

Annual Report

at 31 December 2022



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This document is a supplementary variant of the official version compliant with the provisions of Commission Delegated Regulation (EU) 2019/815 (the ESEF Regulation - European Single Electronic Format). This document thus constitutes an unofficial version of the Annual Report as of 31 December 2022, a format made available only for exhibition purposes.

The official document in electronic format ESEF is published and filed according to the provisions of the law.

Iren is the energy, environmental and infrastructure operator active in a multi-regional area with more than 10,000 employees, a portfolio of over 2 million customers in the energy sector, approximately 2.7 million residents served in the integrated water cycle and 3.8 million residents in the environmental cycle.

Introduction

at 31 December 2022

CORPORATE OFFICERS

Board of Directors ⁽¹⁾

Chairperson
Deputy Chairperson
Chief Executive Officer and General Manager
Directors

Luca Dal Fabbro ⁽¹⁾
Moris Ferretti ⁽³⁾
Gianni Vittorio Armani ⁽⁴⁾
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
Standing auditors

Michele Rutigliano
Cristina Chiantia
Simone Caprari
Ugo Ballerini
Sonia Ferrero
Lucia Tacchino
Fabrizio Riccardo Di Giusto

Alternate Auditors

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 2022-2023-2024 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 three-year period 2022-2024 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 office for the three-year period 2022-2024 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 three-year period 2019-2021 and confirmed for the three-year period 2022-2024 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 three-year period 2022-2024 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 three-year period 2022-2024, 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 three-year period 2022-2024.

⁽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 three-year period 2022-2024.

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

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

⁽¹⁷⁾ Appointed by the Shareholders' Meeting of 06 May 2021 for the 2021-2022-2023 three-year period.

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

SHAREHOLDERS' MEETING NOTIFICATION

Shareholders are called to the Ordinary Shareholders' Meeting on single call in Parma, Strada S. Margherita 6/A - at the "Board of Directors" Room at Iren S.p.A.'s head office. - for 4 May 2023 at 11 to discuss and resolve on the following

Agenda:

- 1) Financial statements at 31 December 2022; Directors' report, Report of the Board of Statutory Auditors and Report of the Independent Auditors.
- 2) Proposed allocation of profit for the year: related and consequent resolutions.
- 3) Report on remuneration policy prepared pursuant to Art. 123-ter Consolidated Law on Finance (as amended by Legislative Decree 49/2019), section one: related and consequent resolutions.
- 4) Report on remuneration paid pursuant to Art. 123-ter Consolidated Law on Finance (as amended by Legislative Decree 49/2019), section two: related and consequent resolutions - advisory resolution.
- 5) Proposal to adjust the fees to inflation for the statutory audit engagement from the financial year 2022 to the end of the term of office (approval of the financial statements at 31 December 2029): related and consequent resolutions.
- 6) Proposal to authorise the purchase and disposal of treasury shares of Iren S.p.A. pursuant to Articles 2357 et seq. of the Italian Civil Code, Article 132 of Legislative Decree No. 58 of 24 February 1998 and the Consob Regulation adopted by resolution No. 11971 of 14 May 1999: related and consequent resolutions.

Chairperson of the Board of Directors
Luca Dal Fabbro

(signed on the original)

LETTER TO STAKEHOLDERS

Dear Shareholders and Stakeholders,

in presenting you with the results of the Consolidated Financial Statements and Sustainability Report for the financial year 2022, we are once again using a single letter for both documents. It is a choice and at the same time a necessity: Iren Group's vision merges development and sustainability into a single value, with the aim of improving people's quality of life, making companies more competitive and looking at the growth of territories through the eyes of change. A firm and transparent commitment that is reflected in the profound integration of the industrial strategy with the sustainability strategy.

The past year has been characterised by the intertwining of three crises: the war in Ukraine and its effects on the energy market; the pandemic, now in its third year, which continues to affect the economy and society, albeit less severely; and climate change, manifesting itself in heat waves, drought and floods, all of which contribute to increased social and economic instability.

In this complex context, the Board of Directors confirmed Iren Group's strategic approach, outlined in the Business Plan to 2030, a plan strengthened in its main drivers. Three are the strategic pillars: green transition, with a progressive decarbonisation of all activities and the strengthening of the leadership in the circular economy and the sustainable use of resources; local presence, with an extension of the perimeter in the legacy regions and the evolution as a reference partner for the communities; service quality, through the improvement of performance and the maximisation of customer/citizen satisfaction levels.

The strengthening of the Group's strategy, despite the crisis scenario, on the one hand, demonstrates how sustainability is a constituent value, and, on the other hand, certifies the soundness of Iren's strategic planning, which analyses and evaluates macroeconomic, financial, energy, climate and social trends and scenarios that are decisive for sustainable development, in terms of risks and opportunities. This has allowed Iren Group to define its short, medium and long-term strategic priorities - consistent with the UN Sustainable Development Goals (SDGs) to which Iren currently contributes and can contribute in the future - and an action and governance plan in line with the principles of the UN Global Compact, the UN Universal Declaration of Human Rights, and the Conventions and Recommendations of the International Labour Organisation (ILO).

Iren's business model is oriented towards transforming, through the activities managed by the Group, input resources (environmental, social, economic and governance) to create value for the company and the various stakeholders in the short-, medium- and long-term.

Thanks to the synergies between the various business areas, also in a logic of innovation, the Group guarantees the utmost commitment to reduce its environmental impact, to demonstrate social awareness, to satisfy the needs of customers and communities and to guarantee high safety standards for employees and suppliers. In order to translate this commitment into a concrete result, Iren Group has articulated a materiality analysis process that is developed dynamically, involving its stakeholders to share and assess material issues for strategic development and performance reporting.

The integration of the industrial and sustainability strategy is also evident in the numbers: 10.5 billion euro of planned investments between 2023 and 2030, up by 200 million euro compared to the previous Business Plan; 80% of the total organic investments over the plan, approximately 7.5 billion euro, allocated to sustainable projects for achieving the commitments undertaken. A confirmation of the Group's desire to combine its own development with that of the communities, territories and environment, which also concerns the workforce, with an important recruitment plan to support development and which foresees, by 2030 compared to 2022, the entry of about 3,200 new employees into the Group.

This is a significant commitment, guaranteeing the desire to continue along the path taken with the previous Business Plan, the validity of which allowed for record investments in 2022, amounting to around 1.5 billion euro, up 56% compared to 2021 and more than double that of 2020. In line with the pillars of the Business Plan, 75% of the investments made by the Group were allocated to sustainable projects or activities.

The 2022 results highlight the strength and resilience of the Group's business model. Despite the strong development drive that led to an increase in capital expenditure, the Group kept its net financial debt below planned levels, at 3.3 billion euro, thanks to the efficient management of net trade working capital in a very volatile environment affected by rising energy commodity prices. Gross Operating Margin (EBITDA) amounted to approximately 1.06 billion euro, up 3.8% compared to 2021 and 6.4% net of non-recurring effects: an overall increase, negatively influenced by the impact of drought on the energy chain, by the lower consumption of district heating due to milder temperatures, and by higher operating costs due to inflation. The Group Net Profit, equal to 226 million euro, was also affected by the negative extraordinary impact of the Solidarity

Contribution, while compared to a 2021 net profit positively influenced by non-recurring tax income and other contingent assets.

Finally, the Group's workforce is growing (up by about 1,500), totalling 10,583 employees at the end of 2022.

The results of the closed financial year are accompanied by an overall positive trend in the sustainability indicators relating to the objectives of the three pillars of the Strategic Plan.

Regarding the green transition, electricity production from photovoltaic plants increased tenfold during the year, although reduced hydroelectric production, caused by drought, led to a slight worsening of carbon intensity, equal to 339 gCO₂/kWh. The production of biomethane more than doubled compared to the previous year, reaching 5.8 million cubic metres: an increase in the valorisation of waste as an energy source that goes hand in hand with its valorisation as material, grown by 40% compared to 2021, which saw 836,000 tonnes of waste sent for recovery in Group plants. The total energy savings of the production processes amount to about 700,000 toe. Finally, the green energy sold has increased, aimed at encouraging sustainable consumption and reducing the environmental impact generated by our customers. In addition, to support the Strategic Plan, the Group has signed several ESG Sustainability Linked loans whose spread is linked to the achievement of specific environmental objectives related to decarbonization and the rational use of water resources.

In terms of strategic directions oriented towards local presence, the amount of investments made to increase the efficiency of infrastructure and services and to maximise business development opportunities in the reference territories is emphasised: this amounts to 1.4 billion euro (gross). In 2022, the Group's contribution to the sustainable development of the local areas and communities was also reflected in the implementation and support of 335 sustainability projects. The projects, which range from the construction of plants and infrastructure, education and culture, adaptation to climate change, saving water and energy resources to promoting social inclusion for the most vulnerable, are in line with the Sustainable Development Goals of the 2030 Agenda.

The results of the Eduiren sector deserve a mention: an ongoing dialogue with different audiences to spread the culture of sustainability and innovation across the board, through training offers and joint planning of awareness-raising paths. In 2022, 615 sustainability education projects for citizens and schools were implemented, also in a network with other subjects in the different areas, with the involvement of about 49,000 people who participated in meetings, visits and events, and with more than 2.4 million digital contacts recorded through the various branded contents available.

The Business Plan to 2030 envisages that around 10 billion euro, namely 95% of total investments, will be allocated to the Group's reference territories, in order to design a sustainable future beneficial for the communities, by strengthening its local presence, building energy communities and reinforcing its ability to build a system with the territory in order to develop services under concession to help overcome the country's infrastructure gap.

Finally, the service quality improved during the year, as is evident in the increase in the overall customer satisfaction index, which amounts to 91%. The network of local counters grew (+17%) as did the digital services offered to customers, thanks to an increasing penetration of the IrenYou channel (+54% users, equal to over 1.3 million customers). Thanks to district subdivision activities, which allow for greater monitoring and timely intervention, water network leaks were reduced to 31.2%, in line with the target of 20% in 2030, gas distribution networks were 100% inspected, and the installation of gas, electricity and water smart meters continued in line with Business Plan forecasts.

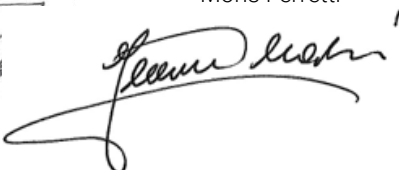
The efficient management of the Group in terms of size and economic-financial indicators, the development of skills and quality in services, the utmost attention to sustainability and care for human resources and customers, are the key factors that have enabled us to achieve the results we are presenting for the approval of the Shareholders, proposing to the Shareholders' Meeting a dividend of 11 eurocents per share, up 4.76% compared to last year.

The positive results we have achieved, and even more so the challenging goals we have set ourselves for the future, would not be possible without the exceptional contribution of the women and men of Iren Group, who daily infuse their work with competence, responsibility, dedication and commitment, all of which enhance Iren Group's service to the communities. For this reason, also on behalf of the Board of Directors, we would like to express our heartfelt thanks to them. We would also like to thank our Shareholders and Stakeholders, for the incentives they provide us with to pursue sustainable development, and the members of the Board of Directors and the Board of Statutory Auditors for their decisive contribution to the growth of the Group.

Chairperson
Luca Dal Fabbro



Deputy Chairperson
Moris Ferretti



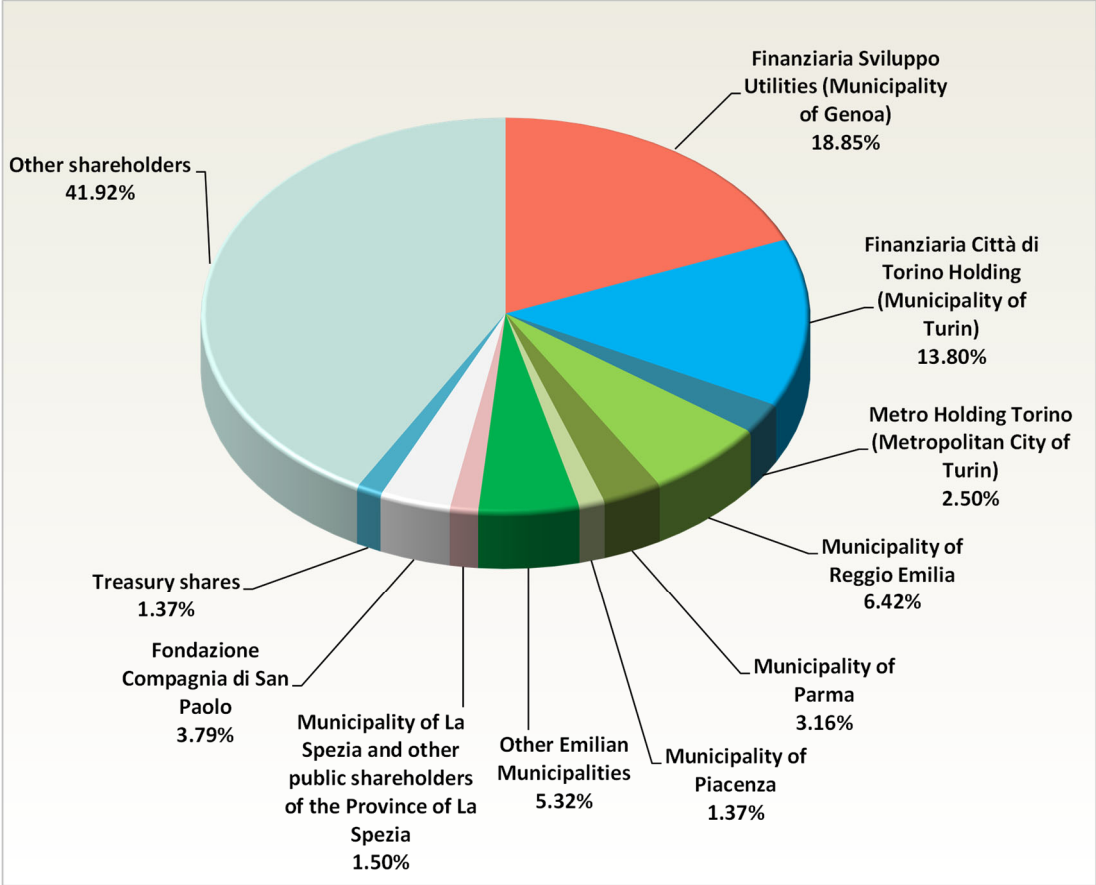
Chief Executive Officer
Gianni Vittorio Armani



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 31 December 2022, based on available information, the Iren shareholding 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.

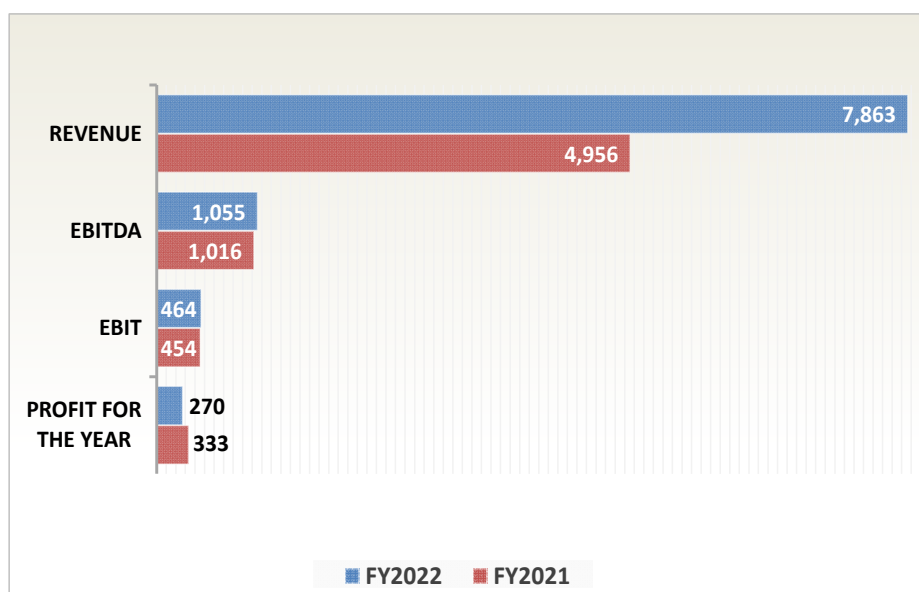
KEY FIGURES OF IREN GROUP: HIGHLIGHTS 2022

Results

	millions of euro		
	FY 2022	FY 2021 Restated	Change %
Revenue	7,863.0	4,955.9	58.7
Gross operating profit (EBITDA)	1,054.7	1,015.8	3.8
Operating profit (EBIT)	463.7	453.7	2.2
Profit for the year	269.9	333.4	(19.0)
<hr/>			
Gross operating profit (EBITDA) Margin (EBITDA/Revenue)	13.4%	20.5%	

The comparative data for the 2021 financial year have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects deriving from the completion of the allocation of the acquisition price at the definitive fair value of the assets and liabilities acquired (Purchase Price Allocation) of Sidren and Iren Energy Solutions, which took place in 2022. For further information, please refer to section IV "Business Combinations" in the Notes to the Consolidated Financial Statements.

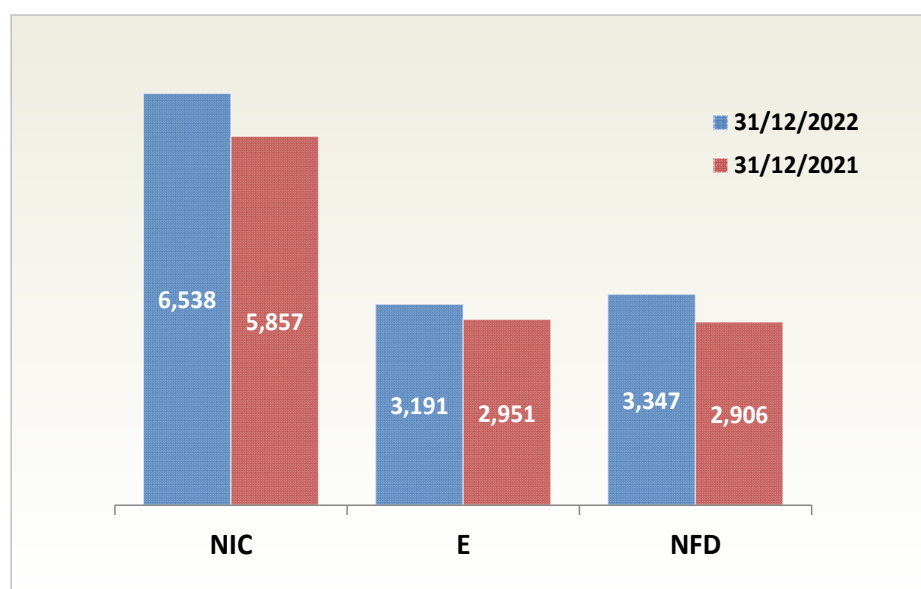
For definitions of Alternative Performance Measures, see the relevant section in this Report.



Financial position

	millions of euro		
	31.12.2022	31.12.2021 Restated	Change %
Net Invested Capital (NIC)	6,537.9	5,857.0	11.6
Equity (E)	3,191.1	2,950.6	8.2
Net Financial Debt (NFD)	3,346.8	2,906.4	15.2
Debt/Equity (Net Financial Debt/Equity)	1.05	0.99	

The comparative data as at 31 December 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects deriving from the completion of the allocation of the acquisition price at the definitive fair value of the assets and liabilities acquired (Purchase Price Allocation) of Sidren and Iren Energy Solutions, which took place in 2022 and the change in the method of recording and displaying CO2 emission rights (Emission Trading System). For further information, please refer to section IV "Business Combinations" in the Notes to the Consolidated Financial Statements.

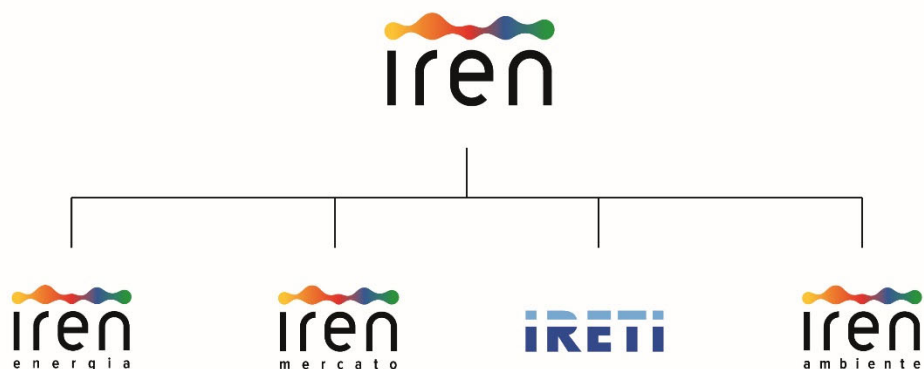


Technical and commercial figures

	FY 2022	FY 2021	Change %
Electricity produced (GWh)	8,251.6	9,822.6	(16.0)
Thermal energy produced (GWht)	2,870.1	3,328.0	(13.8)
Electricity distributed (GWh)	3,687.3	3,679.8	0.2
Gas distributed (mln m ³)	1,124.4	1,347.4	(16.6)
Water sold (mln m ³)	170.1	174.8	(2.7)
Electricity sold (GWh)	13,160.1	14,805.1	(11.1)
Gas sold (mln m ³) (*)	2,503.4	2,707.4	(7.5)
District heating volume (mln m ³)	101.4	98.8	2.6
Waste treated (tonnes)	3,734,861	3,646,006	2.4

* of which, 1,401.8 mln m³ for internal use in 2022 (1,679.1 mln m³ in 2021, 16.5%)

THE CORPORATE STRUCTURE OF 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 in the main operating sites of Genoa, Parma, Piacenza, Reggio Emilia, Turin, Vercelli and La Spezia.

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

- Networks, which works in the areas of integrated water cycle, gas distribution and electricity distribution;
- Waste Management, which carries out waste collection, urban hygiene, treatment and disposal activities;
- Energy, operating in electricity and thermal energy generation, 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 239 municipalities through a distribution network of 20,358 kilometres, serving over 2.9 million residents. As regards waste water, the Networks BU manages a sewerage network spanning a total of 11,279 kilometres.

The acquisition of 100% of Società dell'Acqua Potabile S.r.l. became effective on 1 July 2022. ('SAP') by Siram S.p.A., a company of the French Veolia group. SAP manages the water service in the Ligurian municipalities of Sestri Levante, Casarza Ligure, and Ne, with expiry dates of the relevant agreements between 2023 and 2027, as well as Carasco and Moneglia, the agreements of which 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 wastewater treatment 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.

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 8,160 kilometres of high, medium and low-pressure pipes, serves a catchment area of approximately 738 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 7,872 kilometres of network in medium and low voltage, and a total of more than 729 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, the Marches and Apulia), are active in all stages of the supply chain: from intermediation to treatment and recovery, to the disposal of both municipal and special waste and, through SEI Toscana, which Iren Ambiente has controlled since last July, 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 418 municipalities with more than 3.8 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, 408 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 3,233 MW of electricity and approximately 2,350 MW of heat. Specifically, it has 43 electricity production plants directly available to it: 35 hydroelectric (including 3 mini-hydro) plants, 7 thermoelectric cogeneration plants, and 1 conventional thermoelectric plant. The Business Unit has 105 photovoltaic production plants with an installed capacity that reached 142 MW in 2022.

In fact, the acquisition of 100% of the shareholding of Puglia Holding (now Iren Green Generation) was finalised at the beginning of the year. Through special purpose entities, Puglia Holding owns the authorisations for the construction and management of the photovoltaic plants located 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 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 74% 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 12% is produced by group plants not belonging to the Business Unit (waste-to-energy plants).

Electricity generated by plants fuelled by environmentally-friendly sources (renewable or high-efficiency cogeneration) is more than 72% 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 increased the site's total installed capacity from the current 850 MW to about 1,280 MW. The plant was completed and was commissioned 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 (1,109 kilometres of double pipe network), with 743 kilometres in the Turin area, 10 in the Municipality of Genoa, 221 in the Municipality of Reggio Emilia, 104 in the Municipality of Parma and 31 in the Municipality of Piacenza; the total volume heated amounts to 101.4 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 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 end 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 were mainly based 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.

By finalising the purchase of 80% of the Alessandria-based company Alegas S.r.l. during the second quarter, Iren Mercato has increased its customer portfolio and strengthened its presence in Piedmont, with the aim of implementing new commercial campaigns that will favour the sale of products and services connected 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 throughout the Province of Alessandria.

Sale of heat through the district heating network

Iren Mercato sells 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 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 2022

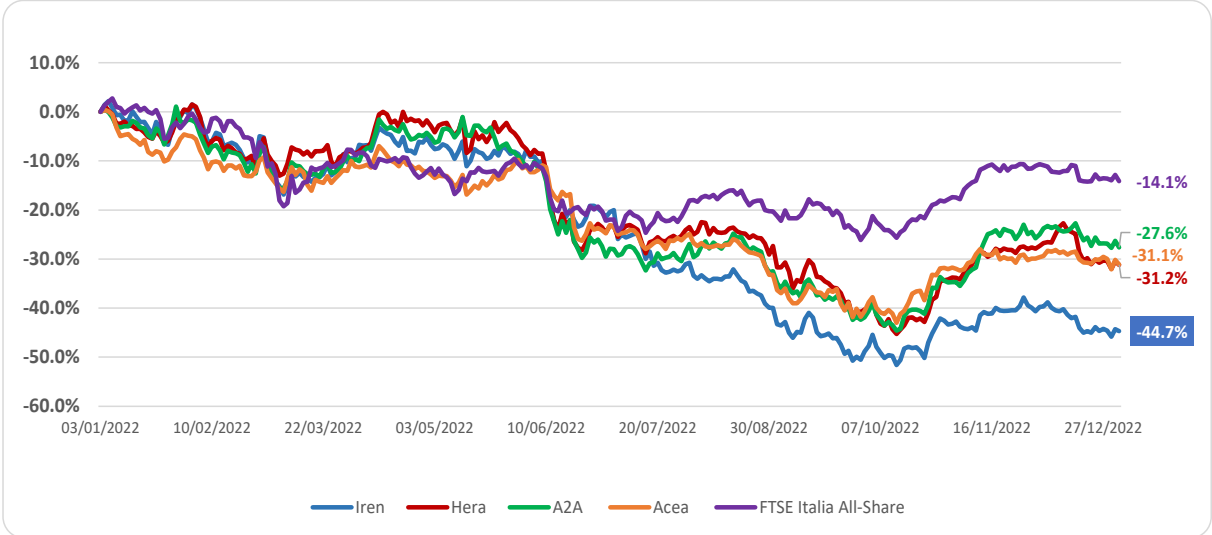
Iren stock performance on the stock exchange

During 2022, the world's major stock market indices reported a downward trend mainly due to four factors: rising energy commodity prices, Russia's invasion of Ukraine, inflation, and the resulting increase in central bank interest rates. These factors negatively affected the growth estimates of the world economy, creating the preconditions for a possible period of recession.

During the year, the FTSE Italia All-Share (the main index of the Italian Stock Exchange) fell by 13%, 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 restrictive monetary policy by the European Central Bank.

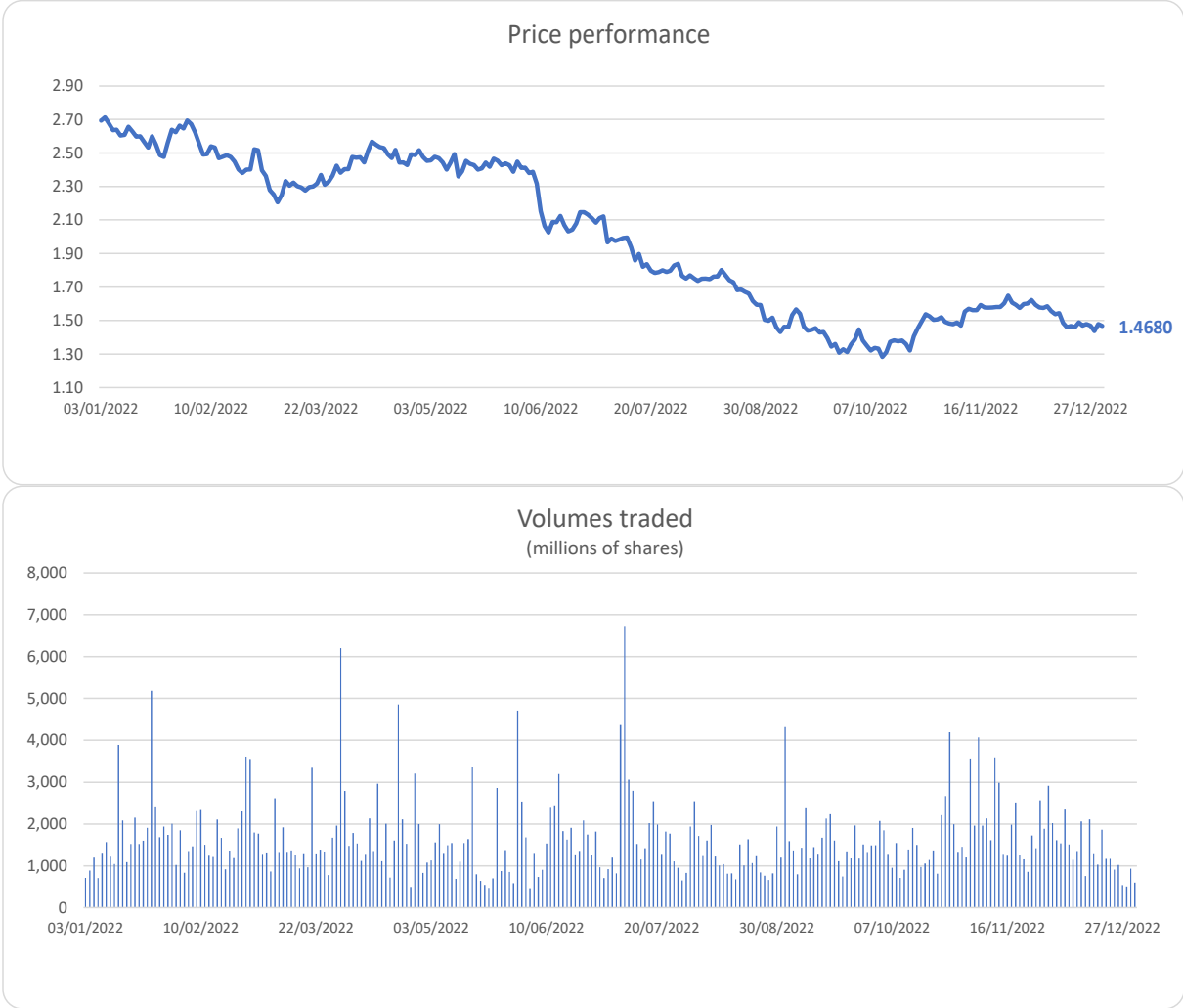
The four multi-utilities underperformed the FTSE index, being impacted by the high volatility of the energy scenario and the regulatory uncertainty related to the measures introduced by the Italian government to contain energy prices in favour of end consumers. This performance was also affected by the higher cost of debt for the significant investment plans, due to the increase in interest rates since last June.

Performance of Iren stock compared to competitors



At 31 December 2022, the last trading day in the year, the price of IREN shares stood at 1.468 euro/share, down by 44.7% compared to the price at the beginning of the year, with average trading volumes during the year amounting to approximately 1.6 million units. The average price for the year was 2.00 euro per share. The high for the year was recorded on 4 January 2022, at 2.712 euro/share; the low for the year, at 1.284 euro/share, was recorded on 12 October.

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



Share coverage

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

MARKET CONTEXT

THE MACROECONOMIC SCENARIO

The energy crisis has had a crucial impact on the economic picture in 2022, weighing on growth prospects and leading to inflation levels not seen for decades. The price increase, already observed during 2021 due to imbalances in the post-pandemic recovery of supply and demand, reached its peak following the Russian invasion of Ukraine. Reduced Russian gas supplies to Europe and security of supply risks have led to exceptional increases in energy prices in Europe, with pervasive effects on energy commodity price trends in the rest of the world as well, despite the fact that slowing Chinese growth has calmed LNG market prices.

According to the OECD, the growth of the world economy in 2022 will have slowed to +3.1%¹, 1.4 percentage points lower than predicted before the start of the conflict².

Given also the delayed wage adjustments, inflationary dynamics weigh on the purchasing power of households, depressing consumption. The restrictive monetary policies initiated by central banks are keeping inflation expectations in check for the medium to long term and have contributed to the first trend-level declines in inflation, observed in the second half of 2022 (as of July in the US and November in Europe). However, the rise in interest rates leads to a tightening of financial conditions, with negative effects on the start of new investments and on debt repayment conditions for companies and households that have taken out variable-rate loans.

International trade developed positively during 2022, despite the contraction of Chinese imports and changes in trade routes resulting from the conflict in Ukraine, which led to an increase in trade between Russia and some Asian economies, at the expense of trade with Europe. The growth in global demand for goods and services contributed to the recovery of trade, thanks to the now complete removal of pandemic containment measures and the gradual resolution of 'bottlenecks' along supply chains, which also contributed to the fall in freight prices. However, there is a risk that the slowdown of production activities in China due to new pandemic waves will create new tensions in production chains.

