.6 million euro in the first half of 2021.

The decline in the margin, which could already be seen in the first quarter, is attributable to the energy scenario and in particular to the higher unbalancing costs due to the atypical weather in March/April 2022, characterised by various peaks with unpredictable very low temperatures. These effects are partially offset by the trade policies adopted.

Sale of heat and other services

The sale of heat and other services shows a gross operating profit of 6.7 million euro, a strong improvement compared to the 3.7 million euro in the first half of 2021. The positive change 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 45.6 million euro, up 41.3% from the 32.3 million euro in the first half of 2021.

Other services

In the first half of 2022, revenue of the segment, which includes the activities of the analysis laboratories, telecommunications and other minor activities, was 13.5 million euro, up 41.2% compared to the 9.6 million euro in the first half of 2021.

		First half of 2022	First half of 2021	Change %
Revenue	€/mln	13.5	9.6	41.2
Gross operating profit	€/mln	1.9	1.2	60.8
% of revenue		14.2%	12.5%	
Operating profit	€/mln	0.4	0.2	50.9
Investments	€/mln	31.7	17.7	79.3

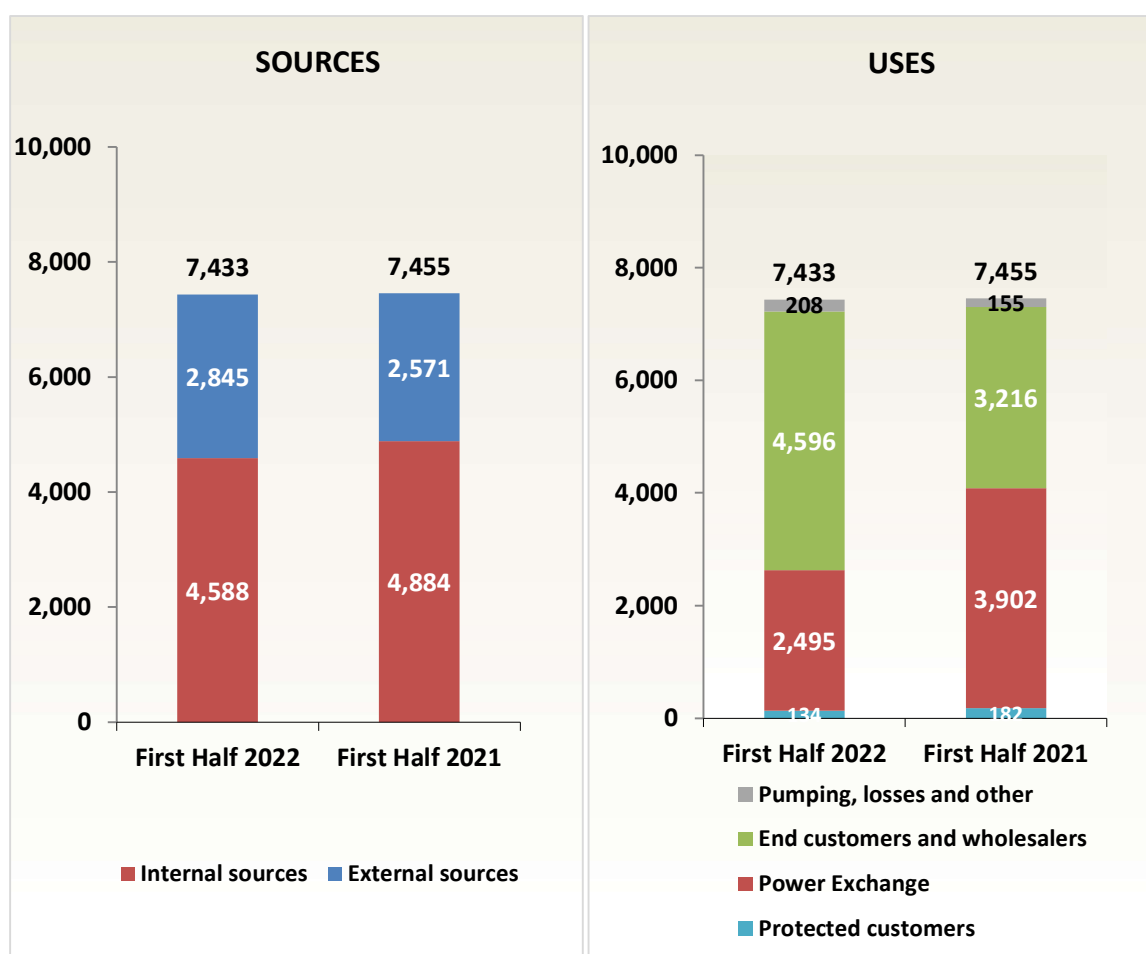
The gross operating profit amounted to 1.9 million euro, an improvement compared to 1.2 million euro in the first half of 2021.

Investments in the period amounted to 31.7 million euro, up compared to 17.7 million euro in the first half of 2021 and mainly related to information systems, vehicles and buildings.

ENERGY BALANCES

Electricity balance

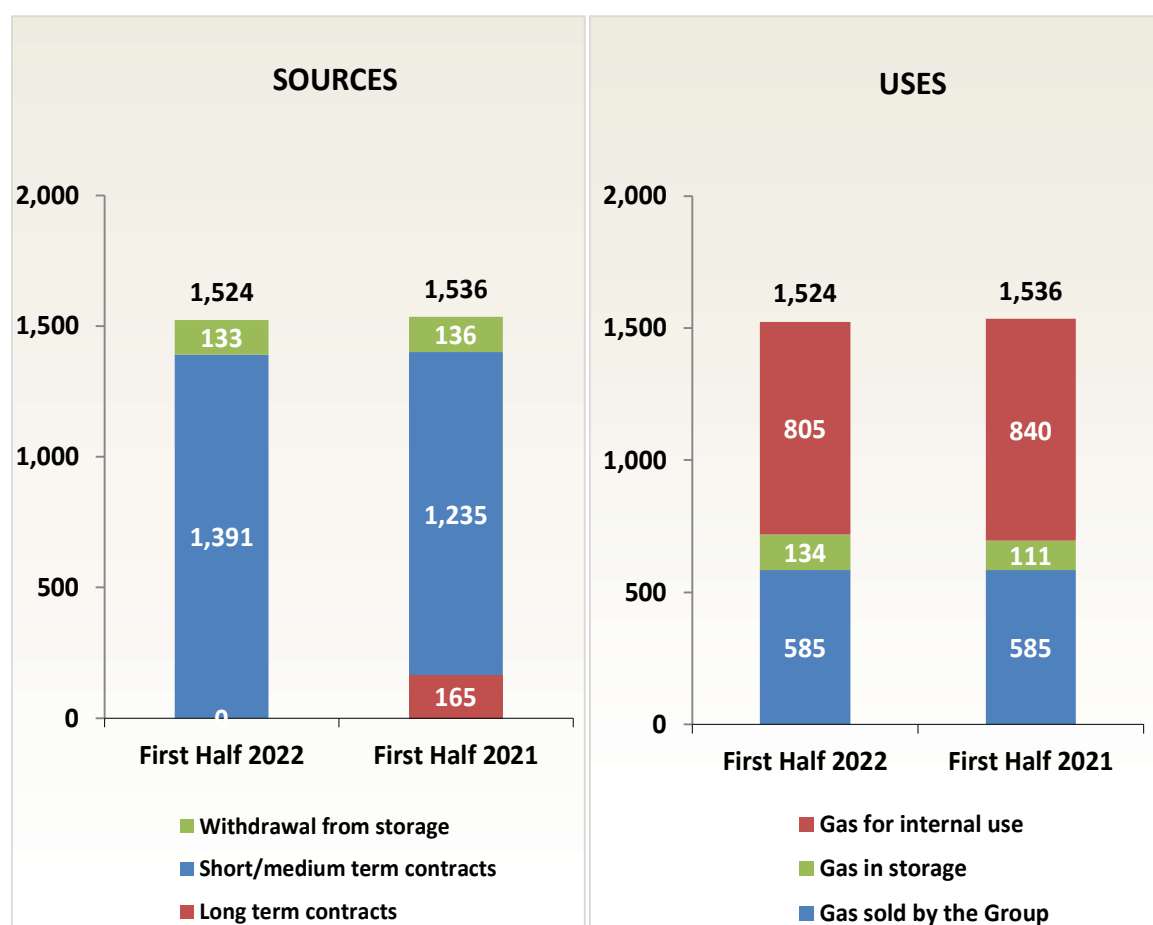
GWh	First half of 2022	First half of 2021	Change %
SOURCES			
Group's gross production	4,588.1	4,883.5	(6.0)
<i>a) Hydroelectric and other renewables</i>	466.6	734.8	(36.5)
<i>b) Cogeneration</i>	2,992.1	3,130.9	(4.4)
<i>c) Thermolectric</i>	867.9	746.8	16.2
<i>d) Production from WTE plants and landfills</i>	261.6	271.0	(3.5)
Purchases from the Single Buyer (Acquirente Unico)	148.1	200.6	(26.2)
Energy purchased on the Power exchange	2,578.8	2,130.4	21.0
Energy purchased from wholesalers and imports	118.1	240.1	(50.8)
Total Sources	7,433.1	7,454.7	(0.3)
USES			
Sales to protected customers	134.4	182.0	(26.2)
Sales to end customers and wholesalers	4,596.0	3,215.9	42.9
Sales on the Power exchange	2,494.7	3,901.6	(36.1)
Pumping, distribution losses and other	208.0	155.2	0.3
Total Uses	7,433.1	7,454.7	(0.3)



Gas balance

Millions of m ³	First half of 2022	First half of 2021	Change %
SOURCES			
Long-term contracts	0.0	165.0	(100.0)
Short- and medium-term contracts	1,390.8	1,234.9	12.6
Withdrawals from storage	133.0	135.7	(2.0)
Total Sources	1,523.8	1,535.6	(0.8)
USES			
Gas sold by the Group	585.2	585.2	0.0
Gas for internal use (1)	804.7	839.7	(4.2)
Gas in storage	133.9	110.7	21.0
Total Uses	1,523.8	1,535.6	(0.8)

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



FINANCIAL MANAGEMENT

General framework

During the first half of 2022, the short-term part of the interim rate curve, after a long period of stability at minimum levels, increased suddenly, which accentuated starting in March. The medium/long-term part of the rates, to an even greater extent, also showed a decidedly upward trend, driven by inflationary pressures and the consequent expected monetary policy maneuvers.

The European Central Bank, which had kept rates unchanged since March 2016, raised rates by 0.5% in July 2022; further rises are expected by the end of the year. Examining the six-month Euribor rate, it is found that the parameter has left the negative territory and has reached the level of 0.6%.

The fixed interest rates, reflected in the IRS values, reached levels of 2.5% following the sharp rises, which had not been seen for 10 years even for medium/long-term maturities.

Activities performed

During the first half of 2022, work continued to consolidate the Iren Group's financial structure. 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 centralising with the parent treasury management, 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 transactions completed in the first half of 2022, it should be noted that, as described in "Significant events of the period," in March, a loan agreement was signed with CEB (Council of Europe Development Bank) for 80 million euro to support the investment plan for the development and efficiency of the district heating network in the Turin area. Including this loan, direct loans with EIB and CEB, with a duration of up to 16 years, not used and available, amount to a total of 375 million euro.

Consistent with the provisions of the new Sustainability Financing Framework, published in March, new ESG-linked term loans were also negotiated: in particular, two lines for a total of 300 million euro were contracted with Intesa Sanpaolo and Cassa Depositi e Prestiti during the first half of the year, with repayment over 6 years in a lump sum (bullet). The amount of the spread of the new credit lines is linked to the achievement of specific objectives outlined in the Sustainable Financing Framework itself: the reduction to pre-established levels of the carbon intensity of the Group's activities and of water losses. In this regard, these goals are expected to be achieved through the set of investments envisaged throughout the plan. The described operation aims to combine sustainability and development through the premium/penalty mechanism linked to the achievement of set targets and testifies to the Group's role of growth in sustainable finance by improving its liquidity profile.

During the period, as a result of the acquisition of Alegas by Iren Mercato, the related medium/long-term loans of 3 million euro entered the scope of consolidation.

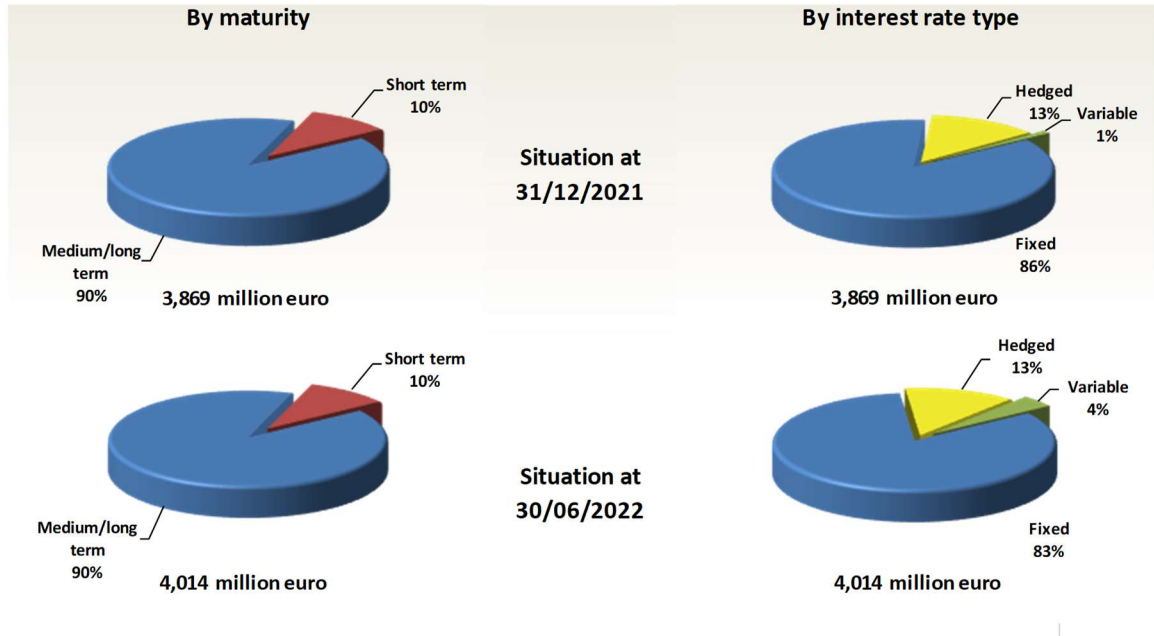
Financial debt from loans, which does not include lease liabilities recognised in accordance with IFRS 16, consisted of 17% loans and 83% bonds at the end of the period.

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. During the period, two new Interest Rate Swap contracts were signed to hedge total debt of 100 million, maturing in 2029 with deferred effect as from December 2023 and December 2024.

At the end of the period, the portion of floating rate debt not hedged by derivatives was equal to 4% 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 2021, is shown in the chart below.



Rating

On 9 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 375 million euro, which are in addition to current liquid assets.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

Acquisition of Società dell'Acqua Potabile (SAP)

Following an agreement signed at the end of April, the acquisition became effective on 1 July 2022 of 100% of Società dell'Acqua Potabile S.r.l. ('SAP') by Siram S.p.A., a company of the French Veolia group.

SAP manages water service in the Genoa Metropolitan City municipalities of Sestri Levante, Casarza Ligure, and Ne, with expirations of the relevant agreements between 2023 and 2027, in addition to Carasco and Moneglia, whose agreements are currently being extended. With reference to these areas, the company serves a total of about 34 thousand inhabitants for the waterworks service and about 11 thousand residents for sewerage and purification services. The company also holds 49% of Egua S.r.l., which manages the water service in the municipality of Cogorno, whose concession expires in 2029. The Enterprise Value of the transaction is 10 million euro.

The transaction effectively anticipates the Ireti takeover of the management of concessions intended for it as the sole operator of the area of reference, making it possible to initiate in advance actions aimed at achieving significant synergies with other operations already exercised in neighboring territories.

Underwriting a third Sustainability Linked loan

On 1 July 2022, a 6-year term loan facility was finalised with BPER Banca for 100 million euro, in addition to the Sustainability Linked loans signed in April and May with Intesa San Paolo and Cassa Depositi e Prestiti, respectively, to support the investments envisaged in the Business Plan and related to the sustainability objectives outlined in the Sustainable Financing Framework.

Thanks to this loan, the total amount of ESG-linked loans signed in 2022 thus stands at 400 million euro.

Acquisition of control of SEI Toscana

On 1 July 2022, the Group acquired control of the investee SEI Toscana S.r.l., the company that manages the integrated municipal waste service of the ATO "Toscana Sud", for a total of over one hundred municipalities served in the provinces of Arezzo, Grosseto, Siena and Livorno.

The acquisition of control follows the entry into force of the amendments to SEI Toscana articles of association concerning governance structures, and comes after the transactions that led Iren Ambiente Toscana to hold, in the first half of 2022, directly 41.77% of the company and 16.57% through Valdarno Ambiente and CRCM.

Acquisition of ready-to-build projects of photovoltaic plants

On 22 July 2022, Iren S.p.A. signed binding agreements for the acquisition, through its subsidiary Iren Green Generation, of authorisations and land rights for the development of two photovoltaic plants with a total capacity of 29.9 MW located in southern Italy, for a production of approximately 50 GWh per year.

The purchase price of the authorisations is equal to a total of 6.1 million euro.

BUSINESS OUTLOOK

The second half of 2022 will confirm the significant growth in investments, which will allow the Group to seize various development opportunities as envisaged in the Business Plan. The latter rests its rationale on three strategic pillars that guide investment choices: ecological transition, territoriality and quality of service. The goals of the green transition are to progressively decarbonise all activities and strengthen leadership in the circular economy. With territoriality, Iren wants to extend its perimeter of activity in the reference territories and be the reference partner for local stakeholders. Finally, with service quality, Iren aims to improve the performance of network services and maximise customer satisfaction in all businesses.

The second part of 2022 in the Networks sector will be characterised by a major investment plan, which will have a positive effect on the remunerated invested capital (RAB) and, consequently, on tariff revenue. Investments in the integrated water system will encourage increased purification capacity, reuse of resources and reduction of water losses through increased efficiency. In the electricity and gas distribution network, the goal will be to increase the power supported by the first and replace the non-compliant material in the second, keeping in common the continuous improvement of the quality of the service.

With regard to the Waste Management sector, investments will be aimed at building the waste treatment and disposal plants envisaged in the business plan and at increasing the quality of the service by extending door-to-door collection and punctual pricing. These investments, together with the complete coverage of the waste cycle (from collection to treatment and disposal), will make it possible to increase the volumes of recovered material.

Regarding the Energy and Market segments, Iren will continue to implement a series of actions aimed at mitigating the impact of volatility in electricity and gas prices thanks to a hedging policy oriented to stabilising margins in the entire energy supply chain. The development of the generation park will benefit from the commissioning of the new production line of the Turbigo thermoelectric plant, the consolidation of the acquired photovoltaic plants and the organic development of new renewable capacity, accompanied by the growth of our customer base.

Finally, the Smart Solutions segment, focused on the energy efficiency of buildings, will be able to seize the opportunities offered by government incentives related to building requalification, to the development of electric mobility and will be able to act as the main interlocutor for public administrations to ground complex urban requalification projects.

In relation to the international geopolitical crisis arising from the Russia-Ukraine conflict, it is difficult as well as uncertain to assess the effects and repercussions that could arise from the continuation of the international crisis. In such a scenario, there are three main risks to be borne in mind: the possible interruption of the supply of natural gas from Russia, the volatility of commodity prices and the concomitant inflationary effect. Iren monitors the evolution of the situation on a daily basis, defining the possible risk scenarios for its activities and identifying, where possible, mitigation actions.

Additionally, in order to contain the impact resulting from the increase in commodity prices, whose upward trend began in the fourth quarter of 2021, the government has already approved measures aimed at calming the imbalance between the production and sales prices of electricity and gas; already for the most part reflected in the six-month period.

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, exchange rate);
- 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;
- Climate Change Risks, 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 Group’s areas in order to describe in detail 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, exchange rate risk and interest rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit exchange rate 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) Exchange rate risk

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

c) Interest rate risk

The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of 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 different customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored. 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 first half of 2022, 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 are used. 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, numerous payment methods are offered to customers through channels, including digital channels, and appropriately monitored payment plans are proposed.

The credit management policy and creditworthiness assessment tools, as well as monitoring and recovery activities, are managed through automated processes and integrated with company applications and 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 losses determined on a prospective basis, taking into due consideration the historical data.

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. Currently no exposure to exchange rate risk, typical of oil-based commodities, is present, 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.

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 to the Condensed Interim Consolidated Financial Statements.

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 an assessment 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 objectives 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 assessment model adopted by the Group 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.

In the course of 2022, a further project phase was initiated to complete the assessment model, which envisages the inclusion of the most significant plants/activities for the risk under consideration that were not included in the 2021 analysis, also updating the model with respect to the new regulatory and climatic 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 Revenue Agency 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. OPERATING 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. For each risk identified, the relevant ESG (Environmental, Social

and Governance) impacts are associated. 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. Cyber 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 operating risk management process is also aimed at optimising the Group's insurance programmes.

7. STRATEGIC RISKS

In the development of the 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, which also integrates the ESG impacts for each risk, 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 climate 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 merger & acquisition transactions and the main strategic plans concerning the Group.

RELATED PARTY TRANSACTIONS

The Related Party Transactions Procedure (“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 then in office on 28 June 2021, subject to the favourable opinion of the Related Party Transactions Committee (“RPTC”, entirely composed of Independent Directors).

The above document was prepared implementing:

- the provisions regarding transactions with related parties set out in section 2391-*bis* of the Italian Civil Code;
- 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 Company'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 Article 154-*bis* 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) to 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 EC Regulation 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 Condensed Interim Consolidated Financial Statements in chapters “VI. Related party transactions” and “XIII. Annexes to the Condensed Interim Consolidated Financial Statements”, an integral part thereof.

LEGISLATIVE AND REGULATORY FRAMEWORK

The essential legislative and regulatory references, concessions and assignments in relation to the sectors in which the Iren Group operates are presented in detail in the Report on Operations prepared for the annual financial statements. Again with reference to these sectors, this section sets out the main regulatory changes (new regulations or amendments to pre-existing regulations) that occurred in the first half of 2022; what follows should therefore be read in conjunction with the financial statements as at and for the year ended 31 December 2021.

EUROPEAN FRAMEWORK

Emission Trading System (ETS) Reform

On 22 June 2022, the EU Parliament approved its position on the reform of the Emission Trading System (ETS) to include waste to energy plants from 2026; if this is also confirmed by the Trilogue (informal negotiations involving representatives of the Parliament, Council and European Commission), starting in 2026 WTE will have to pay for the CO2 emission allowances. However, the Commission is expected to launch an impact assessment by the end of 2024 to define the impacts of the reform ("deviation" risk on landfills and waste exports to third countries).