According to OECD estimates, the Eurozone will end 2022 with an annual growth of 3.3%. Rising energy prices and worsening financial conditions are weighing on the performance of European industry. The fiscal policy measures introduced by individual member states in 2022, which were not reconfirmed to the same extent for the following two years, severely limited the impact of inflation on industry and households. However, the lack of European coordination opened the way for distortions in competition in the internal market.

The Italian economy performed positively in the first three quarters of the year, supported by both components of domestic demand, consumption and investment, and the recovery of services on the supply side. According to ISTAT, the slowdown in the last quarter, due to the impact of energy prices on industrial activity and the gradual exhaustion of the post-pandemic recovery, pegs annual growth for 2022 at 3.9%. The weakening of industrial production has been relatively moderate so far (-3% year-on-year to November 2022), despite cuts in energy consumption, giving signs of the sector's resilience to the energy crisis.

In this macroeconomic context, inflation in Italy increased by an average of 8.2% per year in 2022³.

Household spending

According to Bank of Italy estimates, in 2022, Italian household spending, in real terms, increased by 4.5% year-on-year, returning to above pre-pandemic levels. Measures to mitigate the impact of rising energy prices and the availability of savings accumulated during the pandemic have supported household consumption, despite the progressive decline in purchasing power observed from the end of 2021 onwards. The propensity to save declined significantly from Q2 2022 onwards, falling below pre-pandemic levels for the first time in Q3.

¹ Source: OECD, *Economic Outlook, Volume 2022 Issue 2*, November 2022.

² Source: OECD, *Economic Outlook, Volume 2021 Issue 2*, December 2021.

³ Source: ISTAT data, January 2023.

Investments

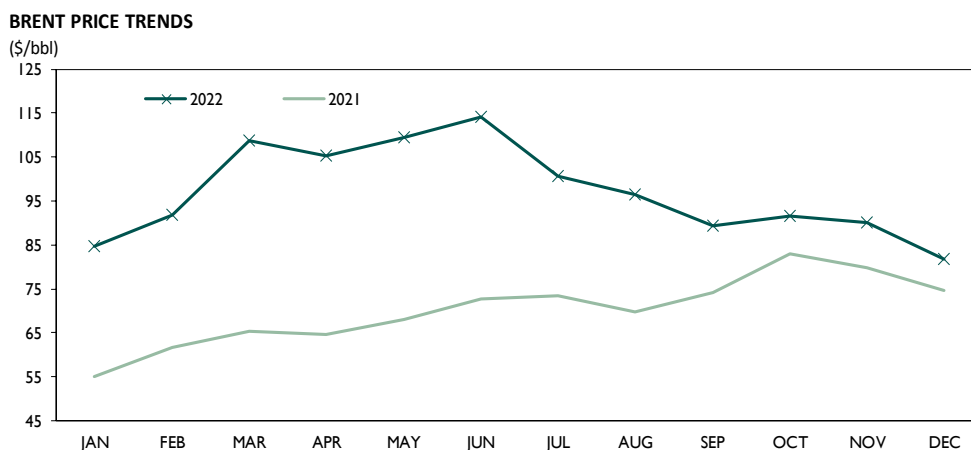
Gross capital expenditure grew by 6% during the first three quarters of 2022, although growth decelerated during the third quarter. The phasing out of incentive schemes in the construction sector and the financial problems resulting from rising energy prices have adversely affected the propensity to invest as early as Q3 2022. According to the Bank of Italy, this trend continued into the fourth quarter, for which there was a substantial stagnation in investment⁴.

Exports

Exports increased significantly in the first half of 2022 (+5.2 % and +2.1 %, in Q1 and Q2 respectively, on a cyclical basis), before slowing down in Q3 (+0.8 %), mainly driven by purchases from non-EU countries, in particular the US, favoured by the appreciation of the dollar. Exports of services drove the increases in the first half of the year, still benefiting from the recovery of post-pandemic tourism flows, but declined in the third quarter. The figures for October and November confirm the slowdown observed in the previous quarter. On a trend basis, the increase in exports is estimated at 10.4% compared to 2021⁵.

THE OIL MARKET

The average Brent price in 2022 averaged 98.9 \$/bbl, up 39.7% from 2021, which averaged 70.8 \$/bbl. The sharp rise in prices followed the general rise in commodity prices despite the fact that, in 2022, an overall increase in demand of 2.3% compared to 2021 was actually matched by a higher increase in supply (+4.8%). Against this backdrop, OPEC decided in October 2022 to reduce production again, limiting the room for price declines at a time when the market was starting to normalise.



Data processed by MBS Consulting

⁴ Source: Bank of Italy, Economic Bulletin 1/23, January 2023.

⁵ Source: Bank of Italy, Economic Bulletin 1/23, January 2023.

THE NATURAL GAS MARKET

Supply and Demand

Gas consumption in 2022 is down 9.5% over 2021, totalling 69.0 billion/m³ (from 76.2 billion/m³ last year). The reaction of industry and private individuals to rising prices, very mild winter temperatures, combined with the government's planned containment measures, contributed to the significant drop in consumption in all sectors. Gas demand in the industrial sector decreased by 14.0% compared to 2021 (reaching 12.0 billion cubic metres), followed by the residential sector (29.1 billion/m³, -13.5%) and by the thermoelectric sector (25.0 billion/m³, -3.6%).

GAS WITHDRAWN (Bln m ³)*	2022	2021	2020	Change	Change
				%	%
				2022	2021
				vs	vs
				2021	2020
Industrial uses	12.0	14.0	13.2	-14.0%	6.1%
Thermoelectric uses	25.0	25.9	24.2	-3.6%	6.9%
Distribution plants	29.1	33.7	31.3	-13.5%	7.5%
Third party network and system consumption / line pack	2.9	2.6	1.9	8.4%	37.7%
Total withdrawn	69.0	76.2	70.7	-9.5%	7.9%

*Cumulative amounts as at 31 December processed by MBS Consulting

GAS INPUT (bln m ³)*	2022	2021	2020	Change	Change
				%	%
				2022 vs	2021
				2021	vs
				2020	
Imports	68.6	71.6	65.9	-4.1%	8.7%
National production	3.1	3.1	3.8	-0.3%	-18.3%
Storage	-2.8	1.5	0.9	(**)	55.0%
Total input (incl. storage)	69.0	76.2	70.7	-9.5%	7.9%
Maximum capacity	187.1	184.7	145.7		
Load factor	36.7%	38.8%	45.2%		

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

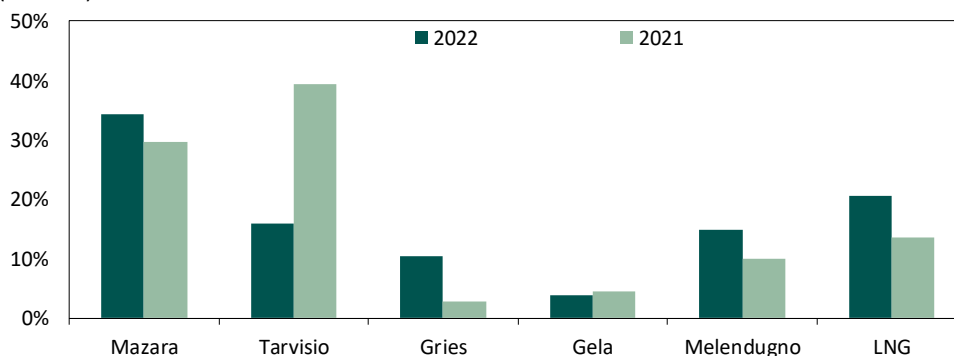
**Change of more than 100%

In 2022, total imports decreased by 4.1% compared to 2021 (68.6 and 71.6 billion/m³ respectively), while domestic production remained unchanged (3.1 billion/m³). The general situation of domestic entry points connected with foreign countries is as follows:

- inflows from Russia through the Tarvisio entry point amounted to 11.0 billion/m³, a sharp decrease compared to 2021 (28.1 billion/m³). Russia went from being the largest source of imports to the third, with its weight on the overall Italian budget reduced to 16.0% compared to 39.3% in 2021;
- the weight of flows from the different areas of the Mediterranean has therefore increased, with inflows from Algeria to Mazara del Vallo increasing by 11% compared to 2021 (23.6 billion/m³ in 2022, against 21.2 billion/m³ in 2021), accounting for 34.3% of total imports;
- Azerbaijan gas imports to the new Melendugno entry point via the TAP pipeline (which became operational in 2021) increased by 42%, totalling 10.2 billion/m³ in 2022 (7.2 billion/m³ in 2021), accounting for 14.8% of total imports;
- the strengthening of Norwegian production has led to a sharp increase in imports from Northern Europe, for a total of 7.1 billion/m³ (+244% compared to 2021);
- offsetting the reduction in flows from Russia, LNG imports also increased sharply (+45% compared to 2021), totalling 14.2 billion/m³.

IMPORTS BY PORT OF ENTRY ON TOTAL

(% value)



* Cumulative amounts at 31 December 2022

Data processed by MBS Consulting

Wholesale gas prices

Analysing the interim trends, in the first half of 2022, wholesale gas prices increased in all the main European hubs, both compared to the last quarter of 2021 and compared to the same period last year. The following factors contributed to the sharp increase in prices:

- the war in Ukraine and the gradual reduction of gas flows from Russia (in particular, the sudden cancellation of arrivals from the Nord Stream 1 pipeline due to delays in the supply of certain materials needed for maintenance work);
- the interruption of operations at the Freeport liquefaction terminal, one of the largest in the United States, due to a fire, which occurred at a time when LNG had become one of the main alternatives to imported Russian gas.

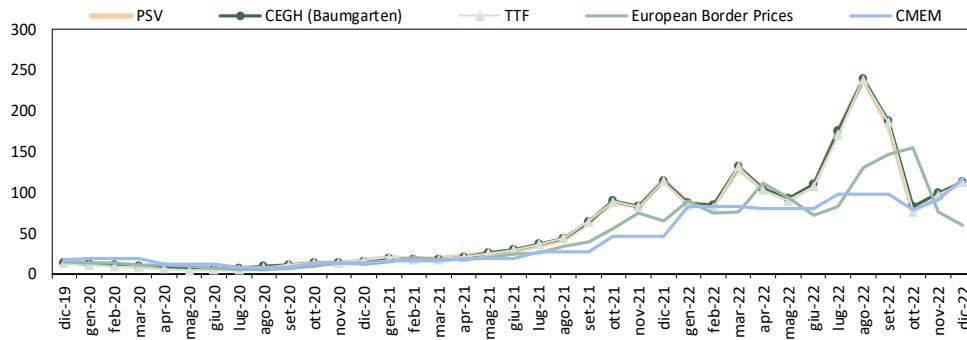
In the second half of the year, after a last sharp rise in August, a gradual normalisation of prices began. The downward movement was aided by autumn temperatures above historical averages, which, together with demand restraint measures and self-induced savings in the residential and industrial sectors, limited demand and allowed the injection phase to be completed at very high stock levels. An extremely low rate of depletion subsequently made it possible to arrive at the end of the year with stock levels still well above the average of the last five years.

In this context, the average spot price at the TTF for 2022 still stood at 123.1 €/MWh, up 164% compared to 46.62 €/MWh in 2021. The CEGH (Baumgarten) average price ended with an increase of around 170%, on an average value of 125.4 €/MWh. At PSV, the average spot price is +166% above the 2021 quotas, standing at 123.9 €/MWh. The average PSV-TTF differential was around +0.77 €/MWh, compared to -0.07 €/MWh in 2021.

Lastly, in 2022, prices at the border followed the general upward trend and settled at a European average level of 97.3 €/MWh, up more than 185% compared to 2021. Average Italian prices at the border were slightly higher than the European average, standing at 106 €/MWh.

WHOLESALE PRICES IN EUROPE

(€/MWh)



Latest data 31 December 2022

Data processed by MBS Consulting

Imbalance Price and the Protected Market

In the Italian market, the average imbalance price for 2022 was 118.9 €/MWh⁶, more than 156% higher than the price for 2021 (46.4 €/MWh). On the markets of the MGAS platform, functional to the definition of the imbalance price, a total volume of approximately 12 billion/m³ was traded during the period. The IM-GAS intraday market continues to be the main segment of the platform managed by the GME (Electricity Market Operator), with a total amount of volumes traded of approximately 4.2 bln/m³.

With regard to the protected market, the most important change concerns the modification of the criteria for setting gas prices in the protected market. Starting from October 2022, and for the entire residual duration of the gas protection regime (end of December 2023), the update of the CMEM component, intended to reflect the cost of gas supply in the protected market, takes place on a monthly basis and no longer on a quarterly basis (Resolution 374/2022/R/Gas). As of October 2022, the CMEM component is in fact calculated by ARERA as the monthly average of the PSV Day Ahead price detected by ICIS-Heren, and no longer as the average of the TTF forward prices calculated in the second month preceding the reference quarter (Pfor index). This component was 78.05 €/MWh in October, 91.20 €/MWh in November, and 116.60 €/MWh in December.

⁶ 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 2022, electricity production in Italy was 274.6 TWh, down 1.7% compared to 2021. The demand for electricity, amounting to 315.6 TWh, was 86.2% met by domestic production, and the remaining 13.8% met by imports.

National thermoelectric production, settling on a volume of 193.3 TWh, represented 70.4% of the national net one, up 6.2% compared to 2021, mainly as a result of the limited availability of hydroelectric production. The latter amounted to 27.9 TWh, down sharply (-39.0% compared to 2021) due to the drought, which was present throughout the year. Overall, the hydroelectric source contributed 10.2% to the national net production, while geothermal, wind and photovoltaic sources contributed 19.4% with an energy production of 53.3 TWh (+3.6% compared to 2021).

The energy crisis affected national electricity demand, leading to a 1.2% drop in consumption compared to 2021 in all areas, despite above-average summer temperatures. The South in particular recorded the most significant reduction (-2.3%) followed by the North (-1.4%), the Islands (-1.0%) and the Centre (-0.2%).

Cumulative electricity supply and demand (GWh and trend changes)

	until 31/12/2022	until 31/12/2021	Change %
Demand	315,625	319,318	-1.2%
<i>Northern Italy</i>	147,800	149,918	-1.4%
<i>Central Italy</i>	93,762	93,956	-0.2%
<i>Southern Italy</i>	45,842	46,930	-2.3%
<i>The Islands</i>	28,221	28,514	-1.0%
Net production	274,600	279,351	-1.7%
<i>Hydroelectric</i>	27,959	45,851	-39.0%
<i>Thermoelectric</i>	193,287	182,010	6.2%
<i>Geothermoelectric</i>	5,444	5,526	-1.5%
<i>Wind and photovoltaic</i>	47,910	45,964	4.2%
Pumping consumption	-2,533	-2,826	-10.4%
Foreign balance	43,558	42,793	1.8%

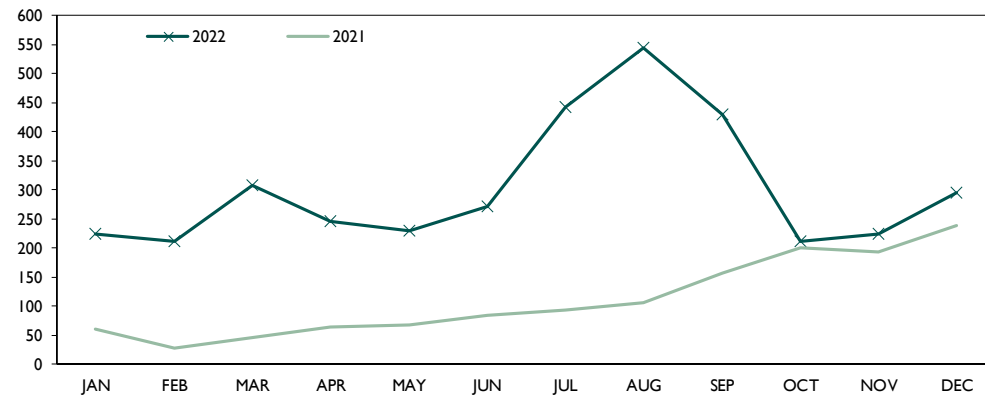
Data processed by MBS Consulting

Day-Ahead Market (DAM) prices

In 2022, the National Single Price (PUN) stood at an average price of 303.1 €/MWh, up 143% from 2021. The record year-on-year growth of the PUN was particularly significant between May and June, with an increase of 120%.

For all months from January to September, the average PUN exceeded the average monthly levels of the previous year (+270% on average), peaking in August (543 €/MWh). Only in the last quarter did prices fall back into line with those of the same period of the previous year (+0.5%), with the average PUN between October and December amounting to 243 €/MWh, levels that were nevertheless well above (+290%) those before the energy crisis (the 2017-2021 average is in fact 62.3 €/MWh).

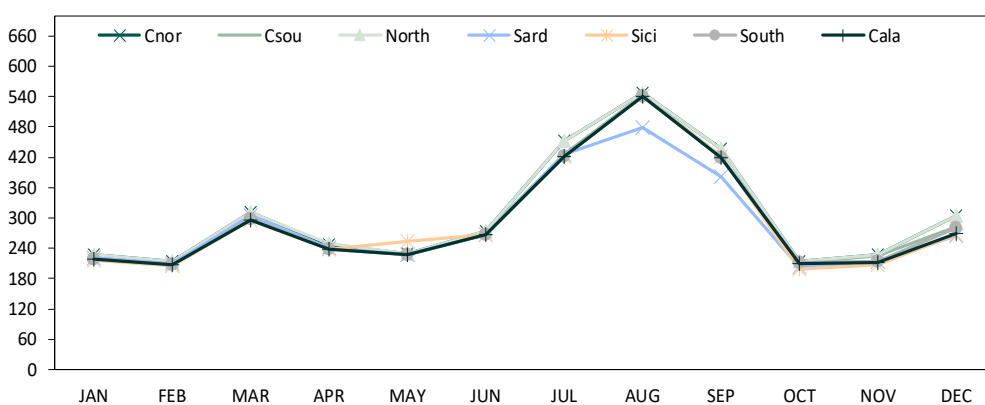
AVERAGE PRICE ON DAM (PUN) TRENDS
(€/MWh)



Data processed by MBS Consulting

The price increase involved all zonal prices, with the maximum deviation of the average annual price from 2021 recorded by the North (146%) and the minimum by Sicily (129%). Finally, it should be noted that the zonal average price differential (20.7 €/MWh) increased significantly compared to 2021 (5.4 €/MWh).

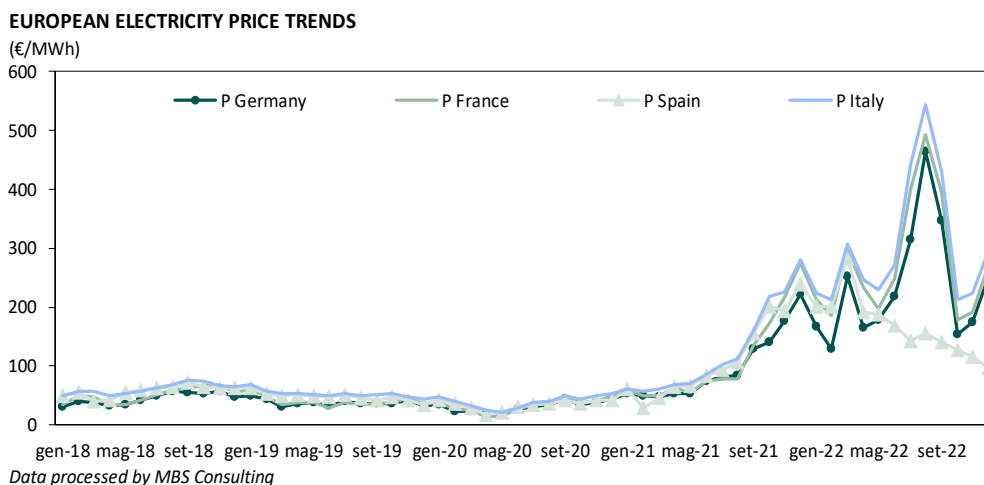
ITALIAN ZONAL PRICE TRENDS 2022
(€/MWh)



Data processed by MBS Consulting

Trends in the main European energy exchanges

The average price for European energy exchanges⁷ in 2022 was 225.7 €/MWh, a sharp increase over 2021, +114%. The differential with the PUN was 77.4 €/MWh, compared with 19.4 €/MWh in the previous year. With the exception of Spain, the mid-year performance of the European energy exchanges under analysis is substantially the same as that observed for Italy.



Futures of Baseload PUN on the EEX

The following table shows the future prices traded in the last quarter of 2022. For the month of January, downward variations were recorded between the beginning and the end of the quarter; Q1 23, Q2 23 and Q3 23 also recorded a decrease, respectively of 47.7 €/MWh, 20.0 €/MWh and 10.7 €/MWh. The Cal Y+1 followed the same trend, from 339.7 €/MWh in October to 316.3 €/MWh in December. Compared to the fourth quarter of 2021, the average futures settled at a higher level.

Oct-22 Futures		Nov-22 Futures		Dec-22 Futures	
Monthly	€/MWh	Monthly	€/MWh	Monthly	€/MWh
Nov-22	262.2	Dec-22	228.9	Jan-23	330.2
Dec-22	345.4	Jan-23	303.8	Feb-23	337.9
Jan-23	386.8	Feb-23	330.1	Mar-23	338.7
Quarterly		Quarterly		Quarterly	
Q1 23	375.4	Q1 23	318.9	Q1 23	327.7
Q2 23	322.4	Q2 23	281.8	Q2 23	302.4
Q3 23	324.1	Q3 23	284.5	Q3 23	313.4
Yearly		Yearly		Yearly	
Y1 23	339.7	Y1 23	297.5	Y1 23	316.3

Data processed by MBS Consulting

⁷ The price of European energy exchanges is calculated by taking the arithmetic average of market results in Germany, France and Spain.

SIGNIFICANT EVENTS OF THE YEAR

Acquisition of photovoltaic plants from European Energy

On 16 February 2022, the Group finalised the acquisition from European Energy S/A, a Danish company that develops and manages wind and photovoltaic plants, of 100% of Puglia Holding S.r.l. (now Iren Green Generation), owner of five special purpose entities (SPEs) holding construction and management authorisations for the ASI Troia photovoltaic parks in San Vincenzo and Montevergine (Province of Foggia) and the Palo del Colle complex (Province of Bari).

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

Together with the Puglia Holding transaction, Iren Energia entered into a commercial agreement relating to the European Energy plants under development for a total 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.

Pursuant to this agreement, on 26 September 2022 Iren Green Generation entered into a contract for the acquisition, through a quota capital increase, of 51% of the SPEs Limes 1 S.r.l. and Limes 2 S.r.l., owned by European Energy, which hold the authorisations for the construction of two photovoltaic plants with a total capacity of 39 MW on land located in the municipality of Tuscania, in the province of Viterbo. The value of the shares acquired in the two SPEs is 4.1 million euro.

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 included 157 thousand Redelivery Points (PDR), distributed throughout 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.

These assets were contributed in the first quarter to a dedicated company, Romeo Gas SpA, of which IRETI purchased a share referring to an Enterprise Value of 15.7 million euro.

This purchase is preliminary to an operation to rationalise certain assets of the natural gas distribution service in Iren Group's local areas, which was finalised in January 2023.

Acquisition of Alegas

On 21 April 2022, Iren Mercato finalised 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 at the time of acquisition has a portfolio of approximately 43 thousand customers, mostly retail, of which 36 thousand gas and 7 thousand electricity customers, almost entirely distributed throughout the Province of Alessandria. The price for the acquisition was 17.1 million euro.

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

Contracting of sustainability-linked loans

During the year, Iren S.p.A. contracted six term loans, all with maturities between five and six years and a bullet repayment structure, from Intesa Sanpaolo and Cassa Depositi e Prestiti (150 million euro each), BPER Banca (100 million euro), BBVA - BancoBilbao Vizcaya Argentaria (50 million euro) and CaixaBank (100 million euro) and Banco BPM (100 million euro).

The amount of the spread of the new credit lines is linked to the achievement of specific objectives outlined in the Sustainability Report and 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 operations 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. The total amount of ESG-linked loans signed during the year thus stands at 650 million euro.

In sustainable financing, in August 2022 Iren S.p.A. also signed a 50 million euro private placement under the 4 billion Euro Medium Term Note (EMTN) programme with the aim of financing a number of green investment projects selected among the eligible projects identified within the Sustainable Financing Framework.

Shareholders' Meeting

On 21 June 2022, the Ordinary Shareholders' Meeting 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 Shareholders also:

- approved the first section ("2022 Remuneration Policy") of the Report on the 2022 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 2022-2023-2024 (expiring on the date of approval of the financial statements for 2024) and determined the annual remuneration to be paid to the members.

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, as well as in the municipalities of 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 wastewater treatment 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 price of the transaction was 11.3 million euro.

The transaction anticipates Ireti's succession in managing the concessions allocated to it as the sole operator of the reference area, making it possible to launch actions aimed at achieving significant synergies with the other managements that are already exercised in the neighbouring territories.

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", operating in over one hundred municipalities in the provinces of Arezzo, Grosseto, Siena and Livorno. The company also holds controlling stakes in Ekovision S.r.l., which designs, develops and provides software assistance for applications dedicated to companies operating in the waste sector, and Valdisieve S.c. a r.l.

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

Acquisition of ready-to-build projects of photovoltaic plants

On 22 July 2022, the Group signed the binding agreements for the acquisition, for a total of 6.1 million euro, of authorisations and land rights for the development of two photovoltaic plants with a total power of 29.9 MW located in Basilicata, in the municipalities of Ferrandina and Garaguso (province of Matera), for a production of approximately 50 GWh per year. At the end of July and in November, respectively, the acquisitions of the special purpose entities Mara Solar and Omnia Power, related to the development of the two plants, were finalised.

Rating Confirmation

Between November and December 2022, the agencies Fitch Ratings and S&P Global Ratings renewed their ratings for Iren Group.

In particular, Fitch confirmed its long-term credit rating at 'BBB' with a 'Stable' outlook, while S&P Global maintained its 'BBB-' rating with a 'Positive' outlook. Both agencies also gave their respective ratings to senior unsecured debt.

These ratings are mainly based on an assessment of the Group's business model, which is diversified and balanced in a context of macroeconomic and regulatory uncertainty, and its good liquidity profile.

ALTERNATIVE PERFORMANCE MEASURES

Iren Group uses alternative performance measures (APMs) to report more effectively on the profitability of the businesses it operates in, as well as on its own financial position and financial performance. These measures differ from the financial measures explicitly required by the International Financial Reporting Standards (IFRS) adopted by the Group.

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

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

Net invested capital (NIC): determined by the algebraic sum of non-current assets, other non-current assets (liabilities), net working capital, deferred tax assets (liabilities), provisions for risks, and employee benefits and assets held for sale (liabilities directly associated with assets held for sale). For further details on how the individual items in the measure were constructed, reference should be made 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 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 both internal and external documents and is 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 that of the previous periods or years.

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

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

Operating profit or loss (EBIT): calculated as the sum of profit or loss before tax, share of profit or loss of equity-accounted investees, impairment gains and losses on equity investments and financial income and expense. Operating profit or loss 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 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 grants related to assets.

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

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

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

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

This APM is used by the Group in both internal and external documents and is a useful tool to assess the financial structure in terms of the impact of the various sources of financing (third-party funds and own funds).

Investors should note that:

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

FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASH FLOWS OF IREN GROUP

Income statement

IREN GROUP INCOME STATEMENT

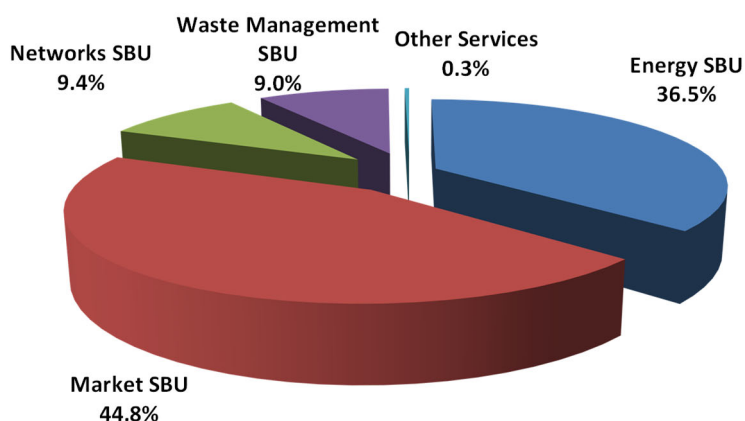
	thousands of euro		
	FY 2022	FY 2021 Restated	Change %
Revenue			
Revenue from goods and services	7,627,961	4,826,741	58.0
Other income	235,082	129,130	82.1
Total revenue	7,863,043	4,955,871	58.7
Operating expenses			
Raw materials, consumables, supplies and goods	(4,582,060)	(1,990,495)	(*)
Services and use of third-party assets	(1,669,325)	(1,421,590)	17.4
Other operating expenses	(81,582)	(87,832)	(7.1)
Capitalised costs for internal works	55,655	43,382	28.3
Personnel expense	(531,060)	(483,498)	9.8
Total operating expenses	(6,808,372)	(3,940,033)	72.8
GROSS OPERATING PROFIT (EBITDA)	1,054,671	1,015,838	3.8
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(522,591)	(478,320)	9.3
Impairment losses on loans and receivables	(63,465)	(53,521)	18.6
Other provisions and impairment losses	(4,880)	(30,321)	(83.9)
Total depreciation, amortisation, provisions and impairment losses	(590,936)	(562,162)	5.1
OPERATING PROFIT (EBIT)	463,735	453,676	2.2
Financial management			
Financial income	23,201	28,173	(17.6)
Financial expense	(105,108)	(74,553)	41.0
Net financial expense	(81,907)	(46,380)	76.6
Gains on equity-accounted investments	5,211	6,019	(13.4)
Share of profit of equity-accounted investees, net of tax effects	11,758	10,294	14.2
Pre-tax profit	398,797	423,609	(5.9)
Income taxes	(128,851)	(90,208)	42.8
Profit from continuing operations	269,946	333,401	(19.0)
Profit (loss) from discontinued operations	-	-	-
Profit for the year	269,946	333,401	(19.0)
attributable to:			
- the owners of the parent	226,017	303,172	(25.4)
- non-controlling interests	43,929	30,229	45.3

(*) Change of more than 100%

The comparative figures for the 2021 financial year have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects resulting from the completion of the allocation of the purchase price at the definitive fair value of the assets and liabilities acquired (Purchase Price Allocation) of Sidren and Iren Energy Solutions, which took place in 2022. For further information, please refer to section IV "Business Combinations" in the Notes to the Consolidated Financial Statements.

Revenue

For the year ended 31 December 2022, the Group booked revenue of 7,863 million euro, up by +58.7% compared to 4,955.9 million euro in 2021. The main drivers of the increase were the higher energy revenue, which were affected by more than 2,400 million euro by the increase in commodity prices partially absorbed by the climate effect (approximately -88 million euro). Also contributing to the positive change in turnover are energy efficiency activities such as energy upgrading and the renovation of buildings, favoured by tax breaks (+274 million approximately). Finally, changes in the consolidation scope affect revenue for over 200 million euro and refer to the consolidation from February 2022 of Puglia Holding (now Iren Green Generation), Alegas (from April 2022) and SEI Toscana (from July 2022).



Gross Operating Profit (EBITDA)

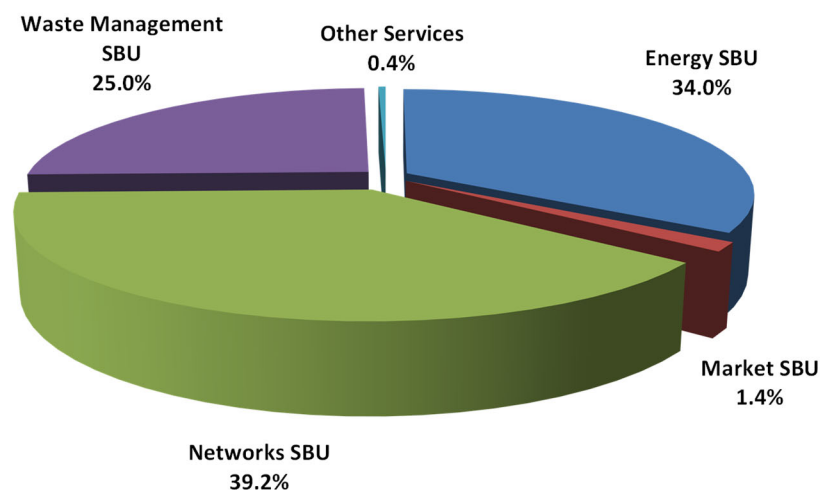
Gross operating profit (EBITDA) amounted to 1,054.7 million euro, up +3.8% compared to 1,015.8 million euro in 2021.

The margin for the year was positively impacted by the expansion of the consolidation scope due to the acquisition of Puglia Holding (+50 million euro), operating in the production of photovoltaic energy and the consolidation of SEI Toscana (+8 million euro), operating in the waste collection sector, an increase in tariffs for network services related to investments made to improve infrastructures, the development of energy upgrading activities, and the entry into full operation of the Cairo Montenotte and Santhià biodigesters following the expansion in capacity.

The energy scenario, characterised by sharply increasing electricity and gas prices compared to 2021, had a positive impact on the gross operating profit. In fact, the integrated management of the energy chain has allowed, in a very volatile environment, offsetting between the positive effects (profit margins on electricity and heat production, capacity market fees and tax credits on energy costs) and the negative effects (profit margins on electricity sales in significant decline).

However, the positive scenario effect was more than offset by negative regulatory effects (the cessation of the production of energy efficiency certificates for the Turin North plant and a sharp reduction in profit margins on the dispatching services market) and the climatic effects characterised by a persistent drought and high temperatures, which led to a sharp decrease in the volumes of energy produced from hydroelectric sources, resulting in fewer green certificates produced and lower quantities of heat sold for district heating use.

Overall, the increase in gross operating profit with reference to the individual business units is broken down as follows: Waste Management (+16.1%), Energy (+20.5%), Networks (+8.1%) while the Market business unit declined (-86.7%), the latter trend to be interpreted together with the increase in the Energy BU profit margins, as part of the integrated management of the energy supply chain (production and marketing of electricity produce from renewable sources).



Operating profit (EBIT)

Operating profit (EBIT) amounted to 463.7 million euro, up +2.2% compared to 453.7 million euro in 2021. Depreciation and amortisation increased by 44 million euro during the year, related to the commissioning of new investments and the expansion of the consolidation scope, and the loss allowance increased by about 10 million euro. There were also higher releases of provisions of about 11 million euro, mainly related to the termination of disputes with suppliers, higher accruals to the provision for risks of 9 million euro, including the impact of the two-way compensation mechanism for electricity prices pursuant to the "Sostegni Ter" decree, and lower impairment losses of 23 million euro; the Scarlino Energia plant was impaired in the previous year.

Financial income and expense

Net financial expense came to 81.9 million euro; in the comparative period, the figure stood at 46.4 million euro. Financial income, including income related to the discounting of provisions for risks and charges, amounted to 23.2 million euro, compared to 28.2 million euro in 2021, which included income from the early settlement of financial liabilities.

On the financial expense side, there was an increase of 30.5 million euro (105.1 million euro compared to 74.6 million euro in 2021), mainly due to non-recurring items not attributable to financing expense and in particular related to charges for commodity derivatives on the PFOR index for which the hedging relationship ceased to exist (20.9 million euro), and charges for the assignment of tax credits from Superbonus (12.7 million euro).

Gains on Equity Investments

These gains, amounting to 5.2 million euro in 2022, largely refers to the gains on the acquisition of the net assets of Valle Dora Energia. In the comparative year, the sum of 6.0 million euro referred to the gain resulting from the consolidation of NOVE and the restatement at fair value of the prior interest in Futura at the date of acquisition of control.

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

This item, which amounts to +11.8 million euro (+10.3 million in 2021), includes the pro-rata share of the Group subsidiaries' profit or loss, the most significant of which relate to ASA, Asti Servizi Pubblici and Aguas de San Pedro.

Pre-tax profit

As a result of the above trends the consolidated pre-tax profit came to 398.8 million euro (423.6 million in 2021).

Income taxes

Income taxes for the year amounted to 128.9 million euro, up from 90.2 million euro in the comparative year, which included non-recurring tax income of 32.3 million euro related to the exercise of the option on realignments of carrying amounts and tax bases pursuant to Decree-Law no. 104/20 (so-called "DL Agosto"). The adjusted tax rate for 2022, without taking into account non-recurring items, stands at 29%.

The Income Taxes item additionally includes the effects of the measure referred to in Article 37 of Decree-Law 21/2022, which provides for a non-recurring charge as an "extraordinary contribution against high utility bills", equal to 25% of the "extra profits" of companies operating in the energy sector, and the effects of the Temporary

Solidarity Contribution (pursuant to the EU Regulation of 6 October 2022), which is due for 50% of the increase in taxable income for 2022 exceeding the average income achieved in the previous four years by at least 10%. For the Group, the total contribution is estimated at 27.3 million euro.

Furthermore, the tax rate benefits from the non-taxation of the income component relating to the Measures to counter the "High Energy Costs", for "non-energy-intensive" and "non-gas-intensive" companies (Legal Decree 4/2022, Legal Decree 17/2022, Law 51/2022 and "Aiuti" Decrees Legal Decrees 50/2022, 115/2022 and 144/2022).

Profit for the year

As a result of the above, there was a profit for the year of 269.9 million euro, down 19.0% compared to 2021. The figure is due to the profit attributable to owners of the parent of 226.0 million euro, while profit attributable to non-controlling interests was 43.9 million euro.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF IREN GROUP

	thousands of euro		
	31.12.2022	31.12.2021 Restated	Change %
Non-current assets	7,654,903	6,883,177	11.2
Other non-current assets (liabilities)	(416,214)	(458,642)	(9.3)
Net Working Capital	(223,927)	(222,501)	0.6
Deferred tax assets (liabilities)	198,645	238,847	(16.8)
Provisions for risks and employee benefits	(692,301)	(585,033)	18.3
Assets held for sale (liabilities directly associated with assets held for sale)	16,802	1,144	(*)
Net invested capital	6,537,908	5,856,992	11.6
Equity	3,191,154	2,950,591	8.2
<i>Non-current financial assets</i>	<i>(169,057)</i>	<i>(131,766)</i>	28.3
<i>Non-current financial indebtedness</i>	<i>4,266,014</i>	<i>3,549,612</i>	20.2
Non-current net financial indebtedness	4,096,957	3,417,846	19.9
<i>Current financial assets</i>	<i>(1,044,778)</i>	<i>(977,404)</i>	6.9
<i>Current financial indebtedness</i>	<i>294,575</i>	<i>465,959</i>	(36.8)
Current net financial position	(750,203)	(511,445)	46.7
Net financial indebtedness	3,346,754	2,906,401	15.2
Own funds and net financial indebtedness	6,537,908	5,856,992	11.6

(*) Change of more than 100%

The comparative figures as at 31 December 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects deriving from the completion of the allocation of the purchase price at the definitive fair value of the assets and liabilities acquired (Purchase Price Allocation) of Sidren and Iren Energy Solutions, which took place in 2022 and the change in the method of recording and displaying CO2 emission rights (Emission Trading System). For further information, please refer to section IV "Business Combinations" in the Notes to the Consolidated Financial Statements.

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

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

Non-current assets at 31 December 2022 amounted to 7,654.9 million euro, up compared to 31 December 2021, when they were 6,883.2 million euro. The increase (+771.7 million euro) was mainly due to the effect of the following:

- investments in property, plant and equipment and intangible assets (+897.6 million euro) and depreciation and amortisation (-522.6 million euro) in the year;
- new assets, including goodwill, arising from M&A transactions in the year totalling 389.3 million euro and broken down as follows:
 - Energy BU: 234.7 million euro, referring to photovoltaic parks and hydroelectric generation plants;
 - Environment BU: 117.5 million euro, in the waste collection and treatment sector;
 - Market BU: 25.4 million euro (Alegas, active in the sale of gas and electricity);
 - Networks BU: 11.7 million euro, related to Integrated Water Service concessions;
- the recognition of right-of-use assets in application of IFRS 16 - Leases for 16.5 million euro, largely relating to lease and rental contracts for buildings, plant and vehicles used for operating activities.

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

The Other non-current assets (liabilities) item increased by 42.4 million euro, standing at -416.2 million euro, mainly by virtue of the assets accrued with the tax authorities for subsidised building energy efficiency measures.

Net Working Capital amounted to -223.9 million euro, substantially in line with the figure as at 31 December 2021, which amounted to -222.5 million euro.

The net deferred tax assets decreased to 198.6 million euro (238.8 million euro at 31 December 2021), as a result of the tax effect on the fair value adjustment of hedging derivative contracts and deferred tax balances deriving from the entities acquired in the year.

The "Provisions for Risks and Employee Benefits" amount to 692.3 million euro and are up compared to the figure at the end of 2021 (equal to 585.0 million), mainly due to the net effect of the accrual for the obligations relating to CO2 emissions and the disappearance of risks identified in previous years, mainly relating to disputes with suppliers.

Equity amounted to 3,191.1 million euro, compared with 2,950.6 million euro at 31 December 2021 (+240.5 million euro). The change refers to the profit for the year (+269.9 million euro), the dividends approved (-164.7 million euro), the change in the consolidation scope (+48.6 million euro), the performance of the hedging reserve related to interest rate and commodity hedging derivatives (+80.8 million euro), the change in the actuarial reserve relating to employee benefits (+8.6 million euro), the purchase of non-controlling interests in subsidiaries (-3.5 million euro) and other changes (+0.8 million euro).

Net financial indebtedness stood at 3,346.8 million euro as at 31 December 2022, up (+15.2%) 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 year and dividends paid. For more details, please see the analysis of the statement of cash flows presented below.

STATEMENT OF CASH FLOWS OF IREN GROUP - Change in net financial indebtedness

The following table shows the changes in the Group's net financial indebtedness during the year.

	thousands of euro		
	FY 2022	FY 2021 Restated	Change %
Opening net financial indebtedness	(2,906,401)	(2,948,241)	(1.4)
Profit for the year	269,946	333,401	(19.0)
Non-monetary adjustments	936,269	716,206	30.7
Payment of employee benefits	(9,624)	(10,373)	(7.2)
Utilisations of provisions for risks and other charges	(33,955)	(39,424)	(13.9)
Change in other non-current assets and liabilities	(29,642)	31,421	(*)
Taxes paid	(194,274)	(102,550)	89.4
ETS Purchase	-	-	-
Cash flows for transactions on commodities derivatives markets	65,915	(25,583)	(*)
Other changes in equity	752	(901)	(*)
Cash flows from changes in NWC	77,670	48,275	60.9
Operating cash flow	1,083,057	950,472	13.9
Investments in property, plant and equipment and intangible assets	(897,565)	(757,775)	18.4
Investments in financial assets	(39,455)	(4,488)	(*)
Proceeds from the sale of investments and changes in assets held for sale	5,959	7,011	(15.0)
Acquisition of subsidiaries	(270,534)	(85,722)	(*)
Dividends received	2,941	3,878	(24.2)
Total cash flows used in investing activities	(1,198,654)	(837,096)	43.2
Free cash flow	(115,597)	113,376	(*)
Cash flows from own capital	(164,710)	(153,324)	7.4
Other changes	(160,046)	81,788	(*)
Change in Net (Indebtedness) Financial Position	(440,353)	41,840	(*)
Closing Net financial indebtedness	(3,346,754)	(2,906,401)	15.2

(*) Change of more than 100%

The comparative figures for 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects resulting from the completion of the allocation of the purchase price at the definitive fair value of the assets and liabilities acquired (Purchase Price Allocation) of Sidren and Iren Energy Solutions, which took place in 2022. For further information, please refer to section IV "Business Combinations" in the Notes to the Consolidated Financial Statements.

The change in Net Financial Indebtedness compared to 31 December 2021 of +440.4 million euro is due to the following:

- operating cash flow of +1,083.1 million euro, up 13.9% from 2021;
- a cash flow used in investing activities of 1,198.7 million euro, which includes, in particular, capital expenditure for the year (897.6 million euro, 18.4% higher than 2021) and purchases of equity investments (under the Investments in financial assets and Change in consolidation scope items) totalling 310.0 million euro. This amount refers to the consideration paid, including the net financial indebtedness assumed, for the purchase of Puglia Holding (182.3 million euro), SEI Toscana (40.3 million euro), Alegas (32.8 million euro), Valle Dora Energia (16.9 million euro), the investment in Romeo Gas (15.7 million euro), Società dell'Acqua Potabile (10.8 million euro), Mara Solar (3.9 million euro), Limes (3.1 million euro), Omnia Power (1.9 million euro), the acquisition of non-controlling interests in Maira (1.4 million euro), Valdarno Ambiente/CRCM (0.3 million euro), Dogliani Energia (0.2 million euro), and other minorities (0.4 million euro). The figure for 2021, equal to 90.2 million euro, related in particular to the acquisitions of Futura, Sidren and Iren Energy Solutions;
- cash flows from own capital of -164.7 million euro related to the payment of dividends for the year. The figure for 2021 (-153.3 million euro) also included the repurchase of treasury shares for 4.1 million euro;

- the *other changes* item, amounting to -160.0 million (+81.8 million in 2021), relating mainly to the decrease in the fair value of hedging instruments (positive in the comparative year), new lease contracts and interest paid.

Finally, it should be noted that 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 “Consolidated Financial Statements at 31 December 2022”.

SEGMENT REPORTING

Iren Group identifies the following business segments:

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

These operating segments are reported on pursuant to IFRS 8, which requires the disclosure about operating segments to be based on the elements which management uses in making operational and strategic decisions. For a proper interpretation of the income statements relating to individual operating segments presented and commented on below, revenue and expense referring to general activities were fully allocated to the segments based on actual usage of the services provided or according to technical and economic drivers.

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

The following tables show the Net Invested Capital compared to the restated 31 December 2021 figures and the income statements for 2022 (up to the operating profit/loss) by business segment, compared with the restated 2021 figures. At 31 December 2022, non-regulated activities contributed 21% to EBITDA (28% at 31 December 2021), regulated activities accounted for 59% (substantially in line compared to 58% in 2021), and semi-regulated activities contributed 20% (14% in 2021).

Reclassified statement of financial position by business segment as at 31 December 2022

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,323	1,475	2,270	337	28	222	7,655
Net Working Capital	(42)	(200)	150	(138)	6	-	(224)
Other non-current assets and liabilities	(604)	(172)	(186)	53	-	16	(893)
Net invested capital (NIC)	2,677	1,103	2,234	252	34	238	6,538
Equity							3,191
Net financial indebtedness							3,347
Own funds and net financial indebtedness							6,538

Reclassified statement of financial position by business 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	1,964	258	26	226	6,883
Net Working Capital	(60)	91	29	(286)	3	-	(223)
Other non-current assets and liabilities	(606)	(198)	19	(21)	3	-	(804)
Net invested capital (NIC)	2,466	1,170	2,012	(49)	33	226	5,857
Equity							2,951
Net financial indebtedness							2,906
Own funds and net financial indebtedness							5,857

Income Statement by business segment for 2022

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,130	1,089	4,394	5,396	29	(4,174)	7,864
Total operating expenses	(717)	(825)	(4,035)	(5,382)	(25)	4,174	(6,809)
Gross Operating Profit (EBITDA)	413	264	359	14	5	-	1,055
Net amortisation, depreciation and impairment losses	(203)	(141)	(135)	(109)	(3)	-	(591)
Operating profit (loss) (EBIT)	210	123	224	(95)	2	-	464

Income Statement by business segments for 2021, restated

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	991	916	2,279	3,071	26	(2,327)	4,956
Total operating expenses	(608)	(689)	(1,981)	(2,967)	(22)	2,327	(3,940)
Gross Operating Profit (EBITDA)	383	227	298	104	4	-	1,016
Net amortisation, depreciation and impairment losses	(195)	(135)	(140)	(90)	(2)	-	(562)
Operating profit (EBIT)	188	92	158	14	2	-	454

Networks SBU

For the year ended 31 December 2022, the Networks business segment, which includes the Gas Distribution, Electricity and Integrated Water Service businesses, recorded revenue of 1,130.4 million euro, up by +14.1% compared to 990.8 million euro in 2021. The increase in revenue is attributable for about 32 million euro to the effect generated by the recognition in 2021, both as revenue and expense, of the obligation of energy efficiency certificates (TEE) relating to previous years, and no longer recurring, and to the recognition as revenue of the increase in recognised pass-through costs of about 43 million euro and resulting from the increase in the price of electricity used in the industrial process.

There were also increases in revenue related to contingent assets related to the favourable ruling of the Council of State on tariff awards from previous years.

The Gross Operating Profit (EBITDA) amounted to 413.2 million euro, up 8.1% on the 382.3 million euro for 2021, while the operating profit (EBIT) was 209.8 million euro, an increase of +11.5% compared to 188.1 million euro in 2021.

The performance of the operating profit was characterised by higher amortisation and depreciation for approximately 7 million euro, correlated to the growing investments, higher provisions for risks and lower releases of provisions for approximately 7 million euro, only partially offset by lower loss allowance for about 3 million euro.

		FY 2022	FY 2021	Change %
Revenue	€/mln	1,130.4	990.8	14.1
Gross Operating Profit (EBITDA)	€/mln	413.2	382.3	8.1
% of revenue		36.6%	38.6%	
	<i>from Electricity Networks</i>	€/mln 78.7	81.7	(3.6)
	<i>from Gas Networks</i>	€/mln 86.3	89.8	(3.9)
	<i>from Integrated Water Service</i>	€/mln 248.2	210.8	17.7
Operating profit (EBIT)	€/mln	209.8	188.1	11.5
Investments	€/mln	327.8	307.7	6.5
	<i>in Electricity Networks</i>	€/mln 71.1	58.6	21.4
	<i>in Gas Networks</i>	€/mln 42.9	40.9	4.7
	<i>in Integrated Water Service</i>	€/mln 205.4	202.2	1.6
	<i>Other</i>	€/mln 8.4	6.0	40.7
Electricity distributed	GWh	3,687.3	3,679.8	0.2
Gas distributed	Mm3	1,124.4	1,347.4	(16.6)
Water sold	Mm3	170.1	174.8	(2.7)

Networks SBU - Electricity

Gross operating profit (EBITDA) amounted to 78.7 million euro, a decrease of -3.6% compared to 81.7 million euro in 2021. The decrease is attributable to the contraction of the restriction on tariff revenue characterised by a reduction in the remuneration of invested capital (WACC) envisaged by the ARERA tariff provisions, only partially offset by the positive effect of the higher investments, and by penalties relating to the technical quality referable to previous years absorbed by prior year income relating to the electricity equalisation of the metering activity also referable to previous years.

Investments amounted to 71.1 million euro, up +21.4% from 58.6 million euro in 2021, relating mainly to connections, LV/MV distribution network resilience activities, the construction of new primary and secondary stations in addition to the launch of the replacement plan for electronic meters with 2G technology.

Networks SBU - Gas Distribution

Gross operating profit (EBITDA) amounted to 86.3 million euro, down -3.9% from 89.8 million euro in 2021. The decrease is attributable to a contraction in the revenue constraint resulting from a reduction in the rate of return on capital employed (WACC) provided for at the beginning of the year by ARERA tariff measures, and higher operating costs, including, mainly, the higher cost of gas (energy scenario effect) used in the decompression stations.

Investments for the year amounted to 42.9 million euro, up +4.7% compared with 40.9 million euro in 2021 and involved upgrading the network to cathodic protection and installing electronic meters.

Networks SBU - Water Cycle

Gross operating profit (EBITDA) amounted to 248.2 million euro, up +17.7% from 210.8 million euro in 2021. The improvement is mainly attributable to the implementation of the Council of State rulings on the recognition of tariff adjustments for 2011-2013 period and the increase in the tariff revenue constraint (VRG) as a result of the increase in invested capital (RAB), even though the remuneration of invested capital (WACC) was reduced as provided for by ARERA tariff measures, and the recognition of green certificates on the production of electricity and relating to previous years. These increases made it possible to absorb the non-contribution of some minor concessions sold, the higher operating costs linked to inflationary dynamics and the absence of non-recurring items related to insurance settlements present in the previous year.

Investments amounted to 205.4 million euro, up +1.6% compared to 202.2 million euro in 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 metering units mainly with new technology involving remote metering, as well as the construction and modernisation of waste water treatment plants.

There were also investments of 8.4 million euro, across the three businesses, mainly in information systems and in the development of electric mobility on operating vehicles.

Waste Management SBU

For the year ended 31 December 2022, the segment's revenue amounted to 1,089.3 million euro, up by +18.9% compared to 916.1 million euro in 2021. The increase is attributable for more than 100 million euro to the change in the consolidation scope related to the consolidation as of 1 July 2022 of SEI Toscana, a company operating in the integrated cycle of municipal waste in the entire provinces of Arezzo, Grosseto, Siena, and 5 municipalities in the province of Livorno.

Higher energy revenue was also recorded (+14 million euro approx.) due to the increase in the price of generated electricity, higher revenue from the recycling and recovery of materials from separate waste collection, plus higher revenue from waste disposal and brokering activities.

		FY 2022	FY 2021	Change %
Revenue	€/mln	1,089.3	916.1	18.9
Gross Operating Profit (EBITDA)	€/mln	264.0	227.4	16.1
<i>% of revenue</i>		24.2%	24.8%	
Operating profit (EBIT)	€/mln	123.4	92.0	34.2
Investments	€/mln	192.6	164.3	17.2
Electricity sold	GWh	517.6	496.9	4.2
Thermal energy produced	GWht	335.1	321.4	4.3
Waste managed	tonnes	3,734,861	3,646,006	2.4
Emilia area sorted waste collection	%	78.1	78.6	(0.7)
Piedmont area sorted waste collection	%	59.0	57.5	2.5
Liguria area sorted waste collection	%	74.9	74.7	0.3

Gross operating profit (EBITDA) of the segment amounted to 264 million euro, up +16.1% compared to 227.4 million euro in 2021. The increase is due to the significant improvement in energy profit margins following the increase in the sale price of electricity and thermal energy, the collection and sale of materials recovered from sorted collection and the treatment and enhancement of organic waste mainly due to the entry into full operation of the biodigesters of the Organic Fraction of Municipal Solid Waste in Cairo Montenotte (SV) and Santhià (VC). The entry of SEI Toscana into the consolidation scope also contributed to the improvement.

Operating profit amounted to 123.4 million euro, up +34.2% compared to 92 million euro in 2021. During the year, there was higher depreciation and amortisation of about 25 million euro, mainly due to the start-up of some sorting and recovery plants, and higher accruals to provisions for risks of 7 million euro, almost entirely absorbed by lower impairment losses of about 23 million euro compared to 2021, when the Scarlino Energia plant was impaired, and higher releases of provisions of 5 million euro.

Investments amounted to 192.6 million euro, up +17.2% compared to 164.3 million euro in 2021. Investments relate to the purchase of collection vehicles and equipment and the construction of plants; in particular, among the latter, we highlight the organic fraction treatment plant (OFMSW) of Reggio Emilia and the plastic treatment plant of Quarto Borgaro (TO).

Energy SBU

For the year ended 31 December 2022, the revenue of the Energy SBU, which includes the generation of electricity and heat, management of district heating, public lighting and energy efficiency, amounted to 4,394.4 million euro, a significant increase compared to 2,279.5 million euro in 2021.

The increase in revenue is mainly attributable to the increase in electricity sales prices (approximately 1,800 million euro) partly offset by the lower quantities sold (approximately -200 million euro). Revenue from heat production are also up, for over 205 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 +274 million euro). As of February 2022, the photovoltaic plants of Puglia Holding, recently renamed Iren Green Generation, became part of the consolidation scope.

		FY 2022	FY 2021	Change %
Revenue	€/mln	4,394.4	2,279.5	92.8
Gross Operating Profit (EBITDA)	€/mln	358.9	297.8	20.5
<i>% of revenue</i>		8.2%	13.1%	
Operating profit (EBIT)	€/mln	223.7	157.4	42.1
Investments	€/mln	224.6	169.5	32.5
Electricity produced	GWh	7,592.5	9,173.7	(17.2)
<i>from hydroelectric sources</i>	GWh	772.3	1,205.7	(35.9)
<i>from photovoltaic</i>	GWh	207.2	20.4	n.s.
<i>from cogeneration sources</i>	GWh	4,954.9	5,610.2	(11.7)
<i>from thermoelectric sources</i>	GWh	1,658.1	2,337.3	(29.1)
Heat produced	GWht	2,534.3	3,006.5	(15.7)
<i>from cogeneration sources</i>	GWht	2,134.8	2,563.9	(16.7)
<i>from non-cogeneration sources</i>	GWht	399.5	442.6	(9.7)

(*) Change of more than 100%

In 2022, electricity generated was 7,592.5 GWht, down -17.2% compared to 9,173.7 GWht in 2021.

Electricity production from cogeneration sources amounted to 4,954.9 GWh, down (-11.7%) compared to 5,610.2 GWh in 2021, also due to the drought, which limited the cooling capacity of the plants, while thermoelectric production amounted to 1,658.1 GWh, down by -29.1% compared to 2,337.3 GWh in 2021, mainly due to a failure of a steam turbine at the Turbigio thermoelectric plant, thus from the end of June 2022, not fully operational, and despite the start-up, albeit in temporary operation, of a new group with an installed capacity of 430 MW.

Production from renewable sources amounted to 979.5 GWh, down by -20.1% compared to 1,226.1 GWh in 2021 despite the significant development of photovoltaic production. The decrease can be attributed to hydroelectric production, which amounted to 772.3 GWh compared to 1,205.7 GWh (-35.9%) in 2021 due to low water availability during the year. On the other hand, photovoltaic production increased, standing at 207.2 GWh (20.4 GWh in 2021), thanks to the production of Iren Green Generation's plants.

The heat produced amounted to 2,534.3 GWht, down by -15.7% compared to 3,006.5 GWht in 2021 due to milder temperatures and government energy saving measures.

Gross operating profit (EBITDA) amounted to 358.9 million euro, up +20.5% compared to 297.8 million euro in 2021.

The national demand for electricity amounted to 315.6 TWh, down by -1.2% compared to 319.3 TWh. The energy crisis affected national electricity demand, leading to a 1.2% drop in consumption compared despite above-average summer temperatures.

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 have led to an increase in generation margins for renewable production and heat cogeneration.

In particular, heat cogeneration improved compared to 2021 despite the lower volumes sold due to the climatic effects of 2022 and the transfer of energy efficiency certificates to the Torino Nord cogeneration plant, which had contributed about 28 million euro to EBITDA in 2021.

On the other hand, there was a deterioration in the profit margins of hydroelectric production, which, despite the sharp increase in sales prices, suffered a significant reduction in the quantities produced due to the low level of the reservoirs at the end of 2021 and the continuing lack of water availability for all of 2022, also leading to a reduction in the number of green certificates earned. These effects are more than offset by the greater profit margins in the photovoltaic segment owing to the entry of Iren Green Generation's plants into the consolidation scope, which contribute approximately 50 million euro to EBITDA for the year.

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. This made it possible to absorb the lower profit margins on the dispatching services market (DSM).

Energy Efficiency related activities show an improvement of +18 million euro compared to 2021, due to the development of activities related to energy requalification works (Superbonus 110%).

The operating profit amounted to 223.7 million euro, up +42.1% compared to 157.4 million euro in 2021. In addition to the performance of the gross operating profit, the greater release of provisions for approximately 10 million euro, relating to disputes resolved with suppliers/institutions for which there is therefore no longer the need to maintain the related provisions, contribute to the strong increase, partially offset by higher depreciation of around 6 million euro.

Investments amounted to 224.6 million euro, up 32.5% compared to 169.5 million euro in 2021. The main investments in the year included the repowering of the Turbigio thermoelectric power plant and the development of district heating networks.

Market SBU

For the year ended 31 December 2022, the segment's revenue amounted to 5,395.6 million euro, up by 75.7% compared to 3,070.9 million euro in 2021. The increase in revenue is primarily due to the sharp rise in the prices of both gas and electricity, and to a lesser degree is due to the higher quantities of electricity and gas sold.

The gross operating profit amounted to 13.9 million euro, down -86.7% on 104.4 million euro of 2021, which was characterised by extraordinarily positive profit margins that cannot be replicated in subsequent years. The sharp decrease in gross operating profit is attributable to the sale of electricity, which presents a gross operating loss of -102.7 million euro, while gas contributed positively, showing an improvement compared to the previous year. The other services sector made a positive contribution to the gross operating profit thanks to an important development of services and ancillary products marketed (e-mobility, marketing of boilers and other energy products/services, etc.).

The operating loss amounted to 95.2 million euro, significantly down compared to operating profit of 14.4 million euro in 2021. During the year, higher depreciation and amortisation of approximately 3 million euro and higher impairment losses on loans and receivables of approximately 15 million euro were recorded related to the growth in turnover.

		FY 2022	FY 2021 restated	Change %
Revenue	€/mln	5,395.6	3,070.9	75.7
Gross Operating Profit (EBITDA)	€/mln	13.9	104.4	(86.7)
% of revenue		0.3%	3.4%	
	<i>from Electricity</i>	€/mln	12.4	(*)
	<i>from Gas</i>	€/mln	81.5	21.8
	<i>from Other sales services</i>	€/mln	10.5	64.8
Operating profit (loss) (EBIT)	€/mln	-95.2	14.4	(*)
Investments		79.4	64.6	22.8
Electricity Sold	GWh	8,379.3	7,353.7	13.9
Gas Purchased	Mm3	2,750.8	2,926.9	(6.0)
	<i>Gas sold by the Group</i>	Mm3	1,028.3	7.1
	<i>Gas for internal use</i>	Mm3	1,679.1	(16.5)
	<i>Gas in storage</i>	Mm3	219.5	12.7

(*) Change of more than 100%

Sale of electricity

The volumes of electricity sold on the free market amounted to 8,128.9 GWh, an increase of +15.5% compared to 7,035.4 GWh in 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 2,795.1 GWh (+60.9%) compared to 1,736.7 GWh in 2021, the retail and small business segment recorded sales of 3,143.6 GWh (+28.8%), also thanks to the greater quantities deriving from the auctions of gradual residential protection. On the other hand, sales were down in the Business segment (-23.3%) with sales of 2,190.3 GWh compared to 2,857.1 in 2021.

Sales in the protected market amounted to 250.4 GWh, down by -21.3% compared to 318.3 GWh in 2021.

The gross operating loss from the sale of electricity was 102.7 million euro, compared to gross operating profit of 12.4 million euro in 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 Power BU hydroelectric production, characterised by a sharp drop in production (-35.9%), 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 materials at high prices, with a strongly negative effect on profit margins. The above effects were partially offset by the trade policy adopted.

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

Market SBU – Sale of electricity

	FY 2022	FY 2021	Change %
<i>Business</i>	2,190.3	2,857.1	(23.3)
<i>Retail and small business</i>	3,143.6	2,441.6	28.8
<i>Wholesalers</i>	2,795.1	1,736.7	60.9
Free market	8,128.9	7,035.4	15.5
Protected market	250.4	318.3	(21.3)
Total Electricity sold	8,379.3	7,353.7	13.9

Sale of Natural Gas

Purchased volumes amounted to 2,750.8 Mm3, down -6%, compared to 2,926.9 Mm3 in 2021.

Gas sold by the Group amounted to 1,101.6 Mm3, up by +7.1% compared to 1,028.3 Mm3 sold in 2021.

The gas used for internal consumption within the Group amounted to 1,401.8 Mm3, a decrease of -16.5% compared to 1,679.1 Mm3 in 2021.

The gross operating profit (EBITDA) from the sale of gas amounted to 99.3 million euro, up +21.8% compared to 81.5 million euro in 2021. The improvement is attributable to the commercial policies adopted and the renegotiation of some contracts, which more than offset the negative energy scenario and higher imbalance costs incurred in the first half of the year due to an atypical weather pattern in the March/April 2022 period, characterised by several peaks with very low temperatures that could not be predicted.

Other sales services

Other sales services show a gross operating profit of 17.4 million euro, up on 10.5 million euro in the previous year. The increase is primarily attributable to the commercial activities of Iren Plus and Iren GO, the two business lines marketing goods and services ancillary to the supply of commodities and electric mobility.

Investments of the Market SBU amounted to 79.4 million euro, up +22.8% from 64.6 million euro in 2021.

Other services

For the year ended 31 December 2022, revenue of the segment, which includes the activities of the analysis laboratories, telecommunications and other minor activities, was 29.5 million euro, up by +12.1% compared to 26.3 million euro in 2021.