"REPowerEU" Package

On 18 May 2022, the European Commission presented the REPowerEU plan in response to the difficulties and volatility in the energy market caused by the Russian invasion of Ukraine. In this respect, there is a double need to transform the European energy system: (i) ending EU dependence on Russian fossil fuels by 2030 (ii) addressing the climate crisis.

In this context, it is believed that the EU energy transition can support economic growth, industrial leadership, and move Europe towards climate neutrality by 2050.

The package includes five communications, a proposal for a regulation, a recommendation and a directive, and guidelines on changes to PNRR (the National Recovery and Resilience Plan) in light of REPowerEU. It will be the Recovery Plan that will guarantee the necessary investments for the implementation of the measures (210 billion euro by 2027, 300 billion euro by 2030).

The main lines of action concern:

- the increase of energy efficiency targets to 2030, from the current 9% to 13%;
- the increase of the target on Renewable Energy Sources (RES) to 2030, from 40% to 45%, increased use of hydrogen and biomethane;
- the platform for joint procurement of gas, LNG and hydrogen;
- the European Commission's conditional green light for a price cap on gas;
- the promotion, with a call for the extension to next winter, of the tax on the extra profits of energy companies

NATIONAL FRAMEWORK

PUBLIC CONTRACT CODE

Law no. 78 of 21 June 2022 on "Delegation to the Government regarding public contracts" (OJ 78 of 21 June 2022)

The measure defines a grid of delegating criteria that the government will have to respect when drafting the new procurement code. According to Article 1(1) of the provision, the delegation must be exercised within six months from the date of entry into force of the law.

GAS

Gas Networks

Resolution 269/2022/R/gas - Revision of the regulation of the metering service with adjustment of billing to end customers in the natural gas sector

Following consultation document 263/2022/R/gas, the Authority introduced important changes in the regulation of the metering service in the gas sector. In particular, class G4/G6 smart meters are expected to take readings on a monthly basis. In addition, new compensation payments are confirmed, both to end customers (annual consumption up to 5,000 sm³) in the event of repeated unavailability of end-of-month readings, and to sales companies (meters of class greater than or equal to G10), in relation to metering performance in terms of data quality and adherence to deadlines. As far as compensation to end customers is concerned, the Authority has provided for a mechanism for recognising the costs to the distributor for compensation for failure to read up to a level of physiological failure, set at first application at 4.8% and 5%, respectively for points with annual consumption above 500 Sm³ and for points with annual consumption up to that threshold. The measure will enter into force on 1 April 2023.

Consultation Document 157/2022 - Final Guidelines on the reform of the transportation capacity allocation process - Focus on new penalties for distribution companies

The consultation document sets out the guidelines for the completion of the implementation framework of the transportation capacity allocation reform. In particular, with regard to the potential impact of the final measure for distributors, a penalty mechanism is proposed to incentivise the distribution company to rectify anomalous metering data for settlement purposes in a timely manner.

ELECTRICITY

Market

MITE Decree 5/2022 - Establishment of electricity sellers list

The decree lays down a number of requirements of good repute, financial soundness and compliance with technical characteristics, the possession of which is essential for operators to be able to engage in the business of selling electricity. The aim of this decree is to ensure a higher quality of sales service in view of the complete liberalisation of the market.

Resolution 208/2022/R/eel - Provisions for the provision of the gradual protection service for micro enterprises in the electricity sector pursuant to Law no. 124 of 4 August 2017 (Annual market and competition law)

Similarly to the provisions of Resolution 491/2020/R/eel, ARERA has regulated the procedures for identifying the sales operators who will be responsible, starting from 1 January 2023, for providing the gradual protection service to all users classified as "low voltage other uses" who, as of the aforementioned date, do not have a supply contract on the free market. The service will be awarded through a tender procedure - to be held in September 2022 - having the characteristics of a multi-session ascending auction with a price predefined by the auctioneer. An antitrust cap on tendered volumes of 35% of the total is envisaged.

DL 4/2022, DL 17/2022 and Law 51/2022 - Measures to combat high energy prices

In view of the complex market scenario, the government has enacted a series of measures aimed at containing increases in the cost of electricity and natural gas, thus expanding the sphere of interventions to support end customers already initiated in 2021 (DL 130/2021).

In particular, Decree-Law no. 4/2022 (DL "Sostegni ter") provided, with effect from 1 January 2022, for the cancellation of system charges for the first quarter of 2022 for utilities with available power equal to or greater than 16.5 kW, including those connected in medium and high/very high voltage or for public lighting or electric vehicle recharging in publicly accessible places. This initiative was extended by Decree-Law no. 17/2022 (DL "Energia"), which also regulated, inter alia, with regard to the gas sector, the reduction of VAT to 5% for consumption related to civil and industrial uses and the zeroing of the share related to general system charges.

Secondly, measures have been envisaged to strengthen the protection of domestic end customers in a state of physical and/or economic hardship by raising (to 12,000 euro) the ISEE ceiling for receiving the so-called "Social bonus".

Also as part of the measures to counter the high cost of energy, Law 51/2022 of 20 May (converting DL 21 of 21 March 2022, containing urgent measures to counter the economic and humanitarian effects of the Ukrainian crisis) provides, among other things, for a tax credit of 12% and 20%, respectively, for so-called "non-energy-intensive" and "non-gas-intensive" companies, aimed at compensating the higher charges incurred for electricity and gas purchased and used in economic activity during the months of April, May and June 2022. DL 50/2022 (so-called "DL Aiuti") also provided for the increase of these percentages to 15% and 25% respectively. For the Group, the effects of this measure are estimated at 1.5 million euro as at 30 June 2022.

In this context, the subsequent conversion into law of the "DL Aiuti", which took place on 15 July 2022, provided for this measure to be subject to the "de minimis" rules, with a maximum obtainable ceiling of 200,000 euro, calculated on a three-year basis, considering all aid granted under this scheme.

Production

Capacity Market

Following the auctions held in late 2019 and early 2020, in 2022 was the entry into operation of the so-called "Capacity Market" which provides for, on the one hand, a competitively determined capacity premium for generating plants, providing a minimum return to allow for the investments necessary to phase out coal-fired plants in a context of overall energy security, and, on the other hand, the obligation for operators to make the allocated capacity available to meet electricity demand. For the Group's generation plants, the capacity fees are spread between 2022 and 2023, with the exception of the "new authorised capacity" (the repowering of the Turbigio power plant under construction) for which a 15-year period is envisaged starting in 2022.

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

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

In particular, the third chapter 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. This resulted in an estimated burden of 10.8 million euro for the Group in the first half of 2022.

Resolution 266/2022/R/eel, implementing Article 15-bis of DL "Sostegni-ter" concerning the two-way compensation mechanism on the price of energy fed in by production plants powered by renewable sources

As a result of the consultation process initiated with DCO 133/2022, ARERA with Resolution 266/2022:

- excluded from the scope of application of the two-way compensation mechanism plants undergoing (partial/total) refurbishment after 1 January 2010;
- deducted the amounts relating to free energy sales to local authorities (comparable to sales at zero price);

- defined the settlement of the two-way compensation mechanism (RES production/contracts association):
 - admitting all hedging contracts, including financial ones;
 - associating volumes with monthly contracts, subject to annual adjustment
 - establishing the settlement of the price of contracts (if not determined ex ante), also invoiced monthly subject to adjustment.

DL "Tagliaprezzi" (Decree-Law 21/2022) and DL "Aiuti" (Decree-Law 50/2022): Solidarity contribution

The combined provisions of Article 37 of Decree-Law 21/2022 (converted into law, in force from 21 May 2022) as amended by Article 55 of Decree-Law 50/2022 provide for the disbursement of a so-called "Solidarity contribution", i.e. an extraordinary contribution on the so-called extra-profits of energy companies, amounting to 25% of the increase (if greater than 10% and greater than 5 million euro) of the difference between asset and liability transactions in the period from 1 October 2021 to 30 April 2022 compared to those in the period from 1 October 2020 to 30 April 2021.

The contribution is payable by subjects carrying out, for the subsequent sale of goods, the activity of producing electricity, producing methane gas or extracting natural gas, resellers of methane gas and natural gas, and subjects carrying out the activity of producing, distributing and trading oil products. The contribution is also payable by subjects who permanently import electricity, natural gas or methane gas, oil products for subsequent resale, or who bring such goods into the territory of the State from other EU States.

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 Article 12 Legislative Decree no. 79/1999, as amended by Article 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.

Moreover, Council Resolution no. 12-4729/2022 approves the outline of the framework convention Regione Piemonte - Società Committenza Regione Piemonte for the support to the implementation of Law 26/2020. On 22 June 2022, no. 212, a DDL (bill) was published by the Region of Piedmont on Modifications to Regional Law no. 26 of 29 October 2020 (Allocation of large derivations for hydroelectric use), which, in particular, resolves the State-Region dispute concerning the processes for calling tenders on concessions for large derivations for hydroelectric use and provides for the Public-Private Partnership as one of the forms of awarding concessions.

Electricity Networks

Resolutions 232/2022/R/eel and 281/2022/R/ee - Reactive energy

Res. 232/2022 provided for:

- from April 2023 the application of fees only in band F3 to LV and MV users/interconnections;
- from July 2022, the communication by DSOs, via the IIS, of the measurements of the reactive energy injected to all Final Customers (from LV over 16.5 kW) and, individually, to MV Final Customers;
- by February 2023, the contact of DSOs to the main MV end customers in order to incentivise them to behave in a virtuous manner so as to reduce their reactive energy input on the grid.

The recent Res. 281/2022 confirmed the absence of fees for reactive energy input by HV users/interconnections for 2022, in light of the slowdown in Terna's analyses.

Resolutions 35/2022/R/eel, 141/2022/R/com and Res. 295/2022/R/com - Changes to user tariffs

The resolutions in question provided for the cancellation of general system charges until 30 June 2022 for all types of users, thus extending the forecasts already in place for 2021 for certain types of low-voltage users (Resolutions 279/2021 and 124/2021). The recent Res. 295/2022/R/com confirms - subject to the publication of Decree-Law 30 June 2022 in the Official Journal - also for the quarter July-September 2022 the cancellation of these charges.

Consultation document 284/2022/R/eel - 2G commissioning plans

The recent CD 284/2022, noting the problems on 2022 2G/Concentrators deliveries due to the economic and international crisis, has placed for consultation some measures to reduce possible penalties for DSOs in case the 2022 commissioning plan does not proceed as envisaged. Specifically, it proposes two alternatives for 2022 (suspension of penalties or extension of deductibles) and the possibility of compensating delays in installations in 2021 with installation volumes above 105% of the cumulative installed amount in the two years 2021 and 2023. In addition, it proposes a transitional derogation from the criterion of "commissioning" significantly relevant territories. For DSOs of up to 100,000 users only, it proposes a reduced notice (three months instead of the formal six) to users of the start of the massive phase.

Resolution 295/2022/R/com - New additional social bonuses

The additional compensatory component introduced on 1 October 2021 was confirmed for the current year until September 2022.

Resolution 119/2022/R/eel - Submission of DSOs requests for system and network charges from 2022

After consultation, Res. 119/2022 approves the unified mechanism by which DSOs may submit annual applications to CSEA to receive reinstatement of overdue General System Expenses (GSE) and Network Expenses (NE) receivables from Sellers. Specifically, incentives are introduced in the case of settlements reached with sellers, a 10% deductible is envisaged for NE claims, and a deduction (equal to $0.00225 \times \text{DSO revenue constraint}$) is to be applied to the reinstatement of two-year NEs.

Resolution 117/2022/R/eel - Loss delta equalisation 2022-2023

Downstream of CD 602/2021, Res. 117/2022 provides for the continuation of the standard commercial loss equalisation delta loss path 2022-2023. Compared to the CD, however, a cap is introduced on the unit value of electricity to value the delta loss (equal to the arithmetic mean of the market prices applied by the Single Buyer averaged over the years 2016-2021), for both 2022 and 2023.

Ministerial Decree of 6 and 7 April 2022 on Smart Grid and Resilience interventions

The ministerial measure to promote interventions to improve the resilience of the electricity distribution network to extreme weather events, to be financed under the PNRR, has been published.

The total budget for distributors is 350 million euro, of which at least 140 million euro, or 40% of the total, is reserved for southern regions. A maximum unit cost of 125,000.00 €/km of network benefited is established for the implementation of the interventions.

As far as smart grids are concerned, the resources allocated by the decree are 3.6 billion euro, of which more than 1.6 billion euro (45% of the total) is reserved for interventions in southern regions. One billion euro is earmarked for increasing hosting capacity and around 2.6 billion euro for electrification of consumption. In the first case, the objective is to strengthen the capacity to host and integrate additional distributed generation from renewable sources by 4,000 MW through smart grid interventions (infrastructure reinforcement and digitisation), with a maximum cost of 250,000 €/MW. In the second case, the aim is to increase the available power by at least 1,500,000 inhabitants in order to promote the electrification of energy consumption.

At the end of June, MiTE published the calls for proposals, containing the criteria that operators will have to follow to submit proposals to access funding until 3 October 2022.

ENERGY EFFICIENCY

Superbonus and other building bonuses

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

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

The 2022 Budget Law included the following provisions:

- Superbonus of 110% also extended for consequent works, with extension to the Third Sector, until 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 projects (i) of free building and (ii) of amount < 10 k€, on single units or common parts, excluding projects 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 projects (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).

In this regard, DL "Sostegni TER" (Decree Law 4/2022) also provided for the following provisions:

- two further full (not partial) assignments are allowed, after the option for contribution as invoice discount or credit assignment, only for credit institutions, licensed financial intermediaries, companies of "supervised" banking groups and insurance companies authorised in Italy;
- the recognition of tax benefits related to building bonuses is subject to the indication in the deed of assignment of the works that the employers apply national and territorial collective agreements of the construction sector.

Lastly, DL "Energia" (17/2022) provided for the tax credit to be transferable once more, in addition to the three already provided for, while DL "Aiuti" (Decree Law 50/2022) extends the superbonus for small villas: for single-family homes, the deadline to reach 30% based on the work progress report) is increased from 30 June to 30 September, in order to benefit from the tax relief on expenses incurred up to 31 December 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

Resolution 15/2022/R/rif on contractual and technical quality regulation of the municipal waste management service

The measure, published on 28 January 2022 following two consultation sessions (72/2021/R/rif and 422/2021/R/rif), envisages the introduction from 1 January 2023 of a set of contractual and technical quality service obligations, minimum and homogeneous for all operations, flanked by indicators and related general standards differentiated for four regulatory schemes (identified by the competent territorial authority by March 2022 based on the starting level of management). The positioning of the operator in the matrix of regulatory schemes will determine the quality obligations for the entire duration of the 2022-2025 EFP, also allowing for the relative economic valuation for any adjustment to the obligations.

The organisation may also provide for the definition of standards that are better and/or additional to the provisions of the Consolidated Act for the regulation of quality in the waste sector (TQRIF). Moreover resolution 15/2022 includes some provisions on transparency.

Budget Law 2022 no. 234/2021

The decree contains various provisions including the extension to 1 January 2023 of the provisions on the tax for plastic products with a single use, known as the plastic tax.

Ministerial Decrees on Circular Economy (PNRR)

Through Ministerial Decree no. 396/2021, 1,500 million euro was allocated, 60% of which was earmarked for the Centre-South, in favour of the governing bodies of the Optimal Territorial Areas and the 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).

Similarly, Ministerial Decree 397/2021 provided for the allocation of 600 million euro, of which 60% destined for the Center-South, in favor 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).

Following the publication and adhesion to the Calls and Notices related to the PNRR project activation/selection procedures (on the "Italia Domani" portal), the evaluations by the Examining Board, which is expected to express its opinion by 30 September 2022, are underway.

National Strategy for the Circular Economy (SEC)

The strategy, approved by Ministerial Decree 259 of 24 June 2022, is a policy document, within which the actions, objectives and measures to be pursued in the definition of institutional policies aimed at ensuring an effective transition to a circular economy are identified (it constitutes one of the structural reforms of the PNRR as well as a fundamental tool for achieving the 2035 climate neutrality objectives).

In particular, the SEC intends to define administrative and fiscal instruments to strengthen the market for secondary raw materials so that they are competitive with virgin raw materials in terms of availability, performance and cost.

National Waste Management Programme (PNGR)

The PNGR is a national planning instrument Introduced by Legislative Decree 116/2020 and is one of the strategic and implementation pillars of the National Strategy for the Circular Economy. In December 2021, the Preliminary Environmental Report was submitted by the MiTE as part of the Strategic Environmental

Assessment (SEA) procedure, and in March 2022, the public consultation phase took place; with Ministerial Decree 257 of 24 June 2022, the PNGR was officially adopted, valid for the 6-year time period (2022-2028). The PNGR is a guiding tool for the regions in their waste management planning: within 18 months, all regions will have to update their Plans indicating, among other things, intermediate targets in the period 2023- 2028 to comply with the European environmental objectives of the landfill rate to 2035.

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

- Apulia Region: approval of the 2021-2025 Plan on 14 December 2021;
- Emilia-Romagna Region: proposal formulated to the Legislative Assembly for subsequent final approval of the Plan (PRRB) 2022-2027 (expected approval in 2022);
- Liguria Region: following the positive outcome of the SEA (in May 2022), proposal formulated to the Regional Council for final approval of the 2021-2026 Plan (expected approval during 2022);
- Piedmont Region: Adoption of the Regional Urban Waste Management and Polluted Area Remediation Plan (PRUBAI) and ongoing consultation phase for Strategic Environmental Assessment;
- Tuscany Region: updating process started.

WATER SERVICE

Resolution 229/2022 Review of criteria for the recognition of electricity costs

Following the order of the Lombardy Regional Administrative Court (TAR) accepting the precautionary petition filed by various service operators, at the end of March 2022, ARERA commenced proceedings aimed at revising the criteria for the recognition of electricity costs for the year 2022 envisaged by ARERA Resolution 639/21. As part of this process, the Authority published a consultation document to ask stakeholders for their comments and contributions on its proposals.

The resolution closing the proceedings provided for a) the possibility for operators to submit a request for the coverage of electricity costs for 2021 in excess of the standard criteria set by the Authority (maximum recognised cost equal to 110% of the average national cost surveyed by the Authority), b) the establishment of an annual data collection on electricity costs, to be carried out in the first few months of the year following the reference year, c) the possibility, under strict conditions, of requesting financing from CSEA to raise resources for the purchase of electricity. Finally, the Authority declared itself open to further action should the need arise.

Resolution 98/22 and 183/22 Quantitative determinations about RQTI awards-penalties 2018-2019

With Resolution 98/22, ARERA approved the methodological note as a result of the preliminary investigation findings within the framework of the proceedings for the quantitative evaluations envisaged by the incentive mechanism of the technical quality regulation RQTI for the two-year period 2018-2019, initiated with Authority Resolution 46/20. The subsequent Resolution 183/22 approved the final results of the application of this reward mechanism.

OTHER TRANSVERSAL MATTERS

Incentives

Resolution 292/2022/R/efr - Contribution to distributors related to the EEC mechanism for the 2021 obligation year

The resolution defined the unit tariff contribution and the unit additional fee for the 2021 obligation year as 250 €/EEC and 3.44 €/EEC, respectively.

CONCESSIONS AND ASSIGNMENTS OF THE IREN GROUP

The table below shows the changes that occurred in the first half of 2022 in the scope of concessions and awarded contracts by the Group's operating segments.

DISTRICT HEATING

On 2 May 2022, Iren Energia acquired 100% of the shares of Dogliani Energia S.r.l., a company already authorised to build and operate a cogeneration plant with an adjoining district heating network in the urban area of the municipality of Dogliani (CN).

ENVIRONMENTAL SERVICE MANAGEMENT

The temporary consortium composed of ASM Vercelli (group leader), San Germano and Rimeco was awarded the contract for the management of environmental services in the Vercelli municipalities belonging to the C.O.Ve.Va.R. consortium. (Albano Verellese, Alice Castello, Arborio, Balocco, Borgo D'Ale, Buronzo, Carisio, Casanova Elvo, Collobiano, Crova, Formigliana, Gattinara, Ghislarengo, Greggio, Lenta, Lozzolo, Moncrivello, Olcenengo, Oldenico, Quinto Verellese, Roasio, Rovasenda, Salasco, San Germano Verellese, San Giacomo Verellese, Santhià, Tronzano Verellese and Villarboit). The assignment is valid from 1 January 2022 to 31 December 2030, with the possibility of extension for a further 12 months.

Services provided to the Municipality of Turin

By means of a managerial decision dated 2 March 2022, and a subsequent managerial decision dated 9 June, the Municipality of Turin definitively awarded Iren Smart Solutions the concession contract, through Project Financing, for the plant and energy requalification activity aimed at improving the efficiency of the buildings owned by the same Municipality, including management and maintenance. The concession assignment agreement, with a duration of twenty-seven years from the date of the signing of the take-over protocol for the facilities, was signed on 30 June 2022.

PERSONNEL

At 30 June 2022 the Iren Group had 9,345 employees, up compared to 9,055 employees at 31 December 2021, as the table below shows, in which the workforce is divided into the parent and business units.

Company	Workforce at 30.06.2022	Workforce at 31.12.2021
Iren S.p.A.	1,099	1,074
IRETI and subsidiaries	2,208	2,166
Iren Ambiente and subsidiaries	4,303	4,178
Iren Energia and subsidiaries	1,140	1,084
Iren Mercato and subsidiaries	595	553
Total	9,345	9,055

The changes in the workforce compared to 31 December 2021 were mainly ascribable to:

- the initiation/conclusion of services contracted out by San Germano;
- the continuation of the generational turnover plan, with a considerable number of recruitments on the labour market;
- the acquisition of Alegas, in April 2022, by Iren Mercato for a total of 11 resources.

Condensed Interim Consolidated Financial Statements and Notes



At 30 June 2022

STATEMENT OF FINANCIAL POSITION

					thousands of euro
	Notes	30.06.2022	of which related parties	31.12.2021 Restated	of which related parties
ASSETS					
Property, plant and equipment	(1)	4,091,069		3,937,586	
Investment property	(2)	2,429		2,456	
Intangible assets with a finite useful life	(3)	2,628,789		2,666,636	
Goodwill	(4)	282,008		193,739	
Equity-accounted investments	(5)	247,041		217,339	
Other equity investments	(6)	24,878		8,469	
Non-current contract assets	(7)	103,487		77,262	
Non-current trade receivables	(8)	19,461	18,565	20,824	13,273
Non-current financial assets	(9)	143,912	59,053	131,766	128,800
Other non-current assets	(10)	40,046	44	37,167	6,944
Deferred tax assets	(11)	455,692		427,572	
Total non-current assets		8,038,812	77,662	7,720,816	149,017
Inventories	(12)	190,268		111,812	
Current contract assets	(13)	125,439		46,391	
Trade receivables	(14)	1,106,715	124,947	1,063,926	119,629
Current tax assets	(15)	9,439		7,114	
Sundry assets and other current assets	(16)	366,197	904	385,061	13
Current financial assets	(17)	382,137	8,865	372,724	8,831
Cash and cash equivalents	(18)	476,944		606,888	
Assets held for sale	(19)	1,144		1,144	
Total current assets		2,658,283	134,716	2,595,060	128,473
TOTAL ASSETS		10,697,095	212,378	10,315,876	277,490

The comparative figures at 31 December 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the purchase price allocation to the final fair value of the acquired assets and liabilities of Sidiren. Please refer to Chapter IV "Business combinations" for more information.

					thousands of euro
	Notes	30.06.2022	of which related parties	31.12.2021 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		1,114,448		966,512	
Profit for the period/year		133,318		302,935	
Total equity attributable to the owners of the parent		2,548,697		2,570,378	
Equity attributable to non-controlling interests		384,700		379,976	
TOTAL EQUITY	(20)	2,933,397		2,950,354	
LIABILITIES					
Non-current financial liabilities	(21)	3,656,232	151	3,549,612	2,013
Employee benefits	(22)	101,694		105,601	
Provisions for risks and charges	(23)	405,741		422,989	
Deferred tax liabilities	(24)	197,869		188,725	
Sundry liabilities and other non-current liabilities	(25)	500,542	122	495,809	138
Total non-current liabilities		4,862,078	273	4,762,736	2,151
Current financial liabilities	(26)	745,027	82,014	467,587	4,755
Trade payables	(27)	1,577,158	21,838	1,523,705	40,230
Current contract liabilities	(28)	76,891		89,262	
Sundry liabilities and other current liabilities	(29)	312,015		261,057	363
Current tax liabilities	(30)	24,926		48,674	
Provisions for risks and charges - current portion	(31)	165,603		212,501	
Liabilities associated with assets held for sale	(32)	-		-	
Total current liabilities		2,901,620	103,852	2,602,786	45,348
TOTAL LIABILITIES		7,763,698	104,125	7,365,522	47,499
TOTAL EQUITY AND LIABILITIES		10,697,095	104,125	10,315,876	47,499

The comparative figures at 31 December 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the purchase price allocation to the final fair value of the acquired assets and liabilities of Sidiren. Please refer to Chapter IV "Business combinations" for more information.

INCOME STATEMENT

thousands of
euro

	Notes	First half of 2022	of which related parties	First half of 2021 Restated	of which related parties
Revenue					
Revenue from goods and services	(33)	3,650,475	163,365	1,965,489	166,293
Other income	(34)	61,138	4,076	38,293	3,459
Total revenue		3,711,613	167,441	2,003,782	169,752
Operating expenses					
Raw materials, consumables, supplies and goods	(35)	(2,134,848)	(2,119)	(562,083)	(30,795)
Services and use of third-party assets	(36)	(728,639)	(21,304)	(663,309)	(21,095)
Other operating expenses	(37)	(49,246)	(4,903)	(34,879)	(3,058)
- of which non-recurring		(10,826)			
Internal work capitalised	(38)	21,649		20,714	
Personnel expense	(39)	(257,798)		(247,971)	
Total operating expenses		(3,148,882)	(28,326)	(1,487,528)	(54,948)
GROSS OPERATING PROFIT		562,731		516,254	
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(40)	(251,585)		(228,172)	
Impairment losses on loans and receivables	(41)	(35,644)		(33,662)	
Other provisions and impairment losses	(41)	7,414		(4,198)	
Total depreciation, amortisation, provisions and impairment losses		(279,815)		(266,032)	
OPERATING PROFIT		282,916		250,222	
Financial management					
Financial income	(42)	5,764	165	26,964	1,212
Financial expense		(37,465)	(20)	(41,603)	(39)
Net financial expense		(31,701)	145	(14,639)	1,173
Gains (losses) on equity-accounted investments	(43)	(13)		1,305	
Share of profit of equity-accounted investees, net of tax effect	(44)	5,863		5,372	
Profit before tax		257,065		242,260	
Income taxes	(45)	(104,424)		(33,987)	
- of which non-recurring		(30,479)		32,258	
Profit from continuing operations		152,641		208,273	
Profit (loss) from discontinued operations	(46)	-		-	
Profit for the period		152,641		208,273	
attributable to:					
- the owners of the parent		133,318		193,102	
- non-controlling interests	(47)	19,323		15,171	
Earnings per ordinary and savings share	(48)				
- basic (euro)		0.10		0.15	
- diluted (euro)		0.10		0.15	

The comparative figures of the first half of 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing, at the end of 2021, the purchase price allocation to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division, Futura and I.Blu. Please refer to Chapter IV "Business combinations" for more information.

STATEMENT OF OTHER COMPREHENSIVE INCOME

		thousands of euro	
		First half of 2022	First half of 2021 Restated
Profit for the period - owners of the parent and non-controlling interests (A)		152,641	208,273
Other comprehensive income that will be subsequently reclassified to profit or loss			
- effective portion of fair value gains/(losses) on cash flow hedges		(12,354)	33,336
- fair value gains/(losses) on financial assets		-	-
- share of other gains/(losses) of equity-accounted investments		-	(331)
- change in translation reserve		1,331	470
Tax effect		5,361	(8,939)
Total other comprehensive income (expense) that will be subsequently reclassified to profit or loss net of tax effect (B1)	(49)	(5,662)	24,536
Other comprehensive income that will not be subsequently reclassified to profit or loss			
- actuarial losses on defined benefit plans (IAS 19)		-	-
- share of other gains/(losses) of equity-accounted investments related to defined benefit plans (IAS 19)		-	-
Tax effect		-	-
Total other comprehensive income that will not be subsequently reclassified to profit or loss net of tax effect (B2)	(49)	-	-
Comprehensive income (A)+(B1)+(B2)		146,979	232,809
attributable to:			
- the owners of the parent		125,123	217,026
- non-controlling interests		21,856	15,783

The comparative figures of the first half of 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing, at the end of 2021, the purchase price allocation to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division, Futura and I.Blu. Please refer to Chapter IV "Business combinations" for more information.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve
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 period			
Profit for the period			
Other comprehensive income			
Total comprehensive income for the period	-	-	-
30/06/2021 Restated	1,300,931	133,019	87,216
31/12/2021 Restated	1,300,931	133,019	87,216
Owner transactions			
Dividends			
Retained earnings			10,943
Repurchase of treasury shares			
Change in consolidation scope			
Change in equity interests			
Other changes			
Total owner transactions	-	-	10,943
Comprehensive income for the period			
Profit for the period			
Other comprehensive income			
Total comprehensive income for the period	-	-	-
30/06/2022	1,300,931	133,019	98,159

The comparative figures at 31 December 2021 and 30 June 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the acquisition price to the final fair value of the acquired assets and liabilities of Sidiren, the companies in the Unieco Waste Management Division, Futura and I.Blu. Please refer to Chapter IV "Business combinations" for more information.

thousands of euro

Hedging reserve	Other reserves and retained earnings	Total reserves and retained earnings	Profit for the period	Total equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
(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)	-		-
	(4,092)	(4,092)		(4,092)		(4,092)
	-	-		-	2,114	2,114
	201	201		201	(1,755)	(1,554)
	1,362	1,362		1,362	(1,350)	12
-	104,248	114,751	(239,172)	(124,421)	(28,381)	(152,802)
			193,102	193,102	15,171	208,273
23,454	470	23,924		23,924	612	24,536
23,454	470	23,924	193,102	217,026	15,783	232,809
3,953	762,287	986,475	193,102	2,480,508	364,246	2,844,754
(14,465)	760,742	966,512	302,935	2,570,378	379,976	2,950,354
			(134,723)	(134,723)	(29,987)	(164,710)
	157,269	168,212	(168,212)	-		-
	-	-		-		-
	-	-		-	7,671	7,671
	(417)	(417)		(417)	3,364	2,947
	(11,664)	(11,664)		(11,664)	1,820	(9,844)
-	145,188	156,131	(302,935)	(146,804)	(17,132)	(163,936)
			133,318	133,318	19,323	152,641
(9,526)	1,331	(8,195)		(8,195)	2,533	(5,662)
(9,526)	1,331	(8,195)	133,318	125,123	21,856	146,979
(23,991)	907,261	1,114,448	133,318	2,548,697	384,700	2,933,397

The comparative figures at 31 December 2021 and 30 June 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the purchase price allocation to the final fair value of the acquired assets and liabilities of Sidiren and the companies in the Unieco Waste Management Division, Futura and I.Blu. Please refer to Chapter IV "Business combinations" for more information.

STATEMENT OF CASH FLOWS

thousands of euro

	First half of 2022	First half of 2021 Restated
A. Opening cash and cash equivalents	606,888	890,169
Cash flows from/(used in) operating activities		
Profit for the period	152,641	208,273
Adjustments:		
Income taxes for the period	104,424	33,987
Share of profit (loss) of associates and joint ventures	(5,863)	(5,372)
Net financial expense	31,701	14,639
Amortisation and depreciation	251,585	228,172
Net impairment losses on assets	901	157
Impairment losses on loans and receivables	35,644	33,662
Net provisions for risks and other charges	106,250	70,021
Capital (gains) losses	396	(315)
Payment of employee benefits	(4,879)	(4,918)
Utilisations of provisions for risks and other charges	(24,175)	(9,714)
Change in other non-current assets	(2,199)	(9,954)
Change in sundry liabilities and other non-current liabilities	3,742	(2,260)
Taxes paid	(128,708)	(42,630)
ETS purchase	(42,638)	(43,619)
Cash flows for transactions on commodities derivatives markets	(30,850)	18,475
Other changes in assets/liabilities	265	(1,365)
Change in inventories	(78,971)	(16,801)
Change in contract assets	(105,273)	(8,338)
Change in trade receivables	(24,284)	38,793
Change in current tax assets and other current assets	35,298	14,690
Change in trade payables	8,772	(133,149)
Change in contract liabilities	(12,371)	(3,360)
Change in current tax liabilities and other current liabilities	22,487	27,590
B. Net cash and cash equivalents generated by/(used in) operating activities	293,895	406,664
Cash flows generated by/(used in) investing activities		
Investments in property, plant and equipment and intangible assets	(337,795)	(279,130)
Investments in financial assets	(39,892)	(1,701)
Proceeds from the sale of investments	659	2,743
Acquisition of subsidiaries net of cash acquired	(198,403)	2,579
Dividends received	1,705	1,604
C. Net cash and cash equivalents generated by/(used in) investing activities	(573,726)	(273,905)
Cash flows from/(used in) financing activities		
Repurchase of treasury shares	-	(4,092)
Dividends paid	(24,797)	(147,366)
Purchase of interests in consolidated companies	-	(1,554)
New non-current loans	150,000	5,000
Repayment of non-current loans	(19,561)	(93,196)
Change in lease liabilities	(5,563)	(5,440)
Change in other financial liabilities	6,512	(13,723)
Change in loan assets	58,808	(28,530)
Interest paid	(16,754)	(14,511)
Interest received	1,242	1,446
D. Net cash and cash equivalents generated by/(used in) financing activities	149,887	(301,966)
E. Cash flows for the period (B+C+D)	(129,944)	(169,207)
F. Closing cash and cash equivalents (A+E)	476,944	720,962

NOTES TO THE CONDENSED INTERIM 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 ENIÀ. The Company's registered office is in Italy, in Reggio Emilia, Via Nubi di Magellano 30. There were no changes in the company name in the first half of 2022.

The Group is structured according to a model which provides for an industrial holding company and four companies responsible for the individual business units operating at the main operating bases in Genoa, La Spezia, Parma, Piacenza, Reggio Emilia, Turin and Vercelli.

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).

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

The group's condensed interim consolidated financial statements as at and for the half year ended 30 June 2022 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. It should be noted that the financial statements of the fully consolidated companies are prepared at the end of the reporting period.

I. BASIS OF PRESENTATION

The Interim Financial Report of the Iren Group as at and for the half year ended 30 June 2022 has been prepared pursuant to Article 154-ter, paragraph 2 of Legislative Decree no. 58 of 24 February 1998, as amended by Legislative Decree no. 195 of 6 November 2007.

The Condensed Interim Consolidated Financial Statements as at 30 June 2022 of the Iren Group 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. "IFRS" also includes the revised International Accounting Standards ("IAS") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRC"), previously known as the Standing Interpretations Committee ("SIC").

In particular, these condensed interim consolidated financial statements, having been prepared in accordance with IAS 34 – Interim Financial Reporting, do not include all the information required for the annual financial statements and must be read together with the annual financial statements prepared as at and for the year ended 31 December 2021, which are available at the Company's registered office, Borsa Italiana S.p.A. and on the website www.gruppoiren.it.

The accounting standards applied in the preparation of the condensed interim consolidated financial statements are the same as those adopted for the preparation of the previous year's financial statements, to which reference should be made for a discussion of them, with the exception of the standards and interpretations adopted for the first time

as from 1 January 2022 and illustrated in the following section “Accounting standards, amendments and interpretations applied as from 1 January 2022”.

The 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 contingent consideration deriving from a business combination (i.e. put options to non-controlling owners), which are measured at fair value, as well as on the going concern assumption. The Group 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 Condensed Interim Consolidated Financial Statements are stated in euro, the parent’s functional currency. All amounts expressed in euro are rounded to the nearest thousand in this report. 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 statements format

The financial schedules adopted by the Iren Group in preparing these financial statements are the same as those applied in preparing the consolidated financial statements at 31 December 2021.

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 the end of the year. Current liabilities are those for which settlement is envisaged during the Group’s ordinary operating cycle or during the twelve months following the end of the period.

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 total intermediate line item gross operating profit obtained by deducting total operating expenses 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 financial statements

The Interim Financial Report was authorised for publication by Iren S.p.A.’s Board of Directors at its meeting of 28 July 2022.

Use of estimates and assumptions by management

Preparation of the Condensed Interim 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.

Management’s significant judgements in the application of the Group’s accounting standards and the main sources of estimation uncertainty are unchanged from those already explained in the last annual report. In this context, it should be noted that the estimates of the Group’s charges relating to the extraordinary contribution on the extra profits of energy companies (the so-called Solidarity Contribution as per DL 21/2022 “Tagliaprezzi”) and the compensation mechanism on the price of energy introduced by the DL “Sostegni Ter” are subject, in particular, to the uncertainty due to the definition of the scope of application of these rules and, in general, to the ongoing regulatory developments related to the measures to counter the effects of high energy prices.

It should also be noted that certain complex valuation processes, such as the determination of any impairment losses on non-current assets, are generally carried out in full only at the time of preparing the annual financial statements, when all the information that may be needed is available, except in cases when there is evidence of impairment that requires an immediate measurement of any losses.

In accordance with IAS 36, during the first half of 2022, the Group verified the non-existence of specific impairment triggers with particular reference to goodwill. Furthermore, no indicators of impairment emerged in respect of participations and assets. In the same way, the actuarial valuations necessary to determine provisions for employee benefits are normally carried out when the annual financial statements are prepared.

Seasonality

The Iren Group does not operate in sectors characterised by highly seasonal end markets for the goods and services provided. It should be noted, however, that the sectors of gas sales, hydroelectric production and heat production and sales are affected by the weather.

The sale of electricity and the waste cycle show more consistent results for the year, albeit with a trend linked to the temporary situation. On the other hand, linear results are typical of regulated network businesses (gas distribution, electricity distribution and Integrated Water Service).

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS OF 1 JANUARY 2022

As of 1 January 2022, the following accounting standards and amendments to accounting standards, issued by the IASB and endorsed by the European Union, are obligatorily applicable:

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)—

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).

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)—

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).

Annual Improvements to IFRSs 2018-2020 Cycle The amendment will be applicable for annual reporting periods beginning on or after 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 financed entity and the lender and the fees paid or received by the financed entity 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 costs, as the conclusion of the example was not supported by an adequate explanation.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments are intended to update the definitions of assets and liabilities in this standard to refer to those defined in the Conceptual Framework for Financial Reporting issued in March 2018 (“Conceptual Framework”). However, as an exception, the acquirer does not apply the definitions of assets and liabilities of the Conceptual Framework but those of the reference principles in the following cases:

- provisions or contingent liabilities within the scope of “IAS 37 Provisions, Contingent Liabilities and Contingent Assets”;
- levies within the scope of “IFRIC 21 Levies”.

Finally, the amendments clarify that at the acquisition date, the acquirer does not have to recognise the acquired contingent asset in a business combination. The amendment will be applicable for annual reporting periods beginning 1 January 2022.

The application of these changes and improvements to the aforementioned IFRS did not have any significant effects on the Group’s financial position and results of operations.

New standards or amendments to standards will come into force for financial years beginning after 1 January 2022, the early application of which is permitted.

The Group decided not to adopt them in advance for the preparation of these condensed interim consolidated financial statements.

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:

- the decision-making power over the investee, i.e. the power to direct the relevant activities of the investee, therefore the activities that bear a significant influence on the results of said investee;
- the right to variable (positive or negative) returns from its equity in the entity;
- the ability to use its decision-making power to determine the amount of the returns deriving from its equity in the entity.

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 fully consolidated 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, feature a corresponding asset item under net equity; b) when a parent company transfers control to one of its investees, but still continues to hold an interest in the company, it measures the equity investment retained in the financial statements at fair value and recognises any gains or losses deriving from loss of control in the income statement.

Joint ventures

These are companies over 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.

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 on equity-accounted 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 or loss for the period. 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.

Fully consolidated companies

The four companies responsible for the single business lines and their direct and indirect subsidiaries are fully consolidated .

1) Iren Ambiente and its subsidiaries:

- Waste Management ACAM
- AMIAT V and the subsidiary:
 - AMIAT
- Bonifica Autocisterne
- I.Blu
- Iren Ambiente Parma
- Iren Ambiente Piacenza
- Iren Ambiente Toscana and its subsidiaries:
 - Futura
 - Scarlino Energia
 - Scarlino Immobiliare
 - Valdarno Ambiente and its subsidiaries:
 - C.R.C.M
 - TB
- ReCos
- Rigenera Materiali
- San Germano
- Territorio e Risorse
- TRM
- Unieco Holding Ambiente and its subsidiaries:
 - Borgo Ambiente
 - Manduriambiente
 - Picena Depur
- Uniproject

2) Iren Energia and its subsidiaries:

- Asti Energia e Calore
- Dogliani Energia
- Iren Smart Solutions and its subsidiary:
 - Alfa Solutions and its subsidiary
 - Lab 231
- Maira and its subsidiary:
 - Formaira

- Iren Green Generation (formerly Puglia Holding) and subsidiaries:
 - Iren Green Generation Tech (formerly ASI Troia FV1)
 - Palo Energia
 - Piano Energia
 - Solleone Energia
 - Traversa Energia
- Valle Dora Energia

3) Iren Mercato and its subsidiaries:

- Alegas
- Salerno Energia Vendite

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 in the first half of 2022 is due to the acquisition of control of Iren Green Generation (formerly Puglia Holding), Iren Green Generation Tech (formerly ASI Troia FV1), Palo Energia, Piano Energia, Solleone Energia, Traversa Energia, Valdarno Ambiente, C.R.C.M., Alegas, Dogliani Energia and Valle Dora Energia. Further details on these transactions are provided in Chapter IV. Business combinations.

It is noted that in the first half of 2022, three corporate transactions became effective and, while not involving changes in the consolidation scope, they resulted in a streamlining of the Group's ownership structure:

- the merger of SidIren into Salerno Energia Vendite, effective 1 February 2022;
- the merger of Iren Energy Solutions into Iren Smart Solutions effective 1 March 2022;
- the merger of Produrre Pulito into Iren Ambiente, effective 1 June 2022.

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

IV. BUSINESS COMBINATIONS

BUSINESS COMBINATIONS IN THE FIRST HALF OF 2022

Business combinations accounted for using provisional amounts

During the first half of 2022, the Group acquired control of the companies Iren Green Generation (formerly Puglia Holding), Iren Green Generation Tech (formerly ASI Troia FV1), Palo Energia, Piano Energia, Solleone Energia, Traversa Energia, Valdarno Ambiente, C.R.C.M., Alegas and Valle Dora Energia from the European Energy Group.

On 16 February 2022, the Group finalised the acquisition of 100% of Puglia Holding (now Iren Green Generation), the holder of five Special Purpose Vehicles (SPVs) dedicated to solar photovoltaic power generation, from European Energy for a consideration of 187,367 thousand euro:

- ASI Troia FV1 (now Iren Green Generation Tech), in the municipality of Troia (province of Foggia), holder of authorisations for the construction and operation of two photovoltaic parks operating since 2021, in San Vincenzo and Montevegine, with a total installed capacity of 103 MW;
- Palo Energia, Piano Energia, Solleone Energia, and Traversa Energia, owners of four photovoltaic parks related to the Palo del Colle complex (Province of Bari), with a total installed capacity of 18.5 MW, which came into operation in early 2022.

At the same time, the Group entered into a commercial agreement with European Energy that provides for the possibility to exercise rights to invest, over an exclusive period, in certain photovoltaic assets under development, with a total installed capacity of 437.5 MW.

In the 5-month period ended 30 June 2022, the subsidiaries generated revenue of 20,929 thousand euro and a profit of 9,709 thousand euro, fully included in these consolidated financial statements. In calculating the above amounts, management assumed that the acquisition-date fair value, which had been determined using provisional amounts, would have been the same even if the acquisition had occurred on 1 January 2022.

On 20 April 2022, the Group finalised the acquisition of control of the newly-formed Valdarno Ambiente through an investment contribution transaction. In particular, the corporate changes that took place were as follows:

- on 1 April 2022, the associate CSAI, 40.32% owned by Iren Ambiente Toscana, established Valdarno Ambiente, with a share capital of 10,000 euro;
- Valdarno Ambiente resolved a capital increase for a total of 17,870,000 euro, of which CSAI subscribed 10,086,000 on 20 April 2022 through the contribution of 76.06% of the company CRCM, 16.367% of the company SEI Toscana and 9.91% of the company TB, and of which Iren Ambiente Toscana subscribed 7,784,000 euro through the contribution of 90.09% of the company TB;
- on the same date as the capital increase, CSAI and IREN Ambiente Toscana signed shareholders' agreements for the governance of the investee, which give Iren Ambiente Toscana the current ability to manage the relevant activities of Valdarno Ambiente. The shareholders' agreements also provide for the right of the shareholder CSAI to transfer all or part of its investment in Valdarno Ambiente to Iren Ambiente Toscana.

Finally, on 29 June 2022, Iren Ambiente Toscana subscribed a further cash capital increase for 5,073,770 euro, and as a result of the transactions described above, Iren Ambiente Toscana holds 56.02% and CSAI 43.98% of the shares in Valdarno Ambiente.

In the 3-month period ended 30 June 2022, the subsidiaries generated revenue of 490 thousand euro and a profit of 9 thousand euro. Management believes that if the acquisition had occurred on 1 January 2022, the impact on consolidated revenue would have amounted to 995 thousand euro and the impact on the profit for the period would have amounted to +74 thousand euro. In calculating the above amounts, company management assumed that the acquisition-date fair values determined using provisional amounts would have been the same even if the acquisition had occurred on 1 January 2022.