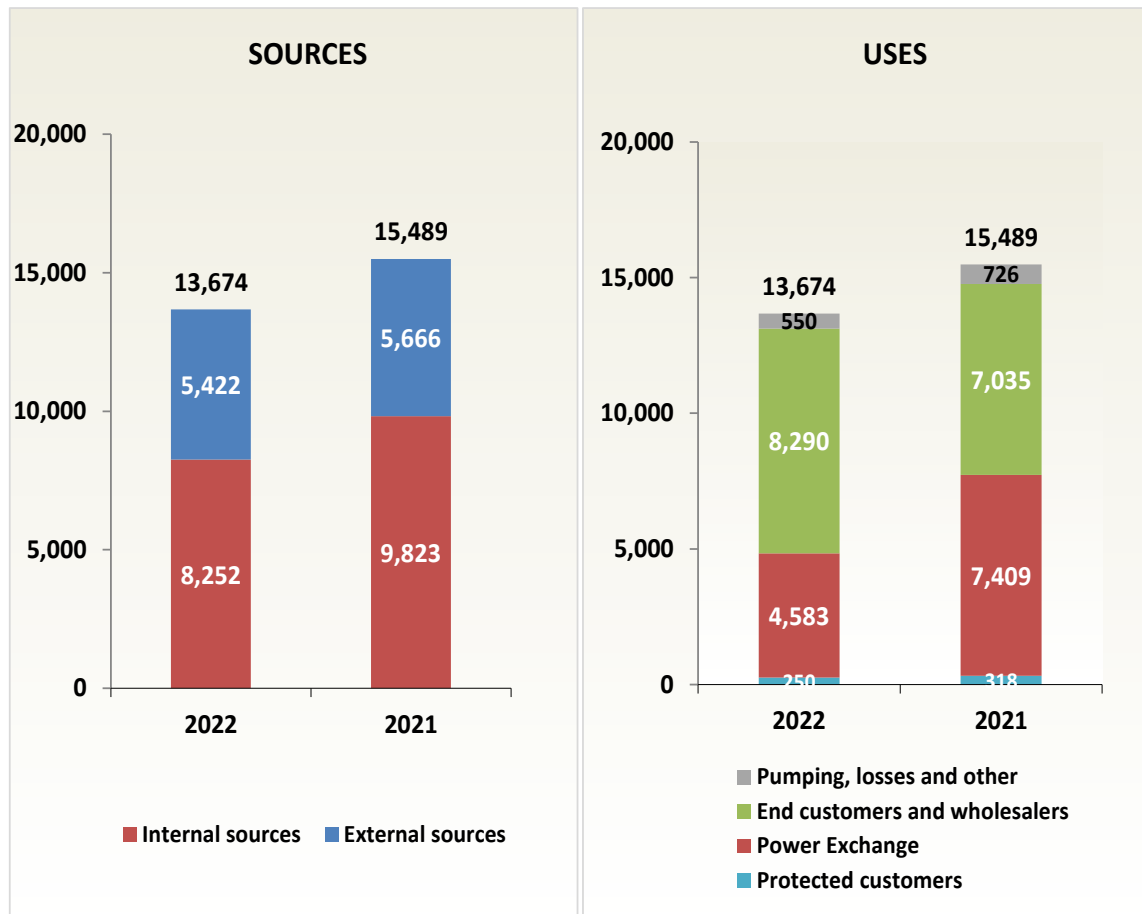
		FY 2022	FY 2021	Change %
Revenue	€/mln	29.5	26.3	12.1
Gross Operating Profit (EBITDA)	€/mln	4.7	3.9	19.0
<i>% of revenue</i>		15.9%	14.9%	
Operating profit (EBIT)	€/mln	2.0	1.7	12.7
Investments	€/mln	73.9	51.6	43.1

The gross operating profit amounted to 4.7 million euro, an improvement compared to 3.9 million euro in 2021. Investments in the year amounted to 73.9 million euro, up compared to 51.6 million euro in 2021 and mainly related to information systems, vehicles and buildings.

ENERGY BALANCES

Electricity balance

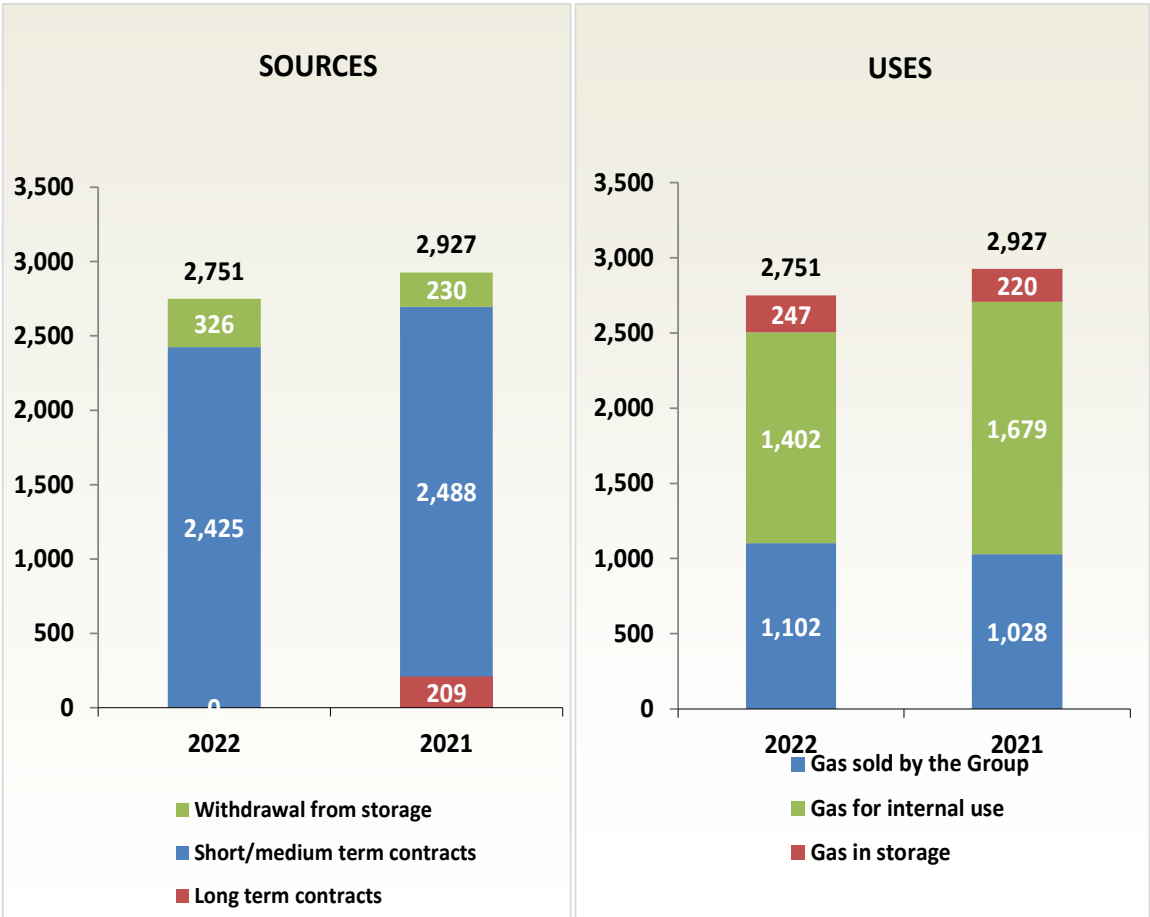
GWh	FY 2022	FY 2021	Change %
SOURCES			
Group's gross production	8,251.6	9,822.6	(16.0)
<i>a) Hydroelectric</i>	792.5	1,239.2	(36.0)
<i>b) Photovoltaic</i>	207.2	20.4	(*)
<i>c) Cogeneration</i>	4,954.9	5,610.2	(11.7)
<i>d) Thermoelectric</i>	1,658.1	2,337.3	(29.1)
<i>e) Production from WTE and landfills</i>	638.9	615.5	3.8
Purchases from the Single Buyer (Acquirente Unico)	276.4	350.8	(21.2)
Energy purchased on the Power exchange	4,626.5	4,871.2	(5.0)
Energy purchased from wholesalers and imports	519.5	444.2	17.0
Total Sources	13,674.0	15,488.8	(11.7)
USES			
Sales to protected customers	250.4	318.3	(21.3)
Sales to end customers and wholesalers	8,290.4	7,035.4	17.8
Sales on the Power exchange	4,582.9	7,409.2	(38.1)
Pumping, distribution losses and other	550.3	725.9	(0.2)
Total Uses	13,674.0	15,488.8	(11.7)



Gas balance

Millions of m ³	FY 2022	FY 2021	Change %
SOURCES			
Long-term contracts	0.0	209.1	(100.0)
Short- and medium-term contracts	2,424.7	2,488.1	(2.5)
Withdrawals from storage	326.1	229.7	41.9
Total Sources	2,750.8	2,926.9	(6.0)
USES			
Gas sold by the Group	1,101.6	1,028.3	7.1
Gas for internal use (1)	1,401.8	1,679.1	(16.5)
Gas in storage	247.4	219.5	12.7
Total Uses	2,750.8	2,926.9	(6.0)

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



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

Income statement

IREN S.p.A.'s INCOME STATEMENT

	thousands of euro		
	FY 2022	FY 2021	Change %
Revenue			
Revenue from goods and services	271,144	235,753	15.0
Other income	12,669	11,567	9.5
Total revenue	283,813	247,320	14.8
Operating expenses			
Raw materials, consumables, supplies and goods	(9,924)	(7,371)	34.6
Services and use of third-party assets	(164,108)	(137,852)	19.0
Other operating expenses	(7,872)	(11,008)	(28.5)
Capitalised costs for internal works	5,780	4,902	17.9
Personnel expense	(80,290)	(77,093)	4.1
Total operating expenses	(256,414)	(228,422)	12.3
GROSS OPERATING PROFIT (EBITDA)	27,399	18,898	45.0
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(39,263)	(36,267)	8.3
Impairment losses on loans and receivables	-	-	-
Other provisions and impairment losses	2,181	(73)	(*)
Total depreciation, amortisation, provisions and impairment losses	(37,082)	(36,340)	2.0
OPERATING LOSS (EBIT)	(9,683)	(17,442)	(44.5)
Financial management			
Financial income	327,552	288,830	13.4
Financial expense	(57,026)	(53,598)	6.4
Net financial income	270,526	235,232	15.0
Gains on equity-accounted investments	-	-	-
Pre-tax profit	260,843	217,790	19.8
Income tax (benefit) expense	(2,156)	1,061	(*)
Profit from continuing operations	258,687	218,851	18.2
Profit (loss) from discontinued operations	-	-	-
Profit for the year	258,687	218,851	18.2

(*) Change of more than 100%

Revenue

Total revenue for Iren S.p.A. was 283.8 million euro (up compared to 247.3 million euro in 2021), primarily relating to corporate service activities provided to Group companies.

Operating expenses

Operating expenses amounted to 256.4 million euro, up compared to the 2021 figure (228.4 million euro), mainly due to costs for services, attributable to the management of staff activities in favour of Group companies and, with particular reference to the management of IT systems. This increase in the cost base is reflected in the revenue trend described above.

On the sundry operating expenses front, there was also prior-year expense in the comparative year related to non-deductible VAT from previous years amounting to 2.9 million euro.

Depreciation, amortisation, provisions and impairment losses

Depreciation, amortisation, provisions and impairment losses amounted to 37.1 million euro (36.3 million in 2021).

Depreciation and amortisation, which algebraically constitute almost the entire item, increased due to the release of the recent significant investments in IT, while Other provisions and impairment losses, positive by 2.2 million euro, included the release of a tax risk.

Financial income and expense

Net financial income was 270.5 million euro.

Analysing the composition of the items, financial income, equal to 327.6 million euro (288.8 million euro in 2021), mainly includes dividends from subsidiaries for 264.5 million euro (+29.2 million euro compared to 2021) and interest income on loans to subsidiaries and associates for 61.9 million euro (+10.8 million euro compared to the previous year).

Financial expense amounted to 57.0 million euro and essentially refer to interest expense on bond issues and, to a lesser extent, on bank loans. They increased compared to the comparative year, when they stood at 53.6 million euro.

Pre-tax profit

As a consequence of the trends illustrated above, the pre-tax profit was 260.8 million euro, up compared to 217.8 million euro in 2021.

Income taxes

Income taxes amounted to 2.2 million euro (compared to income tax benefit of 1.1 million euro in 2021), based on a positive residual taxable income after the non-taxability of 95% of the dividends received.

Profit for the year

Including taxes for the year, there was a profit of 258.7 million euro.

Statement of Financial Position

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

	thousands of euro		
	31.12.2022	31.12.2021	Change %
Non-current assets	2,845,340	2,811,105	1.2
Other non-current assets (liabilities)	(6)	188	(*)
Net Working Capital	(30,683)	27,294	(*)
Deferred tax assets (liabilities)	(9,717)	7,517	(*)
Provisions for risks and employee benefits	(22,260)	(31,074)	(28.4)
Assets held for sale (liabilities directly associated with assets held for sale)	-	-	-
Net invested capital	2,782,674	2,815,030	(1.1)
Equity	2,246,579	2,071,331	8.5
<i>Non-current financial assets</i>	<i>(3,103,724)</i>	<i>(2,499,028)</i>	<i>24.2</i>
<i>Non-current financial indebtedness</i>	<i>4,034,165</i>	<i>3,278,814</i>	<i>23.0</i>
Non-current net financial indebtedness	930,441	779,786	19.3
<i>Current financial assets</i>	<i>(591,366)</i>	<i>(500,795)</i>	<i>18.1</i>
<i>Current financial indebtedness</i>	<i>197,020</i>	<i>464,708</i>	<i>(57.6)</i>
Current net financial position	(394,346)	(36,087)	(*)
Net financial indebtedness	536,095	743,699	(27.9)
Own funds and net financial indebtedness	2,782,674	2,815,030	(1.1)

(*) Change of more than 100%

(1) The reconciliation of the reclassified statement of financial position with the statement of financial position is provided in the annex to the Separate Financial Statements.

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

Non-current assets at 31 December 2022 amounted to 2,845.3 million euro, up compared to 31 December 2021, when they were 2,811.1 million euro. The increase (+34.2 million euro) is mainly due to the following:

- investments in property, plant and equipment and intangible assets (+73.1 million euro), mainly relating to motor vehicles, property redevelopment and IT implementations, and amortisation (-39.3 million euro) for the year;
- transfers of software to another Group company (-5.7 million euro);
- the recognition of right-of-use assets in application of IFRS 16 - Leases for 6.5 million euro, mostly relating to lease contracts from Group companies for buildings used for management activities as well as vehicles.

The decrease in Net Working Capital, which stood at a negative amount at the end of 2022 (-30.7 million euro), is mainly attributable to trade items within the scope of the corporate services provided.

The "Provisions for Risks and Employee Benefits" amounted to 22.3 million euro and decreased by 8.8 million euro compared to 31 December 2021, mainly as a result of the release of past risks, the disbursement of the provision set aside for early retirement of personnel, and the actuarial adjustment related to the discounting of post-employment benefits in accordance with IAS 19.

Equity amounted to 2,246.6 million euro, compared with 2,071.3 million euro at 31 December 2021 (+175.3 million euro). The change in the year refers to the profit for the year (+258.7 million euro), dividends paid (-134.7 million euro), the hedging reserve for cash flow hedge derivatives (+49.8 million euro) and the change in the actuarial reserve (+1.5 million euro).

Net financial indebtedness at the end of the year was 536.1 million euro, a decrease of 207.6 million euro compared to 31 December 2021 (-27.9%). For more details please see the analysis of the statement of cash flows presented below.

IREN S.p.A.'s STATEMENT OF CASH FLOWS

Change in net financial indebtedness

The following table shows the changes in Iren S.p.A.'s net financial indebtedness during the year.

	thousands of euro		
	FY 2022	FY 2021	Change %
Opening net financial indebtedness	(743,699)	(752,345)	(1.1)
Profit for the year	258,688	218,851	18.2
Non-monetary adjustments	(230,658)	(198,853)	16.0
Payment of employee benefits	(1,255)	(1,507)	(16.7)
Utilisations of provisions for risks and other charges	(1,061)	(1,662)	(36.2)
Change in other non-current assets and liabilities	195	(8,165)	(*)
Other changes in equity	-	-	-
Taxes collected	2,065	6,655	(69.0)
Cash flows from changes in NWC	52,414	(70,572)	(*)
Operating cash flow	80,388	(55,253)	(*)
Investments in property, plant and equipment and intangible assets	(73,069)	(49,868)	46.5
Investments in financial assets	(319)	(50)	(*)
Proceeds from the sale of investments and changes in assets held for sale	5,738	587	(*)
Change in consolidation scope	-	-	-
Dividends received	264,491	235,329	12.4
Total cash flows from investing activities	196,841	185,998	5.8
Free cash flow	277,229	130,745	(*)
Cash flows from own capital	(134,723)	(125,934)	7.0
Other changes	65,098	3,835	(*)
Change in Net Financial indebtedness	207,604	8,646	(*)
Closing Net Financial indebtedness	(536,095)	(743,699)	(27.9)

(*) Change of more than 100%

The change in financial indebtedness derives from the following determinants:

- *operating cash flow* of +80.4 million euro, influenced by the performance of net working capital;
- *cash flows from investing activities* (+196.8 million euro), which substantially includes dividends received from subsidiaries net of investments significantly up for the year;
- *cash flows from own capital* of -134.7 million euro exclusively consisting of dividends paid;
- the item "*Other changes*", amounting to +65.1 million euro, includes financial income and expense received and paid, the positive change in the fair value of derivative instruments hedging interest rate risk and the effect of the recognition of new lease agreements falling within the scope of IFRS 16.

Finally, it should be noted that the statement of cash flows prepared according to the format of a change in cash and cash equivalents is presented in the Separate Financial Statements at 31 December 2022.

The table below reconciles the equity and profit for the year of the Parent Iren S.p.A. at 31 December 2022 and 31 December 2021 with those of the consolidated financial statements.

	thousands of euro	
31.12.2022	Equity	Profit for the year
Equity and profit in the Parent's separate financial statements	2,246,579	258,687
Difference between the carrying amount and value of equity-accounted associates	57,995	9,615
Higher value from consolidation compared to the carrying amount of consolidated equity investments	479,970	220,488
Elimination of dividends from subsidiaries/associates	0	(264,491)
Elimination of intra-group profits	(39,459)	1,718
Equity and Profit attributable to the owners of the parent	2,745,085	226,017

“Elimination of intra-group profits” refers to the elimination of capital gains from the sale of business units or companies within the Group. In particular, it is worth noting the transaction related to the Genoa integrated water cycle carried out by the former AMGA (positive effect of 2.0 million euro on the income statement and negative by 21.8 million euro on Equity).

	thousands of euro	
31.12.2021 Restated	Equity	Profit for the year
Equity and profit in the Parent's separate financial statements	2,071,330	218,851
Difference between the carrying amount and value of equity-accounted associates	46,756	12,707
Higher value from consolidation compared to the carrying amount of consolidated equity investments	493,706	302,972
Elimination of dividends from subsidiaries/associates	0	(235,329)
Elimination of intra-group profits	(41,177)	3,971
Equity and Profit attributable to the owners of the parent	2,570,615	303,172

FINANCIAL MANAGEMENT

General framework

The short-term part of the rate curve, after a long period of stability at minimum levels, experienced a sudden and continuous upward movement in 2022, particularly in the summer months. The medium/long-term part of the rates also showed a marked upward trend, with some slowdown in the summer and at the end of the year. The performance of rates incorporates the effect of inflationary pressures and the resulting restrictive monetary policy manoeuvres implemented and expected.

In fact, the European Central Bank, which had kept rates unchanged since March 2016, made an initial hike of 0.5% in July 2022, and further hikes of 0.75% in September, 0.75% in October and 0.50% in December 2022. In addition to the 0.50% increase in February 2023, further increases are expected in the coming months. Examining the six-month Euribor rate, it is found that the parameter at mid-2022 has left the negative territory and has reached 3%.

The fixed interest rates, reflected in the IRS values, exceeded 3% following the sharp rises, which had not been seen for 10 years even for medium/long-term maturities. In this respect, the rate curve has a peculiar "flat shape" at this stage, with inverted yields.

Activities performed

In 2022, activities aimed at consolidating the financial structure of Iren Group continued. Changes in financial requirements are monitored through careful planning, which makes it possible to forecast the need for new resources, taking into account the repayments of outstanding loans, changes in debt, investments, the trend in working capital and the balance of short-term and long-term sources.

The organisational model adopted by Iren Group, with the goal of financial optimisation of the companies, entails centralising with the parent management of cash flows, 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 regard to capital market transactions, in August 2022, a Green Private Placement was signed for the amount of 50 million euro under the 4 billion Euro Medium Term Notes (EMTN), rated "BBB" by Fitch and listed on the regulated market of the Irish Stock Exchange. As with the previous sustainable instruments issued, the list of projects refinanced by the Green Private Placement is placed within the Eligible Projects identified in the new Sustainable Financing Framework.

With the instability of the financial markets, dictated by a complex geopolitical and macroeconomic situation, the Group further strengthened its bilateral relations and relationships with banking counterparties, and during 2022, six five/six-year Term-Loan agreements were signed with various banks and financial counterparties for a total amount of 650 million euro. All the credit lines are Sustainability-linked, i.e. they envisage a mechanism to reduce or increase the margin (spread) if specific sustainability targets, pillars of the 2030 Business Plan, linked to the decarbonisation process undertaken, as well as to the rational use of water resources, are achieved or not, in accordance with the Sustainable Financing Framework.

In March 2022, Iren and CEB (Council of Europe Development Bank) finalised a financing transaction in the amount of 80 million euro as a supplement to a loan signed in 2020 with the European Investment Bank (EIB) and under the 2021-2025 Investment Plan for projects to develop and improve the efficiency of the district heating network in the Turin area. For the EIB and CEB, these projects can be classified as "efficient district heating and cooling" according to directive 2012/27/EU, and, therefore, fall within the provisions of the sustainable lending policy for EU banks.

In December 2022, the technical appraisal with the EIB for a further loan for an amount of 150 million euro, which will be contracted in the first quarter of 2023 to support the 2022-2026 integrated water service investment programme, was positively concluded; the transaction is part of the broader Italian Utilities Programme Loan implemented by the EIB.

In addition, the following were used in August:

- the second tranche of 30 million euro of the CEB loan totalling 80 million euro to support the water infrastructure investment plan;
- the first tranche of 50 million euro of the EIB loan totalling 100 million euro to support the investment plan for the development and efficiency-enhancement of the district heating network in the Turin area.

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

Within the Group, during the year, following the acquisition of Alegas and the control of SEI Toscana and Ekovision, the related medium/long-term loans for a total of 11 million euro entered the consolidation scope, repaid in advance within the year.

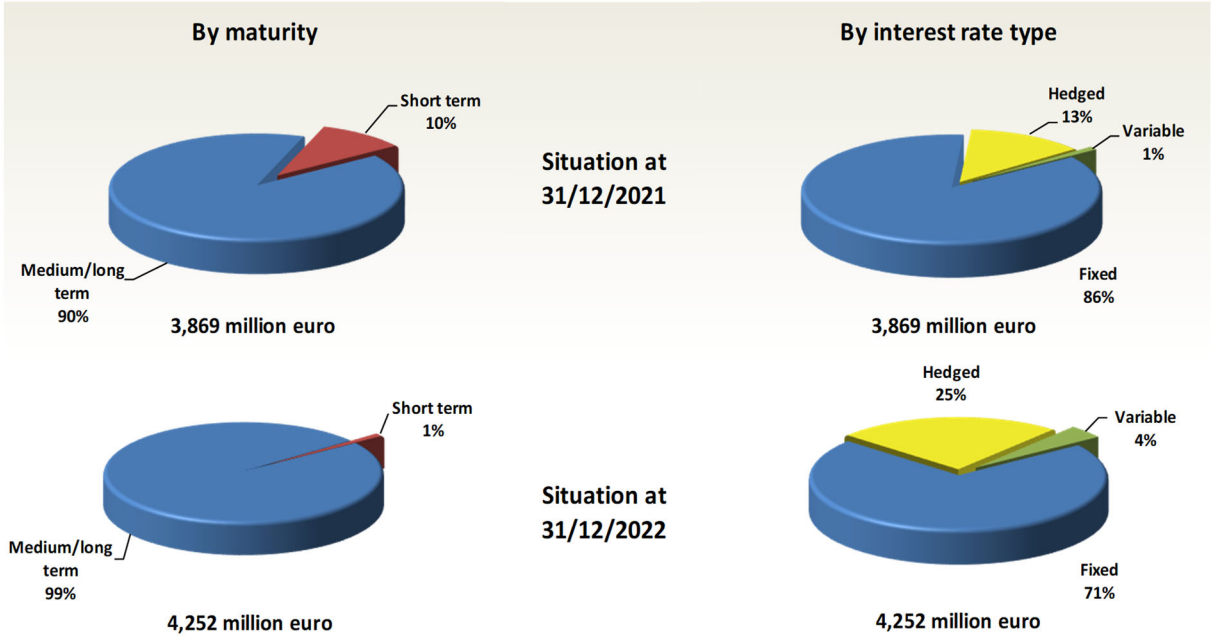
Financial debt from loans, which does not include lease liabilities recognised in accordance with IFRS 16, consisted of 29% loans and 71% bonds at the end of the year.

As regards financial risks, 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 year, seven new interest rate swap contracts were signed to hedge a total debt of 350 million euro, maturing in 2028 and 2029 and deferred effects as from December 2023 and December 2024. Also, nine new interest rate swap contracts were finalised to cover 2023, totalling 450 million euro of debt.

At the end of the year, the portion of floating rate debt not hedged by derivatives was equal to 4% of financial debt from loans, in line with 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 21 November 2022, Fitch confirmed the "BBB" rating, with a "Stable" outlook for Iren Group and the same rating was also attributed to the senior unsecured debt. The quality of Iren's creditworthiness is based both on vertical integration and on the balanced business model which guarantee resilience and stability despite the context of high volatility that characterised the energy scenario during 2022. Added to this is also the Group's ability to have secured a solid liquidity reserve to face uncertain market conditions.

Similarly, on 12 December, the rating agency S&P Global Ratings reaffirmed its positive rating on the Group, in continuity with the first assignment in 2021. S&P Global Ratings therefore confirms the rating both for the long-term creditworthiness at the "BBB-" level with a "Positive" outlook and for the senior unsecured debt. Among the positive elements, the progress compared to the provisions of the Business Plan to 2030, the solid economic and financial metrics and a diversified business model, which provide the Group with adequate tools to deal with macroeconomic, regulatory and contextual uncertainties are highlighted in particular. In addition, the rating also takes into account the state of good liquidity, established credibility on the capital market and excellent relations with banking counterparties, thanks also to an increasing use of sustainable finance instruments.

At ESG level, for both agencies, sustainability issues have a neutral or scarcely relevant impact from a lending point of view, both due to the nature of the business and the way in which the issue of sustainability is managed in Group dynamics.

In support of the Group's liquidity profile and rating level, Iren has at its disposal the above-mentioned medium/long-term credit lines agreed and available but not used for 295 million euro, in addition to current liquidity.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE AND OUTLOOK

Rationalisation of gas distribution concessions between Ascopiave and Iren

On 31 January 2023, Ascopiave and Iren, shareholders of Romeo Gas with shares of 80.3% and 19.7%, respectively, following the exit of ACEA from the concessions of their own interest, finalised the rationalisation of certain assets in the natural gas distribution sector, with the exit of Iren Group from Romeo Gas itself. Specifically, the operation envisaged:

- the transfer by Ascopiave to Iren Group of the entire quota capital of a newly incorporated company, Romeo 2 S.r.l., to which the business branches relating to the management of the concessions of the Savona 1 and Vercelli ATEM owned by the Ascopiave Group were previously transferred, for a perimeter of 19,000 Redelivery Points;
- the sale by Iren to Ascopiave of its shareholding in Romeo Gas, holder of concessions in Northern Italy for a total of 126,000 PDR;
- the waiver by Iren to acquire the Piacenza 1 and Pavia 4 business units from Romeo Gas;
- the sale by Romeo Gas to Iren Group of the business units related to the concessions of the Parma and Piacenza 2 ATEM, with about 3,000 PDR;
- the waiver of the right to acquire from the A2A Group the business unit related to the management of the gas network located in the province of Pavia: this acquisition will be completed by Ascopiave.

Overall, the asset rationalisation transaction resulted in the payment to Ascopiave of a monetary adjustment of 3.6 million euro.

PNRR funds for projects on circular economy and network efficiency

At the beginning of March 2023, the Group published the first tender using funds allocated by the National Recovery and Resilience Plan (PNRR). The call for tenders relates to engineering activities for the realisation of a number of interventions on the City of Turin's electricity network: a project worth a total of 44.3 million euro, of which 33.1 million euro will be covered by PNRR funds, which aims to make the city's electricity system more resilient to climatic events, ensuring greater reliability and stability of power supplies. The time horizon of the transaction is set in the first half of 2026.

These funds are part of a total of 124 million euro obtained by the Group within the framework of the PNRR, for investments consistent with the objectives and planning envisaged in the 2030 Business Plan. Of this total amount, 76 million euro (61% of the total funds) are earmarked for circular economy projects concerning:

- the OFMSW treatment plant in Saliceti, in the province of La Spezia (40 million euro);
- waste treatment plants in the provinces of Grosseto, Turin and Udine (17 million euro);
- sludge treatment, through localised interventions in the provinces of Genoa, Reggio Emilia and Parma (19 million euro).

In this context, the Group will also launch specific funded projects on water loss reduction in Parma, district heating in Piacenza and Dogliani (Cuneo), and in innovation through extended partnerships.

OUTLOOK

The macroeconomic context continues to remain critical, particularly due to the inflationary effects of higher energy commodity prices, which are generating a significant increase in interest rates. In this context, the strategic approach defined in the 2021 Business Plan is confirmed and reinforced in all strategic drivers: ecological transition, territoriality and service quality. The Group expects to invest more than 1 billion euro in 2023, mainly for asset development in the networks, environment and renewable generation sectors.

On the strength of this development capacity, financial results are expected to grow compared to 2022 due to a recovery of the full value of the customer portfolio, the stabilisation of energy prices and the disappearance of the negative extraordinary items reported in 2022.

In particular, analysing the individual business units, the Networks will continue to be characterised by an increase in operating costs due to inflation that can be fully recovered from 2024 and is only partially offset by higher tariff revenue due to the increase in tariff invested capital (RAB). 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 objective is to increase the power supported by the former and make the latter suitable for the distribution of hydrogen mixtures, while keeping in mind the continuous improvement of service quality.

As far as the Waste sector is concerned, investments will be aimed at the construction of waste material recovery plants as envisaged in the business plan and at increasing the quality of the service, extending door-to-door collection and punctual pricing. In particular, in 2023, we will have the full contribution of the organic waste treatment and biomethane production plant in Reggio Emilia and the start-up of the wood recovery and pallet production plants in Vercelli and the plastic selection plant in Turin.

In the Energy and Market segments, in 2023, the Group expects the full recovery of the value of the customer portfolio, which in 2022 was strongly affected by the volatile energy scenario and the contribution of the new combined cycle line of the Turbigo thermoelectric plant. Investments will focus on the development of new renewable capacity (photovoltaic and wind power) in combination with the growth of the retail customer portfolio.

Finally, Smart Solutions, a sector focused on the energy efficiency of buildings, will act as the main interlocutor for public administrations to implement complex urban regeneration projects and develop renewable energy communities.

On the strength of a robust investment plan, expected growth in economic results, and the optimisation of net working capital, the Group can confirm the development trend and financial sustainability envisaged in its Business Plan.

Russia-Ukraine Conflict

Following the escalation of a state of crisis dating back to the last months of 2021, which had seen the deployment of Russian soldiers in the border territories with Ukraine and the failure of diplomatic talks between Russia and NATO countries, on 24 February 2022, the Russian President announced the start of military operations on Ukrainian territory, leading to the start of hostilities between the armed forces of the two countries.

Following these events, several states and supranational organisations expressed their opposition to the Russian military intervention in Ukraine. In particular, the European Council, invoking international law, called for Russia to immediately cease hostilities and withdraw its armed forces from Ukraine; the UN General Assembly also passed a resolution condemning Russia's military action and demanding to withdraw its army from Ukrainian territory. In parallel, the European Commission initiated emergency aid programmes, including through increased financial support to Ukraine, and targeted interventions to mitigate the humanitarian crisis brought about by the conflict.

The European Union and other countries (the United States, Great Britain, Australia, Japan, and Switzerland, among others) have tightened and extended their packages of sanctions against Russia, which, albeit with varying

degrees of effectiveness, are aimed at targeting the strategic and financial sectors of the Russian economy, as well as imposing targeted restrictions on the President and other figures making up Russia's industrial, defence, and political base. At international level, several NATO countries decided to provide Ukraine with important help in terms of military defence means to counter the Russian offensive.

In this context, the Italian government has defined, in line with European guidelines, measures aimed at addressing the exceptional instability of the national natural gas system resulting from the conflict in Ukraine and the consequent reduction in energy import flows from Russia, with the adoption of measures to increase the availability of gas from other producer countries, the reduction of consumption, and actions aimed at filling the gas stocks for the 2022-2023 thermal year.

Given the energy scenario of reference, Iren has activated a task force in order to closely monitor the status and evolution of the impact that the international crisis has on its business, although the Group is not present in Russia and Ukraine.

The main focus is on the supply of raw materials and services, with reference to the economic and capital impacts that could be caused by a reduced availability of raw materials from the areas affected by the conflict and the generalised increase in commodity prices, bearing in mind that, although considerably reduced, gas supplied by Russia still covers a share of national needs.

In this context, for the electricity and gas retail markets, the increase in these prices has led to greater quantitative exposure and increased risk in the event of delayed payments. In addition, the increase in energy prices led to a rise in the prices of consumer goods with a significant inflationary and interest rate boost. On the other hand, the drop in energy consumption, particularly gas, is certainly mainly attributable to the mild temperatures that characterised the autumn season.