On 21 April 2022, the Group finalised the acquisition of 80% of Alegas from AMAG S.p.A., a multi-utility company based in Alessandria, for a consideration of 17,150 thousand euro.

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 in the Province of Alessandria.

In the 3-month period ended 30 June 2022, the subsidiary generated revenue of 15,145 thousand euro and a profit of 74 thousand euro. Management believes that if the acquisition had occurred on 1 January 2022, the impact on consolidated revenue would have amounted to 55,588 thousand euro and the impact on the profit for the period would have amounted to 851 thousand euro. In calculating the above amounts, company management assumed that the acquisition-date fair value determined using provisional amounts would have been the same even if the acquisition had occurred on 1 January 2022.

On 29 April 2022, the Group, through its subsidiary Iren Energia, completed the purchase of 25.5% of the shares of the associate Valle Dora Energia (for a consideration of 1,560 thousand euro), in which it already held 49% of the shares. In June, following the acquisition of the majority of shares, amendments to the company's articles of association were finalised, allowing Iren Energia to control Valle Dora Energia.

In the 1-month period ended 30 June 2022, the subsidiary generated revenue of 194 thousand euro and a loss of 56 thousand euro. Management believes that if the acquisition had occurred on 1 January 2022, the impact on consolidated revenue would have amounted to 5,308 thousand euro and the impact on the profit for the period would have amounted to +3,130 thousand euro. In calculating the above amounts, company management assumed that the acquisition-date fair value determined using provisional amounts would have been the same even if the acquisition had occurred on 1 January 2022.

The remeasurement of the fair value of the Group's previously held 49% interest in Valle Dora Energia generated income of 19 thousand euro (4,558 thousand euro less 4,539 thousand euro relating to the acquisition-date carrying amount of the equity-accounted investee). This amount has been included in the item "Gains (losses) on equity-accounted investments".

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 consideration transferred and the provisional fair value of the identifiable assets acquired and the identifiable liabilities assumed at the date when control was obtained was allocated to goodwill. Such provisional goodwill is not tax deductible.

The following table shows the provisional fair value of the consideration, the identifiable assets acquired and liabilities assumed and provisional goodwill for each acquisition.

	thousands of euro			
	Iren Green Generation Group	Valdarno Ambiente / C.R.C.M.	Alegas	Valle Dora Energia
Consideration transferred				
Cash and cash equivalents	187,367	-	17,150	1,560
Equity instruments	-	4,467	-	-
Fair value of previously held interest	-	-	-	2,998
Fair value of the consideration at the acquisition date	187,367	4,467	17,150	4,558
Provisional fair value of identifiable net assets				
Property, plant and equipment	99,772	2,471	44	20,703
Intangible assets with a finite useful life	-	191	8	407
Equity-accounted investments	-	6,262	-	-
Non-current financial assets	-	164	-	-
Other non-current assets	-	8	-	-
Deferred tax assets	-	10	3,234	28
Inventories	-	35	-	-
Trade receivables	3,440	1,071	53,662	969
Current tax assets	485	46	19	24
Sundry assets and other current assets	15,315	300	11,084	2,815
Current financial assets	-	10	-	7
Cash and cash equivalents	6,968	1,284	2,362	-
Non-current financial liabilities	-	-	(2,746)	(15,376)
Employee benefits	-	(106)	(72)	-
Provisions for risks and charges	(439)	-	-	-
Deferred tax liabilities	-	-	(174)	-
Sundry liabilities and other non-current liabilities	-	(1)	(990)	-
Current financial liabilities	-	-	(15,301)	-
Trade payables	(2,977)	(221)	(39,792)	(2,660)
Sundry liabilities and other current liabilities	(112)	(97)	(14,869)	-
Current tax liabilities	(1,866)	(28)	(518)	(420)
Provisions for risks and charges – current portion	(47)	-	(185)	(1,021)
Total provisional fair value of identifiable net assets	120,539	11,399	(4,234)	5,476
Non-controlling interests in identifiable net assets	-	(7,358)	847	(1,396)
Provisional Goodwill/(Badwill)	66,828	426	20,537	478

With regard to Alegas, trade receivables include gross contractual amounts of 67,128 thousand euro, of which 13,466 thousand euro are considered non-recoverable at the date of acquisition.

If new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date, the provisional amounts recognised at the acquisition are adjusted.

BUSINESS COMBINATIONS IN 2021 ACCOUNTED FOR USING PROVISIONAL AMOUNTS AT 31 DECEMBER 2021

During 2021, the Group acquired control of the companies Sidiren, Lab231, Bosch Energy and Building Solutions Italy (whose name changed to Iren Energy Solutions as of 1 January 2022) and a business unit of the company Sviluppo Ambiente e Sicurezza. These business combinations were accounted for using provisional amounts in the financial statements as at 31 December 2021, as allowed by IFRS 3.

For the acquisition of Sidiren, the final fair value of the identifiable assets acquired and liabilities assumed was determined in the first half of 2022, reflecting the best knowledge gained in the interim. In accordance with the provisions of the standard, the fair value was adjusted retrospectively as of the acquisition date and, therefore, all changes were made to the acquiree's equity as of that date. The resulting balances in the consolidated financial statements at 31 December 2021 and 30 June 2021 have been restated to reflect the new amounts.

For the acquisitions of Lab231, Bosch Energy and Building Solutions Italy (Iren Energy Solutions as of 1 January 2022) and a business unit of Sviluppo Ambiente e Sicurezza, the provisional fair values of the identifiable assets acquired and liabilities assumed at the date when control was obtained has not been adjusted and, as at 30 June 2022, assessments to determine the final fair value are still in progress.

Sidiren

On 16 July 2021, the Group completed the acquisition of 100% of Sidiren, a newco receiving the business unit, including the relative personnel, 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. The following table shows the value of the identifiable assets acquired and liabilities assumed accounted for using provisional amounts as of the acquisition date and the adjusted amounts in these financial statements as of that date.

	Provisional fair value	Fair value adjustment	Final fair value
Fair value of the consideration at the acquisition date	30,223		30,223
Fair value of identifiable net assets			
Intangible assets with a finite useful life		20,202	20,202
Sundry liabilities and other non-current liabilities	(2,660)		(2,660)
Deferred tax liabilities		(5,852)	(5,852)
Total fair value of net identifiable assets	(2,660)	14,350	11,690
Goodwill / (Gain from bargain purchase)	32,883	(14,350)	18,533

The analysis carried out for the purpose of allocating the purchase price of the company Sidiren identified the intangible asset deriving from customer relationships, which was valued at 20,202 thousand euro using the discounted cash flow (DCF) method. Below are the main assumptions used in the valuation of the customer relationships:

- Useful life: 23.5 years;
- Churn rate: 4.25%, calculated as the average of the Company's churn rate and the churn rate implied in the average life of customer relationships of comparable companies;
- Average tax rate applied: 28.97%.

The goodwill deriving from the acquisition mainly refers to the possible commercial development in the reference area and the synergies that are expected to be obtained from the integration of the acquiree in the Group's market sector.

REMEASUREMENT AT 30 JUNE 2021

The Group acquired control of the companies of the Unieco Waste Management Division and I.Blu during the second half of 2020 and the company Futura during the first quarter of 2021. For said acquisitions, the final fair value of the identifiable assets acquired and liabilities assumed was determined in the fourth quarter of FY 2021, reflecting the best information gathered in the interim. In the consolidated financial statements at 30 June 2021, they had therefore been accounted for on a provisional basis as permitted by IFRS 3.

In accordance with the provisions of the standard, the fair value was adjusted retrospectively as of the acquisition date and, therefore, all changes were made to the acquiree's equity at that date. The resulting balances in the consolidated financial statements at 30 June 2021 have been restated to reflect the new amounts. The following are the changes that occurred with reference to the income statement balances and cash flows for the first half of 2021.

		IFRS 3 accounting effect			thousands of euro
	First 6 months 2021 Published	Unieco Waste Management Division	I. Blu	Futura	First 6 months 2021 Restated
Revenue					
Revenue from goods and services	1,966,711	(1,222)	-	-	1,965,489
Other income	38,293	-	-	-	38,293
Total revenue	2,005,004	(1,222)	-	-	2,003,782
Operating expenses					
Raw materials, consumables, supplies and goods	(562,083)	-	-	-	(562,083)
Services and use of third-party assets	(663,309)	-	-	-	(663,309)
Other operating expenses	(34,879)	-	-	-	(34,879)
Internal work capitalised	20,714	-	-	-	20,714
Personnel expense	(247,971)	-	-	-	(247,971)
Total operating expenses	(1,487,528)	-	-	-	(1,487,528)
GROSS OPERATING PROFIT/(LOSS)	517,476	(1,222)	-	-	516,254
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(228,507)	725	(358)	(32)	(228,172)
Impairment losses on loans and receivables	(33,662)	-	-	-	(33,662)
Other provisions and impairment losses	(4,198)	-	-	-	(4,198)
Total depreciation, amortisation, provisions and impairment losses	(266,367)	725	(358)	(32)	(266,032)
OPERATING PROFIT/(LOSS)	251,109	(497)	(358)	(32)	250,222
Financial management					
Financial income	26,964	-	-	-	26,964
Financial expense	(41,603)	-	-	-	(41,603)
Net financial income/(expenses)	(14,639)	-	-	-	(14,639)
Gains (losses) on equity-accounted investments	-	-	-	1,305	1,305
Share of profit (loss) of equity-accounted investees, net of tax effects	6,276	(939)	-	35	5,372
Profit (loss) before tax	242,746	(1,436)	(358)	1,308	242,260
Income taxes	(34,238)	142	100	9	(33,987)
- of which non-recurring	32,258	-	-	-	32,258
Profit (loss) from continuing operations	208,508	(1,294)	(258)	1,317	208,273
Profit (loss) from discontinued operations	-	-	-	-	-
Profit (loss) for the period	208,508	(1,294)	(258)	1,317	208,273
attributable to:					
- the owners of the parent	193,238	(1,256)	(206)	1,326	193,102
- non-controlling interests	15,270	(38)	(52)	(9)	15,171
Earnings per ordinary and savings share					
- basic (euro)	0.15	(0.00)	(0.00)	0.00	0.15
- diluted (euro)	0.15	(0.00)	(0.00)	0.00	0.15

thousands of euro

	First 6 months 2021 Published	IFRS 3 accounting effect				First 6 months 2021 Restated
		Reclassifi- cations	Unieco Waste Manage- ment Division	I. Blu	Futura	
A. Opening cash and cash equivalents	890,169	-	-	-	-	890,169
Cash flows from/(used in) operating activities						
Profit for the period	208,508	-	(1,294)	(258)	1,317	208,273
Adjustments:						-
Income taxes for the period	34,238	-	(142)	(100)	(9)	33,987
Share of profit (loss) of associates and joint ventures	(6,276)	-	939	-	(35)	(5,372)
Net financial expense (income)	14,639	-	-	-	-	14,639
Amortisation and depreciation	228,507	-	(725)	358	32	228,172
Net impairment losses on assets	157	-	-	-	-	157
Impairment losses on loans and receivables		33,662	-	-	-	33,662
Net provisions for risks and other charges	103,683	(33,662)	-	-	-	70,021
Capital (gains) losses	(315)	-	-	-	-	(315)
Payment of employee benefits	(4,918)	-	-	-	-	(4,918)
Utilisations of provisions for risks and other charges	(9,714)	-	-	-	-	(9,714)
Change in other non-current assets	(12,214)	2,260	-	-	-	(9,954)
Change in sundry liabilities and other non-current liabilities		(2,260)	-	-	-	(2,260)
Taxes paid	(42,630)	-	-	-	-	(42,630)
ETS purchase		(43,619)	-	-	-	(43,619)
Cash flows for transactions on commodities derivatives markets		18,475	-	-	-	18,475
Other changes in assets/liabilities	(67,113)	67,053	-	-	(1,305)	(1,365)
Change in inventories	(17,132)	331	-	-	-	(16,801)
Change in contract assets		(8,338)	-	-	-	(8,338)
Change in trade receivables	71,141	(32,348)	-	-	-	38,793
Change in current tax assets and other current assets	14,690	-	-	-	-	14,690
Change in trade payables	(133,149)	-	-	-	-	(133,149)
Change in contract liabilities		(3,360)	-	-	-	(3,360)
Change in current tax liabilities and other current liabilities	24,230	3,360	-	-	-	27,590
B. Net cash and cash equivalents generated by/(used in) operating activities	406,332	1,554	(1,222)	-	-	406,664
Cash flows generated by/(used in) investing activities						-
Investments in property, plant and equipment and intangible assets	(279,130)	-	-	-	-	(279,130)
Investments in financial assets	(1,701)	-	-	-	-	(1,701)
Proceeds from the sale of investments	2,743	-	-	-	-	2,743
Acquisition of subsidiaries net of cash acquired	2,579	-	-	-	-	2,579
Dividends received	1,604	-	-	-	-	1,604
C. Net cash and cash equivalents generated by/(used in) investing activities	(273,905)	-	-	-	-	(273,905)
Cash flows from/(used in) financing activities						-
Capital increase	-	-	-	-	-	-
Repurchase of treasury shares	(4,092)	-	-	-	-	(4,092)
Dividends paid	(147,366)	-	-	-	-	(147,366)

Purchase of interests in consolidated companies		(1,554)	-	-	-	(1,554)
New non-current loans	5,000	-	-	-	-	5,000
Repayment of non-current loans	(93,196)	-	-	-	-	(93,196)
Change in lease liabilities	(5,440)	-	-	-	-	(5,440)
Change in other financial liabilities	(13,723)	-	-	-	-	(13,723)
Change in loan assets	(29,752)	-	1,222	-	-	(28,530)
Interest paid	(14,511)	-	-	-	-	(14,511)
Interest received	1,446	-	-	-	-	1,446
D. Net cash and cash equivalents generated by/(used in) financing activities	(301,634)	(1,554)	1,222	-	-	(301,966)
E. Cash flows for the period (B+C+D)	(169,207)	-	-	-	-	(169,207)
F. Closing cash and cash equivalents (A+E)	720,962	-	-	-	-	720,962

V. GROUP FINANCIAL RISK MANAGEMENT

A summary of the risk management and control methods is shown below with respect to financial instruments (liquidity risk, foreign exchange 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, exchange rate risk and interest rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit exchange rate 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.

The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the coverage of short-term financial commitments. At the end of the period, short-term bank credit facilities used by the Parent totalled 2 million euro.

In addition, having assessed the convenience and advisability from time to time in the context of optimising available financial resources, the Group undertakes transactions for the non-recourse assignment of trade receivables, receivables arising from the maturity of energy securities and tax receivables, benefiting from the liquidity advance arising therefrom.

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 375 million euro, which are added to current liquid assets.

The nominal cash flows expected for the repayment of financial liabilities to lenders and the contractual terms of existing loans are substantially unchanged from those reported in the Notes to the Consolidated Financial Statements as at 31 December 2021 in section "a) Liquidity Risk" of chapter "VI. Group financial risk management". Similarly, with regard to the liabilities relating to the application of IFRS 16 on leases, the expected cash flows shown in the situation at 31 December 2021 remain basically unchanged by shifting the analysis to the date of this document.

Cash flows required to settle other financial liabilities, other than those to lenders and those related to the application of IFRS 16 Leases, do not differ significantly from the recognised carrying amount.

Iren has relationships 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 from financing at the reporting date consisted of 17% loans and 83% bonds; it is noted that 65% of the total debt was financed by sustainable funds; 83% of the residual debt for loans was fixed rate and 17% 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/EBITDA, EBITDA/borrowing costs) verified on a yearly basis. Moreover, other covenants have been provided for, such as 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 TRM's Project Finance contract, require compliance with financial ratios which have been satisfied.

b) Exchange rate risk

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

c) Interest rate risk

The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of 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 period, all the contracts entered into meet the requisite of limiting the exposure to the risk of oscillation of interest rates and they also meet the formal requirements for the application of hedge accounting.

The fair value of the aforementioned interest rate hedging contracts as at 30 June 2022 relates to the parent's position (+28,610 thousand euro) and TRM (-20,925 thousand euro).

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 96% 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.

In order to provide a complete understanding of the risks of interest rate fluctuations to which the Group is exposed, annually at December 31, a sensitivity analysis is conducted on net financial expense and unrealised gains/losses on derivative contracts as a result of interest rate fluctuations.

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 different customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored.

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 first half of 2022, 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 are used. 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, numerous payment methods are offered to customers through channels, including digital channels, and appropriately monitored payment plans are proposed.

The credit management policy and creditworthiness assessment tools, as well as monitoring and recovery activities, are managed through automated processes and integrated with company applications and 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 control of credit risks is 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 more frequently than every three months or when there is a specific need.

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 losses determined on a prospective basis, taking into due consideration the historical data.

In this regard, details are provided by financial statements item of the estimate of expected credit losses recognised in the year.

Current trade receivables	34,357
Non-current trade receivables	1,287
Non-current financial receivables	409
Total	36,053

Lastly, there is credit concentration with certain customers 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, CO₂ emission quotas, etc., as both purchases and sales are impacted by fluctuations in the price of such commodities directly or through indexing formulae. Currently no exposure to exchange rate risk, typical of oil-based commodities, is present, 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 normal activity with physical contracts, derivative transactions are in place to hedge the energy portfolio:

- Over the Counter (OTC) contracts on commodities (commodity swaps on TTF, PSV and PUN indices) totalling 3.6 TWh. The fair value of these instruments at 30 June 2022 was a positive 124,218 thousand euro (of which 231,001 thousand euro of fair value included in current financial assets and 106,783 thousand euro of negative fair value included in current financial liabilities).
- on the European Energy Exchange – EEX regulated platform, where derivative transactions on the PUN are in place for a total net notional amount of 0.3 TWh. The fair value of these instruments as at 30 June 2022 was a positive 64,858 thousand euro, which have a daily adjustment of their fair value in a special current account: they are not valued in the financial statements as they are already expressed in “higher/lower” cash balances.

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 hedging: the derivative and the hedged item are recognised at fair value in the statement of financial position and the change in their fair values is recognised directly in the income statement;
- cash flow hedging: the derivative is recognised at fair value with a contra entry in a specific equity reserve for the effective component of the hedge and in the income statement for the ineffective component; when the hedged item arises, the amount suspended in equity is reversed to the income statement.

Classification in the income statement of the ineffective 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: Prices listed (not adjusted) on active markets for identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

Loans and bonds

The fair value of loans, 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 relative fair value (level 1) is derived from the quotation on the regulated markets of the Irish Stock Exchange (Euronext Dublin) and on the ExtraMOT Pro market of Borsa Italiana.

Derivative hedging contracts (interest rates and commodities)

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. Their fair value is equal to the present value of estimated future cash flows. In particular:

- with regard to financial instruments hedging interest rate risk, estimates of variable-rate future cash flows are based on quoted swap rates, futures prices and interbank rates, from which the yield curve used to discount the estimated cash flows is also obtained. The fair value thus obtained is subject to Credit Risk Adjusted (CRA) to incorporate the Group's and counterparty's credit risk, with calculation parameters (probability of default and percentage of loss in the event of default) valued in accordance with best market practice;
- with regard to financial instruments hedging commodity risk, estimates of variable future cash flows are based on electricity and gas price quotations extracted from the main market platforms. Cash flows are discounted and adjusted for the credit risk component, similar to interest rate risk hedging instruments.

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 are not valued 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

30.06.2022	Carrying amount				TOTAL
	Fair value of hedging instruments	Fair Value through profit or loss	Financial assets measured at amortised cost	Other financial liabilities	
Financial assets measured at fair value					
Derivative hedging contracts (interest rates and commodities)	259,611				259,611
Variable portion of sale price of OLT Offshore LNG Toscana		25,326			25,326
Other equity investments		24,878			24,878
Total Financial assets measured at fair value	259,611	50,204	-	-	309,815
Financial assets not measured at fair value					
Trade receivables			1,126,176		1,126,176
Loan assets			241,112		241,112
Sundry assets and other assets (*)			354,007		354,007
Cash and cash equivalents			476,944		476,944
Total Financial assets not measured at fair value	-	-	2,198,239	-	2,198,239
Financial liabilities measured at fair value					
Derivative hedging contracts (interest rates and commodities)	(127,707)				(127,707)
Put options		(17,361)			(17,361)
Total Financial liabilities measured at fair value	(127,707)	(17,361)	-	-	(145,068)
Financial liabilities not measured at fair value					
Bonds				(3,322,521)	(3,322,521)
Loans				(680,581)	(680,581)
Other financial liabilities (**)				(209,194)	(209,194)
Trade payables				(1,577,158)	(1,577,158)
Sundry liabilities and other liabilities (*)				(344,017)	(344,017)
Total Financial liabilities not measured at fair value	-	-	-	(6,133,471)	(6,133,471)
TOTAL	131,904	32,843	2,198,239	(6,133,471)	(3,770,485)

(*) Accrued income and prepaid expenses are excluded

(**) Lease liabilities recognised in accordance with IFRS 16 are excluded

thousands of euro

Fair Value

30.06.2022	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value				
Derivative hedging contracts (interest rates and commodities)		259,611		259,611
Variable portion of sale price of OLT Offshore LNG Toscana			25,326	25,326
Other equity investments				-
Total Financial assets measured at fair value	-	259,611	25,326	284,937
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 (interest rates and commodities)		(127,707)		(127,707)
Put options		(8,620)	(8,741)	(17,361)
Total Financial liabilities measured at fair value	-	(136,327)	(8,741)	(145,068)
Financial liabilities not measured at fair value				
Bonds	(2,967,183)			(2,967,183)
Loans		(654,263)		(654,263)
Other financial liabilities (**)				-
Trade payables				-
Sundry liabilities and other liabilities (*)				-
Total Financial liabilities not measured at fair value	(2,967,183)	(654,263)	-	(3,621,446)
TOTAL	(2,967,183)	(530,979)	16,585	(3,481,577)

The non-current portion of “Financial assets at fair value” includes at Level 3 the receivable relating to the variable portion of the sale price of OLT Offshore LNG Toscana, amounting to 25,326 thousand euro as at 30 June 2022, 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, a sensitivity on the fair value of this item is reported, expressing the change in it when the expected profitability and discount rate increase/decrease by one percentage point.

	thousands of euro	
	+1%	-1%
Profitability (flows)	1,009	(974)
Discount rate	(1,508)	1,623

Again with reference to Level 3, the item “Put options” includes the estimated liability relating to the option provided to the non-controlling shareholder CSAI to sell to Iren Ambiente Toscana the equity investment, or part of it, held in Valdarno Ambiente. This liability was determined with reference to the estimated value of the equity investments held by Valdarno Ambiente itself, taking their prospective profitability as a basis.

In this regard, a sensitivity on the fair value of this item is reported, expressing the change in it when the expected profitability and discount rate increase/decrease by one percentage point.

	thousands of euro	
	+1%	-1%
Profitability (flows)	(148)	148
Discount rate	627	(699)

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

31.12.2021	Carrying amount				TOTAL
	Fair value of hedging instruments	Fair Value through Profit or Loss	Financial assets measured at amortised cost	Other financial liabilities	
Financial assets measured at fair value					
Derivative hedging contracts (interest rates and commodities)	169,451				169,451
Variable portion of sale price of 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 (interest rates 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)
Loans				(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)

(*) Accrued income and prepaid expenses are excluded

(**) Lease liabilities recognised in accordance with IFRS 16 are excluded

thousands of euro

31.12.2021	Fair Value			TOTAL
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Derivative hedging contracts (interest rates and commodities)		169,451		169,451
Variable portion of sale price of 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 (interest rates 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)
Loans		(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)

VI. 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 Group'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 context, on 30 June 2022, an agreement was signed between the Municipality of Turin and Iren Smart Solutions for the plant and building upgrading aimed at improving the energy efficiency of 800 buildings in the Municipality of Turin, which will be added to the work carried out in recent years on the city's public lighting systems and the heating systems of numerous municipal-owned buildings.

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.

The Group, through Iren Mercato, provides to the Municipalities of Reggio Emilia, Parma, Piacenza and Turin commercial supplies of energy vectors, mostly 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:

- sale of electricity and the work related to the integrated water service provided to AMTER;
- sale of electricity and gas to Asti Servizi Pubblici and electricity to SEI Toscana;
- waste collection and disposal services, including special waste, for GAIA, SETA and SEI Toscana, which operate in the collection sector;
- 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 related party transactions is provided in section “XIII. Annexes to the Condensed Interim 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.

Disclosure pursuant to Art. 5.8 and 5.9 CONSOB Regulation

At its meeting on 29 March 2022, the RPTC

- received an information update with reference to the transaction, of lesser importance, relating to the signing of (i) the “Corporate Services” service contract between TRM S.p.A. and IREN S.p.A. and (ii) the “Environmental Services and Technical Supervision” service contract between TRM S.p.A. and IREN Ambiente S.p.A. (hereinafter, for the sake of brevity, the “Service Contracts”), an operation on which the Committee expressed/confirmed its positive opinion at the meeting held on 22 October 2021; in particular, it was confirmed at that meeting, for the benefit of the Committee, that the medium-term amendments made to the texts of the Service Contracts, in any case arising from the discussions with ATO-R and with the lawyers assisting the banks financing TRM S.p.A., do not take on a substantial nature;
- received an update with respect to the most significant transaction concerning the above-mentioned Project Financing Buildings of the Municipality of Turin, with particular reference to the awarding (at the time provisional) to Iren Smart Solutions S.p.A. (proponent) of the open procedure published by the Municipality of Turin for the awarding of concessions, by means of Project Financing, pursuant to art. 183, par. 15, of Legislative Decree no. 50 of 18 April 2016, of the plant and energy requalification activity aimed at improving the efficiency of the buildings owned by the same Municipality of Turin, including management and maintenance; with reference to this transaction, on 16 June 2022, the relevant Information Document was made available to the public at the Company Headquarters and at Borsa Italiana S.p.A.;
- received a focus on the situation of receivables from Iren S.p.A.’s Related Parties as at 31 December 2021.

During the meeting held on 12 April 2022, the RPTC examined the Transaction, between IREN S.p.A. and Iren Smart Solutions S.p.A, concerning the payment to the Related Party, the Municipality of Turin, of a contribution in the form of works and services, for an amount of 1 million euro (VAT excluded) for the setting up of the marquee (Press Center) in front of Pala Alpitour and related facilities on the occasion of the event of international importance Eurovision Song Contest 2022, expressing its favourable opinion pursuant to article 9 of the RPT Procedure as to the interest for the IREN Group and, in particular, for the above-mentioned companies, to carry out the Transaction as well as to the “cost effectiveness” and the substantial “correctness” of the relevant terms and conditions.

Finally, it should be noted that during the first half of 2022, the conditions did not occur for the Remuneration and Appointments Committee to exercise the functions assigned to it pursuant to the RPT Procedure.

In fact, the transactions submitted to the Committee during the period benefited from cases of exclusion from the application of the RPT Procedure itself.

VII. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Acquisition of Società dell'Acqua Potabile (SAP)

Following an agreement signed at the end of April, the acquisition of 100% of Società dell'Acqua Potabile S.r.l. ('SAP') from Siram S.p.A., a company of the French Veolia group, became effective on 1 July 2022.

SAP manages water service in the Genoa Metropolitan City municipalities of Sestri Levante, Casarza Ligure, and Ne, with expirations of the relevant agreements between 2023 and 2027, in addition to Carasco and Moneglia, whose agreements are currently being extended. With reference to these areas, the company serves a total of about 34 thousand inhabitants for the waterworks service and about 11 thousand inhabitants for sewerage and purification services. The company also holds 49% of Egua S.r.l., which manages the water service in the municipality of Cogorno, whose concession expires in 2029. The Enterprise Value of the transaction is 10 million euro.

The transaction effectively anticipates the Ireti takeover of the management of concessions intended for it as the sole operator of the area of reference, making it possible to initiate in advance actions aimed at achieving significant synergies with other operations already exercised in neighbouring territories.

Underwriting a third Sustainability Linked loan

On 1 July 2022, a 6-year term loan facility was finalised with BPER Banca for 100 million euro, in addition to the Sustainability Linked loans signed in April and May with Intesa San Paolo and Cassa Depositi e Prestiti, respectively, to support the investments envisaged in the Business Plan and related to the sustainability objectives outlined in the Sustainable Financing Framework.

Thanks to this loan, the total amount of ESG-linked loans signed in 2022 thus stands at 400 million euro.

Acquisition of control of SEI Toscana

On 1 July 2022, the Group acquired control of the investee SEI Toscana S.r.l., the company that manages the integrated municipal waste service of the ATO "Toscana Sud", for a total of over one hundred municipalities served in the provinces of Arezzo, Grosseto, Siena and Livorno.

The acquisition of control follows the entry into force of the amendments to SEI Toscana articles of association concerning governance structures, and comes after the transactions that led Iren Ambiente Toscana to hold, in the first half of 2022, directly 41.77% of the company and 16.57% through Valdarno Ambiente and CRCM.

Acquisition of ready-to-build projects of photovoltaic plants

On 22 July 2022, Iren S.p.A. signed binding agreements for the acquisition, through its subsidiary Iren Green Generation, of authorisations and land rights for the development of two photovoltaic plants with a total capacity of 29.9 MW located in southern Italy, for a production of approximately 50 GWh per year.

The acquisition price of the authorisations is equal to a total of 6.1 million euro.

VIII. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions

Solidarity Contribution (DL 21/2022 – DL 50/2022)

The item “Income taxes” in the first half of 2022 includes 30,479 thousand euro for the effects of the extraordinary solidarity levy, introduced by article 37 of Decree-Law No. 21/2022 (“Ukraine” decree), as amended by article 55 of Decree-Law No. 50/2022 (“Aiuti” decree), for companies operating in the production and marketing of energy products (electricity, natural gas, methane gas and oil products). In particular, the legislator has provided for a levy of 25% to be applied to a taxable base resulting from the comparison of the balances of the total amount of active and passive transactions disclosed in the periodic VAT returns (LIPE) for the periods 1 October 2020 – 30 April 2021 and 1 October 2021 – 30 April 2022.

Two-way energy price compensation mechanism (DL 4/2022)

The item “Other operating expenses” in the first half of 2022 includes 10,826 thousand euro for the effect of the introduction of the provisions of Legislative Decree 4/2022 (“Sostegni Ter”). In particular, the Decree 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.

In the first half of 2021, the Iren Group had benefited from the option on the realignment of accounting and tax values 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 IAS-adopters and OIC-adopters the possibility of opting for the realignment of the (lower) tax values to the (higher) carrying amounts of certain items of 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 a net tax benefit of 32,258 thousand euro in the first half of 2021.

Positions or transactions deriving from atypical and/or unusual transactions

It is noted that in the first half of 2022, 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.

IX. NOTES TO 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 30/06/2022	Accumulated depreciation as at 30/06/2022	Carrying amount as at 30/06/2022	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021
Land	154,502	(7,622)	146,880	147,651	(7,150)	140,501
Buildings	854,484	(332,259)	522,225	817,303	(316,619)	500,684
Plant and machinery	5,986,329	(3,136,953)	2,849,376	5,749,894	(3,011,238)	2,738,656
Industrial and commercial equipment	179,839	(133,216)	46,623	175,220	(128,755)	46,465
Other assets	330,357	(222,496)	107,861	330,823	(217,194)	113,629
Assets under construction and payments on account	418,104	-	418,104	397,651	-	397,651
Total	7,923,615	(3,832,546)	4,091,069	7,618,542	(3,680,956)	3,937,586

Changes in the historical cost of property, plant and equipment, including right-of-use assets, are as follows:

	thousands of euro					
	31/12/2021	Increases	Decreases	Change in consolidation scope	Reclassifications	30/06/2022
Land	147,651	382	(242)	6,711	-	154,502
Buildings	817,303	10,415	(543)	23,264	4,045	854,484
Plant and machinery	5,749,894	78,842	(102)	99,595	58,100	5,986,329
Industrial and commercial equipment	175,220	4,960	(867)	481	45	179,839
Other assets	330,823	9,858	(4,635)	586	(6,275)	330,357
Assets under construction and payments on account	397,651	76,013	(103)	986	(56,443)	418,104
Total	7,618,542	180,470	(6,492)	131,623	(528)	7,923,615

The change in accumulated depreciation of property, plant and equipment, including right-of-use assets, is as follows:

	thousands of euro					
	31/12/2021	Depreciation for the year	Decreases	Change in consolidation scope	Reclassifications	30/06/2022
Land	(7,150)	(472)	-	-	-	(7,622)
Buildings	(316,619)	(14,568)	537	(1,601)	(8)	(332,259)
Plant and machinery	(3,011,238)	(113,568)	76	(6,302)	(5,921)	(3,136,953)
Industrial and commercial equipment	(128,755)	(4,749)	701	(407)	(6)	(133,216)
Other assets	(217,194)	(15,475)	4,403	(323)	6,093	(222,496)
Total	(3,680,956)	(148,832)	5,717	(8,633)	158	(3,832,546)

The column “change in consolidation scope” refers to the balances acquired during the first half of the year relating to the companies of the Iren Green Generation Group (formerly Puglia Holding), CRCM, Alegas and Valle Dora Energia.

The balance of the “reclassifications” column refers mainly to net transfers from property, plant and equipment to intangible assets of items that 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.

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 development and payments on account

Assets under construction include all expenses incurred for investments in progress and not yet in operation. This mainly refers to the repowering of the Turbigio thermoelectric power plant (171,327 thousand euro), the FORSU plant in Reggio Emilia (39,711 thousand euro), the wood treatment and recycling plant in Vercelli (30,839 thousand euro), the thermal energy storage systems in Turin (22,406 thousand euro) and the plastic sorting plant in Borgaro (TO) (22,018 thousand euro).

Increases

The increases in the period, of 180,470 thousand euro, mainly refer to:

- investments in thermoelectric and hydroelectric plants of 45,381 thousand euro;
- development of the district-heating network and new connections to the network, including heat exchange substations, meters and remote reading appliances, for 15,677 thousand euro;
- investments in the electricity distribution grids, including primary substations, of 23,793 thousand euro;
- investments in the gas networks not in a concession arrangement in accordance with the provisions of IFRIC 12 of 5,477 thousand euro;
- investments for collection and disposal in the waste management sector for 61,577 thousand euro.

Depreciation and amortisation

Ordinary depreciation and amortisation for the first half of 2022, amounting to 148,832 thousand euro, were calculated on the basis of the rates in the 2021 annual financial statements and deemed representative of the residual useful life of the assets.

Finally, no assets are pledged against liabilities.

Rights of use - IFRS 16

IFRS 16 provides for the 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 30/06/2022	Accumulated depreciation as at 30/06/2022	Carrying amount as at 30/06/2022	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021
Land	9,523	(2,050)	7,473	9,380	(1,680)	7,700
Buildings	33,907	(8,016)	25,891	29,177	(7,659)	21,518
Plant and machinery	3,977	(335)	3,642	1,816	(223)	1,593
Industrial and commercial equipment	816	(694)	122	731	(567)	164
Other assets	17,626	(9,537)	8,089	17,677	(8,789)	8,888
Total	65,849	(20,632)	45,217	58,781	(18,918)	39,863

The variation in the historical cost of right-of-use assets, is as follows:

	thousands of euro					
	31/12/2021	Increases	Decreases	Change in consolidation scope	Other changes	30/06/2022
Land	9,380	143	-	-	-	9,523
Buildings	29,177	4,952	(518)	1,620	(1,324)	33,907
Plant and machinery	1,816	2,161	-	-	-	3,977
Industrial and commercial equipment	731	85	-	-	-	816
Other assets	17,677	1,673	(1,697)	136	(163)	17,626
Total	58,781	9,014	(2,215)	1,756	(1,487)	65,849

The change in the accumulated depreciation of right-of-use assets is as follows:

	thousands of euro				
	31/12/2021	Depreciation of the period	Decreases	Other changes	30/06/2022
Land	(1,680)	(370)	-	-	(2,050)
Buildings	(7,659)	(1,970)	518	1,095	(8,016)
Plant and machinery	(223)	(112)	-	-	(335)
Industrial and commercial equipment	(567)	(127)	-	-	(694)
Other assets	(8,789)	(2,354)	1,443	163	(9,537)
Total	(18,918)	(4,933)	1,961	1,258	(20,632)

Finally, it should be noted that the net amount of 229 thousand euro, reported under “Other changes” in the context of right-of-use assets, refers to assets acquired in the first half of 2022 and that were previously held under leases.

NOTE 2_ INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

	thousands of euro					
	Cost as at 30/06/2022	Accumulated depreciation as at 30/06/2022	Net book value at 30/06/2022	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Net book value at 31/12/2021
Land	645	-	645	645	-	645
Buildings	3,979	(2,195)	1,784	3,972	(2,161)	1,811
Total	4,624	(2,195)	2,429	4,617	(2,161)	2,456

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 30/06/2022	Accumulated amortisation as at 30/06/2022	Carrying amount as at 30/06/2022	Cost as at 31/12/2021	Accumulated amortisation as at 31/12/2021	Carrying amount as at 31/12/2021
Development expenditure	13,881	(7,679)	6,202	13,816	(6,416)	7,400
Industrial patents and intellectual property rights	268,703	(159,546)	109,157	225,748	(141,624)	84,124
Concessions, licences, trademarks and similar rights	3,470,636	(1,429,733)	2,040,903	3,399,490	(1,373,803)	2,025,687
Other intangible assets	542,937	(264,953)	277,984	594,641	(235,261)	359,380
Assets under development and payments on account	194,543	-	194,543	190,045	-	190,045
Total	4,490,700	(1,861,911)	2,628,789	4,423,740	(1,757,104)	2,666,636

The change in the historical cost of intangible assets is as follows:

	thousands of euro						
	31/12/2021	Increases	Decreases	Change in consolidation scope	Reclassifications	Impairment losses	30/06/2022
Development expenditure	13,816	50	-	15	-	-	13,881
Industrial patents and intellectual property rights	225,748	15,279	(22)	8	27,690	-	268,703
Concessions, licences, trademarks and similar rights	3,399,490	53,481	(391)	219	18,725	(888)	3,470,636
Other intangible assets	594,641	88,030	(143,177)	2,748	695	-	542,937
Assets under development and payments on account	190,045	52,132	(1,056)	4	(46,582)	-	194,543
Total	4,423,740	208,972	(144,646)	2,994	528	(888)	4,490,700

Changes in the accumulated amortisation of intangible assets are shown in the following table:

	31/12/2021	Amortisation for the year	Decreases	Change in consolidation scope	Reclassifications	30/06/2022
Development expenditure	(6,416)	(1,247)	-	(16)	-	(7,679)
Ind. Patents and intellectual property rights	(141,624)	(17,973)	22	(3)	32	(159,546)
Licences, trademarks and similar rights	(1,373,803)	(56,157)	391	(213)	49	(1,429,733)
Other intangible assets	(235,261)	(27,342)	-	(2,111)	(239)	(264,953)
Total	(1,757,104)	(102,719)	413	(2,343)	(158)	(1,861,911)

thousands of euro

The column “Changes in consolidation scope” refers to the purchase balances during the half-year relating to the companies CRCM and Alegas.

The balance of the “Reclassifications” column refers mainly to net transfers from property, plant and equipment to intangible assets of items that fall within the scope of application of IFRIC 12.

The increases in the item “Other intangible assets” refer mainly to the purchases of CO2 emission quotas (Emission Trading) and the capitalisation of costs for commercial development of customers, while the decreases refer to the cancellation of the emission quotas for the fulfilment of the related obligation.

The net carrying amount of other intangible assets at the end of the half-year includes 121,551 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 (Emission Trading) 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, Alfa Solutions, Spezia Energy Trading and Sidiren;
- development of the environmental authorisations for the operation of the biodigester and recovery plants which took place when the purchase price was allocated for the acquisition of control of Ferrania Ecologia, Territorio e Risorse, I.Blu, Manduriambiente and TB.

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 282,008 thousand euro (193,739 thousand euro at 31 December 2021), in the first half of 2022 showed an increase of 88,269 thousand euro following the acquisitions (business combinations) carried out by the Group during the period and detailed below.

	thousands of euro
Goodwill as at 31.12.2021 Restated	193,739
Acquisition of Iren Green Generation Group (formerly Puglia Holding) – Energy CGU	66,828
Acquisition C.R.C.M. – Waste Management CGU	426
- Acquisition Alegas – Market CGU	20,537
Acquisition of Valle Dora Energia – Energy CGU	478
Goodwill as at 30.06.2022	282,008

It should be noted that during the first half of 2022, the fair value of the identifiable assets acquired and liabilities assumed relating to the acquisition of control of Sidiren was definitively determined. The provisional amounts accounted for in the 2021 financial statements have been restated. Reference should be made to Chapter 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 making reference 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 consistent analysis of information communicated to the market.

The table below shows the allocation of goodwill to the Cash Generating Units.

	31/12/2021 Restated	Increases Business Combinations	thousands of euro 30/06/2022
Waste Management	24,020	426	24,446
Energy	8,590	67,306	75,896
Market	50,993	20,537	71,530
Networks	110,136	-	110,136
Total	193,739	88,269	282,008

Waste Management Cash Generating Unit

Goodwill of 24,446 thousand euro refers mainly to the:

- acquisition of control over CRCM in April 2022 (426 thousand euro);
- acquisition of control over Futura in March 2021 (4,115 thousand euro);
- acquisition of control over the companies operating in the waste management business unit acquired from Unieco in November 2020 (9,385 thousand euro);
- acquisition of control over Ferrania Ecologia 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) 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).

Energy Cash Generating Unit

Goodwill of 75,895 thousand euro refers mainly to the:

- acquisition of control in June 2022 over Valle Dora Energia (478 thousand euro);
- acquisition of control in February 2022 of the Puglia Holding Group (now Iren Green Generation) (66,828 thousand euro);
- acquisition of control in December 2021 of Bosch Energy and Building Solutions Italy, 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, then operator of 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 (3,544 thousand euro);
- Heat Service Management business unit transferred in 2017 from the Market Cash Generating Unit to the Energy Cash Generating Unit (948 thousand euro).

Market Cash Generating Unit

Goodwill, of 71,531 thousand euro refers mainly to the:

- acquisition of control over Alegas in April 2022 (20,537 thousand euro);
- acquisition of control over Sidiren in July 2021 (18,533 thousand euro);
- acquisition of control of Spezia Energy Trading 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;
- equity interest in Enia 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;

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 electricity to captive customers in the Municipality of Turin (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;

As mentioned in section I "Basis of Preparation " of this report, during the first half of 2022, in accordance with IAS 36, the Group verified the non-existence of specific impairment triggers with particular reference to goodwill. In particular, this test took into account a sensitivity to changes in macroeconomic, energy and regulatory scenarios on the Impairment Test carried out at 31 December 2021.

This sensitivity test was carried out on:

- discounted cash flow rates (WACCs) and the related risk free rate and interest rate components, which resulted in an average increase in the WACCs referred to the Cash Generating Units of 0.3% compared to the WACCs used in the Impairment exercise carried out at 31 December 2021;
- by varying, with a view to a simulative stress test, certain determinants of prospective cash flows: expected inflation, with an effect on operating expenses, certain energy scenario data, an increase in net working capital and the rate of return on regulated sectors.

The results of the aforementioned sensitivity analysis confirmed that the value in use of the Cash Generating Units exceeds their carrying amount, although a decrease of roughly 20% in the loss allowances was indicated.

These considerations, together with the absence of other indicators such as technological and operational deterioration or significant changes in the use of assets, as well as the indication of Iren's stock market capitalisation at 30 June 2022 being higher than the Group's Equity at the same date, led to the conclusion that there are no trigger events at 30 June 2022, and therefore there is no need to perform an Impairment Test at 30 June 2022.

NOTE 5_EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments are investments in companies in which the Group has joint control or exercises 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 30 June 2022 is attached.

Changes in the half-year are shown in the following tables:

Equity investments in joint ventures

	31/12/2021	Increases (Decreases)	Change in consolidation scope	Change in profit or loss	Change in equity	Dividend distribution	30/06/2022
Acque Potabili	8,015	-	-	75	-	-	8,090
TOTAL	8,015	-	-	75	-	-	8,090

thousands of euro

On 31 May 2021, the company Acque Potabili was put into liquidation.

Equity investments in associates

	31/12/2021	Increases (Decreases)	Change in consolidation scope	Change in profit or loss	Change in equity	Dividend distribution	thousands of euro 30/06/2022
A2A Alfa	-	-	-	-	-	-	-
Acos	13,758	-	-	342	-	-	14,100
Acos Energia	1,168	-	-	72	-	(225)	1,015
Acquaenna	4,277	-	-	144	-	-	4,421
Aguas de San Pedro	15,876	-	-	388	1,331	(378)	17,217
Aiga	-	-	-	-	-	-	-
Amat	-	-	-	-	-	-	-
Amter	1,077	-	-	65	-	(127)	1,015
Arienes	-	21	-	-	-	-	21
Asa	39,848	-	-	1,226	-	-	41,074
Asa scpa	1,197	-	-	-	-	-	1,197
Astea	25,726	-	-	324	-	(341)	25,709
Asti Servizi Pubblici	17,552	-	-	365	67	(204)	17,780
Barricalla	14,970	-	-	455	-	(840)	14,585
BI Energia	378	-	-	8	-	-	386
Centro Corsi S.r.l.	25	-	-	-	-	-	25
CSA	596	(190)	-	(37)	-	-	369
CSAI	3,474	-	-	312	110	-	3,896
Fingas	-	-	-	-	-	-	-
Fratello Sole Energie Solidali	256	-	-	-	-	-	256
G.A.I.A.	14,830	-	-	52	-	-	14,882
Global Service	6	-	-	-	-	-	6
Iniziative Ambientali	487	-	-	9	-	-	496
Mondo Acqua	745	-	-	-	-	-	745
Nove	-	-	-	-	-	-	-
Rimateria	-	-	-	-	-	-	-
SEI Toscana	14,319	28,127	-	(677)	(3)	-	41,766
SETA	12,459	-	-	172	-	(334)	12,297
Sienambiente	19,512	-	-	974	-	-	20,486
Sinergie Italiane	-	-	-	-	-	-	-
STU Reggiane	5,235	-	-	(28)	-	-	5,207
Tirana Acque	-	-	-	-	-	-	-
Valle Dora Energia	1,553	1,560	(4,539)	1,622	-	(196)	-
TOTAL	209,324	29,518	(4,539)	5,788	1,505	(2,645)	238,951

The increases in the investment in SEI Toscana refer to:

- acquisition of 6.80% of the shares in April (2,066 thousand euro);
- shares (16.57%) held by the companies Valdarno Ambiente and CRCM, which are fully consolidated from April (6,262 thousand euro);
- subscription of the capital increase resolved by the company (19,799 thousand euro).