The Group has taken and continues to take direct risk reduction actions by leveraging:

- on the purchase of gas through the main Italian operators, thus excluding the risk of contractual non-delivery clauses being applied as a result of geopolitical events;
- on the hedging policies applied, which ensure that profit margins are kept under control;
- on measures to protect the group in the event of cyber attacks, with particular reference to trading and dispatching platforms.

In a constantly evolving scenario, characterised by considerable regulatory uncertainty and by an already high and volatile price context regardless of the Ukrainian crisis, Iren Group is constantly monitoring macroeconomic and business variables to have available in real time the best estimate of the potential impacts related to regulatory changes, as well as on suppliers and contracts applicable to Iren Group.

RISKS AND UNCERTAINTIES

The management of corporate risks is an essential part of the Internal Corporate Governance Control System of a Listed Company, and the Corporate Governance Code of Borsa Italiana assigns specific responsibilities on this aspect. The Enterprise Risk Management model applied by the Group includes the methodological approach to integrated identification, assessment and management of the Group risks.

For each of the following risk types:

- Financial Risks (liquidity, interest rate, currency);
- Credit Risk;
- Energy Risks, attributable to the procurement of gas for thermoelectric generation and to the sale of electricity, heat and gas, and to the hedging derivative markets;
- Cyber Risks, linked to potential events related to the loss of confidentiality, integrity or availability of data or information after which negative impacts on the organisation, people, operations or other organisations could derive;
- Risks from Climate Change, which include risks due to the transition to a low carbon dioxide emission economy (transition risks) and risks of a physical nature (physical risks) that may result from catastrophic environmental events (acute risks) or from medium- to long-term changes in environmental patterns (chronic risks);
- Tax Risks, associated with potential transactions carried out in violation of tax regulations or in contrast with the principles or purposes of the tax system;
- Operational risks, associated with asset ownership, involvement in business activities, processes, procedures and information flows.

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

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

As 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.

Below is a breakdown of the management methods active within the group for the different types of risk.

1. FINANCIAL RISKS

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

a) Liquidity risk

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

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

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

b) Currency risk

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

c) Interest rate risk

Iren Group is exposed to fluctuations in interest rates, especially with regard to borrowing costs. Iren Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

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

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of energy, water and waste management services. The receivables are spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored. 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 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 allowance reflects, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and is determined on the basis of the extraction from databases of the amounts making up the receivable and, in general, assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related expected credit 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

Iren Group is exposed to price risk on the energy commodities traded, these being electricity, natural gas, environmental emission certificates, etc., since both purchases and sales are affected by fluctuations in the price of these commodities directly, or through indexing formulae. Currently no exposure to currency 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 this context, special attention is paid to the variability of production from renewable sources.

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

4. CLIMATE CHANGE RISKS

Iren Group has included in the Enterprise Risk Management system a Risk 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 Iren Group, must necessarily consider climate change risk analysis 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 specific 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 Delegated 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 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 (which envisages strong mitigation aimed at keeping global warming well below 2°C compared to pre-industrial levels while achieving the objectives defined by the Paris Agreement), the RCP 4.5 scenario (considered by Iren Group to be the most representative of the current global climate and political context), which envisages easing of objectives compared to the RCP 2.6 scenario and a stabilisation of emissions by 2100 at around double pre-industrial levels, and the RCP 8.5 scenario (commonly associated with the expression 'Business-as-usual', or 'No mitigation'), which envisages no particular countermeasures and a growth in emissions at current rates. Socio-economic data, on the other hand, are mainly based on the International Energy Agency's *NetZero Emissions by 2050 Scenario* (NZE) and *Stated Policies Scenario* (STEPS). 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 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 developed to complete the assessment model, which included 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. For more details on the assessments that emerged, please refer to Iren Group's Sustainability Report 2022.

5. TAX RISKS

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. OPERATIONAL RISKS

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

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

For each business chain and operational area, the Group's risk management process provides for an analysis of the activities performed and the identification of the main risk factors related to the achievement of objectives. 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 phases mentioned above make it possible to structure specific plans to deal with 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 senior 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.

In particular, the following are highlighted:

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

In relation to the size of the Group's production assets, plant-related risks are managed with the methodological 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.). The Risk Management Department periodically performs surveys on the most important facilities, through which it can accurately detail the events to which these facilities could be exposed, and the consequent preventive actions. The risk is also hedged by insurance policies designed considering the situation of the single plants.

c. IT Risks

Cyber risks are defined as the set of internal and external threats which can compromise business continuity or cause civil liability damage to third parties in the event of loss or disclosure of sensitive data. From an internal point of view, the operational risks regarding information technology are closely related to the business of Iren Group, which operates network infrastructures and plants, including through remote control, accounting operational management and invoicing systems and energy commodity trading platforms. Iren Group is, in fact, one of the leading Italian operators on the Energy 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 with the supervision and data acquisition of physical systems could lead to plant shutdowns and even serious collateral damage. A disruption of billing systems could also lead to delays in the issuance of bills and related collections, as well as reputational damage.

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. 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 the acquisition of one's own and third parties' data, resulting in civil liability actions and even serious penalties, and the acquisition of trade secrets are becoming increasingly frequent. In this regard:

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

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

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

7. STRATEGIC RISKS

In the development of the 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 capital expenditure with a mitigating effect on risks and capital expenditure 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.

M&A transactions and other initiatives of a strategic nature, which were assessed during the year, were also subject to detailed analysis, with a particular focus on the impact of these transactions on the Group's sustainability objectives (environmental indicators, where significant, and social indicators relating, for example, to compliance with labour, health and safety regarding the target and governance policies) and consistency with the EU Taxonomy.

TRANSACTIONS WITH RELATED PARTIES

The Procedure on Related Party Transactions (“RPT Procedure”) in force since 1 July 2021 is published on Iren's website (www.gruppoiren.it) and was approved by the Board of Directors 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* of the TUF, have the following purposes:

- (i) to regulate the performance of transactions with related parties by Iren, directly or through subsidiaries, identifying internal procedures and rules capable of ensuring the substantial and procedural transparency and correctness of such transactions, and
- (ii) establish the methods for fulfilling the related disclosure obligations, including those provided for in legal and regulatory measures in force and applicable.

These, very briefly, provide for:

- a) the identification of the scope of related parties as per the IFRS adopted in accordance with the procedure set out in section 6 of 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 transactions with related parties is included in the Notes to the Consolidated Financial Statements in sections “VII. Information on transactions with related parties” and “XIV. Annexes to the Consolidated Financial Statements”, an integral part thereof.

LEGISLATIVE AND REGULATORY FRAMEWORK

The legislative and regulatory measures in 2022 with the greatest impact for the businesses managed by Iren Group are shown below.

EUROPEAN FRAMEWORK

Emission Trading System (ETS) Reform

On 18 December 2022, an agreement was reached between the EU Council and Parliament on the ETS reform. The main points are provided below:

- emissions in the ETS sectors are to be reduced by 62% by 2030 compared to 2005 (the year the ETS started);
- free allocations: they will be reduced to zero in 2034
- waste: EU countries will have to measure, report and verify emissions from municipal waste incineration plants from 2024. By 31 January 2026, the Commission will present a report with the aim of including these plants in the ETS from 2028;
- transport and heating: from 2027, extension of the system to road and heating fuels (the so-called "ETS II").

The agreement is awaiting formal adoption by both institutions and subsequent publication in the Official Journal of the EU.

"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 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.

The following European regulations are also published in the Official Journal of the EU, which aim to protect consumers from high gas prices and to encourage the installation of RES plants, in line with the REPowerEU Plan.

- Regulation (EU) 2022/1854 "Emergency action to address high energy prices", the main contents of which concern:
 - a non-binding 10% reduction in electricity consumption compared to the period 1 November-31 March of the last five years, and a binding 5% reduction in consumption during peak hours. The 27 countries will identify the 10% of their peak hours during which they will reduce demand between 1 December 2022 and 31 March 2023;
 - cap on market revenue of 180 €/MWh - until 30 June 2023 - for electricity producers, including intermediaries, using 'infra-marginal' technologies (renewables, nuclear, lignite). It will be possible to set a higher ceiling, to use measures that further limit market revenue, to differentiate between technologies, and to apply limits to the revenue of other players, including commercial operators;
 - temporary solidarity contribution on the profits of companies active in the oil, gas, coal and refining sectors, which will be 33% of the profits in the fiscal year starting in 2022 and/or 2023 that exceed the average from 2018 by 20%;

- option for Member States to temporarily set reduced electricity tariffs for SMEs.
- Regulation (EU) 2022/2576, enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and cross-border gas trade;
- Regulation (EU) 2022/2577, establishing a framework for accelerating the deployment of renewable energy;
- Regulation (EU) 2022/2578, establishing a market correction mechanism to protect citizens and the Union economy from excessive prices.

NATIONAL FRAMEWORK

CODE ON PUBLIC CONTRACTS

On 16 December 2022, the Government approved, in preliminary examination, the Legislative Decree reforming the Code on Public Contracts, implementing article 1 of Law No. 78 of 21 June 2022.

The 'Procurement Code' will apply to all new procedures from 1 April 2023. As of 1 July 2023, the previous Code (Legislative Decree No. 50 of 18 April 2016) will be repealed and the new rules will also apply to all proceedings already in progress.

Below are some of the main innovations in this new Code:

- **integrated procurement:** for works, the possibility of integrated procurement is reintroduced without the prohibitions of the old Procurement Code. The subject of the contract may then be the executive design and execution of the works on the basis of an approved technical-economic feasibility project. Contracts for ordinary maintenance works are excluded;
- **procedures below the European threshold:** the thresholds provided for direct awarding and negotiated procedures in the so-called 'simplification COVID-19' decree (Decree-Law No. 76 of 16 July 2020) are permanently adopted;
- **General Contractor:** the figure of the 'general contractor', deleted with the old Procurement Code, is reintroduced;
- **public-private partnership:** the regulatory framework is simplified to make it easier to award partnership projects; the hypotheses for revising the concession contract are also specified. These include extraordinary and unforeseeable events, as well as changes in the relevant legislation or regulation (so-called regulatory risk);
- **special sectors:** greater flexibility and a more pronounced special character is envisaged for the so-called 'special sectors', consistent with the essential nature of the public services managed by the contracting entities (water, energy, transport, etc.);
- **subcontracting:** so-called cascade subcontracting is introduced, bringing it into line with European legislation and case law by providing for discretionary assessment criteria to be exercised by the contracting authority on a case-by-case basis;
- **concessions:** for concessionaires chosen without a tender, an obligation is established to contract out between 50 and 60% of the works, services and supplies to third parties. The obligation does not apply to special sectors (railways, airports, gas, electricity, water);
- **price revision:** the obligation to insert price revision clauses in the event of a cost variation exceeding the 5% threshold is confirmed, with 80% of the increased cost being recognised in favour of the company;
- **governance, litigation and jurisdiction:** the reorganisation of ANAC competences is envisaged, implementing the criterion contained in the delegation act, with a strengthening of its supervisory and sanctioning functions. Finally, the guidelines adopted by the Authority, through the integration of the implementing regulations into the Code, are exceeded.

GAS

Gas Networks

Law No. 118/2022 - Annual Market and Competition Law 2021 and Resolution No. 714/2022/R/gas on the updating of the provisions concerning the determination of the redemption value of natural gas distribution networks

Law No. 118/2022 intervened on the subject of tenders for entrusting the natural gas distribution service. In particular, the possibility was introduced for local authorities to sell their networks and facilities at VIR (reconstruction value as new). The Authority recognises in the tariff to the operator awarded the tender the depreciation of the difference between the redemption value and the value of the net non-current assets (not the related return on invested capital).

In addition, the possibility was introduced for the winning operator to pay the EEC amount stipulated in the tender to local authorities instead of offering efficiency projects.

In addition, the timing of the publication process of the calls for tenders was accelerated, implemented by ARERA with Resolution 714/2022/R/gas, concerning the "*Update of the provisions on the determination of the reimbursement value of natural gas distribution networks in implementation of the annual law for the market and competition.*" Finally, an update of the tender evaluation criteria was foreseen in order to enhance technological innovation interventions.

Resolution 148/2022/R/gas as amended - Measures against high energy prices - UG2c component

In 2022, as part of the urgent and extraordinary interventions in favour of consumers in relation to the exceptional situation of tension in the functioning of the gas markets, and in particular with Resolution 148/2022/R/gas, a negative UG2c component was introduced for consumption brackets up to 5,000 smc/year, confirmed also for the first quarter of 2023. The introduction of this negative component, combined with the measures related to the social bonus, resulted in significant negative financial impacts for distribution operators. The Authority has therefore intervened by means of subsequent measures, reducing the settlement times by the CSEA to distributors in the event of invoicing negative amounts, and aligning the settlement times by distributors to sellers to those by sellers to distributors.

Resolution 737/2022/R/gas - Infra-period update of the RTDG for the three-year period 2023-2025 and amendments to the Standard Network Code for the gas distribution service

Following Consultation Document 571/2022/R/gas, the Authority approved with Resolution 737/2022/R/gas the update of the Gas Distribution and Metering Services Tariff Regulation (RTDG) for the three-year period 2023-2025. With respect to the period 2020-2022, a trigger mechanism has been introduced for the update of operating costs in the event of a reduction of more than 2% in the number of redelivery points at an individual location. In relation to gas smart meters, the standard costs for investments that will be made from 2023 were updated and the methods for recognising the residual value of smart meters installed in the first phase of the roll-out and decommissioned early were defined. The mechanism for covering the costs of central metering systems was also updated.

Resolution 512/2021/R/gas and Resolution 600/2022/R/gas - Reorganisation of gas metering activities at entry and exit points of the transportation network and approval of the Snam Rete Gas Network Code

The Authority approved the "*Regulation of the metering service on the natural gas transmission network (RMTG)*". The person in charge of the metering activity, i.e. the owner of the metering plant, is subject to minimum and optimal requirements in terms of plant engineering, performance and maintenance, which are relevant in case of non-compliance with the service quality standards. These standards are associated with a system of economic fees consistent with the costs to the transportation system generated by measurement errors, which will be applied as of 2024. The measure was incorporated into the update of the Snam Rete Gas Network Code.

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

The Authority has introduced important innovations 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 of partial recognition of costs to the distributor for non-reading compensation up to a certain level of physiological failure. The measure will enter into force on 1 April 2023.

Resolution 386/2022/R/gas - Responsibility of distribution companies on the IN-OUT delta

Following Consultation Document 357/2021/R/gas, the Authority published Resolution 386/2022/R/gas, which confirms the introduction of a simplified mechanism to make distribution companies responsible for the IN-OUT delta, i.e. the difference between the volumes injected at the city gates and those withdrawn by end customers at the redelivery points of the distribution network. The mechanism envisages the classification of city gates into homogeneous sets and the calculation of an economic penalty for the distributor in proportion to the difference between the measured delta¹⁰ value for a given city gate and the relevant reference threshold, above which the delta¹⁰ value is considered inefficient, net of the effects of exceptional phenomena. The mechanism will apply as of 2023, in relation to the data of the three-year period 2020-2022.

Resolution 404/2022/R/gas - Pilot projects to optimise the management and use of natural gas infrastructure

Following Consultation Document 250/2021/R/gas, the regulator approved Resolution 404/2022/R/gas with which it wants to promote actions for the optimisation of natural gas distribution and transportation networks. Operators will be able to apply for participation by 15 April 2023 and projects will be assessed by the Authority according to two macro-areas: the prospective dimension of energy, environmental and economic performance and the experimental dimension of the project. Full or partial coverage of costs will be through tariff and extra-tariff awards. The Authority has introduced an overall ceiling for the extra-tariff contribution of 35 million euro. The duration of the testing will be a maximum of three years and the Owner of the project will have to submit to the Authority appropriate monitoring reports of the activities.

ELECTRICITY

Market

MITE Decree 164/2022 and MASE Dir. Decree 16 January 2023 - Establishment of electricity sellers list

By means of two separate decrees, the Ministry of the Environment and Energy Sovereignty (formerly the Ministry of Energy Transition) regulated the way in which companies engaged in the business of selling electricity are to be registered in the List referred to in Law 124/2017. In confirming the existence of the essential requirements already identified at the time by the Authority (technical, honourableness and financial soundness requirements), 16 April 2023 was identified as the deadline for complying with the procedures for enrolment in the List, under penalty of being unable to continue to exercise the activity of selling electricity.

Resolution 586/2022/R/eel - Update on the 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)

As a result of IT problems affecting the GSE systems, the Authority has revised the timelines established by Resolution 208/2022/R/eel for the transfer to the operators of the Gradual Protection Service for micro-businesses of all the information required for the exercise of the activity, as well as the start-up date of the Service itself, now postponed to 1 April 2023.

A similar postponement was also arranged for the allocation procedures, which took place in the fourth week of November (instead of September, as originally planned). The outcome of the tender saw the companies A2A, ACEA, AGSM AIM, ESTRA Energie, Illumia, HERA and Sorgenia awarded the Service.

DL 4/2022, DL 17/2022, Law 51/2022 and 'Aiuti' Decrees DL 50/2022, DL 115/2022 and DL 144/2022 - Measures to counter high energy prices, for 'non-energy-intensive' and 'non-gas-intensive' companies

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 ("Sostegni ter" Decree-Law), effective as of 1 January 2022, provided 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", aimed at compensating for 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 "Aiuti" decree) also provided for the increase of these percentages to 15% and 25% respectively.

Subsequently, pursuant to article 6, paragraph 4, DL no. 115/2022, the so-called "Aiuti bis" decree, converted into Law 142 of 21 September 2022, these measures were also applied to credits accrued in the third quarter of 2022.

Lastly, DL 144/2022, so-called "Aiuti ter" decree, further increased the credit for Q4 2022 to 30% (electricity consumption) for non-energy-intensive businesses and 40% for non-gas-intensive businesses (gas consumption). For the Group, the effects of this measure are estimated at 41.0 million euro for 2022.

Law 197/2022 (Budget Law 2023) - Measures to counter high energy prices and extension of the gas end-of-protection period

In view of the continuing international tensions related to developments in the war in Ukraine, the government has ordered the extension of a number of measures previously introduced in order to counter the effects of high energy prices:

- on the non-domestic demand side, the tax credit instrument, scheduled for Q1 2023, was strengthened for all categories. In particular, the new rates provide for a contribution of 35% for 'non-energy-intensive' companies and 45% for 'non-gas-intensive' companies. For energy- and gas-intensive businesses, the rate is 45%;
- interventions on the side of domestic consumers, by broadening the target group for social bonuses (households up to 15,000 euro are eligible throughout the first quarter of 2023);
- tax and para-fiscal contributions are finally confirmed for the first quarter of 2023:
 - zeroing of general system charges for the electricity sector (for both domestic and non-domestic low voltage users, for other uses, with power available up to 16.5 kW);
 - application of VAT at 5% for gas withdrawals in the first quarter of 2023 (also extended to supplies of thermal energy produced with gas-fired plants under an Energy Service Contract).

Lastly, the legislative measure intervenes by extending the end of gas protection by aligning its term with that of the greater protection of domestic users (1 January 2024).

Decree Law 115/2022 (DL "Aiuti bis") - Unilateral variations

Article 3 of Decree-Law 115/2022 provided for the suspension until 30 April 2023 of the effectiveness of any contractual clause allowing the electricity and natural gas supplier to unilaterally change the general terms and conditions of the contract relating to the definition of the price.

This approach was interpreted by the Antitrust Authority in its most restrictive form, extending the suspension also to those clauses that provided for the possibility for sales companies to update supply prices as the expiry date indicated on the economic conditions approached (this prohibition was enforced by means of special suspension measures ordered by the same AGCM).

Subsequent appeals to the administrative justice system made it possible to distinguish the case of price updates from other changes made on the basis of the more generic principle of the *ius variandi*; in this sense, following the judgment of the Council of State of 23 December 2022, the suspension imposed by the AGCM with respect to the case of renewals was revoked.

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 Turbigo power plant) for which a 15-year period is envisaged starting in 2022.

Decree-Law No. 4/2022 of 27 January 2022 (DL "Sostegni Ter") - Title III "Urgent measures to contain electricity costs" - 'two-way' compensation mechanism

Title III of the Decree provides for "Urgent measures to contain electricity costs" through various interventions. In particular, it introduces 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.

Decree-Law No. 115/2022 of 9 August 2022 (DL "Aiuti bis") then extended the application of DL "Sostegni ter" to 30 June 2023, allowing hedging contracts entered into before the effective date of the decree (5 August 2022) to be valid for 2023, and specified that intercompany contracts that do not have third-party counterparties outside the group of companies cannot be considered for the application of the netting mechanism.

In this regard, 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 legislation did not have a material economic effect on the Group.

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 hydroelectric 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.

In December 2022, the Lombardy Regional Administrative Court (TAR) upheld the appeals filed by the operators, ordering the precautionary suspension of payments to the GSE (Electricity Services Operator), and postponed the publication of the reasons to a later ruling. In January 2023, however, the Council of State suspended the Lombardy Regional Administrative Court's precautionary measure.

Pending this appeal, Resolution No. 266/2022 is again enforceable, and the GSE could restart payment requests.

Decree-Law "Tagliaprezzi" (DL 21/2022) and Decree-Law "Aiuti" (DL 50/2022): Extraordinary contribution against high bills

The combined provisions of Article 37 of Decree-Law 21/2022 (so-called Tagliaprezzi Decree-Law, 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, petroleum products for subsequent resale, or who bring such goods into the territory of the State from other EU States.

EU Regulation of 6 October 2022 on emergency action in response to high energy prices

This regulation concerns measures such as the *reduction of electricity demand* at national level, a *cap on market revenue* at Union level (to finance measures to support end customers), a (temporary) *solidarity contribution* for companies and permanent establishments in the Union with activities in the crude oil, natural gas, coal and refining sectors, in order to mitigate the effects of energy prices on public authorities and end customers.

In particular:

- a cap of 180 euro/MWh (until 30 June 2023) is envisaged on actual revenue for all infra-marginal sources (producers that use cheaper sources than gas, such as renewable energy, nuclear and coal) not already included in the Sostegni ter Decree (cap at 58 euro/MWh) and on WTE;
- a Temporary Solidarity Contribution is established, applied on taxable profits in the 2022/2023 tax year (which exceed a 20% increase in average taxable profits in the four tax years from 1 January 2018).

With regard to the measures referred to in the previous two paragraphs, **the Budget Law 2023** amends:

- the **Temporary Solidarity Contribution (pursuant to EU Regulation 6 October 2022)**
 - extending its application to electricity producers and sellers;
 - introducing the prevalence criterion: the contribution is due if at least 75% of the 2022 turnover derives from intra-perimeter energy activities;
 - changing the percentages applicable to its calculation: the contribution is due at an amount equal to 50% of the increase in 2022 taxable income that exceeds the average income achieved in the previous four years by at least 10%.
- the **Solidarity Contribution pursuant to Article 37 of the Tagliapietzi Decree-Law**
 - introducing the prevalence criterion: the contribution is due if at least 75% of the 2021 turnover derives from intra-perimeter energy activities;
 - excluding extraordinary transactions taking place between taxable persons to the contribution from relevance for calculation purposes, and by introducing the criterion of irrelevance of extraterritorial transactions: in fact, supplies that are territorially irrelevant for VAT purposes are excluded if and to the extent that the purchases relating to them are themselves territorially irrelevant for VAT purposes.

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 art. 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.

Finally, on 15 December 2022, the Piedmont Region's Executive Determination No. 665 of 21 November 2022 "Update of the State fee for public water use with reference to the year 2023" was published.

Electricity Networks

Resolutions 232/2022/R/eel, 281/2022/R/eel and 712/2022/R/eel - Reactive energy injected

After Resolutions 232/2022 and 281/2022 on the subject of reactive energy injected by LV and MV users/interconnections (made available from July 2022 for the metering of LV end customers over 16.5 kW and MV, and for the start, from April 2023, of the application of fees in the F3 band), the recent Resolution 712/2022 completed the regulation of reactive energy, in particular for users and distributors connected in HV or HHV, providing that:

- as of 1 April 2023, the threshold of reactive energy withdrawal with respect to active energy is lowered from 50% to 33%, for which all HHV/HV withdrawal points and HHV/HV/MV/LV interconnection points also pay fees in the F1 and F2 bands;
- as of 1 April 2023, the points connected in HHV/HV (both withdrawal and interconnection) pay fees for energy injected (in the F3 band only) and/or withdrawn (in the F1 or F2 bands) according to a basic amount, which is increased if they are located in homogeneous areas (i.e. in which reactive energy has a greater impact, creating problems for the voltages and operation of the National Transmission Grid);
- for 2023 only, the fees for reactive energy injected by the HHV/HV points (of withdrawal or interconnection) shall be cancelled if the injections of the individual withdrawal point occur in less than 10% of the quarter hours in F3 in April-December 2023 or if the DSO has made compensation devices available for at least 90% of the quarter hours in F3 in April-December 2023;
- temporary derogations are possible from ARERA to the application of fees in the event of local specificities, following Terna requests.

Resolutions 35/2022/R/eel, 141/2022/R/com, 295/2022/R/com, 462/2022/R/com and 735/2022/R/com - High energy prices - Changes to the tariffs applied to users

As mentioned above with regard to the market sector, these resolutions implemented the cancellation of general system charges until 30 December 2022 for all types of users. The recent Resolution 735/2022/R/com partially modified the provisions for the quarter January-March 2023, extending the intervention only for domestic customers and low-voltage customers for other uses up to 16.5 kW.

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

Following two consultations in spring/summer 2022 (DCO 284/2022/R/eel and DCO 360/2022/R/eel), two resolutions were issued.

- the first (Resolution 601/2022/R/eel) introduced transitional changes to the regulation of 2G smart metering, following the effects of Covid-19 and the semiconductor shortage. In particular, for DSO with already started 2G commissioning plans, it sterilised the effect of the slowing down of planned replacements for the year 2022 on penalties and allowed, until mid-2023, more flexibility for the publication of detailed plans for the massive phase and the easing of the commissioning rules for meters per significantly relevant territory. Likewise, for small DSO, the notice periods for the start of the massive phase were reduced;

- on this topic, the second resolution (724/2022/R/eel) updates the 2023-2025 Guidelines for larger DSO. The main changes compared to the general confirmation of many rules already in place for the previous three-year period 2020-2022 are: (i) the extension of the performance monitoring period of the meters to 4 years with a consequent postponement of possible penalties; (ii) the introduction of a premium for a few years in the event of accelerated commissioning as a result of public contributions.

Resolutions 295/2022/R/com, 462/2022/R/com and 735/2022/R/com - Additional social bonuses

The additional compensatory component introduced on 1 October 2021 is confirmed until March 2023. In particular, the recent Resolution No. 735/2022 updating tariffs for the period January-March 2023, in implementation of the Budget Law, adopts some regulatory changes by extending and differentiating their application according to ISEE level.

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

The resolution approves the unified mechanism by which DSO may submit annual applications to CSEA to receive reinstatement of overdue General System Charges (GSO) and Network Charges (RCO) receivables from Sellers. Specifically, incentives are introduced in the case of settlements reached with sellers, a 10% deductible is envisaged for ROD claims, and a deduction (equal to $0.00225 \times \text{DSO revenue constraint}$) is to be applied to the reinstatement of two-year RODs.

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

Resolution 117/2022 provides for the continuation of the standard commercial loss equalisation delta loss path 2022-2023. Compared to the DCO, 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 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 euro/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.

Finally, the Directorial Decree of the Directorate General for Energy Incentives No. 414 of 16 December 2022, approving the ranking of the intervention proposals submitted, aimed at improving the resilience of the electricity distribution network, was published on the MASE website.

ENERGY EFFICIENCY

Superbonus and other building bonuses

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

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

The 2022 Budget Law had included the following provisions:

- Superbonus of 110% also extended for trailed works, with extension to the Third Sector, at the end of 2023 (reduction to 70% in 2024 and 65% in 2025) for works of condominium owners on common parts of condominiums and on apartments. For single-family units 110% superbonus extension to 31 December 2022, subject to carrying out works for at least 30% of the total by 30 June 2022 (based on the project status report);
- installation of photovoltaic systems: extension of the 110% deduction to 30 June 2022;
- updating of the reference for the primary energy conversion factors to be applied for the A.P.E. (energy performance certificate) annexed to the appraisal required to benefit from the Superbonus;
- deductibility of expenses for the issue of compliance statements and certifications/assessments. Deductions do not apply to interventions (i) of free building and (ii) of amount < 10 thousand euro, on single units or common parts, excluding interventions on building façades zone A or B;
- Ecobonus (energy efficiency and building renovation): extension of deductions to 31 December 2024;
- Façade bonus: remodulation from 90% to 60% on full 2022;
- extension of the option to transfer credit or discount on the invoice to 2025 for Superbonus, to 2024 for "ordinary" building interventions (Ecobonus, Sismabonus, renovations, façade bonus, installation of columns and photovoltaic panels);
- abrogation of Decree Law no. 157/2021 (Anti-fraud) with implementation of the text, including reference, pro appraisal congruity expenses, to the maximum values (MD MiTE approved on 14 February 2022).

The Budget Law 2023 published in OJ No. 303 of 29 December 2022:

- decreases the deduction under the super-bonus to 90% for expenses incurred in the year 2023, thus setting the deadline of 31 December 2022 (as opposed to the previous deadline of 31 December 2023 for the categories envisaged) as the limit for availing of the 110% relief;
- confirms the application of the tax deduction at the rate of 110% also in 2023 for certain specific interventions under certain time requirements:
 - for interventions other than those carried out by condominiums for which, as at 25 November, the communication of the commencement of works has been made (CILA);
 - for works carried out by condominiums for which the meeting resolution approving the execution of the works is adopted before 18 November 2022 and provided that a CILA has been executed for such works as at 31 December 2022;
 - for works carried out by condominiums for which the meeting resolution approving the execution of the works is adopted on a date between 18 November 2022 and 24 November 2022, provided that a CILA has been executed for such works as at 25 November 2022;
 - for works involving the demolition and reconstruction of buildings for which the application for the acquisition of the permit had been submitted by 31 December 2022.
- It stipulates that for expenses incurred after 2023, the tax rate will be reduced to 70% in 2024 and 65% in 2025.

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 17/2022 ("Energia") provided for the tax credit to be transferable once more, in addition to the three already provided for, while DL 50/2022 ("Aiuti") extended, for single-family homes, the deadline to reach the 30% SAL (project status report) from 30 June to 30 September, in order to benefit from the relief on expenses incurred until 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.

Resolution 710/2022/R/tlr - Provisions on the minimum requirements of meters for district heating and cooling services

The measure defines the first provisions on the minimum requirements for meters and postpones the completion of the regulation to a later procedure.

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 Economic Financial Plan (PEF), 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.

Resolution 363/2021/R/rif on Approval of the Waste Tariff Method for the Second Regulatory Period 2022-2025 (MTR-2)

The measure includes the start of tariff regulation of treatment plants, for which an asymmetric regulation is envisaged -for treatment plants of Municipal Residual Waste and organic waste- that distinguishes plants between 'minimum' (essential for closing the cycle and therefore subject to tariff regulation) or 'additional' (market-based, with only transparency rules).

In the first application of the provisions, the regions identified the minimum regulated facilities. The following were identified for Iren Group:

- Emilia-Romagna: the WtE in Piacenza and Parma and the organic treatment plant in Gavassa;
- Piedmont: the 'former AMA' landfill in Mondovì, the WtE TRM and the organic treatment plants of Territorio e Risorse in Santhià and the associated GAIA in the Asti area;
- Liguria: the Mechanical Biological Treatment plants of Scarpino and Boscalino and the organic treatment plants of Saliceti and Cairo Montenotte;

- Tuscany: the TB TMB plant and the Futura plants (organic treatment and TMB), as well as the plants of the associate Sienambiente (WtE, organic treatment and TMB).

ARERA: Consultation phases

- **DCO 643/2022/R/Rif, concerning the Standard Waste Service Contract Template:** the main aspects include i) the clarification of hetero-integration in existing contracts, subject to compliance with the conditions of the tender offer, ii) the provision of automatic updates to the service contract as well as procedures and modalities for the rotation of operators and measures to promote the maintenance of economic-financial equilibrium;
- **DCO 611/2022/R/ref, on equalisation systems in the waste sector.** The measure envisages uniform rules, valid for the entire national territory, for the application of environmental equalisation components aimed i) at rewarding the best environmental option in the definition of tariffs for access to treatment plants and ii) at countering the dispersion of waste in the sea, lakes, rivers and lagoons and the proper management of the same; there is also a connection with the MTR-2 tariff regulation regarding the tariff application of costs deriving from these mechanisms.