For the investee Valle Dora Energia, the change in the consolidation scope relates to the acquisition of control and the consequent full consolidation of the company.

The amounts in the column Change in equity are mainly due to exchange rate differences (Aguas de San Pedro).

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 carried at cost.

The list of other Group equity investments as at 30 June 2022 is attached in the annex.

Changes in the half-year are shown in the following tables:

	31/12/2021	Increases	(Decreases)	30/06/2022
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
Romeo Gas Spa	-	16,406	-	16,406
Others	777	8	(5)	780
TOTAL	8,469	16,414	(5)	24,878

Following the award of the tender in December 2021, on 1 April 2022, through Romeo Gas S.p.A., the consortium formed by Ascopiave (58%), ACEA (28%), and Iren (14%) finalised the closing of the agreement with the A2A Group for the acquisition of assets in the natural gas distribution service.

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. Among the assets in question, the Iren perimeter of interest consists of concessions in 4 ATEMs, 1 of which in Lombardy and 3 in Emilia Romagna, for a total of approximately 12,000 PDR.

NOTE 7_NON-CURRENT CONTRACT ASSETS

Non-current contract assets, net of the related impairment losses, total 103,487 thousand euro (77,262 thousand euro at 31 December 2021) 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 (79,587 thousand euro as at 30 June 2022, 55,226 thousand euro as at 31 December 2021);
- 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 assets (18,431 thousand euro as at 30 June 2022, 17,805 thousand euro as at 31 December 2021) 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 (5,469 thousand euro as at 30 June 2022, 4,230 thousand euro as at 31 December 2021).

The following table summarises the values of assets (non-current and current) and liabilities arising from contracts with customers in order to provide information on the net position.

thousands of euro

	30/06/2022	31/12/2021
Non-current contract assets	103,487	77,262
Current contract assets	125,439	46,391
Current contract liabilities	(76,891)	(89,262)
Total	152,035	34,391

NOTE 8_NON-CURRENT TRADE RECEIVABLES

These receivables, which are affected by discounting, amounted to 19,461 thousand euro (20,824 thousand euro at 31 December 2021) 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 (18,565 thousand euro at 30 June 2022, 18,753 thousand euro at 31 December 2021). 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 143,912 thousand euro (131,766 thousand euro as at 31 December 2021) mainly consists of loan assets and derivatives with a positive fair value. These are detailed in the following table.

thousands of euro

	30/06/2022	31/12/2021
Non-current loan assets with associates	14,886	37,467
Non-current loan assets with related-party shareholders	37,258	34,801
Non-current loan assets with others	37,759	32,676
Fair value of derivatives – non-current portion	28,610	2,024
Securities other than equity investments	73	73
Other financial assets	25,326	24,725
Total	143,912	131,766

Non-current loan assets with associates

They refer mainly to amounts due from Sinergie Italiane (2,909 thousand euro), Acos (5,417 thousand euro), Acquaenna (3,832 thousand euro) and SEI Toscana (2,688 thousand euro).

As at 31 December 2021, there was also an amount due from Valle Dora Energia (22,562 thousand euro), which, as of June 2022, became a subsidiary and therefore fully consolidated.

Non-current loan assets with related-party shareholders

Amounting to 37,258 thousand euro (34,801 thousand euro as at 31 December 2021), 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 (4,634 thousand euro); The current account agreement runs until 31 December 2036 and the interest accruing on the balance is calculated based on the actual average cost incurred by the Iren Group for its financial exposure;
- the 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 in the city of Turin, for the non-current portion (32,624 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 receivables form part of an overall position, totalling 133,095 thousand euro, and are divided among various accounting items according to their classification by type and expiry 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.

Receivables were divided by the directors between current portion and non-current portion on the basis of a forecast of their collection times also following the results of the agreement signed by the Municipality of Turin and the Iren Group during financial year 2018.

	thousands of euro	
	30/06/2022	31/12/2021
Non-current trade receivables	18,565	18,753
Invoices issued for services	37,191	71,748
Invoices to be issued for services	27,565	6,923
Supply of heating and other	7,494	5,830
Loss allowance	(234)	(176)
Total current trade receivables	72,016	84,325
Non-current portion of current account assets	4,634	2,904
Non-current portion of service concession financial assets	33,033	31,898
Loss allowance	(409)	-
Total non-current financial assets	37,258	34,802
Current portion of current account assets	-	1,223
Current portion of accrued interest income	1,350	3,364
Current portion of service concession financial assets	3,906	2,980
Total current financial assets	5,256	7,567
Total	133,095	145,447

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;
- receivables 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.
- receivables relating to the payment made by the Group deriving from a commercial agreement with European Energy that provides for the possibility to exercise rights to invest, over an exclusive period, in certain photovoltaic assets under development, with a total installed capacity of 437.5 MW.

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 (unchanged compared to 31 December 2021) and relate to securities given as collateral and measured at amortised cost.

Other financial assets

The item amounted to 25,326 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	
	30/06/2022	31/12/2021
Guarantee deposits	3,828	3,954
Tax assets after 12 months	26,954	23,243
Other non-current assets	5,729	6,696
Non-current accrued income and prepaid expenses	3,535	3,274
Total	40,046	37,167

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 refund have been made.

Tax assets for deductions on work carried out to improve the energy efficiency of buildings (ecobonus) classified as long-term will be used by the Group to offset taxes due for 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.

NOTE 11_DEFERRED TAX ASSETS

They amounted to 455,692 thousand euro (427,572 thousand euro as at 31 December 2021) 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.

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	
	30/06/2022	31/12/2021
Raw materials	197,989	119,001
Provision for inventory write-down	(7,721)	(7,189)
Net book value	190,268	111,812

The change in raw material inventories for the period was mainly due to increases in the value of gas inventories resulting mainly from the increase in raw material prices.

The provision for inventory write-down was set up and used to cover inventories that are technically obsolete and slow-moving.

At 30 June 2022, no inventories were pledged against liabilities.

NOTE 13_CURRENT CONTRACT ASSETS

Current contract assets, net of the loss allowance of 205,000 euro (unchanged from 31 December 2021), amounted to 125,439 thousand euro (46,391 thousand euro as at 31 December 2021) and mainly related to activities performed to improve the energy efficiency of buildings.

NOTE 14_TRADE RECEIVABLES

These are as follows:

	thousands of euro	
	30/06/2022	31/12/2021
Trade receivables from customers	1,250,555	1,179,250
Trade receivables from joint ventures	121	114
Trade receivables from associates	20,398	16,712
Trade receivables from related-party shareholders	99,400	103,434
Trade receivables from other related parties	5,028	3,928
Total gross trade receivables	1,375,502	1,303,438
Loss allowance	(268,787)	(239,512)
Total	1,106,715	1,063,926

As at 30 June 2022, factoring transactions were completed with derecognition of the receivables for a total of 28,245 thousand euro (77,718 thousand euro as at 31 December 2021).

Trade receivables, gross of the loss allowance, are broken down by due date as follows:

	thousands of euro	
	30/06/2022	31/12/2021
Not yet due	987,966	900,585
0 to 3 months past due	128,980	131,850
3 to 12 months past due	99,249	108,359
More than 12 months past due	159,307	162,644
Total	1,375,502	1,303,438

Receivables not past due include receivables for invoices to be issued of 486,865 thousand euro (545,866 thousand euro at 31 December 2021), 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.

Receivables from customers

These mainly relate to amounts due for electricity, gas, water and heat supplies, waste management services and sundry services.

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.

Receivables from related-party shareholders

Receivables from related-party shareholders 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.

Receivables from other related parties

These regard receivables from the companies controlled by the territorial body owners (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and refer to normal commercial transactions carried out at arm's length.

Loss allowance

This changed as follows:

	thousands of euro				
	31/12/2021	Increases in the period	Decreases	Change in consolidation scope	30/06/2022
Loss allowance	239,512	34,357	(18,567)	13,485	268,787

The increases in the period were set aside to adjust the loss allowance to the amount of expected credit losses on the basis of the simplified model provided for in the standard IFRS 9, where "loss" means the present value of all cash shortfalls, adjusted to consider forward looking information. Decreases for the period included releases of 733 thousand euro, reclassifications to non-current trade receivables of 1,749 thousand euro and utilisations of 16,085 thousand euro.

NOTE 15_CURRENT TAX ASSETS

These amounted to 9,439 thousand euro (7,114 thousand euro as at 31 December 2021) and include receivables from the tax authority for IRES and IRAP.

NOTE 16_SUNDRY ASSETS AND OTHER CURRENT ASSETS

These are as follows:

	thousands of euro	
	30/06/2022	31/12/2021
Government land tax/UTIF	6,536	3,537
VAT assets	36,776	46,692
Other tax assets	103,726	160,581
Tax assets within 12 months	147,038	210,810
Cassa Servizi Energetici e Ambientali (CSEA)	47,858	39,927
Green certificates	31,791	31,109
Advances to suppliers	18,138	14,260
Other current assets	72,590	59,363
Other current assets	170,377	144,659
Accrued income and prepaid expenses	48,782	29,592
Total	366,197	385,061

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 90,036 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 asset to be realised through transfers to financial intermediaries. The decrease in this item compared to 31 December 2021 is mainly due to the assignment of tax credits for Ecobonus and Superbonus.

The companies that take part in the VAT Group for 2022, 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, 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., Rigenera Materiali S.r.l, Unieco Holding Ambiente Srl, Manduriambiente S.p.A., Scarlino Immobiliare S.r.l., Iren AmbiENTE Toscana S.p.A., TB S.p.A., Produrre Pulito S.r.l., Futura S.p.A., Borgo Ambiente S.c.r.l., Picena Depur S.r.l., Uniproject S.r.l., Iblu S.r.l., Iren Ambiente Parma S.r.l., Iren Ambiente Piacenza S.r.l. and Asti Energia e Calore S.p.A.

In relation to receivables from the Cassa Servizi Energetici e Ambientali (CSEA) a portion of the amounts shown may not be recoverable within the next 12 months.

NOTE 17_CURRENT FINANCIAL ASSETS

These are as follows:

	thousands of euro	
	30/06/2022	31/12/2021
Loan assets with associates	3,609	2,786
Loan assets with related-party shareholder Municipalities	5,256	7,568
Loan assets with others	142,271	194,944
Current portion of derivative financial instruments	231,001	167,426
Total	382,137	372,724

All loan assets recognised in this item are due within 12 months. The carrying amount of these receivables approximates their *fair value* as the impact of discounting is negligible.

Loan assets with associates

This item refers mainly to loans to Acquaenna (409 thousand euro), BI Energia (800 thousand euro) and STU Reggiane (456 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 related-party shareholder Municipalities

These regard amounts due from the Municipality of Turin, on which interest accrues in favour of the Group, and amounted to 5,256 thousand euro (7,568 thousand euro as at 31 December 2021), and are related to relationships between the subsidiaries AMIAT 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 9 "Non-current financial assets".

Loan assets with others

Most of the amount refers to deposits paid as security for transactions on commodities futures markets (35,460 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 restriction of amounts to service the instalment due, environmental compensation charges and extraordinary maintenance of the waste-to-energy plant (35,191 thousand euro). The remaining balance consists of receivables arising from the implementation of the financial asset model provided by IFRIC 12 for the water purification service acquired in the Marche region, the advance for the purchase of the investment in Società dell'Acqua Potabile (SAP), receivables deriving from the sale of tax positions for Superbonus, accrued income and deferred charges of a financial nature and financial lease receivables.

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	
	30/06/2022	31/12/2021
Bank and postal deposits	476,625	606,787
Cash and similar on hand	319	101
Total	476,944	606,888

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.

Please refer to the Statement of Cash Flows for details of the changes during the period under review.

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 (unchanged compared to 31 December 2021). This item relates:

- for 987 thousand euro (unchanged from 31 December 2021), to 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 2021), to the associate Piana Ambiente.

In addition, assets held for sale include the equity investment in Fata Morgana, already fully impaired in previous years.

LIABILITIES

NOTE 20_EQUITY

Equity may be analysed as follows:

	thousands of euro	
	30/06/2022	31/12/2021
Share capital	1,300,931	1,300,931
Reserves and retained earnings	1,114,448	966,512
Profit for the period/year	133,318	302,935
Total equity attributable to the owners of the parent	2,548,697	2,570,378
Capital and reserves attributable to non-controlling interests	365,377	349,747
Profit attributable to non-controlling interests	19,323	30,229
Total consolidated equity	2,933,397	2,950,354

Share capital

The share capital, unchanged compared to 31 December 2021 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.

In 2020 and 2021, following the relative shareholders' resolutions, the Company purchased treasury shares for a total of 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".

Reserves and Retained Earnings

The breakdown of this item is as follows:

	thousands of euro	
	30/06/2022	31/12/2021
Treasury shares	(38,690)	(38,690)
Share premium reserve	133,019	133,019
Legal reserve	98,159	87,216
Hedging reserve	(23,991)	(14,465)
Other reserves and retained earnings	945,951	799,432
Total reserves	1,114,448	966,512

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.

In the first half of 2022, they changed owing mainly to the carrying forward of the profits of 2021 not distributed (157,269 thousand euro).

Dividends

At their Ordinary Meeting on 21 June 2022, the Shareholders of Iren S.p.A. approved the Parent's separate financial statements at 31 December 2021 and the Directors' Report, and resolved to distribute a dividend of 0.105 euro per ordinary share, confirming the proposal made by the Board of Directors. The dividend was payable as of 20 July

2022, with ex-dividend date on 18 July 2022. At the ex-dividend date, the number of outstanding shares was 1,283,075,732 and, consequently, the total amount of dividends distributed was 134,722,951.86 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 involves maintaining a high level of capital to uphold relations of trust with investors, creditors and the market, and also allowing future business development.

The Board of Directors monitors the return on capital and the level of dividends for distribution to 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 3,656,232 thousand euro (3,549,612 thousand euro as at 31 December 2021).

Bonds

These amounted to 2,963,091 thousand euro due after 12 months (2,960,176 thousand euro as at 31 December 2021). The item entirely refers to the Parent's Public Bond issues, accounted for at amortised cost, against a total nominal amount outstanding at 30 June 2022 of 3,000,000 thousand euro (3,000,000 thousand at 31 December 2021). The details of Public Bonds with maturity after 12 months are as follows:

- Bond maturity November 2024, coupon 0.875%, amount 500 million euro, all in issue (amount at amortised cost 497,852 thousand euro);
- Green Bonds maturing October 2027, coupon 1.5%, amount 500 million euro, all outstanding (amount at amortised cost 494,412 thousand euro);
- Green Bond maturity September 2025, coupon 1.95%, amount 500 million euro, all in issue (amount at amortised cost 496,890 thousand euro);
- Green Bonds maturing October 2029, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 495,987 thousand euro);
- Bond maturity July 2030, coupon 1%, amount 500 million euro, all in issue (amount at amortised cost 491,252 thousand euro);
- Green Bond maturity January 2031, coupon 0.25%, amount 500 million euro, including TAP issue of October 2021, all in issue (amount at amortised cost 486,698 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 book value compared to 31 December 2021 is due to the allocation of accrued financial expenses, calculated on the basis of the amortised cost method.

Non-current bank loans

Medium/long term loans relate exclusively to the non-current portion of loans/credit lines due after 12 months granted by banks, and amounted to 632,300 thousand euro (504,677 thousand euro as at 31 December 2021). Medium/long term 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	n.a.	0.414% - 1.065%	
maturity	2023-2028	2023-2036	
1.7.2023 – 30.6.2024	1,343	54,484	55,827
1.7.2024 – 30.6.2025	1,407	61,578	62,985
1.7.2025 – 30.6.2026	1,476	59,650	61,125
1.7.2026 – 30.6.2027	1,468	61,068	62,536
Subsequent	1,982	387,845	389,827
Total after 12 months as at 30/06/2022	7,675	624,625	632,300
Total after 12 months as at 31/12/2021	7,038	497,639	504,677

All loans are denominated in euro.

The changes in non-current loans during the year are summarised as follows:

	31/12/2021		Changes in consolidation scope	Decreases	Change in amortised cost	30/06/2022
	Total after 12 months	Increases				Total after 12 months
- fixed rate	7,038	-	1,500	(863)	-	7,675
- floating rate	497,639	150,000	1,608	(24,438)	(183)	624,625
TOTAL	504,677	150,000	3,108	(25,302)	(183)	632,300

Total non-current loans at 30 June 2022 increased compared to 31 December 2021, as a combined result of:

- disbursement to the Parent Company of an ESG Linked loan for 150,000 thousand euro from Intesa Sanpaolo, as commented in the Directors' Report - Financial Management;
- an increase of 3,108 thousand euro in medium/long-term loans held by companies that entered the consolidation area of the Group in the half-year;
- a reduction of 25,302 thousand euro, owing to the reclassification to short term of the portions of loans maturing within the next 12 months;
- an increase of 183 thousand euro due to recognition of the loans at amortised cost.

Other financial liabilities

These amount to 60,841 thousand euro (84,759 thousand euro as at 31 December 2021) and refer to:

- for 20,925 thousand euro (48,869 thousand euro as at 31 December 2021) 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 34,545 thousand euro (29,820 thousand euro as at 31 December 2021) to lease liabilities;
- for 3,238 thousand euro (3,236 thousand euro as at 31 December 2021) 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 2,133 thousand euro (2,223 thousand euro at 31 December 2021) 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.

NOTE 22_EMPLOYEE BENEFITS

Changes in this item in the first half of 2022 were as follows:

	31/12/2021	Change in consolidation scope	Disbursements during the period	Obligations accrued during the year	Financial expense	30/06/2022
Post-employment benefits	92,081	178	(4,306)	581	119	88,653
Additional salary payments (seniority bonus)	4,168	-	(285)	42	15	3,940
Loyalty bonus	2,807	-	(22)	24	3	2,812
Tariff discounts	4,362	-	(59)	-	7	4,310
Premungas fund	2,183	-	(207)	-	3	1,979
Total	105,601	178	(4,879)	647	147	101,694

The column "Change in consolidation scope" refers to the balances purchased during the half-year relating to the companies CRCM and Alegas.

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 valuation of the liabilities shown above was performed by independent actuaries when preparing the 2021 consolidated financial statements.

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%

NOTE 23_PROVISIONS FOR RISKS AND CHARGES

The item amounted to 405,741 thousand euro (422,989 thousand euro as at 31 December 2021). These are detailed in the following table, and refer both to the current and non-current portions:

	31/12/2021	Increases	Decreases	Effect of discounting	Change in consolidation scope	30/06/2022	Non-current portion
Provision for restoration of third-party assets	173,994	3,839	-	105	-	177,938	177,938
“Post-closure” provisions	79,480	-	(3,600)	(502)	-	75,378	66,518
Provision for dismantling and reclaiming sites	49,023	-	(24)	(148)	439	49,290	49,269
Provision for early retirement	10,025	61	(1,671)	-	-	8,415	2,192
Provision for risks on equity investments	65	-	-	-	-	65	-
ETS cancellation obligation	143,864	111,252	(143,177)	-	-	111,939	-
Other provisions for risks and charges	179,039	3,566	(35,539)	-	1,253	148,319	109,824
Total	635,490	118,718	(184,011)	(545)	1,692	571,344	405,741

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 2.40%.

The column "Change in consolidation scope" mainly refers to the balances purchased during the half-year relating to the companies Alegas and Valle Dora Energia.

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 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 the requirements of reaching 62 years of age and 38 years of contributions matured by 31 December 2021.

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 property 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.

During the first half of 2022, releases of provisions amounting to 13,384 thousand euro were made, mainly related to pending disputes with suppliers/entities that have been resolved and for which there is therefore no longer a need to maintain the related provisions.

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 197,869 thousand euro (188,725 thousand euro as at 31 December 2021) 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.

NOTE 25_SUNDRY LIABILITIES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

	thousands of euro	
	30/06/2022	31/12/2021
Due after 12 months	62,402	59,828
Deferred income for grants related to assets- non current	434,272	431,783
Non-current accrued expenses and deferred income	3,868	4,198
Total	500,542	495,809

The item "Due after 12 months" mainly refers to advances paid by users as a guarantee on the supply of water, as well as payables to GSE for a dispute with AEEG (Scarlino Energia), tax payables for substitute taxes to be paid beyond 12 months from the date of the financial statements, and sums related to previous years to be paid for the redundancy fund (CIG), the extraordinary redundancy fund (CIGS), and mobility.

Deferred income for contributions against plant investments includes the amounts relating to connection grants of 144,301 thousand euro and the Fo.N.I. component (Provision for New Investments), amounting to 57,554 thousand euro, provided for by the tariff method for the Integrated Water Service, which will be reversed in the income statement after 12 months from the reporting date. The portion that will be taken to profit or loss in the 12 months following the reporting date amounts to 7,605 thousand euro and 3,293 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	
	30/06/2022	31/12/2021
Bonds	359,430	359,135
Bank loans	84,733	55,677
Loans from associates	14,849	-
Loans from related-party shareholders	67,124	3,140
Loans from other related parties	2	1
Lease liabilities	9,350	9,120
Loans from others	102,756	19,187
Current derivative liabilities	106,783	21,327
Total	745,027	467,587

Bonds

The amounts refer to Bonds maturing within 12 months and represent the amortised cost value of the financial instruments; in particular, this refers to the Bond issued in 2015 maturing in 2022 (nominal value at maturity of 359,634 thousand euro).

Bank loans

Current bank loans may be broken down as follows:

	thousands of euro	
	30/06/2022	31/12/2021
Loans - current portion	48,281	42,540
Other current bank loans	10,398	2,126
Accrued financial expenses and deferred financial income	26,054	11,011
Total	84,733	55,677

Loans from associates

Financial liabilities with associates amounted to 14,849 thousand euro and refer to SEI Toscana.

Loans from related-party shareholders

They refer to dividends of the companies Iren S.p.A. and TRM still to be paid to related party shareholders.

Loans from others

These amount to 102,756 thousand euro (19,187 thousand euro as at 31 December 2021) and refer to:

- 76,576 thousand euro to the liability for dividends declared but not yet paid as of 30 June 2022;
- 8,227 thousand euro relating to the price adjustment for the purchase of Iren Energy Solutions (formerly Bosch Energy and Building Solutions Italy);
- 14,122 thousand euro for "Put option for non-controlling investors", relating to the fair value measurement of the put options granted to non-controlling investors on their shares, in accordance with specific agreements. This item refers to the put option on the non-controlling interest in IBlu S.r.l. (4,026 thousand euro), equal to 20% of the share capital, held by Idealservice Soc Coop, in Valdarno Ambiente (8,741 thousand euro), equal to 43.984% of the share capital, held by CSAI, and in Maira (1,355 thousand euro), equal to 15.77% of the share capital, held by Intecno.

Current derivative liabilities

These relate to the fair value of derivative contracts entered into to hedge the exposure to the risk of oscillating 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	
	30/06/2022	31/12/2021
Trade payables to suppliers	1,537,150	1,482,557
Trade payables to joint ventures	(2)	(2)
Trade payables to associates	9,878	12,358
Trade payables to related-party shareholders	7,716	6,820
Trade payables to other related parties	4,597	7,372
Advances due within 12 months	12,253	9,012
Guarantee deposits due within 12 months	5,556	5,579
Charges to be reimbursed within 12 months	10	9
Total	1,577,158	1,523,705

NOTE 28_CURRENT CONTRACT LIABILITIES

This item totalled 76,891 thousand euro (89,262 thousand euro as at 31 December 2021) 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 amounts recognised in this item are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

	thousands of euro	
	30/06/2022	31/12/2021
VAT liability	5,371	196
Government land tax/UTIF	37,674	17,412
IRPEF liability	1,284	2,361
Other tax liabilities	41,753	27,449
Tax liabilities due within 12 months	86,082	47,418
Amounts due to employees	64,298	59,235
Cassa Servizi Energetici e Ambientali (CSEA)	3,758	31,102
Amounts due to social security institutions within 12 months	26,938	26,399
Other current liabilities	100,024	68,240
Sundry liabilities due within 12 months	195,016	184,976
Accrued expenses and deferred income	30,915	28,662
Total	312,015	261,057

The increase in 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 increase in the item "Other current liabilities" is largely related to the development of the variation margin related to forward purchases of CO2 emission rights (Emission Trading System).

NOTE 30_CURRENT TAX LIABILITIES

The item "Current tax liabilities" amounting to 24,926 thousand euro (48,674 thousand euro as at 31 December 2021) is made up of IRES and IRAP payables, comprising the estimate of taxes for the current half-year.

NOTE 31_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounted to 165,603 thousand euro (212,501 thousand euro as at 31 December 2021) and refers to the current portion of the provisions, divided as follows:

- provisions for charges related to the obligation to cancel ETS allowances of 111,939 thousand euro;
- provisions for environmental offset charges of 11,287 thousand euro;
- provisions for early retirement of 6,223 thousand euro;
- provisions for dismantling and reclaiming sites and post-closure provisions for 8,881 thousand euro;
- other provisions for risks of 27,273 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 30 June 2022.

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	
	30/06/2022	31/12/2021
Non-current financial assets	(143,912)	(131,766)
Non-current financial liabilities	3,656,232	3,549,612
Non-current net financial liabilities	3,512,320	3,417,846
Current financial assets	(859,081)	(979,612)
Current financial liabilities	745,027	467,587
Current net financial liabilities	(114,054)	(512,025)
Net financial debt	3,398,266	2,905,821

Net Financial position with related parties

Non-current financial assets include 37,667 thousand euro due from the Municipality of Turin and 21,386 thousand euro due from associates.

Current financial assets include 5,256 thousand euro due from the Municipality of Turin and 3,609 thousand euro due from associates.

Non-current financial debt relates for 151 thousand euro to payables to associated companies.

Current financial debt includes 67,123 thousand euro due to the related-party shareholders (for dividends) and 14,888 thousand euro due to associates.

The net financial position 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 *Notice No. 5/21 of 29 April 2021* is shown below.

	thousands of euro	
	30/06/2022	31/12/2021
A. Cash and cash equivalents	(476,944)	(606,888)
B. Cash equivalents	-	-
C. Other current financial assets	(35,460)	(103,595)
D. Liquidity (A) + (B) + (C)	(512,404)	(710,483)
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	327,966	56,792
F. Current portion of non-current financial debt	417,061	410,795
G. Current financial debt (E + F)	745,027	467,587
H. Net current financial debt (G - D)	232,623	(242,896)
I. Non-current financial debt (excluding current portion and debt instruments)	693,141	589,436
J. Debt instruments	2,963,091	2,960,176
K. Trade payables and other non-current debt	-	-
L. Non-current financial debt (I + J + K)	3,656,232	3,549,612
M. Total financial debt (H + L)	3,888,855	3,306,716

The annexes to the condensed interim consolidated financial statements include the reconciliation statement between "total financial debt", calculated according to the structure proposed by ESMA, and "net financial debt", calculated according to the Iren Group's policy and reported at the beginning of this section.

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 31.12.2021	4,017,199
Monetary changes as reported in the cash flow statement	
New non-current loans	150,000
Repayment of non-current loans	(19,561)
Repayment of finance leases	(5,563)
Change in other financial liabilities	6,512
Interest paid	(16,754)
Dividends paid and declared in previous years	(3,967)
Non-monetary changes	
Liabilities acquired following change in consolidation scope	29,899
New finance leases	8,762
Fair value change in derivatives	57,512
Interest and other financial expense	33,340
Dividends declared and not paid in the current year	143,880
Current and non-current financial liabilities 30.06.2022	4,401,259

X. NOTES TO THE INCOME STATEMENT

Unless otherwise stated, the following comments and tables show the figures in thousands of euro.

The Group's consolidated income statement includes: as from 1 February 2022 the figures of the companies of the Iren Green Generation Group (formerly Puglia Holding), as from 1 April 2022 those of Valdarno Ambiente, C.R.C.M. and Alegas, and as from 1 June 2022 those of Valle Dora Energia; the performance for the first half of 2022 is therefore affected by the inclusion of these companies in the consolidation scope.

Again for the purposes of a correct analysis of the income statement, it should also be noted that the items include, throughout the entire reporting period, the results of the companies Futura S.p.A., Sidiren S.r.l., Lab231 S.r.l., Nove S.p.A, Iren Energy Solutions (formerly Bosch Energy and Building Solutions Italy s.r.l.) and a business unit of Sviluppo Ambiente e Sicurezza S.r.l., relating to consulting activities in the areas of health and safety in the workplace, management of environmental practices, privacy and professional training. In the first half of 2021, the income statement items of Futura were included for only three months as it was acquired on 31 March 2021, while those of the other companies were not included as they were consolidated from the second half.

REVENUE

NOTE 33_REVENUE FROM GOODS AND SERVICES

This item amounted to 3,650,475 thousand euro (1,965,489 thousand euro in the first half of 2021) as follows.

	thousands of euro	
	First half of 2022	First half of 2021
Electricity revenue	1,858,213	809,263
Heat revenue	252,487	110,037
Gas revenue	552,860	292,360
Integrated water service revenue	232,009	211,659
Waste collection and disposal revenue	363,751	363,144
Revenue from asset construction services under concession	92,387	80,172
Other revenue	298,768	98,854
Total	3,650,475	1,965,489

The following table shows the reconciliation between the item Revenue from goods and services and the segment reporting in Chapter XII. Segment reporting.

	thousands of euro						
	Networks	Waste Management	Energy	Market	Other services	Intersegment eliminations	Total
Revenue from goods and services	459,153	448,240	2,088,558	2,849,275	12,132	(2,206,883)	3,650,475
Other income	68,746	37,683	50,301	38,217	1,370	(135,179)	61,138
Total	527,899	485,923	2,138,859	2,887,492	13,502	(2,342,062)	3,711,613

The table below provides a breakdown of revenue from goods and services by business segment.

							thousands of euro
	Networks	Waste Managemen t	Energy	Market	Other services	Interseg- ment elimina- tions	Total
Electricity revenue	64,892	30,883	1,630,104	1,186,070	-	(1,053,736)	1,858,213
District heating revenue	-	17,345	252,766	254,422	-	(272,046)	252,487
Gas revenue	56,489	4,048	-	1,354,746	-	(862,423)	552,860
Integrated water service revenue	228,309	2,001	-	-	-	1,699	232,009
Waste management revenue	6	367,840	-	-	-	(4,095)	363,751
Revenue from service concession agreements - IFRIC 12	90,516	1,723	148	-	-	-	92,387
Other revenue	18,941	24,400	205,540	54,037	12,132	(16,282)	298,768
Total Revenue from goods and services	459,153	448,240	2,088,558	2,849,275	12,132	(2,206,883)	3,650,475

The nature and timing of the performance obligations contained in customer contracts are described below:

Sale and distribution of electricity and gas and sale of heat to end customers

Contracts for the sale of energy carriers to end customers include fees that relate to both the sale and distribution of the relevant commodities, identified as a single, indistinct performance obligation. This obligation is fulfilled upon delivery at the redelivery point or heat exchange substation.

These contracts relate to supplies of a continuous nature, which imply the fulfilment of the relevant obligations in an over-time logic, since the end customer benefits, repeatedly over time, from individual commodity units that are homogeneous with each other.

This revenue includes the estimated 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 on the basis of tariffs determined by the competent Authorities to reflect the remuneration recognised for investments made, taking into account the equalisation mechanisms provided for. They, too, refer to services aimed at fulfilling the relevant obligations on an ongoing basis, with a view to the continuity of the service provided characteristic of network businesses.

Integrated Water Service

Similarly to the other network businesses mentioned above, aqueduct (water collection, drinking water, lifting and distribution), sewerage and wastewater treatment services relate to obligations fulfilled over time. They, too, are entered on the basis of the tariffs determined by the competent authorities to reflect the remuneration paid for the investments made.

Waste management revenue

Revenue generated by the environmental supply chain mainly relates to:

- waste collection and urban sanitation, where performance obligations are fulfilled continuously over time on the basis of existing contracts;
- the treatment of municipal and special waste, including its disposal and valorisation. In this regard, the Group assesses the relevant services as provided over time, particularly with regard to the continuous disposal of homogeneous waste units, also within the framework of existing agreements with the competent authorities.

It should also be noted that in this context there are, to a residual extent, services provided punctually and pertaining to obligations arising from individual events (e.g. snow clearing service).

Other revenue

The revenue included under this heading refers in particular:

- to products/services ancillary to the sale of commodities (the so-called new downstream), which are distinctly identified, and which concern performance obligations that are fulfilled at a point in time upon the transfer of the product/service to the customer;
- to services related to the management of energy services, including maintenance services, and to orders for the energy efficiency of plants and buildings. Both refer to obligations fulfilled over time. In particular, revenue relating to contracts for efficiency upgrading 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.

NOTE 34_OTHER INCOME

Other income totalled 61,138 thousand euro (38,293 thousand euro in the first half of 2021) and refers to grants, revenue for energy efficiency certificates and sundry income. The tables below show the details of the individual items.

Grants

	thousands of euro	
	First half of 2022	First half of 2021
Grants related to assets	6,930	6,205
Connection grants	5,388	5,242
Other grants	5,824	2,236
Total	18,142	13,683

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	
	First half of 2022	First half of 2021
Revenue from ex-Green Certificates incentive	7,553	24,473
Revenue from Energy Efficiency Certificates (White Certificates)	12,030	15,108
Reduction in tariff contribution for White Certificates from previous years	-	(33,078)
Total	19,583	6,503

The reduction in the tariff contribution relating to White Certificates from previous years of the first half of 2021 originated from the reduction of the obligations for 2020, which electricity and natural gas distributors were required to meet, introduced by the Decree of the Ministry of Ecological Transition of 21 May 2021.

Other income

thousands of euro

	First half of 2022	First half of 2021
Service contracts	1,135	1,358
Lease income	818	552
Capital gains on sale of assets	151	810
Insurance settlements	2,608	2,017
Sundry reimbursements	4,633	2,600
Other revenue and income	14,068	10,770
Total	23,413	18,107

COSTS

NOTE 35_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

thousands of euro

	First half of 2022	First half of 2021
Purchase of electricity	573,955	140,557
Purchase of gas	1,449,480	368,744
Purchase of heat	426	121
Purchase of water	2,125	1,980
Other raw materials and inventory materials	69,389	44,820
Emission trading	111,252	58,392
White certificates	6,117	40
Reduction in obligations for White Certificates from previous years	-	(35,806)
Change in inventories	(77,896)	(16,765)
Total	2,134,848	562,083

Costs for raw materials, consumables, supplies and goods increased by 1,572,765 thousand euro. The increase in the costs of purchasing electricity and gas is mainly linked to the increase in prices of commodities.

The reduction in obligations for White Certificates from previous years of the first half of 2021 referred to the revision of the estimated costs for the purchase of securities for compliance for the year 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 728,639 thousand euro (663,309 thousand euro in the first half of 2021), as follows:

	thousands of euro	
	First half of 2022	First half of 2021
Electricity transport and electricity system expenses	197,070	242,518
Gas carriage	22,400	31,609
Third-party works, maintenance and industrial services	230,655	140,609
Collection and disposal, snow clearing, public parks	120,638	125,984
Expenses related to personnel (meal allowance, training, business travel)	6,540	4,894
Technical, administrative and commercial consulting and advertising expenses	48,491	38,870
Legal and notary fees	1,685	1,832
Insurance	11,991	8,534
Bank expenses	4,747	4,061
Telephone expenses	2,950	3,164
IT expenses	24,877	18,852
Reading and invoicing services	5,311	4,897
Board of Statutory Auditors' fees	562	531
Other costs for services	33,146	19,512
Total costs for services	711,063	645,867

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.

Costs for leased assets amounted to 17,577 thousand euro (17,442 thousand euro in the first half of 2021). The item included mainly fees paid to the single operator of the Genoa Area and the 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 49,246 thousand euro (34,879 thousand euro in the first half of 2021), as follows:

	thousands of euro	
	First half of 2022	First half of 2021
General expenses	10,377	8,513
Instalments and higher instalments for water shunting	12,934	11,344
Taxes and duties	12,479	10,746
Capital losses on goods disposal	206	303
Other operating expenses	13,250	3,973
Total	49,246	34,879

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 property tax on the Group's plants and buildings and expenses for occupying and reclaiming public land.

Other operating expenses, in addition to including adjustments to costs accrued in previous years, include in the period the recognition of the non-recurring adjustment related to the compensation mechanism on the price of electricity provided for by DL 4/2022 ("Sostegni Ter"), to be paid to the GSE, for 10,826 thousand euro.

NOTE 38_INTERNAL WORK CAPITALISED

Internal work capitalised amounted to 21,649 thousand euro (20,714 thousand euro in the first half of 2021) and consisted of increases in non-current assets made with internal resources and production inputs.

	thousands of euro	
	First half of 2022	First half of 2021
Capitalised personnel expense	(16,054)	(17,925)
Capitalised materials	(5,595)	(2,789)
Total	(21,649)	(20,714)

NOTE 39_PERSONNEL EXPENSE

Personnel expense amounted to 257,798 thousand euro (247,971 thousand euro in the first half of 2021), as follows:

	thousands of euro	
	First half of 2022	First half of 2021
Gross remuneration	185,171	177,309
Social security contributions	56,010	54,902
Post-employment benefits	481	481
Other long-term employee benefits	80	80
Other personnel expense	15,138	14,232
Directors' fees	918	967
Total	257,798	247,971

As specified in Note 38, personnel expense of 16,054 thousand euro 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 personnel is shown in the following table.

	First half of 2022	FY 2021	Average for the period
Executives	108	104	106
Junior managers	364	345	363
White collars	4,052	3,915	3,980
Blue collars	4,821	4,691	4,728
Total	9,345	9,055	9,177

The main changes in the workforce compared to 31 December 2021 were ascribable to:

- the initiation/conclusion of services contracted out by San Germano;

- the continuation of the generational turnover plan, with a considerable number of recruitments on the labour market;
- Iren Mercato's acquisition of Alegas in April 2022, for a total of 11 resources.

NOTE 40_ DEPRECIATION AND AMORTISATION

Depreciation/amortisation for the period amounted to 251,585 thousand euro (228,172 thousand euro in the first half of 2021).

	thousands of euro	
	First half of 2022	First half of 2021
Property, plant and equipment and investment property	149,553	143,990
Intangible assets	102,032	84,182
Total	251,585	228,172

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 28,230 thousand euro (37,860 thousand euro in the first half of 2021) as follows:

	thousands of euro	
	First half of 2022	First half of 2021
Impairment losses for current trade receivables	34,357	32,849
Impairment losses for non-current trade receivables	1,287	813
Total	35,644	33,662
Provisions for risks and restoration of third-party assets	5,968	7,129
Release of provisions	(14,270)	(3,088)
Impairment losses	888	157
Total net other provisions and impairment losses	(7,414)	4,198
Total	28,230	37,860

The increase in the period was set aside to adjust the amount of the loss allowance to the amount of expected losses on the basis of the simplified model provided for in the standard IFRS 9, where "loss" means the present value of all cash shortfalls, adjusted to consider forward looking information.

The provisions set aside for risks and restoration of third-party assets refer 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 period refer to the revision of estimates of expenses set aside 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".

NOTE 42_FINANCIAL MANAGEMENT

Financial income

Financial income amounted to 5,764 thousand euro (26,964 thousand euro in the first half of 2021). The details are shown in the following table:

	thousands of euro	
	First half of 2022	First half of 2021
Bank interest income	110	394
Interest income on receivables/loans	497	1,414
Interest income from customers	2,262	4,197
Fair value gains on derivatives	-	4,161
Realised gains on derivatives	4	-
Capital gain on disposal of financial assets	-	409
Other financial income	2,891	16,389
Total	5,764	26,964

Interest income on loans/receivables refers primarily to interest on current account overdrafts between the Group and the Municipality of Turin (68 thousand euro) and interest on loans granted to associates (96 thousand euro). Fair value gains on derivatives referred to the ineffective portion of hedging instruments.

Other financial income consists mainly of income for the discounting of provisions and for adjustments to estimates of previous years. In the first half of 2021, there was also income related to the early settlement of financial liabilities.

Financial expense

The item amounted to 37,465 thousand euro (41,603 thousand euro in the first half of 2021). The breakdown of financial expenses is shown in the following table:

	thousands of euro	
	First half of 2022	First half of 2021
Interest expense on loans	1,226	897
Interest expense on bonds	24,352	26,171
Interest expense on bank current accounts	222	50
Other interest expense	620	496
Capitalised financial expense	(1,458)	(711)
Realised losses on derivatives	1,367	7,225
Interest cost – Employee benefits	147	-
Financial expense on lease liabilities	254	254
Other financial expense	10,735	7,221
Total	37,465	41,603

Interest expense on loans and bonds includes the expense relating to the measurement at amortised cost.

Other financial expense consists mainly of that for the discounting of provisions and expenses arising from the transfer of tax credits to financial intermediaries related to deductions on projects carried out to improve the energy efficiency of buildings (ecobonus).

NOTE 43_GAINS (LOSSES) ON EQUITY-ACCOUNTED INVESTMENTS

The item shows net losses of 13 thousand euro (net gains of 1,305 thousand euro in the first half of 2021) and refers to the loss on minor investments (-32 thousand euro) and the remeasurement of the non-controlling interest in Valle Dora Energia at fair value at the date when control was acquired (+19 thousand euro).

In the first half of 2021, it referred to the remeasurement of the non-controlling interest in Futura at fair value at the date when control was acquired.

NOTE 44_SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEEES

The share of profit of equity-accounted investees amounted to 5,863 thousand euro (5,372 thousand euro in the first half of 2021). For more details please see Note 5 "Equity-accounted investments".

NOTE 45_INCOME TAXES

Income taxes amounted to 104,424 thousand euro and included the estimated income taxes for the first half of 2022 for 73,945 thousand euro (33,987 thousand euro in the first half of 2021) and the so-called "Solidarity Contribution" for 30,479 thousand euro.

The estimate of income tax for the first half of 2022 is the result of the best estimate of the average expected tax rate for the full year, applied to the profit before tax for the period, adjusted to reflect the tax effect of certain items recognised entirely in the period. The tax rate for the first half of 2022 was 28.8%, whereas in the comparative period it stood at 14.0%. The latter was influenced by the net non-recurring tax benefit of 32,258 thousand euro related to the exercise of the option for the realignment of carrying amounts and tax bases pursuant to Decree law no. 104/20 (so-called "DL Agosto"), which had resulted in a reduction of the same tax rate by 13.3%.

The item non-recurring taxes includes the provisions of Decree-Law no. 21/2022 (article 37), which provided for a levy for the year 2022 as an extraordinary contribution against high utility bills (so-called "Solidarity Contribution") for companies engaged in the production, resale and importation of electricity and gas or the production, extraction, resale, importation, distribution and trade of oil products in Italy (so-called tax on extra-profits). This contribution, initially set at 10%, increased to 25% (art. 55 of DL "Aiuti" no. 50/2022). It is calculated on the increase in the balance of assets and liabilities realised from 1 October 2021 to 30 April 2022, compared to the same period between 2020 and 2021 (the so-called "extra profit").

The Group, in light of the interpretative uncertainties in relation to article 37 of Legislative Decree 21/2022 and having evaluated the indications of Circular no. 22 of 23 June 2022 of the Italian Revenue Agency ("the Circular"), availed itself of the opinion of an external firm (hereinafter the "Opinion"), which carried out an assessment of several factors, including interpretations of tax legislation and past experience in the sector, in order to make an estimate of the liability arising from the Solidarity Contribution, which was determined to be 30,479 thousand euro. The conclusions to be drawn from the Opinion are to some extent at odds with the Circular indications, but the external study assessed the Group's loss in any litigation as unlikely.

NOTE 46_PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

None in the first half of 2022 and the comparative period.

NOTE 47_PROFIT FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests, which amounted to 19,323 thousand euro (15,171 thousand euro in the first half of 2021), 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 the first half of 2022 represents the weighted average number of shares in issue in the reporting period based on the

provisions of IAS 33 § 20. The Company 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.

	First half of 2022	First half of 2021
Profit for the year (thousands of euro)	133,318	193,102
Weighted average number of shares outstanding over the year (thousand)	1,283,076	1,283,076
Basic earnings per share (euro)	0.10	0.15

NOTE 49_OTHER COMPREHENSIVE INCOME (EXPENSE)

Other comprehensive expense was 5,662 thousand euro (other comprehensive income of 24,536 thousand euro in the first half of 2021) and included other comprehensive income that will be subsequently reclassified to profit or loss. In detail it refers to:

- the effective portion of fair value losses on cash flow hedging instruments (12,354 thousand euro), which refer to derivatives hedging interest rate and commodity price risks (for the Group, the commodity is gas).
- the change in the translation reserve, amounting to a positive 1,331 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 of other comprehensive expense, for 5,361 thousand euro.