Budget Law 2023 no. 197/2022

The decree contains various provisions including the extension to 1 January 2024 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% allocated to Central Southern Italy, in favour of companies for the funding 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 assessments by the Examining Committee, the MASE published the decrees granting the contributions containing the lists of the plants eligible for financing; in particular, Iren Group is among the beneficiaries for the following plants:

- financed public plants resulting in a reduction of RAB (Investment 1.1):
 - line B: OFMSW plant in Saliceti (SP) for 40 million euro;
 - awaiting the ranking list for line A and no funding for line C.
- financed private facilities (Investment 1.2):
 - plant for the recovery of photovoltaic panels (Semia Green) for approximately 900 thousand euro;
 - doubling of the plastics and WEEE selection line in Turin (AMIAT) for about 860 thousand euro;
 - extension of the Collegno paper line (AMIAT) for about 2.5 million euro;
 - The Pulper in Scarlino (Iren Ambiente) for about 8.1 million euro;
 - Expansion of the S. Giorgio Nogaro (I.Blu) plant for about 3 million euro;
 - Borgaro plastics recovery plant (AMIAT) for about 2.5 million euro.

MiTE Decree 5 August 2022 - Incentives for biomethane production

This decree provides for the conditional extension of the incentives under the Ministerial Decree of 2 March 2018

for plants that come into operation by 31 December 2023.

MiTE Decree 15 September 2022 - Biomethane Development

The Decree, effective 27 October 2022, provides incentives for the production of biomethane from new (from organic or agricultural waste) or converted (agricultural only) plants. In particular, for plants fuelled by organic waste, the following are envisaged:

- a capital grant of 40% of the eligible investment costs incurred, up to the maximum eligible investment cost;
- an incentive on net production, with a tariff worth 62 €/MWh for plants fuelled by organic waste, with a 2% reduction starting in 2024 and lasting 15 years;
- annual power quotas made available, in line with PNRR spending commitments, aimed at exploiting the potential of re-conversions of existing biogas plants and the emergence of new production;
- access to the incentives will take place through competitive public auctions on the incentive tariffs that will be held from the end of 2022 to 2024 (until the relevant funds of the Plan are exhausted).

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 Programme provides i) guidance for the drafting of regional plans (e.g. flow analysis and Life Cycle Assessment);
- provides for the possibility of 'macro-area' agreements for the energy recovery of residual/scrap municipal waste, sorted and special waste from treatment and organic waste (for the latter flows only if supported by LCA analysis);
- identifies 12 strategic flows

The PNGR therefore represents 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:** final approval of the Plan (PRRB) 2022-2027;
- **Liguria Region:** approval of the 2021-2026 Plan by the Regional Council;
- **Piedmont Region:** Adoption of the PRBAI 2022-2035 by the Council (approval by the Regional Council is expected in the coming months);
- **Tuscany Region:** started the process of updating the 2022-2026 Plan (not yet adopted).

WATER SERVICE

Resolution 229/2022/R/idr - 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 (initially the term for requesting this loan was set at June 2022, subsequently moved by resolution 495/22 to November 2022). Finally, the Authority declared itself open to further action should the need arise.

Resolution 98/2022/R/idr and 183/2022/R/idr 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.

Resolution 734/2022/R/idr - Preliminary investigation results on RQSII award-penalties 2020-2021

With Resolution 734/22, 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 contractual quality regulation RQSII for the two-year period 2020-2021, initiated with Authority Resolution 69/22. Following the conclusion of the procedure, the relevant premiums and penalties will be approved for each management.

Council of State rulings on financial burdens on water adjustments, MTT and MTI tariff method

In the course of 2022, there were a number of rulings by the Council of State concerning the request for recognition of financial charges on water adjustments, instead of mere inflation, in relation to the MTT tariff method (2012-2013 biennium) and the MTI tariff method (2014-2015 biennium). Some rulings (notably rulings nos. 4142 and 7154) were favourable, while others (including rulings nos. 5428, 5431 and 10726) denied this right. Taking into account that the recognition of the financial charges on the 2012 and 2013 adjustments has already been decided by the Authority with Resolution 639/2021/R/idr, ARERA has reserved the right to assess the effects of the aforementioned rulings, also when defining the water tariff method for the fourth regulatory period (2024-2027), due to the criteria of cost-effectiveness and efficiency that guide administrative action.

OTHER GENERAL 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 euro/EEC and 3.44 euro/EEC, respectively.

Regulation by expenditure and service objectives

Consultation document 655/2022/R/com - Criteria for determining the recognised cost according to the ROSS-base approach. Final guidelines

With this Document, the Authority represented its final guidelines in relation to the criteria for determining the recognised cost within the ROSS-base for infrastructure services in the electricity and gas sectors, i.e. the

Regulation by Expenditure and Service Objectives approach. The application of the ROSS-base is expected from 2024 for electricity distribution and from 2026 for gas distribution.

The main elements proposed in the Consultation Document concern the allocation of efficiencies, the application of a capitalisation rate to total expenditure and the treatment of inflation. In particular, the efficiencies achieved are expected to be split between operating and capital costs, and for the former the Authority proposes a sort of menu regulation, leaving the choice of a more or less incentivising model directly to the operator. As far as the recognition of costs is concerned, the division of total expenditure into a share of net invested capital and a share of operating costs will take place through the application of a capitalisation rate defined by the Authority, using recent historical data of the operators (last 3 years) and with adjustments based on forward-looking evaluations. Finally, with regard to inflation, the Authority also proposes the introduction of an adjustment mechanism for actual inflation.

CONCESSIONS AND ASSIGNMENTS OF THE GROUP

HYDROELECTRIC GENERATION

The following is a summary of the major concessions for hydroelectric use and the related expiry dates for Iren Energia's plants.

Region	Plant	Average rated concession power (MW)	Expiry
Piedmont	Po Stura - San Mauro	5.58	31/12/2010
Piedmont	Pont Ventoux - Susa	47.42	13/12/2034
Piedmont	Agnel - Serrù - Villa	12.53	31/12/2010
Piedmont	Bardonetto - Pont	8.92	31/12/2010
Piedmont	Ceresole - Rosone	32.92	31/12/2010
Piedmont	Telessio - Eugio - Rosone	26.10	31/12/2010
Piedmont	Rosone - Bardonetto	9.71	31/12/2010
Piedmont	Valsoera - Telessio	1.76	31/12/2010
Campania	Tusciano	8.49	31/03/2029
Campania	Tanagro	12.84	31/03/2029
Campania	Bussento	17.06	31/03/2029
Campania	Heat	3.27	31/03/2029

NATURAL GAS DISTRIBUTION

As regards the natural gas distribution service, operated by the Group in the area of the municipality of Genoa and neighbouring municipalities and in the Emilian provinces of Parma, Piacenza and Reggio Emilia (IRETI), in the municipality of Vercelli and in other municipalities in this province (ASM Vercelli), it should be noted that the concessions are currently under the *prorogatio* regime pending the calling of public tenders.

With regard to the Group's local areas, it should be noted that tenders were launched in 2021 to entrust the service in ATEM Genoa 2 and ATEM La Spezia.

With reference to the call for tenders in ATEM Genoa 2, following Italgas Reti S.p.A.'s challenge of the call for tenders, the contracting authority (municipality of Chiavari), with decision no. 950 of 21 June 2022, suspended the tender procedure pending the settlement of the pending lawsuit.

With reference to the tender for the ATEM La Spezia, with Executive Determination no. 5468 of 25 November 2022, the contracting authority awarded the concession to Italgas Reti S.p.A.

IRETI S.p.A. therefore lodged an appeal with the Regional Administrative Court against this measure.

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

The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (associate, in which a 21.32% stake is held by the GPO Consortium, 62.35% of which IRETI controls in turn): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC) assignment expired on 31 December 2010 and under *prorogatio* regime;
- Province of Livorno - ASA S.p.A. (associate, in which IRETI has a 40% stake): Provinces of Livorno, Castagneto Carducci, Collesalveti, Rosignano Marittimo and San Vincenzo – assignment expired on 31 December 2010 and under *prorogatio* regime.

ELECTRICITY

Ministerial electric concessions have an expiration date of 31 December 2030. Iren Group manages the public electricity distribution service in the cities of Turin and Parma (through IRETI) and Vercelli (through ASM Vercelli). Iren is also present in the Marche area with DEA SpA, part of the group of the associate ASTEA SpA, which manages the electricity distribution service in the municipalities of Osimo (AN), Recanati (MC) and Polverigi (AN).

DISTRICT HEATING

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

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

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

On 2 May 2022, Iren Energia acquired 100% of the quota capital 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).

INTEGRATED WATER SERVICE

Liguria area

IRETI holds the management assignment for the Integrated Water Service in the 67 municipalities of the Province of Genoa. The assignment was granted by Decision No. 8 of the Genoa Optimal Territory Environment Agency (ATO) on 13 June 2003 and will expire in 2032.

The Integrated Water Service in the territory of the municipalities of the Province of Genoa is managed by IRETI through the safeguarded operators. The authorised and/or safeguarded companies of Iren Group that perform the function of operator are Iren Acqua (60% controlled by IRETI), Iren Acqua Tigullio (66.55% controlled by Iren Acqua) and the associate AMTER (in which Iren Acqua, again, has a 49% stake).

IRETI also directly provides the drinking water distribution service in the municipalities of Camogli, Rapallo, Coreglia and Zoagli in the Genoa ATO.

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

- Savona area, in the municipalities of Albissola Marina, Albissola Superiore, Quiliano, Vado Ligure, Celle Ligure, Noli, Spotorno, Bergeggi, Savona, Stella, Varazze;
- Centre West 2 - municipalities of Altare, Cairo Montenotte, Carcare, Cengio.

As far as the Province of Imperia is concerned, IRETI manages, pending the collection of the redemption value (since these are expired safeguarded operations), the service in the municipalities of Camporosso, Isolabona (Integrated Water Service), Perinaldo, San Biagio della Cima, Soldano and Vallebona.

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

With regard to transactions in the period, on 29 June 2022, IRETI acquired from Siram S.p.A. 100% of the quota capital of Società dell'Acqua Potabile S.r.l. (SAP), operator of the water service segment in the municipalities of Sestri Levante, Casarza Ligure and Moneglia, and of the Integrated Water Service in the municipalities of Né and Carasco.

Also by the same deed, IRETI acquired 49% of the quota capital of the company Esercizio e Gestione Unificata delle Acque S.r.l. (EGUA, associate), operator of the water service in the municipality of Cogorno.

With regard to SAP, on 29 December 2022, it was merged into IRETI with effect from 1 January 2023.

Emilia Romagna area

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

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

The Integrated Water Service in the Parma, Piacenza and Reggio Emilia ATOs is managed by IRETI. Ownership of the assets and networks of the water segment was transferred to companies wholly owned by public entities (respectively Parma Infrastrutture, Piacenza Infrastrutture and AGAC Infrastrutture). These companies made their networks and assets available to Iren Group on the basis of a rental contract and against the payment of a fee.

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

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

With regard to the management model, it envisages - from a corporate point of view - the establishment of a limited liability company, to be called "Azienda Reggiana per la Cura dell'Acqua", ARCA for short. The private partner - selected with the dual-purpose procedure - will hold 40% of the company's quota capital, while AGAC Infrastrutture S.p.A. will be the public partner with 60% of the quotas.

The tender procedure provides for an obligation for the private partner to create a territorial operating company (100% held) for management of the operating tasks assigned with the tender procedure. This company will not be related to the joint venture by a shareholding agreement, but only by a partnership agreement governing ARCA S.r.l.'s assignment to the operating company of the specific operational tasks identified in the tender procedure.

On 29 December 2022, the award was announced in favour of IRETI. This entrustment will commence with the takeover and expire on 31 December 2040.

Lastly, it should be noted that on 5 April 2022, ATERSIR published in the Official Journal of the EU the call for tenders concerning the "*Open procedure for the concession of the Integrated Water Service (SII) for the Province of Piacenza*".

On 15 November 2022, IRETI submitted an offer. Below are the main elements:

- Value of the Concession: 1,395,000,000.00 euro
- Duration of the Concession: from takeover until 31 December 2040;
- Award criterion: most advantageous cost-effective offer (70 points technical-qualitative part + 30 points to the financial portion);

Piedmont area (Vercelli)

The Group manages, through ASM Vercelli, the services related to the integrated water cycle in Piedmont ATO2 "Biellese Vercellese, Casalese". In particular, the management of the Vercelli aqueduct has been ongoing for more than a century; sewerage and wastewater treatment services have only been incorporated into the operations since the mid-1990s; today, the services provided by the company extend not only to the city of Vercelli, but also to 14 municipalities in the province.

Management is set to expire on 31 December 2023.

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

ATO	REGIME	SIGNING DATE	EXPIRY DATE
<i>Genoa area</i>	ATO/operator agreement	16 April 2004/05 October 2009	31/12/2032
<i>Reggio Emilia</i>	ATO/operator agreement	30/06/2003	31/12/2011 (*)
<i>Parma</i>	ATO/operator agreement	27/12/2004	30/06/2025
<i>Piacenza</i>	ATO/operator agreement	20/12/2004	31/12/2011 (*)
<i>Vercelli</i>	ATO/operator agreement	13/03/2006	31/12/2023
<i>La Spezia</i>	ATO/operator agreement	20/10/2006	31/12/2033

(*) Service extended until new agreements are defined following the aforementioned tender procedures

Other geographical areas

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

- ATO Toscana Costa – ASA S.p.A. (associate, in which IRETI has a 40% stake): Integrated water service in the municipality of Livorno and other municipalities in the Province;
- Ambito Territoriale Marche Centro, Macerata (ATO3) - ASTEA S.p.A. (associate, in which Consorzio GPO has a 21.32% stake, which is in turn 62.35% controlled by IRETI) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati;
- Alessandria ATO: ACOS S.p.A. (associate, in which IRETI has a 25% stake) for the municipality of Novi Ligure; Cuneo ATO: Mondo Acqua S.p.A. (associate, in which IRETI has a 38.5% stake) – manages the municipality of Mondovì and 7 other municipalities in the Cuneo area.

ENVIRONMENTAL SERVICE MANAGEMENT

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

ATO	REGIME	SIGNING DATE	EXPIRY DATE
<i>Reggio Emilia</i>	ATO/operator agreement	10/06/2004	31/12/2011 (*)
<i>Parma</i>	ATO/operator agreement	28/12/2022	1/01/2038
<i>Piacenza</i>	ATO/operator agreement	28/12/2022	1/01/2038
<i>Turin</i>	ATO/operator agreement	21/12/2012	30 April 2033 (**)
<i>Vercelli (municipality)</i>	Municipality/operator agreement	22/01/2003	31/12/2028
<i>Other Municipalities in the Vercelli area (except Borgosesia)</i>	Procurement contract with COVeVaR	1 January 2022	31/01/2030
<i>La Spezia (municipality)</i>	Municipality/operator agreement	10/06/2005	31/12/2028 (collection and sweeping) 30 January 2043 (waste disposal)
<i>Toscana Sud</i>	ATO/operator agreement	28/03/2013	27/03/2033

(*) Service extended until new agreements are defined

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

On 28 December 2022, the contracting authority Agenzia Territoriale dell'Emilia-Romagna per i Servizi Idrici e Rifiuti (ATERSIR) signed with Iren Ambiente the contracts for the concession of the public service for waste management in the Parma and Piacenza territorial basins for a duration of 15 years, starting from 1 January 2023. The two concessions - awarded following public tenders - cover 89 municipalities: 43 in the Parma area and 46 in the Piacenza area.

ACAM Ambiente, controlled by Iren Ambiente and active in La Spezia and its Province, manages the integrated waste cycle service in 24 municipalities belonging to the Levante ATO (including the municipality of La Spezia). Furthermore, it carries out waste disposal activities, mainly unsorted, in 4 other municipalities of the Province.

It should be noted that SEI Toscana is the owner, by virtue of an agreement with the ATO Toscana Sud, of the integrated waste management in 98 municipalities in the provinces of Grosseto, Siena, and Arezzo, expiring on 27 March 2033, and in six municipalities in the province of Livorno (Piombino, San Vincenzo, Sassetta, Suvereto, Castagneto Carducci, and Campiglia Marittima).

The tender for the CoVeVaR Consortium (covering the municipalities of 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, Villarboit) was awarded to the temporary consortium (RTI) composed of ASM Vercelli (60.01%, group leader), San Germano (20.78%) and RIMECO Soc. Coop. (19.21%), with validity from 1 January 2022 to 31 December 2030, with the possibility of extension for a further 12 months.

Finally, San Germano carries out its main activity as a collection operator as a contractor in several areas, including Sardinia, Lombardy, Piedmont and Emilia-Romagna.

Services provided to the municipality of Turin

Iren Smart Solutions is party to the following conventions:

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

As regards the assignments of the management service of municipal thermal systems and the management service of electrical and special systems of municipal buildings, expiring on 31 December 2020, subject to extensions until 30 June 2022.

In this regard, at the end of 2020, Iren Smart Solutions submitted a new project financing proposal pursuant to art. 183 paragraph 15 of the Public Contracts Code for the assignment of the service: with a Resolution of the Municipal Council of 15 December 2020, the proposal was declared of public interest and Iren Smart Solutions was identified as the promoter. The municipality of Turin launched the tender for the concession and Iren Smart Solutions submitted its bid: with specific managerial decisions, the municipality awarded the concession to Iren Smart Solutions definitively in the first half of 2022.

Thus, on 30 June 2022, a 27-year concession was signed for the plant and building upgrading aimed at improving the energy efficiency of the buildings in the City of Turin. The project includes major energy upgrading of the buildings, ordinary and extraordinary maintenance and retrofitting of facilities, as well as the supply of energy carriers.

Services to other municipalities

Iren Smart Solutions deals with the efficiency of public lighting installations, with various concessions, at: Ener.Bit (a consortium of some 20 municipalities in the Biella region), Cuneo, Fidenza, Fiorenzuola, Rivergaro and Tizzano Val Parma.

In addition, the Group manages public lighting in Vercelli (through ASM Vercelli) and Asti (through Asti Energia e Calore).

PERSONNEL

As at 31 December 2022, Iren Group had 10,583 employees, up compared to 9,055 employees as at 31 December 2021, as the table below shows, divided by Holding and Business Unit.

Company	Workforce at 31.12.2022	Workforce at 31.12.2021
Iren S.p.A.	1,132	1,074
IRETI and subsidiaries	2,269	2,166
Iren Ambiente and subsidiaries	5,362	4,178
Iren Energia and subsidiaries	1,186	1,084
Iren Mercato and subsidiaries	634	553
Total	10,583	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 (Waste Management BU);
- the continuation of the generational turnover plan, with a considerable number of recruitments on the labour market;
- the consolidation, in April 2022, by Iren Mercato of Alegas, for a total of 11 resources and, by the Waste Management BU of CRCM, for a total of 10 resources;
- the consolidation, in July 2022, of SEI Toscana in the Waste Management BU, for a total of 1,042 resources (and, consequently, of Ekovision, a subsidiary of SEI Toscana, for a total of 18 resources) and of Società dell'Acqua Potabile (SAP) in the Networks BU, for a total of 30 resources.

INTEGRATED MANAGEMENT SYSTEMS, ORGANISATION AND INFORMATION TECHNOLOGY

Integrated Quality, Environment, Safety, Energy Efficiency and Information Security System

As explained in its corporate mission, Iren Group provides integrated services, aiming at environmental protection, personnel safety, energy efficiency and information security. As the continuous evolution of customer expectations and needs requires flexible organisational models and streamlined management systems, whose effectiveness in terms of expected results must be monitored, the Group has developed an Integrated Management System (Quality, Environment, Safety, Energy Efficiency and Information Security) as a means to support the achievement of the established objectives.

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

In this regard, it should be noted that:

- the Parent, all its direct (first level) subsidiaries and the investees AMIAT, ACAM Ambiente, ReCos, ACAM Acque, ASM Vercelli, Atena Trading and San Germano have systems certified according to the international standards ISO 9001 (Quality) and ISO 45001 (Safety);
- the Parent, the first level companies (with the exception of Iren Mercato as it is a commercial company) and the investees AMIAT, ACAM Ambiente, ReCos, ACAM Acque, ASM Vercelli and San Germano are certified according to the international standard ISO 14001 (Environment). In this regard, the EMAS registrations of the Brescello, Leinì, Poiatica plants Piacenza waste-to-energy plant and Iren Ambiente Integrated Environmental Hub in Parma are confirmed, as well as the TRM waste-to-energy plant;
- Iren Energia and Iren Smart Solutions are certified in accordance with the standard ISO 50001 for Energy Efficiency and in relation to UNI 11352 (for Energy Service Companies) and F-GAS;
- Iren Smart Solutions and Iren Mercato are also certified with regard to call centre activities (respectively ISO 18295-1 in relation to control over internal contact centres and ISO 18295-2 in relation to control over external contact centres);
- Iren Mercato is certified in accordance with the Certiquality 66 Technical Document in relation to the Sale of Green Energy and the Document RINA ST TRAC_EE for the "System for tracking the characteristics of electricity from renewable sources";
- finally, Iren S.p.A. is ISO 27001 certified (Information Security) with reference to the IT services provided to Iren Energia, Iren Mercato, Iren Ambiente, IRETI, Iren Acqua, Iren Acqua Tigullio and AMTER.

The supervision of the Integrated Management Systems is ensured, for each first-level company, by the Personnel and Organisation Department of Iren S.p.A. All audits carried out by the Certification Bodies at the Group companies in 2022 ended with a positive result confirming the maintenance of all Certifications in possession of the individual companies.

Organisational Development

The year 2022 confirmed the significant increase in activities in support of acquisitions/corporate rationalisation and concession tenders for gas distribution and integrated water services, as well as the continuation of important initiatives to improve the functioning of the Group's organisational model and the competitiveness of the companies. In this regard, the main activities carried out are listed:

- coordination of 16 Working Groups (PMO activities) with the aim of finalising corporate rationalisation and process integration operations;
- organisational integration: centralisation, in accordance with the Group's model, of the main corporate functions of the companies involved in the 2022 rationalisation and integration plan;
- for the same companies, integration of information systems with the centralisation of applications (with priority to the AFC area).

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

Concerning concession tenders, the participation in the following tenders should be noted (for each of which a specific organisational report was drawn up):

- concession tender for the Piacenza ATEM integrated water service;
- concession tender for the gas distribution service of ATEM Genoa 2.

To support the development of the Group, punctual organisational activities were carried out during the year in order to adapt the organisational structures to the needs of the Business, in particular in the Waste Management BU, in the Networks BU and in the Energy BU, as well as in the new subsidiaries. Furthermore, in order to facilitate the achievement of the objectives of the Group and of the individual companies that are part of it, in line with the provisions of the strategic guidelines of the Business Plan, the following specific projects were launched and completed on topics of strategic importance called "Operational Plans":

- creation of the 'Renewables' department within Iren Energia, to promote business development in this market area;
- creation, in the companies Iren Mercato and Iren Smart Solutions, of structures to support the 'Energy Communities', in order to address sales support activities and the technical implementation of these projects;
- reorganisation of the 'Information Systems' department separated from the 'Personnel and Organisation' department, with the inclusion of Digital Innovation activities (Advanced Analytics, Digital Factory, RPA and Data Governance);
- insourcing in Iren Mercato of complaint management activities and the credit-related call centre;
- implementation of specific initiatives to promote the acceleration of investments in the Networks BU and, in particular, projects related to hydrogeological instability;
- analysis, definition and implementation of the organisational model for the carve-out of the gas distribution service and the creation of a new company (IRETI Gas) to manage the Group's gas distribution activities.

In addition to the Operational Plans, important transformation projects continued, developed together with an in-depth change management process, in particular:

- a complex programme continued with the aim of redesigning the entire customer management and relation process, from the first contact to invoicing, entitled "Market Transformation Programme";
- in the Networks Business Unit, the "IrenWay" project continued, with the aim of creating a new and single technical-commercial information system for the management of the Gas and Electricity distribution service and the Integrated Water Cycle;
- the programme was implemented for the introduction of the lean method to support the efficiency of processes and the improvement of business performance, broken down into various projects focused on the main central departments.

Finally, the monitoring of Performance Improvement projects continues, with the aim of improving the Group's EBITDA by promoting initiatives that can reduce external operating costs or increase revenue; in this regard, about 60 Performance Improvement projects were activated or continued in 2022, with a savings target to 2030 of more than 110 million euro.

Information Technology

The year 2022 saw the continuation and/or completion of important projects which are strategic for the Group, as presented below. In general, in addition to the necessary adjustments, the computerization and digitalisation plan envisaged by the Business Plan is being implemented, which continues to support the process of transformation, increase in IT security and development of the Group. In 2022, the incorporations/corporate mergers were also supported, proceeding to the integration or standardisation of the systems starting from the administrative-management area.

To support this change and achieve the expected results, the new Technologies and Information Systems Department (TSI) was created, and the organisational redesign of some areas of the same Department was carried out and the staff was strengthened in order to improve internal service levels.

In order to facilitate the achievement of the objectives of digitalisation of operational processes set forth in the Business Plan, it was also considered essential to define a shared governance of Information Technology (IT) and Operational Technology (OT) assets with respect to all processes, on the following macro-themes:

- cybersecurity;
- architecture;
- infrastructure (hardware, software and network)

launching the company-wide "IT/OT service governance" initiative.

Furthermore, in the M&A area, IT integration activities were started for the newly acquired companies.

At the level of transversal initiatives on the Infrastructure front we can note in particular:

- completion of the CyberArk EPM project for the centralised and secure management of applications requiring administrative privileges on workstations;
- implementation of the technological components required to automate the processes of the Logistics 5.0 project;
- implementation of the automation solution for managing call teams from meeting rooms and/or multimedia devices;
- start of the new Datacenter project, setting up the primary site in Pomezia to which all production data are migrated;
- completion of the porting of the environment telephone platform to the Group's unified contact centre;
- completion of the migration to the new Next-Generation Anti-Virus and Endpoint Detection and Response platform for all servers;
- implementation of an anti DDoS system to increase the company's protection against cyber attacks;
- completion of the extension of the company network, connecting the new Data Centres in Rome to the geographical ring;
- completion of the first phase of the Iren Ambiente Eco station remote control project.

In the ICT Governance area, the main initiatives concerned:

- IT Iren Now: consolidation actions and release of the ITBM module for managing the design process. In addition, the project on the IRM/GRC module for digitalising IT risk analysis processes and supporting other compliance activities was started;
- ISO 27001:
 - the audit to maintain certification was successfully passed;
 - activities for the Certification Renewal scheduled for July 2023 were started;
- PSNC (Perimetro di Sicurezza Nazionale Cibernetica) (Cybernetic National Security Perimeter): collaborated in carrying out the risk analysis within the PSNC project and in writing the related PSNC risk analysis methodological procedure and Risk Evaluation report, within the dedicated group project.

Project initiatives aimed at raising the level of IT Security against cyber events continued. The most significant are:

- awareness campaign on IT security issues, addressed to all employees;
- adoption of a new generation SIEM (Security Information and Event Management);
- adoption of a platform for monitoring the security configurations of network equipment;
- start of experimentation for the introduction of a WAF (Web Application Firewall) for the timely protection of published applications.

With regard to the Corporate area, the main projects carried out in 2022 were:

- completion of the migration project to S4HANA technology of the entire SAP corporate application park;
- launch on pilot areas of the new corporate fleet management model and the App-based car sharing formula;
- introduction of a new system for the management of all the Group's warehouses and the launch of the first phase of the 'Pick&Go' system (automated warehouse picking) on pilot areas;
- introduction of a new financial forecasting tool relating to the effects of the energy scenario and investment assessment.

With regard to the Networks BU, the activities relating to the "Iren Way" project aimed at reviewing and standardising the processes and information systems to support the technical-commercial activities of network management were completed, with the third and last release relating to the Water stream. In this context, the

Iren Way roll-out project was started at ASM Vercelli for the Gas and Electricity commodities, which is expected to be completed in the second quarter of 2023.

In addition, the analytics project on the prescriptive/predictive maintenance of the low- and medium-voltage electricity grids was started and is scheduled for completion in the fourth quarter of 2023.

Finally, 7 business cases for digitalisation projects were completed and approved: following the approvals, for 6 of them the relevant project streams were started and for one (BC3) the Proof Of Concept was initiated - details are given below:

- BC1 - Predictive plant maintenance and operation;
- BC2 - Asset/Equipment Tagging;
- BC3 - Advanced maintenance procedures;
- BC5 - Advanced Analytics networks;
- BC6 - AM-WFM, external enterprise extension;
- BC8 - BIM-GIS, vertical evolutions and systems integration
- BC9 - Data Management, extension.

Within the Energy BU, the EfficienTO project for the management of the buildings of the City of Turin was launched, consolidation activities continued in the district heating area, and the technological and architectural revamping of Power Management reporting was started.

As far as the Market BU is concerned, the Transformation programme was concluded in 2022 with the migration of customer data of the Integrated Water Service to the CRM (Salesforce.com) and Billing (SAP) systems released by the "Energy Market Transformation" programme. There were 3 Releases in this area in response to regulatory, marketing and commercial adjustments and operational improvements; at the same time as the Releases, the periodic releases of the IrenYou app continued, reaching a total of 1.3 million registered customers and a rating stably above 4.

In addition, the 'Insourcing NDS' project was released, which achieved the goal of integrating the two Salesforce Market CRM and the 'New Downstream', for sharing the customer base, realising bundle or cross/up selling scenarios and implementing the single bill, as well as the technological upgrade of the CRM platform of IrenPlus&IrenGo (Software.com) and Billing (Zuora). In addition, two projects were launched that will see the release of the new Sales Portal in May 2023, the new E-Commerce platform and the new portal www.irenlucegas.it on Salesforce architecture and Adobe CMS/DAM, enabling Digital Marketing functionalities and highly integrated with the Market CRM. Finally, two systems were released to support the Energy Community and Insurance Business Development projects (for the launch of the 'Luminea' offer).

For the Waste Management BU, following the completion of the Just Iren phase I project, a series of small evolutionary activities were completed in the first months of the year with the aim of optimising or correcting some core functionalities. On the other hand, with regard to major projects, the following should be noted:

- 2 project streams were initiated to implement ARERA indications on the technical and contractual quality of environmental services, aimed at implementing in the system all the data and flows necessary for the correct reporting and monitoring of the relevant indicators.
- IT support activities are proceeding for the transition to the individual fee in the municipalities concerned (Reggio Emilia);
- work started on the integration of Iren operating systems with SEI Toscana systems;
- activities were started to implement the new Environment app for the management of environmental services, customising and enriching the functionalities of the 'Junker' app currently used by AMIAT. In parallel, the functions related to the management of TARI contracts on the IrenYou Group app are also being developed and expanded. Phase I is scheduled for release in March 2023.

Finally, in the area of Artificial Intelligence, Data & Digital, the main initiatives of the year involved the release of several use-cases in the area of Advanced Analytics/Artificial Intelligence, among which are:

- CCC auctions: artificial intelligence algorithm to cope with market volatility risk
- Next Best Action: algorithm that determines the best marketing strategy per 'typical customer';
- Call Centre Optimiser: a tool for optimising the scheduling of call centre operators based on the prediction of the volume of calls received.

In addition, the RPA 2022 programme, covering automation in treasury and purchasing, and the Data Governance pilot, with the production release of the new platform, were completed.

RESEARCH AND DEVELOPMENT

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

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

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

Iren Group manages innovation processes through an open innovation model and, consistently, has launched profitable collaborations with Universities, Research Centres, Innovation Hubs and Start-ups. Additionally, it takes an active part in working groups and associations on specific research and development and promotes events such as conferences, workshops and hackathons. Iren received the SMAU 2022 Innovation Award, for the project for the treatment of old monitors and TVs carried out at the AMIAT plant in Volpiano (TO), in collaboration with the start-up Hiro Robotic.

Iren Innovation Lab

In 2022, Iren Innovation Lab was activated, a new project, created from the collaboration between the Innovation, Communication and Personnel and Organisation Departments, which hosts all the Group's open innovation initiatives, allowing both to further strengthen the culture of innovation at all hierarchical levels and to extend its innovation ecosystem beyond its territorial borders. During 2022, Iren Innovation Lab saw the launch of numerous initiatives, both internal and external.

As far as internal initiatives are concerned, the *innovationlab.gruppoiren.it* platform was developed and put online in 2022 to become the operational tool to support open innovation initiatives. On the platform it is possible to launch 'challenges' and collect applications and material from Group employees.

The first initiative launched on the platform was a Call4Need addressed to some 900 managers and key structures of business units to collect innovation needs to be conveyed on the Wazoku Crowd platform or to be addressed on other tools. The initiative saw the candidature of 60 'needs', of which 20% were entered into the development pipeline via *Innocentive* on the crowd sourced innovation platform.

Secondly, Iren Group's first Call4Ideas was launched in June 2022. This initiative gave Group employees the opportunity to submit their ideas for innovation, concerning new solutions to strengthen the Group's positioning, launch new businesses and improve existing processes or ways of working. The initiative collected 150 spontaneous applications from which the 20 most relevant to the objectives of Call4Ideas were selected. The selected ideas took part in a development and pre-acceleration programme with dedicated teams in a training course lasting several months.

Finally, an internal initiative called 'Ideas Workshops' was launched, i.e. voluntary working groups composed of employees with transversal skills to work on frontier macro-themes in order to identify solutions to business problems and needs. In November 2022, the first of these Ideas Workshops, on the topic of Carbon Dioxide Capture, Storage and Utilisation, was activated, for which 80 employees spontaneously applied, from which 16 were selected.

The platform supporting open innovation was also used to collect degree and doctoral thesis applications for the Iren ESG Challenge 2023 prize between September and November, which saw the participation of over 230 students and the awarding of 10 deserving papers.

Finally, 2022 saw the launch of a thematic newsletter on Innovation addressed to 870 managers and key structures of the Business Units.

As far as external initiatives are concerned, the Group has set up a partnership with Wazoku, which markets Wazoku Crowd (formerly known as Innocentive), the largest crowdsourcing innovation platform, consisting of more than 600,000 innovators (including students, researchers, technology experts and enthusiasts, scientists,

start-ups and SMEs) ready to receive challenges from the world's leading companies. In the context of the collaboration, challenges have been and will be launched regularly, defined in synergy with the Business Units, to which is associated a cash prize that will be paid only to those who will be able to propose a solution deemed valid and meaningful by Iren Group. The year 2022 saw the start of the collaboration with the simultaneous training of Group managers and employees and the launch of the first challenges following an internal collection of needs, described above. The first challenges launched during the year focused on the topic of energy transition, with a focus on the reduction of emissions and energy consumption in sludge treatment and new ways of installing photovoltaic panels in complex terrain such as landfills.

Iren Up

The activities of Iren Up, the Corporate Venture Capital programme, launched in 2018 with the aim of supporting the highest potential Italian start-ups in the cleantech sector, from clean technologies to the circular economy, continued. The programme provides for direct and indirect investments with different tickets depending on the life phase of the Start-up and needs.

After the Covid emergency of previous years, a new edition of the Iren Startup Award dedicated to the theme of the circular economy was launched in 2022. The competition will end in 2023 with the selection of the best start-ups in the fields of environment, water cycle, hydrogen and energy with a focus on circular economy topics. Networking and scouting activities continued through collaboration with local and international accelerators, trade associations and investment funds.

The management of equity investments in start-ups in which the Group has invested continued, concluding several supplementary agreements and the disbursement of tranches provided in these agreements. During the summer, a further convertible loan was disbursed to the start-up Remat, which deals with polyurethane recycling: the innovative company integrates perfectly into the recycling chain managed by the Group. In addition, in line with the business plan, the investment in the venture capital fund dedicated to tech transfer in the field of sustainability managed by CDP Venture Capital, Tech4planet, was finalised; IREN thus became the first industrial operator directly involved in the investment vehicle that will operate mainly in the pre-seed and seed phases of the start-up life cycle.

Furthermore, as part of its networking activities and participation in the external innovation ecosystem, Iren took part in initiatives by companies and start-ups such as:

- SMAU, with which a digital call was launched, as well as participating in events related to the European roadshow;
- Elis, a member of the Open Italy 2022 programme, with which a Proof of Concept of the Deep Property solution, realised by the start-up Ticinum Aerospace in the field of district heating, was developed;
- Startup Intelligence of the Milan Polytechnic University, involving participation in several inter-corporate working tables on different aspects of technological innovation;
- House of Emerging Technologies, with which collaborations were developed in the area of 5G and urban intelligence solutions, and PoC were developed with 3 start-ups (Pixies, ReLearn, Ares2t);
- participation in acceleration programmes such as Techstars and Digital Magics;
- support for regional competitions dedicated to start-ups, the Startcup Emilia Romagna and the SmartCup Liguria;
- sponsorship of the National Innovation Award (PNI), participating in the jury and awarding the winner of the Cleantech category.

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

Likewise, 2022 was characterised by the continuation of technical activities related to the Group's various co-financed projects and by the development, also in partnership with innovative companies and Start-ups, of internal technological projects on the basis of planning which, starting from an analysis of the long-term scenario, is aimed at giving the Group the tools needed to seize the opportunities and mitigate the risks deriving from the evolution of the markets in which it operates.

COMPLETED AND ONGOING FUNDED RESEARCH PROJECTS

Also in 2022, Iren contributed to the creation of important innovation projects co-financed with public funds for research. On this point, the main projects underway are presented below. The total investment for Iren Group is approximately 8.8 million euro, of which around half being financed. In relation to these amounts, the expenditure incurred during the year amounted to 1.9 million euro, of which 0.9 million euro covered by non-repayable loans.

The projects completed and in progress in 2022 are presented below.

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

The project provided for the validation, on an industrial platform, of the conversion of the organic fraction of waste and of the CO₂ of vehicle exhausts and industrial production, into biofuels and biochemicals; specifically, the project provided for use of the organic fraction of waste of municipal origin, normally converted into thermal energy, electricity, bio-methane and compost, through the extraction of substances with high value added such as hydrogen, carboxylic acids, biofertilisers, and biostimulants. Iren is involved in the project together with its associate GAIA, where tests were carried out on the separation and treatment of bio-plastics separated from the OFMSW (Organic Fraction of Municipal Solid Waste); Iren also developed the Business Plan for the SATURNO integrated biorefinery, which was tested and validated during the project.

During 2022, Iren finalised the collection and processing of experimental data and subsequently completed the development of the Business Plan on the various process chains developed. The project formally ended in October 2022 with the final plenary meeting.

OnlyPlastic (RFCS – 2019)

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

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

During 2021, I.BLU collaborated on the characterisation and optimisation of the product for use in steel mills. Deliveries of reducing agent to the project partner began in the second half of 2022 and will be completed in the first quarter of 2023. The project will be completed by August of the same year.

PolynSPIRE (Horizon 2020)

The PolynSPIRE project aims to demonstrate a range of sustainable, innovative and cost-effective solutions for the energy and material recovery of post-consumer plastics and industrial waste. Three macro-sectors of innovation are considered: 1) chemical recycling assisted by the use of microwaves and magnetic catalysts; 2) advanced additives and irradiation of polymers with high energy radiation to promote high quality plastic recycling; 3) development of plastic waste as a carbon source in the steel industry. Specifically, Iren participates in the project through its subsidiary I.BLU contributing to the third line of research. On this topic, activities concerning the optimisation of the formulation and production process, the supply of reducing agent and industrial testing at the project partner (Ferriere Nord steelworks in Osoppo (UD) - Pittini Group) were completed. Project activities will end by August 2023.

CHESTER (Horizon 2020)

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

Iren is involved in the project as district heating network operator and has provided operational data of electricity and heat production of the Turin plants and district heating network demand as input to the CHEST system model. Iren is supervising the development phases of the system components and the control infrastructure, and during 2022, it refined, collecting them in the associated deliverable, the analysis and development of the

business models relating to the market opportunities, identified with the support of the project partners, which envisage the exploitation of the CHEST system in RES plants (as an alternative to pumped hydroelectric and as a photovoltaic energy shift system to support congested networks, in order to avoid the curtailment phenomenon).

Energy Shield (Horizon 2020)

The project developed an integrated cyber security platform, usable by all actors of the energy chain (Transmission system operators, distributors, aggregators, producers) to prevent future attacks and learn how to defend yourself by analysing past attacks. Iren participated as a Distributor (through IRETI) supporting the partners in defining the specific cyber security tools, preparing a feasibility check (on paper) and a field test applied to the primary Medium Voltage station located near the Martinetto headquarters of the Turin network (remote control, SCADA, support TLC networks, etc.).

During 2022, Group companies primarily supported two development verticals. The first of these involved the test for use of a platform to test employees' behaviour, competence and awareness of cyber security issues (Security Behaviour Analysis tool). Iren and Ireti tested the platform by involving about 250 users.

The second vertical of development concerns an Anomaly Detection system to detect any telecontrol penetrations at the primary station level. In 2021, the system was installed at the primary station at the Martinetto site, and in the first half of 2022, numerous anomaly detection tests (penetration by intruders or accidental malfunctions) were carried out, providing the project partners with a good database to analyse the soundness of the proposed solution. The project was concluded in June 2022.

EVERYWHERE (Horizon 2020)

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

In the course of 2022, Iren has identified events in its areas during which the 25 kW generator will be tested in 2023, and has started to prepare the necessary documentation for the authorisation process.

INCIT-EV (Horizon 2020)

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

Iren Group participates in the project through the parent, Iren Mercato and Ireti for the development of the pilot project in the Caio Mario interchange car park in Turin, which intends to test a system of DC columns (with both slow and fast charging), directly connected to the direct current power supply of the tram line. During 2022, Iren completed the final and executive design of the works necessary to complete the Caio Mario transformation station to allow the integration of an electric car charging infrastructure connected directly to the tram DC network. The technical specification was used to issue a tender for the procurement of materials, which was awarded during the year. The works are scheduled to be completed in early 2023.

5G-Solutions (Horizon 2020)

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

During 2022, the testing phase started in 2021 of two infrastructures was continued. On the one hand, a condominium-level system interfaced both with a heat pump to provide central heating and with users' end loads (smart-plug). On the other hand, smart-charging algorithms were developed targeting the company's fleet charging infrastructure at the Martinetto and Giordano Bruno sites.

WaterTech (MIUR)

The project is the result of the fusion of the two project ideas WATERTECH and SMART WATER presented under the MIUR (Ministry of Education, University and Research) Smart Cities call for proposals to offer a more robust analysis of the integrated water service, focusing both on the management of problems related to water distribution networks, and on the application of innovative models and technologies for treating waste water. In 2022, research activities continued on the aqueduct and wastewater systems identified as a case study by preparing the reports to be included in the project deliverables. The pilot project was concluded on 31 December 2022.

MARILIA - MARA-BASED INDUSTRIAL LOW-COST IDENTIFICATION ASSAYS (Horizon 2020)

The MARILIA project, started in September 2020, aims to develop, from Technology Readiness Level 2/3 to 5, a new low-cost, high-sensitivity, expeditive test for the detection of pathogens in water samples, but potentially applicable also in other sectors such as food, health, agriculture. The objective is to validate the test at laboratory level, developed for the identification of a set of bacteria (to be identified with the contribution of Iren), laying the foundations for a subsequent deployment in the field by introducing a significant streamlining in terms of speed and cost compared to current analytical practices. During 2022, Iren, with the collaboration of Iren Laboratori, took part in the project activities related to the development of the sensor, contributing to the dissemination of the project results with a multiplicity of stakeholders (also related to the technological platform Water Europe) and with the working groups in charge of the European standardisation of the reference guidelines for the online monitoring. In particular, the device at the Prato drinking water plant was validated in November 2022.

PRELUDE (Horizon 2020)

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

Iren Group participates in the project with Iren Smart Solutions and Iren S.p.A. and aims to provide a sample apartment building representative of the Italian building stock. The building was identified in Turin and 8 model flats were selected to be used for the project purposes as case studies. In the first half of 2022, the monitoring and control components at the flat and centralised building level were installed, the communication infrastructure was tested and the collection of data on the comfort of the inhabitants and the energy consumption of the flats was started.

RES-DHC (Horizon 2020)

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

Iren and Iren Energia participate in RES-DHC to test the tools and skills of the partners on studies/projects for the renewal of existing TLR networks or new expansion projects, with the primary objective of improving the way in which the Group's innovative district heating 4.0 projects are planned, communicated and accepted. During 2022, the meetings of the consortium of Italian stakeholders continued, which has the objective of providing support for the implementation of the programmatic measures for the promotion of district heating from renewables defined by Iren and Ambiente Italia, the main Italian partner. Iren and Ambiente Italia have started to develop the documentation and actions related to the five priority measures (regulatory, economic, social, technical and financial) identified with stakeholder support to facilitate and enable the development of district heating from renewables in Italy. These activities and other initiatives were publicised at conferences and with special articles and press releases.

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

The project aimed to increase the levels of redundancy, security and interoperability of the equipment for the Safety of workers, integrating them with a wireless LoRaWAN infrastructure and a new generation DLT patent able to certify in a standardised and anonymised way on blockchain networks the data from field sensors in order to ensure the appropriate level of neutrality needed for operational, regulatory, insurance and legal use. The solution developed in the project was successfully tested during 2021 on a portion of TRM and a pilot was carried out with AMIAT vehicles in the hill area (collection vehicles) and in the city area (sweeping vehicles). The project closed at the end of February 2022.

Multipliers (Horizon 2020)

The project aims at facilitating the introduction of new scientific ideas, practices and approaches in schools, which can offer to the communities, of which teachers and pupils are part, a space for open innovation, on scientific issues that have an impact on citizens' lives. In 2022, the establishment was initiated of multiplayer partnerships (Open Science Communities - OSC), which will involve schools, families, civil society organisations, informal education providers, policy makers, media, scientific institutions, and businesses in six EU countries, diverse in terms of geographic location and economic status. The OSC are jointly selecting socio-scientific issues to be addressed to develop real-life projects to be implemented in schools involving more than 1,500 students of all grade levels in the same six countries. Students will interact with faculty and be involved in data collection and decision making. Through open community events, they will share and rethink their experiences, collaborating with families and businesses and acting as knowledge multipliers.

RUN (Liguria Region)

The RUN project, which began in July 2021, involves the development and demonstration of a service for now-casting the risk of flooding during heavy rains using IoT technologies and Big Data analysis tools designed for Smart Cities and urban drainage network managers, enabling faster actions to protect people and property and those in charge of maintaining drains, who will be able to plan interventions for optimal system operation. During 2022, a network of low-cost IoT sensors was developed whose measurements, together with algorithms for evaluating surface run-off, will make it possible to make continuous assessment of the expected level of risk available on an IT platform for the benefit of authorities and drainage network operators.

flexCHESS (Horizon Europe)

The project, which started in December 2022, aims to study the integration of demand flexibility sources within electricity grids characterised by intermittent and unpredictable sources such as renewables. The project will investigate the use of Energy Storage System (ESS) combinations of different kinds (batteries, flywheels, electric vehicles, flexible loads) for balancing networks both at a local level (Energy Community or DSO level) and at a systemic level (TSO level). Iren S.p.A and Iren Energia are participating in the project, whose work will focus on the Italian pilot, coordinated by AlgoWatt and on which the University of Genoa will also collaborate. As a preliminary and synergistic step, this pilot was identified in Turin, bringing together buildings and technologies already the subject of previous completed European projects (e.g: Planet, Evolution2Grid) or in the process of completion (e.g: 5GSolutions).

CaLby2030 (Horizon Europe)

In the first half of 2022, Iren and Iren Ambiente were awarded the CaLby2030 project under the Horizon Europe Programme. The project was launched in October and will focus on the demonstration at TRL6 of CO₂ capture systems based on Calcium Looping (CaL) circulating fluidised bed (CFB), starting with three pilot plants in Europe operating under industrially relevant conditions and projecting this technology towards large-scale commercial implementation in major high-emission sectors by 2030 (target sectors: steel, cement, Waste to Energy). Specifically, Iren's contribution to the project will take the form of support in defining the test protocols to be implemented at the foreign demonstrator plants and of carrying out a pre-engineering and integration study of a CFB-CaL system with the definition of an initial retrofit concept on the Piacenza waste-to-energy plant.

DATA-CELLAR (Horizon Europe)

The project intends to develop a platform (Data Space) capable of collecting data from different sources operating in the Energy Community sector, in order to enable new business models related to data interchange. With reference to the operational data generated by the emerging Energy Communities, particular focus will be placed on the following aspects (i) Interoperability and standardisation of data interchange protocols; (ii) Data privacy (also through blockchain); (iii) Data valorisation with tokenization mechanisms. Iren Group participates in the project with Iren S.p.A, Iren Mercato and Iren Smart Solutions and has the task of providing the use cases

of the Italian pilot, represented by a Renewable Energy Community in a 'rural' context and one in an 'urban' context. The project started in June 2022, the month in which the project objectives were shared and the various project partners were introduced. During the last four months of 2022, the Group identified the two use cases, located in Piedmont and Aosta Valley respectively, and provided a preliminary description of the characteristics of the two emerging energy communities.

PNRR-funded projects

In March 2022, the public notice was published on the PNRR measure M4C2.1 Inv. 1.3 called by the Ministry of University and Research "Partnerships Extended (PE) to Universities, Research Centres and Companies", for the funding of fundamental and applied research programmes organised through university-coordinated consortia (Hub&Spoke governance model), with the participation of Research Organisations and Private Entities. Involved companies can steer, and thus benefit from, the research and project lines developed directly by academic partners and research institutions on all thematic areas covered by the project proposals.

IREN was involved as a partner in two funded project proposals:

- *NEST - Network 4 Energy Sustainable Transition*, coordinated by the Bari Polytechnic University. Iren is involved in the Partnership as Adhering Party of the Hub and affiliated party to Spoke 4 "Clean hydrogen and final uses" (coordinated by the University of Genoa) and Spoke 6 "Energy Storage" (coordinated by the Polytechnic of Turin). In particular, the research lines developed on the two spoke concern the hydrogen value chain and energy storage (with a focus on heat storage connected to district heating networks), with a focus on the technical and technological development of innovative solutions and on regulatory and market analyses;
- *RETURN - multi-Risk sciEnce for resilienT commUnities undeR a changiNg climate*, coordinated by the University of Naples Federico II. Iren is involved in the Partnership as Founder Subject of the Hub and affiliated party to Spoke 6 "Resilience of Critical Infrastructures" (coordinated by the Polytechnic of Turin) and 8 "Climate services for risk mitigation and adaptation" (coordinated by the University of Bologna). The activities of interest to Iren concern the modelling of weather-climate phenomena and hydrogeological risk assessment related to assets and activities managed by the Group.

OTHER INNOVATION ACTIVITIES

During 2022, alongside the financed projects, Iren launched initiatives and self-financed projects, which engaged resources internal and external to the company. In particular, as regards external collaborations, Iren activated multiple research contracts with Italian Universities which regarded aspects such as the design and testing of innovative plant solutions in support of the Iren businesses, the creation of models and the identification of new processes and services.

Some significant self-financed projects are presented below:

Water

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

Moreover, in 2022, Iren completed the Proof of Concept aimed at the functional analysis of innovative smart meters characterised by noise loggers, which allow the pre-localisation of water losses present in the vicinity of the site where the meter is located.

Following the patent filing of a technological nucleus that demonstrated the feasibility of the acoustic telemetry technique and in continuity with the activities carried out during 2021, in 2022 Iren optimised the components of a data transmission system using acoustic modems, testing them on portions of the network realised in the laboratory (bed test) and in the field.

During 2022, collaboration continued with the University of Modena and Reggio Emilia as part of the research project on the impact of climate change on the quality of water resources, and collaboration began with Royal Askoning aimed at applying innovative methodologies for the energy optimisation of aqueduct systems.

Two agreements were also concluded with the University of Genoa for the funding of a PhD scholarship on the topics: "Development of an innovative and unconventional photocatalytic technology for the degradation of

emerging pollutants and the green management of water resources" and "Development and testing of new methodologies aimed at the prevention, detection and mitigation of cyber threats in the OT (Operational Technology) field".

Work also continued on researching new technologies to be applied to purification processes aimed at optimising the management and recovery of materials and energy from the supply chain. With regard to optimised management, during 2022, scouting focused on technologies for energy efficiency and on-line process monitoring with particular reference to the monitoring of flood discharges, eddy water and abnormal discharges in drainage networks. In addition, field tests on monitoring the metabolic activity of bacteria continued during 2022.

In the area of sludge reduction and recovery of materials and energy, collaboration with start-ups and research bodies continued, with the aim of assessing the yields and applicability of innovative processes such as hydrolysis, gasification/pyrolysis or biotechnological processes for the extraction of high-value compounds, such as biopolymers.

The research activity involving Hera, Iren, SMAT, and A2A also continued. In fact, throughout the year, Iren continued to pool its experience and knowledge through joint development of innovative projects, with spin-offs benefiting the companies involved, with the aim of developing applied research, innovation and technological development in the area of water service management. In particular, four research projects were defined and launched during the year, which will be implemented in the two-year period 2022-2023, namely

- GHG emissions reporting: identification of shared ways to apply international guidelines (GHG Protocol, IPCC) to the integrated water service and quantification of emissions from biological wastewater treatment;
- methodologies and tools for the optimisation of leakage detection plans and aqueduct network replacement plans;
- biological removal of phosphorous in the oxidative phase of the wastewater treatment process;
- reuse of purified water in industry.

Furthermore, in the water sector, in December 2022, Iren signed a Memorandum of Understanding with the Israeli company Mekorot, one of the world leaders in the management of the integrated water cycle, with the aim of sharing needs, technologies, solutions and best practices.

Finally, Iren (with its subsidiary IREN Laboratori) also in 2022, confirmed its participation in the Epidemiological Surveillance of SARS-COV-2 in wastewater, coordinated at a national level by the Istituto Superiore di Sanità, with the aim of acquiring useful indications on epidemic trends and early warning of outbreaks, by measuring, through molecular biology analysis, the levels of Covid in the wastewater entering the Group's major wastewater treatment plants. It also collaborated with the Italian Institute of Technology (IIT) in Genoa to test the development of a rapid detection system for Escherichia Coli contamination in wastewater and Salmonella in sewage sludge, as part of the Research Contract for the "Development of a point-of-care diagnostic platform for the measurement of bacterial contaminants in mains water and wastewater".

Projects included in the AMGA Foundation's research programme

During 2022, Iren continued its collaboration in the context of research projects funded by the AMGA Foundation relating to economic-regulatory issues and technical-scientific aspects related to water, energy and environmental resources. Research projects completed in 2022 include:

- applicability of Landfill Mining to old landfill sites in Italy;
- resilience indicators in water distribution systems with respect to climatic and socio-economic changes;
- regulation of water and environmental services: analysis of factors that determine operating and capital costs, and possible impacts on price recognition models;
- assessment of the residual risk in the effluent and sewage sludge for the presence of emerging micropollutants and identification of the best technologies to be adopted to reduce the risk;
- assessment of the presence of viral indicators in sludge from both wastewater treatment and organic waste treatment, through molecular biology and electron microscopy methods;
- development of an innovative technology for the degradation of emerging pollutants through the use of non-conventional photocatalysts;
- multifunctional nanostructures as catalysts for clean energy production and simultaneous water purification;
- sewage treatment plants: possible hotspots in the spread of antibiotic resistance;
- water quality and exposome: focus on emerging contaminants from wastewater;

- stabilisation of PFAS in landfill leachate;
- analysis of retail prices on energy markets. Evidence from the ARERA offers portal;
- integrated asset management in a context of geo-hydrological risk and climate change;
- the lever of tariff regulation to stimulate the engagement and awareness of users towards behaviours that favour waste prevention, reuse and recycling.

During 2022, IREN also collaborated in identifying additional research projects financed by the AMGA Foundation under the Project 4.0 call for proposals aimed at financing project proposals in the water, environmental, energy and regulatory fields. The Foundation's Board of Directors resolved to finance the following 4 projects that will be contracted and carried out in 2023.

- joint valorisation of OFMSW from sorted waste collection and of superfluous sludge for the production of biogas and volatile fatty acids (VFA);
- characterisation and automatic selection of electronic boards using intelligence and machine vision algorithms;
- design, implementation and testing of innovative solutions for the resilience of water and energy networks;
- technical efficiency in water and/or gas distribution in Italy. Some policy considerations.

Waste Management

During 2022, research activities continued on scouting and quanti-qualitative analysis of the energy and environmental performance of processes and technologies for capturing and converting CO₂ produced by various types of emissions into products with high added value. Specifically, with regard to the capture and use of carbon dioxide produced by biogas upgrading processes, a study has been developed to assess the potential for integrating algal cultures with anaerobic digestion processes of OFMSW (nutrient use and CO₂; biomass valorisation). The testing of an automated vertical farming module in a CO₂-enriched atmosphere continued in 2022, in order to assess its industrial applicability as a system for capturing and sequestering CO₂ from emission streams. The test was carried out with different concentrations of carbon dioxide and qualitative-quantitative results were extracted that demonstrated the increased growth rate of certain plant species due to the carbon enrichment of the controlled atmosphere of the growth environment. The activity was also validated with a study entrusted to the Department of Agriculture of the University of Turin.

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

An experiment in robotics applied to waste collection took place in 2022, through a collaboration with a start-up company. In this regard, the use of an automatic robot-sweeper capable of supporting the collection of urban waste in public areas such as squares and event venues was tested by carrying out a number of tests at Iren Group's corporate headquarters.

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

In 2022, research activities continued on the valorisation of bottom and fly ashes produced by the Group's incineration plants. In particular, the activities carried out, which have involved Universities and industries, have focused on the analysis of the technological state of the art and on the evaluation of the industrial applicability of the same. Specifically, an in-depth study has been developed on innovative processes for the treatment and recovery of material from fly ashes.

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

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

Finally, at the end of the year, a collaboration was started with an innovative start-up active in the field of AI applied to waste collection and sorting.

Energy

Industry 4.0 Innovation

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

During 2022, testing activities using drones for inspections of dams, reservoirs and rocky slopes continued using BVLOS and automated out-of-view flight options. In particular, a number of tests were carried out at the Serrù dam to test the quality of the data produced by the drone surveys and to certify the radio coverage of the area under investigation. The tests, which took place between summer and autumn 2022, proved successful and in 2023, efforts will be made to industrialise the solution by purchasing a system capable of automatically detecting items of interest by drone, even flying beyond the operators' field of vision.

The industrialisation process of the rover prototype for the inspection of the branch tunnels with the definition of specifications and requirements has also started: the robot, once completed, will be able to walk through the tunnels acquiring 3D images and maps, communicating with the outside via a wireless network during the inspection. During 2022, the development of the industrialised version of the drone was finalised and approved, and numerous tests were carried out on the revamped traction/power system (capable of supporting longer missions than previous versions) and the new data transmission system based on unrolling and subsequent fibre recovery.

In 2022, in the colder months, the experimental technique of monitoring district heating networks by air was once again used. Thanks to the use of a high-resolution thermal imaging camera, mounted on an aircraft, it was possible to fly over the city of Turin on a winter's night and identify water and heat losses in the network through thermal image processing software.

Also in the area of Industry 4.0 in 2022, augmented reality tests were carried out in thermoelectricity and gas networks. The system consists of a remote collaboration platform and some devices made available to the operators in the field, such as smart glasses or tablets integrated into the platform itself. The tests yielded positive results in terms of operational characteristics and operator satisfaction.

Other innovations in the energy field

In the research area, during the year, Iren:

- analysed from a technical and economic point of view the blending in the Turbigio CCTG of hydrogen produced by an alternative chemical technology using the dissociation in a catalytic reactor of an acidic aqueous solution;
- initiated a feasibility analysis of a system for the capture by molten carbonate fuel cells and the conversion of CO₂ from waste-to-energy into high-value products with high CO₂ retention capacity (specifically, sodium bicarbonate and secondary cementitious materials);
- developed, as part of the ELIS Open Italy co-innovation programme, a PoC of a startup solution for analysing and processing data by means of AI in order to automate the operational processes of building census enabling the identification of specific characteristics, and in particular to distinguish the type of heating system (centralised or stand-alone) with a reliability of over 90%;
- completed a research project for the analysis of the evolutionary scenarios of thermal consumption due to variations in technical and exogenous factors over time and the possible effects on the Turin district heating network and on the production units;
- the pilot, launched in 2021, continued to test User Devices capable of communicating with second-generation meters and providing useful information for the management of both the Energy Communities and the Charging Infrastructure Controllers at a condominium located in La Spezia;
- continued the testing activity of solutions for Smart Charging services at the service of the company fleet, with the implementation of a pilot at the multi-storey parking lot of the Iren headquarters in Turin Martinetto and via Giordano Bruno with integrated service in the fleet management system through the activation of Application Programming Interface;
- completed the study on innovation in the field of electric mobility, with a focus on the technological and regulatory state of the art regarding V1G, V2G and plug&charge and the analysis of start-ups active in the sector;
- completed research on protocols to ensure the interoperability of public lighting systems serving the smart-city with a particular focus on platforms for supervised management and innovative protocols such as TalQ or Ucifi;

- completed a study of home load management controllers for maximising self-consumption of renewable energy installed at the single-family home level. The study focused on integrating heating/cooling systems, appliances, and battery systems into a single integrated logic that considers on-site photovoltaic production. Data was collected from two residential users in single-family buildings;
- continued the study and development of rapid quotation systems to support the Energy Community offer with the integration of both the logic of incentive allocation among the different participants (depending on the role played within the Community) and the optimisation of the setup both in terms of installed renewable power and in terms of aggregated loads serving the Community.

IREN AND SUSTAINABILITY

Sustainability is at the centre of the strategy of Iren Group, which reports its policies and performance with particular regard to environmental and social issues, to those relating to the personnel, to human rights, and to combating active and passive corruption. These topics, together with the others identified as priorities by the materiality analysis, conducted dynamically, involving stakeholders, on the basis of the AccountAbility AA1000 Principles of inclusiveness, materiality, responsiveness and impact, are reported and detailed in Iren Group's Sustainability Report, a document that also performs the function of Consolidated Non-Financial Statement (DNF) envisaged by Legislative Decree 254/2016.

Although dual materiality is an approach that is still evolving in terms of defining reference standards and mandated for the company as of 2025 (on 2024 reporting), Iren has been proactive in conducting a first identification of dual materiality issues, with a commitment to refine the analysis in the coming years, following the publication of the methodological guidelines that will define the process.

The strategic approach to sustainability is becoming increasingly important in the long term for the competitiveness of companies, and strengthens the Group's approach both in terms of information transparency and in considering sustainability a strategic lever for growth. In fact, Iren Group integrates sustainable development into its business model, in line with the UN Sustainable Development Goals (SDGs). An evaluation of the SDGs to which Iren contributes and can contribute more in the future was also carried out in the preparation of the Strategic Plan to 2030. All 17 SDGs were analysed, with the relative targets, and the areas of activity of the Group that contribute to their achievement were identified, making it possible to select 9 priority objectives, which were assumed in the Strategic Plan with specific commitments and targets that are constantly monitored and reported.

In the non-financial reporting for 2022, the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) are comprehensively addressed with reference to governance (corporate governance with regard to climate-related issues), strategy (description of the main risks and opportunities related to climate change, the different scenarios considered and the strategy developed as a response to mitigate and adapt to risks and maximise opportunities), risks (description of the process to identify, assess and manage climate-related risks and opportunities), metrics and targets (climate-related metrics used and main targets set to promote a low-carbon business model). Reporting also consolidates the information required by the European Taxonomy (EU Regulation 2020/852), the single classification system for economic activities considered environmentally sustainable, which also defines the guidelines for disclosure of information related to the environment and climate.

The Sustainability Report/Non-financial Statement - to which reference is made pursuant to Legislative Decree 254/2016 - is therefore increasingly a tool both for transparency towards all stakeholders and for monitoring operations, economic, environmental and social impacts. The document is prepared, under the coordination of the Corporate Social Responsibility and Local Committees Department, in compliance with the GRI (Global Reporting Initiative) Standard with the electricity industry Utility supplement – G4 Sector Disclosure, and is submitted for approval to the Board of Directors at the same time as the draft Separate and Consolidated Financial Statements.

OTHER INFORMATION

Protection of natural persons with reference to personal data

During 2022, for Iren S.p.A. and for the main Group companies, the activity of adapting, monitoring and implementing the Group's corporate management system for the protection of personal data continued, in application of the regulatory principles referred to in EU Regulation 679/16 (GDPR) and the current national legislation (Legislative Decree 196/2003 and subsequent amendments, supplementary measures issued by the Privacy Guarantor, etc.).

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

The Group's corporate management system for the protection of personal data, subject to constant monitoring and improvement, has led to the identification of the Data Protection Officer (DPO) of Iren S.p.A. in the figure of the 231 System Compliance and Privacy Manager, subsequently designated by the Data Controller of the treatment (CEO of Iren S.p.A.). As part of the management and coordination activities over the subsidiaries, the latter then instructed the data controllers of those subsidiaries to nominate the same person as the DPO chosen for the parent. Subsequently, all the Data Controllers of the main Group companies therefore designated as DPO the Parent DPO and made the relevant communication to the Supervisory Authority.

On 21 June 2022, the new Board of Directors of the Parent then acknowledged, as the previous Board of Directors had already done, that the 231 System Compliance and Privacy Manager holds the role of Group DPO, as per the deed of appointment of 18 May 2018.

Moreover, where different DPOs are appointed for certain companies, the Group DPO coordinates the activities of internal and external DPOs, ensuring a common approach and compliance with the Group's data protection policies.

During 2022, activities to adapt and monitor the Group's corporate management system for the protection of personal data led, among other things, to constant support to business structures on all issues concerning the processing of personal data (e.g., the management of risk assessments related to the disbursement of bonuses for economic hardship by water service companies, the management of personal data breaches, the review of the process for appointing external data processors, etc.). Furthermore, the processing registers, required under Article 30 of the GDPR, are constantly updated. These documents, revised regularly for each company, are provided for in the legislation for the purpose of providing full knowledge of the existing processing, identifying, among other things, a number of elements of particular significance such as data processed, conservation times, risk levels, etc.