XI. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees relate to:

- a) Sureties and other guarantees for own commitments of 912,523 thousand euro (741,391 thousand euro as at 31 December 2021); the most significant items refer to sureties issued in favour of:
- CONSIP for 151,022 thousand euro mainly for electricity supply contracts;
 - Revenue Agency for 130,670 thousand euro for a VAT credit refund request;
 - the Electricity Market Operator (GME) for 79,028 thousand euro to guarantee the energy market participation contract;
 - ARPAE for 72,545 thousand euro for waste conferment and operations and post-closure management of plants subject to Integrated Environmental Authorisation (I.E.A.);
 - Turin Provincial/Metropolitan City Governments, for 56,836 thousand euro for waste conferment 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;
 - Municipality of Turin, for 35,000 thousand euro, definitive guarantee in the AMIAT/TRM acquisition;
 - Ministry of the Environment, for 32,403 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;
 - 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 La Spezia for 18,070 thousand euro for waste transfer and management of plants;
 - SNAM Reti Gas for 14,770 thousand euro to guarantee contracts and network codes;
 - Apulia Region for 12,444 to guarantee landfill and plant authorisations;
 - Tuscany Region for 9,447 to guarantee various plant authorisations;
 - Terna, for 7,236 thousand euro to guarantee injection and withdrawal dispatching contracts and to guarantee the electricity transport service contract;
 - Consorzio di Bacino Basso Novarese for 6,989 thousand euro to guarantee the contract for the collection and disposal of urban waste;
 - Province of La Spezia for 6,912 thousand euro for contributions and management of plants.
 - Province of Parma for 6,187 thousand euro as guarantee for authorisations for various plants;
 - Intercert Emilia Romagna for 5,863 thousand euro for real estate maintenance services;
 - SETA SpA for 5,850 thousand euro to guarantee regular execution of post-closure activities at the Chivasso 0 landfill site;
- b) Guarantees provided on behalf of subsidiaries and associates for 275,912 thousand euro, primarily to guarantee credit facilities and sales/Parent Guarantee contracts on behalf of Iren Mercato SpA.

With reference to the associate Sinergie Italiane, it should be noted that as of 30 June 2022, all guarantees given had been released, while as at 31 December 2021, they amounted to 10,999 thousand euro.

COMMITMENTS

Commitments to suppliers

In the course of its operations, the Group entered into contracts for the purchase of a specific quantity of commodities and CO₂ emission quotas at a certain future date, having the characteristics of own use and therefore falling within the so-called "own use exemption" under IFRS 9.

These commitments are represented by:

- contracts for the purchase of natural gas at a fixed price, with a countervalue of 398.6 million euro;
- contracts for the purchase of methane gas at an indexed price, for a forecast quantity of 26.9 million cubic metres;
- power purchase agreements, with a countervalue of 4.35 million euro;
- contracts for the purchase of CO₂ emission quotas, with a countervalue of 59.4 million euro.

CONTINGENT LIABILITIES

Disclosure on the Tax 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 challenges, 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.

On 30 June 2022, the Office notified the company of the relevant notices of assessment and the time limits for appeal are therefore pending.

With regard to the aforementioned findings, during 2020, an invitation to provide relevant data and information and subsequently an invitation to a cross-examination had already been notified in relation to the 2015 tax year, which did not result in any definition. Therefore, on 23 March 2021, a VAT assessment notice had been served in relation to this year in which the invoicing had been contested of the mark-up on the supply by Sinergie Italiane, qualified as a non-existent transaction invoiced under the reverse charge regime (article 6 paragraph 9 bis of Legislative Decree 471/1997). Similarly, on 17 December 2021, a notice of dispute had been served for VAT tax year 2016 in which the same mark-up already contested for 2015 was replicated. Both acts were appealed and hearings have already been held at the Provincial Tax Commission. The judgement for the year 2015 has already been filed with an outcome favourable to the Company.

The risk associated with the Agency's findings, in application of IFRIC 23, has not given rise to any provisions in these financial statements, as there are a number of factual circumstances and considerations in point of law that support the company's legitimate actions and lead to the conclusion that there is an unlikely risk of losing the case.

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 loss of 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 writ of summons 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 1 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. 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.

XII. 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, segment reporting by 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 presented pursuant to IFRS 8, which requires segment reporting based on the information that management uses to make operational and strategic decisions.

For a proper interpretation of the income statement by operating segment, revenue and expense referring to general 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 geographical area, the following segment reporting does not include a breakdown by geographical segment.

The tables below show net invested capital by operating segment compared to the figures as at 31 December 2021 restated and the income statement (up to the operating profit/(loss)) by operating segment, compared with the first half of 2021 restated.

It should be noted that there is no revenue from transactions with a single customer equal to or exceeding 10% of total revenue.

In the segment reporting tables below, the following items are presented:

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, and employee benefits and assets (liabilities) held for sale.

Net financial debt: calculated as the sum of non-current financial liabilities at 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 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.

Non-current assets: determined as the sum of Property, Plant and Equipment, Investment Property, Intangible Assets with a finite life, Goodwill, equity-accounted investments and Other Investments.

Gross operating profit: calculated as the sum of the profit before tax, share of profit from equity-accounted investees, gains (losses) on equity-accounted investments, financial income and expense, and amortisation, depreciation, provisions and impairment losses.

Operating profit: calculated as the sum of the profit before tax, share of profit from equity-accounted investees, gains (losses) on equity-accounted investments and financial income and expense.

Reclassified statement of financial position by operating segment at 30 June 2022

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,192	1,295	2,183	299	35	272	7,276
Net working capital	81	96	117	(392)	17	-	(81)
Net other non-current assets (liabilities)	(611)	(201)	(76)	23	2	-	(863)
Net invested capital (NIC)	2,662	1,190	2,224	(70)	54	272	6,332
Equity							2,933
Net financial position							3,398
Own funds and net financial debt							6,332

Reclassified statement of financial position by operating segment as at 31 December 2021, restated

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,132	1,277	2,108	258	26	226	7,027
Net working capital	(60)	91	29	(286)	3	-	(223)
Other non-current assets and liabilities	(606)	(198)	(125)	(21)	3	-	(948)
Net invested capital (NIC)	2,466	1,170	2,012	(49)	32	226	5,856
Equity							2,950
Net financial position							2,906
Own funds and net financial debt							5,856

Income statement by operating segment for the first half of 2022

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	528	486	2,139	2,888	14	(2,343)	3,712
Total operating expenses	(330)	(360)	(1,932)	(2,858)	(12)	2,343	(3,149)
Gross operating profit	198	126	207	30	2	-	563
Net amortisation, depreciation, provisions and impairment losses	(99)	(63)	(63)	(54)	(1)	-	(280)
Operating profit	99	63	144	(24)	1	-	283

Income statement by operating segment for the first half of 2021 restated

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	442	435	715	1,159	10	(757)	2,004
Total operating expenses	(252)	(337)	(581)	(1,066)	(9)	757	(1,488)
Gross operating profit	190	98	134	93	1	-	516
Net amortisation, depreciation, provisions and impairment losses	(96)	(55)	(70)	(44)	(1)	-	(266)
Operating profit	94	43	64	49	-	-	250

XIII. ANNEXES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

LIST OF FULLY CONSOLIDATED COMPANIES

LIST OF JOINT VENTURES

LIST OF ASSOCIATES

LIST OF EQUITY INVESTMENTS IN OTHER COMPANIES

RELATED PARTY TRANSACTIONS

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

RECONCILIATION BETWEEN TOTAL FINANCIAL DEBT (ESMA COMMUNICATION OF 4 MARCH 2021)
AND NET FINANCIAL DEBT

LIST OF FULLY CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share 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	1,000,000	100.00	Iren Ambiente
Alfa Solutions S.p.A.	Reggio Emilia	Euro	100,000	86.00	Iren Smart Solutions
Alegas	Alessandria	Euro	1,810,000	80.00	Iren Mercato
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
Consorzio GPO	Reggio Emilia	Euro	20,197,260	62.35	Ireti
C.R.C.M.	Terranuova Bracciolini (AR)	Euro	3,062,000	76.06	Valdarno Ambiente
Dogliani Energia	Cuneo	Euro	10,000	100.00	Iren Energia
Formaira S.r.l.	San Damiano Macra (CN)	Euro	40,000	100.00	Maira
Futura S.p.A.	Grosseto	Euro	3,660,955	40.00	Iren Ambiente Toscana
I. Blu S.r.l.	Pasiano di Prato (UD)	Euro	9,001,000	20.00	Iren Ambiente
Iren Acqua S.p.A.	Genoa	Euro	19,203,420	80.00	Iren Ambiente
Iren Acqua Tigullio S.p.A.	Chiavari (GE)	Euro	979,000	60.00	Ireti
Iren Ambiente Parma S.r.l.	Parma	Euro	4,000,000	66.55	Iren Acqua
Iren Ambiente Piacenza 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	5,000,000	100.00	Iren Ambiente
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	Alfa Solutions S.p.A.
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
Iren Green Generation (formerly Puglia Holding S.r.l.)	Turin	Euro	10,000	100.00	Iren Energia
Iren Green Generation Tech (formerly Asi Troia FV1 srl)	Turin	Euro	80,200	100.00	Iren Green Generation
Palo Energia srl	Turin	Euro	10,000	100.00	Iren Green Generation
Piano Energia srl	Turin	Euro	10,000	100.00	Iren Green Generation
Solleone Energia srl	Turin	Euro	10,000	100.00	Iren Green Generation
Traversa Energia srl	Turin	Euro	10,000	100.00	Iren Green Generation
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	Iren Ambiente
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	100.00	Iren Ambiente Toscana
Scarlino Immobiliare S.r.l.	Florence	Euro	10,000	100.00	Iren Ambiente Toscana
TB S.p.A.	Florence	Euro	2,220,000	100.00	Valdarno Ambiente
Territorio e Risorse S.r.l.	Turin	Euro	2,510,000	65.00	Iren Ambiente

TRM S.p.A.	Turin	Euro	86,794,220	35.00	ASM Vercelli
Unieco Holding Ambiente (UHA) S.r.l.	Reggio Emilia	Euro	49,324,031	80.00	Iren Ambiente
Uniproject S.r.l.	Maltignano (AP)	Euro	91,800	100.00	Iren Ambiente
Valdarno Ambiente	Terranuova Bracciolini (AR)		22,953,770	56.02	Iren Ambiente Toscana
Valle Dora Energia S.r.l.	Turin	Euro	537,582	74.50	Iren Energia

LIST OF JOINT VENTURES

Company	Registered office	Currency	Share capital	% interest	Investor
Acque Potabili S.p.A. in liquidazione (in liquidation)	Turin	Euro	7,633,096	47.546	Ireti

LIST OF ASSOCIATES

Company	Registered office	Currency	Share 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.	Novi Ligure	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	Ireti
Aiga S.p.A. (1)	Ventimiglia	Euro	104,000	49.00	Ireti
Amat S.p.A. (1)	Imperia	Euro	5,435,372	48.00	Ireti
Amter S.p.A.	Cogoleto (GE)	Euro	404,263	49.00	Iren Acqua
Arienes S.c.a.r.l.	Reggio Emilia	Euro	50,000	42.00	Iren Smart Solutions
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.	Reggio Emilia	Euro	12,000	33.00	Alfa Solutions S.p.A.
CSA S.p.A. (1)	Terranuova Bracciolini (AR)	Euro	1,369,502	47.97	Iren Ambiente Toscana
CSAI S.p.A.	Terranuova Bracciolini (AR)	Euro	1,610,511	40.32	Iren Ambiente Toscana
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
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	Ireti
Rimateria S.p.A. (3)	Piombino (LI)	Euro	4,589,273	30.00	Iren Ambiente
SEI Toscana S.r.l.	Siena	Euro	75,272,566	41.77	Iren Ambiente Toscana
				16.37	Valdarno Ambiente
				0.20	CRCM
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

(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 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	Alfa Solutions S.p.A.
AISA S.p.A. (2)	Arezzo	Euro	3,867,640	3.00	Iren Ambiente Toscana
AISA Impianti S.p.A.	Arezzo	Euro	6,650,000	3.00	Iren Ambiente Toscana
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	Alfa Solutions S.p.A.
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	Ireti
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	Bologna	Euro	42,548,492	0.02	UHA
Consorzio Topix	Turin	Euro	1,600,000	0.30	Iren Energia
Enerbrain S.r.l.	Turin	Euro	28,181	10.00	Iren Smart Solutions
Environment Park S.p.A.	Turin	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	155,000	8.30	Iren Ambiente
Obiettivo ValdArno S.r.l. (2)	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. (2)	Reggio Emilia	Euro	871,956	0.99	Iren Ambiente
Re Mat S.r.l.	Turin	Euro	57,750	9.09	Iren Ambiente
Romeo Gas S.p.A.	Pieve di Soligo (TV)		39,593,746	13.77	Ireti
Serchio Verde Ambiente S.p.A. (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. (2)	Genoa	Euro	1,230,000	2.00	Iren Mercato
T.I.C.A.S.S. S.c. a r.l.	Genoa	Euro	136,000	2.94	Ireti
Valdisieve S.c. a r.l.	Florence	Euro	1,400,000	0.96	Iren Ambiente Toscana

(1) Company in bankruptcy

(2) Company in liquidation

RELATED PARTY TRANSACTIONS

thousands of euro

	Trade Receivables	Loan assets	Other receivables	Trade Payables	Financial liabilities
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	718	-	-	3,030	-
Municipality of Parma	14,537	-	-	721	4,322
Municipality of Piacenza	8,023	-	-	930	1,874
Municipality of Reggio Emilia	3,857	-	-	821	8,774
Municipality of Turin	90,815	42,923	28	2,192	7,548
Finanziaria Sviluppo Utilities	16	-	41	-	25,751
Finanziaria Città di Torino Holding	-	-	-	-	18,855
JOINT VENTURES					
Acque Potabili	121	-	-	(2)	-
ASSOCIATES					
ACOS	8	5,581	-	-	-
ACOS Energia	-	225	-	-	-
Acquaenna	105	4,209	-	-	-
Aguas de San Pedro	2	510	-	-	-
AIGA	228	75	-	85	-
AMAT	24	-	-	-	-
AMTER	8,021	127	-	107	-
ASA	370	-	-	527	-
ASA Livorno	494	-	-	(4)	-
ASTEA	4	853	-	1	-
Asti Servizi Pubblici	(200)	-	-	26	-
Barricalla	210	-	-	3,421	-
BI Energia	16	800	-	-	-
Centro Corsi	-	40	-	5	-
CSA in liquidation	738	-	-	-	-
CSAI	77	-	-	2,697	190
Fratello Sole Energie Solidali	459	-	-	167	-
GAIA	868	-	-	1,696	-
Global Service Parma	-	-	-	45	-
Iniziative Ambientali	10	-	-	-	-
Mondo Acqua	11	-	-	-	-
Piana Ambiente in liquidation	70	-	-	-	-
SEI Toscana	4,869	2,710	-	59	14,849
SETA	3,887	-	-	863	-
Sienambiente	74	-	-	-	-
Sinergie Italiane in liquidation	17	9,409	-	-	-
STU Reggiane	37	456	-	-	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Turin	1,494	-	764	1,519	-
Subsidiaries of Municipality of Genoa	2,219	-	-	353	2
Subsidiaries of Municipality of Parma	963	-	115	947	-
Subsidiaries of Municipality of Piacenza	4	-	-	573	-
Subsidiaries of Municipality of Reggio Emilia	297	-	-	1,059	-
Others	49	-	-	-	-
TOTAL	143,512	67,918	948	21,838	82,165

thousands of euro

	Other liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	-	1,130	4,450	-	-
Municipality of Parma	-	17,411	877	-	-
Municipality of Piacenza	-	9,339	840	-	-
Municipality of Reggio Emilia	-	789	231	-	-
Municipality of Turin	-	116,311	2,714	68	-
Finanziaria Sviluppo Utilities	-	-	5	-	-
Finanziaria Città di Torino Holding	-	-	-	-	-
JOINT VENTURES					
Acque Potabili	-	37	2	-	-
ASSOCIATES					
ACOS	-	24	-	-	-
ACOS Energia	-	2	1	-	-
Acquaenna	-	35	-	33	-
Aguas de San Pedro	-	-	-	-	-
AIGA	-	-	-	-	-
AMAT	-	(5)	-	-	-
AMTER	(2)	2,183	188	-	-
ASA	-	153	999	-	-
ASA Livorno	-	108	26	-	-
ASTEA	-	4	7	-	-
Asti Servizi Pubblici	-	260	26	-	-
Barricalla	-	111	2,434	-	-
BI Energia	-	5	-	14	-
Centro Corsi	-	-	20	-	-
CSA in liquidation	-	738	-	-	-
CSAI	-	73	2,635	-	19
Fratello Sole Energie Solidali	-	110	-	-	-
GAIA	-	856	2,969	-	-
Global Service Parma	-	-	-	-	-
Iniziative Ambientali	-	2	-	-	-
Mondo Acqua	-	5	-	-	-
Piana Ambiente in liquidation	-	-	-	-	-
SEI Toscana	-	3,592	26	44	-
SETA	-	7,350	1,046	-	-
Sienambiente	-	76	-	-	-
Sinergie Italiane in liquidation	-	-	-	-	-
STU Reggiane	-	21	2	6	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Turin	1	2,238	1,811	-	1
Subsidiaries of Municipality of Genoa	-	2,674	1,247	1	-
Subsidiaries of Municipality of Parma	123	792	1,748	(1)	-
Subsidiaries of Municipality of Piacenza	-	170	573	-	-
Subsidiaries of Municipality of Reggio Emilia	-	719	3,449	-	-
Others	-	128	-	-	-
TOTAL	122	167,441	28,326	165	20

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	4,091,069	Property, plant and equipment	4,091,069
Investment property	2,429	Investment property	2,429
Intangible assets	2,628,789	Intangible assets	2,628,789
Goodwill	282,008	Goodwill	282,008
Equity-accounted investments	247,041	Equity-accounted investments	247,041
Other equity investments	24,878	Other equity investments	24,878
Total (A)	7,276,214	Non-current Assets (A)	7,276,214
Other non-current assets	40,046	Other non-current assets	40,046
Sundry liabilities and other non-current liabilities	(500,542)	Sundry liabilities and other non-current liabilities	(500,542)
Total (B)	(460,496)	Other non-current assets (Liabilities) (B)	(460,496)
Inventories	190,268	Inventories	190,268
Non-current contract assets	103,487	Non-current contract assets	103,487
Current contract assets	125,439	Current contract assets	125,439
Non-current trade receivables	19,461	Non-current trade receivables	19,461
Trade receivables	1,106,715	Trade receivables	1,106,715
Current tax assets	9,439	Current tax assets	9,439
Sundry assets and other current assets	366,197	Sundry assets and other current assets	366,197
Trade payables	(1,577,158)	Trade payables	(1,577,158)
Contract liabilities	(76,891)	Contract liabilities	(76,891)
Sundry liabilities and other current liabilities	(312,015)	Sundry liabilities and other current liabilities	(323,302)
Current tax liabilities	(24,926)	Current tax liabilities	(24,926)
Total (C)	(69,984)	Net working capital (C)	(81,271)
Deferred tax assets	455,692	Deferred tax assets	455,692
Deferred tax liabilities	(197,869)	Deferred tax liabilities	(197,869)
Total (D)	257,823	Deferred tax assets (Liabilities) (D)	257,823
Employee benefits	(101,694)	Employee benefits	(101,694)
Provisions for risks and charges	(405,741)	Provisions for risks and charges	(405,741)
Provisions for risks and charges - current portion	(165,603)	Provisions for risks and charges - current portion	(154,316)
Total (E)	(673,038)	Provisions and employee benefits (E)	(661,751)
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)	6,331,663
Equity (H)	2,933,397	Equity (H)	2,933,397
Non-current financial assets	(143,912)	Non-current financial assets	(143,912)
Non-current financial liabilities	3,656,232	Non-current financial liabilities	3,656,232
Total (I)	3,512,320	Non-current financial debt (I)	3,512,320
Current financial assets	(382,137)	Current financial assets	(382,137)
Cash and cash equivalents	(476,944)	Cash and cash equivalents	(476,944)
Current financial liabilities	745,027	Current financial liabilities	745,027
Total (L)	(114,054)	Current financial debt (L)	(114,054)
		Net financial debt (M=I+L)	3,398,266
		Own funds and net financial debt (H+M)	6,331,663

RECONCILIATION BETWEEN TOTAL FINANCIAL DEBT (ESMA COMMUNICATION OF 4 MARCH 2021) AND NET FINANCIAL DEBT

	thousands of euro	
	30/06/2022	31/12/2021
A. Cash and cash equivalents	(476,944)	(606,888)
B. Cash equivalents	-	-
C. Other current financial assets	(35,460)	(103,595)
D. Liquidity (A) + (B) + (C)	(512,404)	(710,483)
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	327,966	56,792
F. Current portion of non-current financial debt	417,061	410,795
G. Current financial debt (E + F)	745,027	467,587
H. Net current financial debt (G - D)	232,623	(242,896)
I. Non-current financial debt (excluding current portion and debt instruments)	693,141	589,436
J. Debt instruments	2,963,091	2,960,176
K. Trade payables and other non-current debt	-	-
L. Non-current financial debt (I + J + K)	3,656,232	3,549,612
M. Total financial debt - ESMA communication of 4 March 2021 (H + L)	3,888,855	3,306,716
(-) C. Other current financial assets	35,460	103,595
(+) Non-current financial assets (statement of financial position item)	(143,912)	(131,766)
(+) Current financial assets (statement of financial position item)	(382,137)	(372,724)
Net financial debt	3,398,266	2,905,821

Attestation on the Condensed Interim Consolidated Financial Statements pursuant to article 154-bis of Legislative Decree 58/1998

1. We, 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 as the basis for preparation of the condensed interim financial statements, in the first half of 2022.
2. It is also hereby certified that:
 - 2.1 the condensed interim financial statements:
 - a) have been 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 interim directors' report contains a reliable analysis of the key events that took place during the first six months of the year and of their impact on the condensed interim consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim directors' report also contains a reliable analysis of disclosures on significant transactions with related parties.

28 July 2022

Chief Executive Officer

Gianni Vittorio Armani

(signed on the original)

Administration, Finance, Control and M&A
Manager
and Manager in charge of financial reporting
under Law 262/05

Anna Tanganelli

REPORT BY THE INDEPENDENT AUDITORS ON THE REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS



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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Report on review of condensed interim consolidated financial statements

*To the shareholders of
Iren S.p.A.*

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Iren Group, comprising the statement of financial position as at 30 June 2022, the income statement and the statements of other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of the review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.



Iren Group

*Report on review of condensed interim consolidated financial statements
30 June 2022*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Iren Group as at and for the six months ended 30 June 2022 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Turin, 29 July 2022

KPMG S.p.A.

(signed on the original)

Roberto Bianchi
Director of Audit



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