Control of companies abroad

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

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

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

INFORMATION ON CORPORATE GOVERNANCE

INTRODUCTION

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

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

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

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

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

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

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

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

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

This agreement can be traced back to a voting syndicate through which the shareholders FCT Holding S.p.A. and Metro Holding Torino intended to regulate their mutual relations as shareholders of Iren, also as part of the broader Shareholders’ Agreement signed with other shareholders of Iren on 5 April 2019. More specifically, the Piedmont Parties intend to 1) coordinate with each other in order to identify, within the limits set by the Piedmont Sub-Agreement: i) shared appointments of directors and statutory auditors, as governed by the Shareholders’ Agreement; ii) common guidelines regarding decisions to be passed at shareholders’ meetings pursuant to Article 6-bis of Iren’s Articles of Association, as well as on the resolutions to be taken on the following matters (a) amendment of the provisions of the Articles of Association governing the limits to share ownership; (b) changes to the provisions of the Articles of Association concerning the composition and appointment of the corporate bodies; (c) changes to the Articles of Association concerning the quorums for the constitution and passing of resolutions and the powers of the Shareholders and Board of Directors’ Meetings; (d) the registered office; (e) mergers, demergers (other than those pursuant to Articles 2505, 2505-bis and 2506-ter, last paragraph, of the Italian Civil Code) as well as other extraordinary capital transactions, with the exception of those required by law; and (f) the liquidation of the Company; 2) to grant FCT an irrevocable mandate, also in the interest of FCT, to exercise the rights conferred by the Shareholders’ Agreement on FCT in accordance with the provisions of the Piedmont Sub-Agreement.

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

During 2022, there were no changes in the ownership structure.

As at 31 December 2022, Iren held 17,855,645 treasury shares equal to 1.37% of the share capital.

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

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

Statement on Compliance with Corporate Governance Rules

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

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

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

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

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

On 21 June 2022, the Iren Shareholders' Meeting, called *inter alia* to approve the financial statements at 31 December 2021, also proceeded to appoint the Company's Board of Directors for the 2022-2024 three-year period, with expiry on the date of approval of the financial statements at 31 December 2024.

By resolution of the Board of Directors of 21 June 2022, the newly appointed Chairperson, Luca Dal Fabbro, was assigned powers, proxies and responsibilities concerning the Corporate Secretariat of the Board of Directors of IREN S.p.A., Communication and External Relations, Institutional Relations and Public Affairs (including relations with Regulators, Regions and local authorities), Merger & Acquisition and Internationalisation, Innovation and Strategic Partnerships.

The Deputy Chairperson, Moris Ferretti, was assigned powers, proxies and responsibilities in the areas of Corporate Affairs, Corporate Social Responsibility and Local Committees, Risk Management and Internal Audit and Compliance.

The CEO, Gianni Vittorio Armani, was assigned powers, proxies and responsibilities in the areas of Administration, Finance and Control (including Investor Relations), Personnel and Organization, Technologies and Information

Systems, Procurement, Logistics and Services, Legal Affairs, Regulatory Affairs, Permitting, Energy, Market, Networks and Waste Management Business Units as well as extensive proxies and powers of representation. The entire organisational structure reports to the Chief Executive Officer with the exception of those functions that report directly to the Chairperson or Deputy Chairperson.

On 21 June 2022, at the same time as the appointment as General Manager, Iren's Board of Directors assigned to Mr. Armani powers and proxies of an operational nature, with a transversal impact on Departments and Business Units.

In compliance with the provisions of the Code, with resolutions passed at the meetings on 21 June 2022, the Board of Directors also appointed:

- a Remuneration and Appointments Committee (hereinafter also “RAC”);
- a Control, Risk and Sustainability Committee (henceforth also “CRSC”).

In accordance with the provisions of the CONSOB Regulation and of the current RPT Procedure, with a resolution passed at the meeting on 21 June 2022, the Board of Directors also appointed the Independent Directors’ Committee for dealing with Transactions with Related Parties, named the Related Party Transactions Committee (hereinafter also “RPTC”).

BOARD OF DIRECTORS

As mentioned above, on 21 June 2022, the Shareholders’ Meeting appointed the current Board of Directors, made up of fifteen members, in office for the years 2022/2023/2024 (until approval of the separate financial statements at 31 December 2024).

The following table shows the breakdown at the date of this Report:

Office	Name and Surname	Place of birth	Date of birth
Chairperson of the Board of Directors	Luca Dal Fabbro	Milan	08/02/1966
Deputy Chairperson	Moris Ferretti	Reggio Emilia	28/05/1972
Chief Executive Officer and General Manager	Gianni Vittorio Armani	Tradate (VA)	24/07/1966
Chief Executive	Francesca Culasso	Moncalieri	12/08/1973
Chief Executive	Enrica Maria Ghia	Rome	26/11/1969
Chief Executive	Pietro Paolo Giampellegrini	Massa (MS)	14/11/1968
Chief Executive	Francesca Grasselli	Reggio Emilia	13/06/1979
Chief Executive	Cristiano Lavaggi	Carrara (MS)	08/08/1975
Chief Executive	Giacomo Malmesi	Parma	29/10/1971
Chief Executive	Giuliana Mattiazzo	Turin	21/12/1966
Chief Executive	Tiziana Merlino	Finale Ligure (SV)	08/06/1974
Chief Executive	Gianluca Micconi	Ponte dell’Olio (PC)	19/03/1956
Chief Executive	Patrizia Paglia	Turin	26/08/1971
Chief Executive	Cristina Repetto	Genoa	27/10/1973
Chief Executive	Licia Soncini	Rome	24/04/1961

In accordance with Article 25 of the current Articles of Association, resolutions of the IREN Board of Directors are carried by a vote in favour of the absolute majority of Directors in office.

For the matters indicated in Article 25.5 of the Articles of Association (“Significant Matters”), Board resolutions are passed with the favourable vote of at least 12 members.

Articles 18, 19 and 20 of the Articles of Association govern the appointment, methods and criteria for the presentation of lists for the appointment of Directors, which adopts the list voting system.

During 2022, the IREN Board of Directors held a total of 19 meetings (including 9 meetings in its previous composition and relating to the 2019/2021 term of office).

As at 31 December 2022, in the Board of Directors, consisting of 15 directors, 11 directors possess the requirements of independence both under the terms of the combined provisions of arts 147-ter, paragraph 4, and 148, paragraph 3, of the Consolidated Law on Finance, and under the terms of art. 7 of the Code.

The Board of Directors assesses the independence of its members with regard to the principle of substance over form. The independence of directors is assessed by the Board of Directors on appointment, and thereafter on an at least annual basis, or when significant circumstances occur for the purposes of independence during their mandate. The outcome of the Board's assessments is disclosed to the market, with the methods identified in the Code.

As at 31 December 2022, the Independent Directors met once, under the terms of Recommendation no. 5 of the Code.

The Company has set up a short-term bonus system (MBO) for the Chief Executive Officer and General Manager of the Parent and the Group's key management personnel: the targets are set respectively by the Company's Board of Directors and Chief Executive Officer and General Manager – after consulting the Company's Remuneration and Appointments Committee – on an annual basis and, if achieved, for the amount established at the end of an enquiry carried out by the Committee, give the right to receive the related bonus (after a resolution of the Board of Directors, as regards the figure of the Chief Executive Officer and General Manager).

The 2022-2024 LTI Plan was approved by the Board of Directors on 28 April 2022, developing, also in the context of a specific Regulation and an Addendum to the Regulation itself, the objectives and macro-drivers already approved on 29 March 2022.

Consistent with its predecessors, the 2022-2024 LTI Plan provides for the vesting of a monetary bonus based on three-year 2022-2024 performance.

The 2022-2024 LTI Plan has among its recipients:

- the Directors holding special offices of IREN S.p.A. (Executive Chairperson; Executive Deputy Chairperson; Chief Executive Officer);
- IREN Group key management personnel;
- additional top-level resources capable of making a significant contribution to the achievement of the Business Plan's objectives, which will be subject to precise identification by the Chief Executive Officer and General Manager.

For more information on the remuneration policy, please see the Report on the policy on the subject of 2023 remuneration and on fees paid for 2022 made available to the shareholders, in observance of the terms provided for in the current legislation, in view of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2022.

As provided for by the Italian Civil Code, directors with an interest in a given transaction must report such interest beforehand. On this point, with a resolution passed on 28 June 2021, the current text of IREN's Procedure on Related Party Transactions was approved by the Board of Directors, with effectiveness from 1 July 2021.

REMUNERATION AND APPOINTMENTS COMMITTEE

The Board of Directors set up within it a Remuneration and Appointments Committee (hereinafter also "RAC"), composed, for the three-year period 2022/2024 of four non-executive directors, most of whom independent, from among whom the Board of Directors appointed the Chairperson.

The Committee has the preliminary, proposing and consultative functions towards the Board of Directors, as per the Code as well as the Policies and Procedures approved by the Board of Directors of IREN S.p.A. on 1 August 2018 (and of which the RAC in office took note in the first meeting following the appointment), as follows:

- a) to formulate proposals to the Parent's Board of Directors on the definition of the policy on remuneration of Directors and Senior Executives with Strategic Responsibilities of IREN Group (top management, as defined in the Code), in compliance with the current legislation and having regard to the criteria recommended by the Code, after interaction with the Parent's Control, Risk and Sustainability Committee, as regards the risk profiles;

- b) to submit for the approval of the Company's Board of Directors the annual Report on the policy on the subject of remuneration and on fees paid prepared under the terms of art. 123-ter of the Consolidated Law on Finance, for its presentation to the Shareholders' Meeting called for approval of the annual financial statements;
- c) to assess periodically the adequacy, overall consistency and actual application of the policy *under a) above*, availing itself, in this last regard, of the information provided by the competent delegated bodies and formulating proposals on the subject to the Board of Directors;
- d) to present proposals or express opinions to the Company's Board of Directors on the remuneration of executive directors and other directors who hold special positions and establishing *performance* objectives relating to the short and medium/long-term variable component connected with this remuneration;
- e) to monitor the application of the decisions adopted by the said Board by verifying, in particular, the actual achievement of the short- and medium/long-term *performance* targets pursuant to *point d) above*;
- f) to formulate proposals to the Company's Board of Directors on the remuneration of the members of the Committees set up within the Board itself;
- g) to establish the annual board evaluation procedure ("*board evaluation*") on the operation of the Board itself and of its Committees and on their size and composition, also taking into account elements such as the professional characteristics, experience, including managerial, and gender of its members, and their seniority in office; specifically, after coordination with the Chairperson of the Board of Directors, the Committee identifies the subjects with which the assessment is concerned and, having regard to the *best practices*, also availing itself of the assistance of an expert consultant in the sector;
- h) taking into account the results of the board evaluation as in point g) above, to formulate opinions to the Board of Directors on the subject of the dimensions and composition of the same and of its Committees (including the requisites of professionalism, integrity and independence of the related members) and to express recommendations on the professional and managerial figures whose presence on the Board of Directors is considered opportune, so that the Board of Directors can express its guidance to the shareholders before the appointment of the new administrative body;
- i) to make recommendations to the Board of Directors on the maximum number of appointments as Director or Statutory Auditor in other companies listed on regulated markets (including foreign markets), in financial, banking and insurance companies or in large companies, compatible with an effective fulfilment of the appointment as Director of IREN S.p.A. taking into consideration the participation of the Directors in the Committees set up within the Board;
- j) to make recommendations to the Board of Directors on any problematic cases connected with application of the prohibition on competition provided for in relation to Directors in Article 2390 of the Italian Civil Code;
- k) consistent with the provisions of the Articles of Association in force, propose to the Board of Directors candidates for the position of Director in the cases of co-option pursuant to Article 2386 paragraph 1 of the Italian Civil Code, where Independent Directors need to be replaced, ensuring compliance with the provisions on the minimum number of Independent Directors and on the quotas reserved for the less represented gender;
- l) to carry out the enquiry on preparation of the plan for the succession of the Executive Directors, if the Board of Directors decides to adopt this plan;
- m) to report, through its Chairperson, on the most relevant issues examined by the Committee during the first useful meeting of IREN's Board of Directors;
- n) to report on the procedures for the exercise of its functions at the Shareholders' Meeting called for approval of the annual financial statements, through its Chairperson or another member indicated by the same.

No Director shall take part in meetings of the Committee in which proposals are formulated to the Company's Board of Directors on their remuneration, unless the proposals regard all the members of the Committees set up within the administrative body.

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

In the case of transactions regarding the remuneration of the Directors of the Parent and the Senior Executives with Strategic Responsibilities of IREN Group, the Committee also performs the duties of the Committee of independent directors responsible for the examination and enquiry pursuant to the current RPT Procedure, limited to cases in which its composition makes it possible to meet the minimum requisites of independence and non-relatedness of its members required by the CONSOB R.P.T. Regulation.

With resolutions passed on 21 June 2022, IREN's Board of Directors identified, as members of the Remuneration and Appointments Committee for the three years 2022-2024, the following Directors:

- Pietro Paolo Giampellegrini, recognising that he possesses adequate knowledge and experience on the subject of remuneration policies;
- Cristiano Lavaggi, recognising that he possesses adequate knowledge and experience on the subject of remuneration policies;
- Gianluca Micconi;
- Patrizia Paglia, recognising that she possesses adequate knowledge and experience in financial matters.

On the same date, Iren S.p.A.'s Board of Directors appointed as Chairperson of the Remuneration and Appointments Committee Pietro Paolo Giampellegrini, in possession of the requisites of independence under the terms of articles 147-ter, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance, and under the terms of Recommendation no. 7 of the Code.

During 2022, the Remuneration and Appointments Committee met a total of 12 times (of which 6 times in the previous composition relating to the three-year period 2019/2021, including 1 meeting held jointly with the Control, Risk and Sustainability Committee), drafting proposals and opinions, which are reported in the minutes of the meetings of the Committee itself. The Committee meetings held during the year were attended by at least one Statutory Auditor of the Company, as per the Committee Regulations.

CONTROL, RISK AND SUSTAINABILITY COMMITTEE

In accordance with what is established by the Code, the Board of Directors set up within it a Control, Risk and Sustainability Committee (hereinafter also "CRSC"), composed of four non-executive independent Directors, from among whom the Board of Directors appointed the Chairperson.

The Control, Risk and Sustainability Committee performs the general task of supporting, through adequate preliminary activities, the Board of Directors' evaluations and decisions relating to the internal control and risk management system, as well as those relating to the approval of both financial and non-accounting periodic reports.

It is assigned the functions referred to in the Code as well as in the Regulation approved by IREN S.p.A.'s Board of Directors on 5 April 2019 (and acknowledged by the CRSC in office at the first meeting following its appointment), as follows:

- to assess, together with the Manager in charge of financial reporting, and after consulting the independent auditors and the Board of Statutory Auditors, the proper use of accounting policies, and in the case of Groups, their uniformity for the purpose of drafting the Consolidated Financial Statements;
- to express opinions on specific aspects related to identifying the main business risks (in particular, on specific aspects related to the Risk Policies, identifying the main business risks and the Audit Plan, and on Guidelines for the internal control and risk management system);
- to examine the periodic reports, concerning the evaluation of the internal control and risk management system, and those of particular significance drafted by the Internal Audit function;
- to monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
- to request that the Internal Audit function carry out checks on specific operational areas, communicating simultaneously with the Chairperson of the Board of Statutory Auditors;
- to report to the Board, at least every six months, on the occasion of approval of the annual and interim Financial Report, on its activity and on the adequacy of the internal control and risk management system;
- to support, with adequate enquiries, the assessments and decisions of the Board of Directors in relation to the management of risks deriving from detrimental events of which the Board of Directors has become aware;
- to examine the risk analysis carried out (a) with reference to Iren Group's long-term Business Plan, prior to its approval by the Board of Directors; (b) with reference to the strategic initiatives, including the merger & acquisition transactions, carried out by the Company and/or by its subsidiaries, if these fall within the competence of IREN's Board of Directors;
- to express to the Board of Directors of the Company its prior opinion on the proposal related (a) to the appointment and dismissal of the Internal Audit Manager; (b) to the adequacy of the resources assigned to the same for performing his or her duties; (c) to the definition of the related remuneration in keeping with the corporate policies;

- in agreement with the Remuneration and Appointments Committee, prior to its approval by the Board of Directors, to examine the Company's policy for the remuneration of the Directors and Senior Executives with Strategic Responsibilities of the Group, with a particular focus on the risk profiles.

The Committee also provides the Board of Directors with its prior opinion on proposals related: (a) to the appointment and dismissal of the Internal Audit Manager; (b) to the adequacy of the resources assigned to the same for performing his or her duties; (c) to the definition of the related remuneration in keeping with the corporate policies;

The Board of Directors of Iren S.p.A. also attributed to the Control, Risk and Sustainability Committee the functions of consultation and proposal in relation to the administrative body on the subject of sustainability listed below:

- to express opinions to the Board of Directors of the Company on (a) the definition of "sustainability" policies and principles of conduct, in order to ensure the creation of value over time for the shareholders and for all the other stakeholders; (b) the definition of a sustainability plan (strategic priorities, commitments and objectives) for the development of the economic, environmental and social responsibility of the Group;
- to supervise the "sustainability" policies and observance of any principles of conduct adopted on the subject by the Company and its subsidiaries;
- examine the issues under enquiry in terms of long-term sustainability of the basic principles and guidelines of strategic planning, of the Business Plan and of short-term planning, supervising the methods for implementing the same;
- to assess, together with the competent Group Unit and after consulting the Independent Auditors, the proper use of the standards adopted for the purposes of preparing the non-financial disclosures provided for in the current legislation;
- supervise the system for assessing and improving the environmental, economic and social impacts deriving from the business activities in the local areas;
- to examine the periodic reports on the implementation of the structured methods of discussion with stakeholders in the territories where the Group operates, also through instruments such as Local Committees, and those on the consistency with the corporate social responsibility questions of the Group's cultural and image promotion activities.

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

With resolutions passed on 21 June 2022, Iren's Board of Directors identified as members of the Control, Risk and Sustainability Committee for the three years 2022-2024, the following Directors:

- Francesca Culasso, recognising that she possesses adequate experience in accounting and finance, as well as internal control and risk management;
- Enrica Maria Ghia, recognising that she possesses adequate experience in internal control and risk management;
- Giacomo Malmesi, recognising that he possesses adequate experience in internal control and risk management;
- Tiziana Merlino, recognising that she possesses adequate experience in accounting, finance and risk management.

On the same date, Iren S.p.A.'s Board of Directors appointed as Chairperson of the Control, Risk and Sustainability Committee Francesca Culasso, in possession of the requirements of independence under the terms of articles 147-ter, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance, and under the terms of Recommendation no. 7 of the Code.

During 2022, the Control, Risk and Sustainability Committee held a total of 17 meetings (of which 8 meetings in the previous composition relating to the three-year period 2019/2021, including 1 meeting held jointly with the Remuneration and Appointments Committee). As per the recommendations of the Code, all the meetings of the Committee were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated.

RELATED PARTY TRANSACTIONS COMMITTEE

In accordance with what is established by the current RPT Procedure, the Board of Directors set up a specific Related Party Transactions Committee (“RPTC”).

The RPTC consists of four Directors who meet the requirements of independence provided for in Articles 147-ter, paragraph 4 and 148, paragraph 3 of the Consolidated Law on Finance and the additional requirements provided for by Recommendation No. 7 of the Code. In order to guarantee the double requisite of independence and non-relatedness in each transaction to be examined, in the context of the current RPT Procedure mechanisms were put in place to identify any subjects responsible, as an alternative, for the enquiry.

Specifically, without prejudice to the competence of the RAC in the case of transactions related to the remuneration of the Company’s Directors and the Group’s key management personnel, it is envisaged that:

- if possible, the RPTC is expanded to include other independent Directors, *“unrelated to the transaction under review”* who are members of the Company’s Board of Directors, attributing to same administrative body the task of identifying, in order of seniority, a Sub-Committee composed of at least two, for minor transactions, or three, for major transactions, Independent Directors unrelated to the individual transaction with Related Party under review;
- if there is not even one member of the RPTC or of the Board of Directors that has the above requisites of independence and non-relation, an Independent Expert appointed by the Company's Board of Directors will be vested as Alternative Overseer with regard to the investigation in relation to the transaction under review.

With resolutions passed on 21 June 2022, the Board of Directors identified, as members of the Related Party Transactions Committee for the three years 2022-2024, the following Directors:

- Licia Soncini;
- Francesca Grasselli;
- Giuliana Mattiazzo;
- Cristina Repetto

all in possession of the requirements of independence under the terms of the provisions of the Consolidated Law on Finance, and pursuant to Recommendation no. 7 of the Code.

On 21 June 2022, the RPTC appointed Licia Soncini as its Chairperson.

During 2022, the RPTC met 4 times (of which 2 times in the previous composition relating to the three-year period 2019/2021) preparing, among other things, opinions that are annexed to the minutes of the meetings of the Committee itself. The meetings of the Committee were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated by the latter.

BOARD OF STATUTORY AUDITORS

As of today, the Board of Statutory Auditors is composed of five statutory auditors and two alternate auditors with a three-year term of office expiring on the date of the Shareholders' Meeting called to approve the financial statements in their last year of office; they can be re-elected.

On 6 May 2021, the Shareholders appointed the members of the Board of Statutory Auditors; their term expires upon approval of these 2023 financial statements.

The composition is as follows:

Office	Name and Surname	Place of birth	Date of birth
Chairperson	Michele Rutigliano	Milan	06/10/1953
Standing Auditor	Cristina Chiantia	Turin	07/05/1975
Standing Auditor	Simone Caprari	Reggio Emilia	10/01/1975
Standing Auditor	Ugo Ballerini	Pisa	28/10/1947
Standing Auditor	Sonia Ferrero	Turin	19/01/1971
Alternate Auditor	Lucia Tacchino	Genoa	18/04/1979
Alternate Auditor	Fabrizio Riccardo Di Giusto	Collevecchio (RI)	20/06/1966

Arts 27 et seq. of the Articles of Association, to which reference should be made, establish list voting as the method for appointing the Board of Statutory Auditors.

The members of the Board of Statutory Auditors attend the Shareholders' Meetings and meetings of the Board of Directors. The presence of at least one member of the Board of Statutory Auditors at Board of Directors' meetings ensures that the Board of Statutory Auditors remains informed of activities conducted by the company and on the transactions of greatest economic, financial and equity significance performed by the parent and its subsidiaries, particularly transactions in which the directors have an interest.

As indicated above, in accordance with the indications of the Code, the meetings of the Committees set up within the Board of Directors held during 2022, were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated.

In carrying out its supervisory activities on the adequacy of the internal control and risk management system, the Board of Statutory Auditors has established an information flow with the Internal Audit Function and the Risk Management Department of the Company.

Furthermore, in its capacity as the "Internal Control and Risk Management Committee" and in coordination with the Parent's Administration, Finance and Control Department, the Board of Statutory Auditors monitored, inter alia, (i) the financial reporting process, (ii) the statutory audit of the Separate Financial Statements and of the Consolidated Financial Statements, and (iii) the verification of the independence of the Independent Auditors.

In 2022, the Board of Statutory Auditors held 12 meetings. The outcome of the supervisory activities of the Board of Statutory Auditors in office during the year, starting from its appointment, is shown in the report to the Shareholders' Meeting prepared pursuant to art. 153 of the Consolidated Law on Finance and annexed to this annual report.

Manager in charge of financial reporting

As at the date of this Report, the position is held by Anna Tanganelli (Director of Administration, Finance, Control and M&A), following appointment/confirmation by the Board of Directors on 21 June 2022, having consulted the Board of Statutory Auditors.

Independent Auditors

With the approval of the financial statements at 31 December 2020, the statutory audit assignment was completed of the Company's financial statements conferred on PricewaterhouseCoopers SpA for the nine-year period 2012-2020 by the Shareholders' Meeting of 14 May 2012.

As is known, on the recommendation of the Board of Statutory Auditors, in its capacity as the "Internal Control and Audit Committee", the Shareholders' Meeting held on 22 May 2019, has already appointed KPMG S.p.A. to

audit the financial statements of IREN S.p.A. for the nine-year period 2021-2029. This resolution was taken at the end of a complex selection procedure that was carried out in accordance with the provisions of article 16 of Regulation (EU) 537/2014 (the "Tender Process").

Subsequently, on 25 November 2019, the Parent and KPMG signed a Framework Agreement containing terms and conditions (technical and financial) for the performance, for the 2021-2029 nine-year period by KPMG S.p.A. of (i) the statutory audit of Iren's financial statements, and, (ii) the statutory audit of the financial statements of the consolidated companies included in the scope of the Tender Process (the "Framework Agreement"). Moreover, the same Framework Agreement contains terms and conditions (technical and economic) for carrying out the review of the NFS of Iren Group for the three-year period 2021-2023, with an option to renew for two further three-year periods.

The Shareholders' Meetings of each consolidated company included in the Tender Process, on the basis of a reasoned proposal from their respective Boards of Statutory Auditors, have therefore appointed KPMG S.p.A. to audit their financial statements for the 2021-2023 three-year period (with an option to renew for two additional three-year periods), in accordance with the terms and conditions of the Framework Agreement.

After the signing of the Framework Agreement, the dynamism that has characterised the Group, both in terms of growth through external lines and in terms of internal reorganisation, has given rise to situations such as to entail changes to the original audit scope entrusted by Iren to KPMG S.p.A. for the nine-year period 2021-2029. In view of the changes in the meantime, it was therefore necessary to amend the Framework Agreement for the first time in April 2021 and then in the first half of 2023. The Company, also in the name and on behalf of the companies directly and indirectly controlled by Iren, and KPMG S.p.A. will, therefore, finalise by the approval of the 2022 financial statements an Addendum to the Framework Agreement, in order to: (i) extend the statutory audit that KPMG S.p.A. is required to perform, starting from 2022, to the financial statements of companies consolidated in the medium term, following the approach of sole auditor of the group on which the Tender Process was based; (ii) adjust the terms and conditions of certain statutory audit engagements already assigned to KPMG S.p.A.

More in detail, in relation to the above-mentioned growth in size of the Group and the changes in size or legal status undergone by the above-mentioned companies, the increase in audit services provided for in the Addendum to the Framework Agreement, concerns the following activities: (i) Statutory audit of the financial statements of subsidiaries, (ii) Statutory audit of the consolidated financial statements of Iren Group, (iii) review of the half-yearly financial statements of subsidiaries, (iv) Conformity examination of the separate annual accounts prepared in accordance with the Integrated Accounting Unbundling Act, (v) Audit of the statement of debit and credit balances with Public Entities, (vi) Review of the NFS of Iren Group.

The increase in consideration recognised for the entire Iren Group, in accordance with the indications set forth in article 5 of the Framework Agreement, is equal to, on an annual basis, respectively 141,276.00 euro, plus VAT, with respect to the activities indicated in (i) to (v); and 6,300.00 euro, plus VAT, with respect to the activity indicated in (vi).

Maximum number of positions held in other companies

According to the Code, the directors ensure adequate time availability for the diligent fulfilment of the tasks assigned to them. Furthermore, based on the commitment required from directors for the performance of their office at Iren, the Board of Directors may express its opinion as to the maximum number of offices in the administration or control bodies in other listed companies or companies of significant size that may be considered compatible with an effective performance of the office of director of the company, taking into account the commitment entailed by the role held as well as the participation of Directors in the Committees established within the Board.. For this purpose, it may propose to the Shareholders to introduce into the Articles of Association particular rules to consistently regulate the appointment of directors.

During the meeting held on 20 April 2022, the Board of Directors in office at the time approved, after preliminary investigation by the Remuneration and Appointments Committee, the document "Guidelines of the Board of Directors of IREN S.p.A. to the Shareholders on the qualitative and quantitative composition of the Board of Directors for the three-year period 2022-2024". This document contains, inter alia, the following guidelines on the maximum number of positions held by Directors:

- an Executive Director should not hold: i. the office of executive director in another listed company, Italian or foreign, or in a company with an equity or consolidated annual turnover exceeding 500 million euro; ii. the office of non-executive director or statutory auditor (or member of another supervisory body) in more than three of the companies indicated under (i) above;
- the Chief Executive Officer may not serve as a director of another issuer not belonging to the same group, of which another director of the Company is Chief Executive Officer;

- a Non-Executive Director (even if independent), in addition to the office held in the Company, should not hold: iii. the office of executive director in more than one listed company, either Italian or foreign, or with a consolidated equity or annual turnover exceeding 500 million euro and the office of non-executive director or statutory auditor (or member of another control body) in more than three of the companies indicated above; or iv. the office of non-executive director or statutory auditor (or member of another control body) in more than four of the companies indicated above under (iii).

For the purposes of calculating the maximum number of offices held, positions held within IREN Group subsidiaries or internal committees are not relevant.

When assessing each subjective position - which shall be carried out in the interest of the Company - the Board may take into account the concrete circumstances and professional commitments (not limited to the office held) of each single Director, both to allow for a possible derogation to the limits of offices and to provide for a possible lowering of the maximum number of offices that can be held. The Board of Directors, if appropriate, will invite the Director to make the resulting decisions. The attendance of individual Directors expected at Board and Board Committee meetings during the year shall not be less than 80%, unless justified.

Following the establishment of the Board of Directors currently in office, the Administrative Body took note of the above guidelines and made them its own.

Policy for Managing Dialogue with General Shareholders and Investors

IREN S.p.A. has always attached great importance to continuous, open and transparent communication with all shareholders, investors and the market because, on the one hand, it helps to improve their understanding of the Company's strategies and activities and to encourage their long-term commitment, and on the other hand, it allows the Company to gather elements that are useful for guiding strategies, decisions and action plans, guaranteeing the high standards of governance to which the Company is committed. Discussion, dialogue and listening represent a key element for the creation of value in the medium-long term and for the continuous improvement of strategies, objectives and economic, environmental, social and governance results, through the understanding of the needs and legitimate requests of stakeholders.

On 21 December 2021, IREN S.p.A.'s Board of Directors approved the "*Policy for Managing Dialogue with General Shareholders and Investors*" in accordance with the provisions of Article 1, Principle IV and Recommendation 3, of the Corporate Governance Code, to which the Company has adhered.

In detail, the approved Policy governs the dialogue between the Board of Directors and the representatives of the Shareholders and Investors, apart from during shareholders' meetings, on matters falling within the competence of the Board, and defines the principles, rules and methods for carrying out this dialogue, identifying the recipients, the interlocutors, the topics under discussion, the timing and channels of interaction.

Contingency plans for Directors holding special offices

Pursuant to Recommendation No. 24 of the Corporate Governance Code, by a resolution passed on 13 April 2021, IREN S.p.A.'s Board of Directors, after preliminary investigation by IREN S.p.A.'s Remuneration and Appointments Committee and the Control, Risk and Sustainability Committee, approved a contingency plan for Directors holding special offices (Chairperson, Deputy Chairperson and Chief Executive Officer) of the Company. This Plan is designed to cope, even temporarily and contingently, with any sudden early termination of office or any temporary impediment to the exercise of the office (hereinafter also the "Event") affecting one of the persons mentioned, making it possible to mitigate and manage the risk of a management vacancy and preserving the company from operational interruptions, in compliance with the law, the Articles of Association and the shareholders' agreements that regulate the governance of IREN S.p.A.

Regulations for the Operations and for the Management of the Information Process of the Board of Directors

In execution of Recommendation No. 11 of the Corporate Governance Code, during 2021, activities were started for the preparation of Regulations for the Operations and Management of Board of Directors' Disclosures. Said Regulations were approved at the meeting held on 15 February 2022 by the Board of Directors then in office. At its meeting on 13 October 2022, the current Board of Directors also approved the updated version of the same Regulations.

These Regulations, without prejudice to the provisions of the law and regulations, the Articles of Association of Iren S.p.A and other corporate institutional documents, aim at formalising the rules and procedures for the operations related to the meetings to be held by the Board of Directors also in order to ensure an effective

management of the Board's information process. In particular, the Regulations identify the deadlines for the prior submission of the necessary information, ensuring that confidentiality issues are properly managed without affecting the timeliness and completeness of the flow of information, with the aim of enabling the Directors to act and deliberate in an informed manner.

Directors responsible for the Internal Control and Risk Management System

By resolution of 6 July 2022, having regard to the allocation of powers, the Board of Directors of Iren identified, as Directors in charge of the internal control and risk management system (hereinafter "ICRMS Directors"), Luca Dal Fabbro (Chairperson), Gianni Vittorio Armani (Chief Executive Officer and General Manager), and Moris Ferretti (Deputy Chairperson), each with regard to their respective functions and powers⁸.

Each ICRMS Director, with reference to the areas falling under their responsibility, and in compliance with the proxies, is vested with the functions indicated below:

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

Supplementing the above, the ICRMS Director with proxies on the subject of Internal Audit and Compliance (in the current system, this is the Deputy Chairperson), in agreement with the Chairperson and CEO (who, equally, hold the position of ICRMS Directors), proposes to the Control, Risk and Sustainability Committee, for the relevant opinion, and to the Board of Directors, for the related decision, the appointment, dismissal and remuneration of the Internal Audit Manager.

Requisites of directors

All members of the Company's Board of Directors in office possess the requirements of integrity, pursuant to art. 147-*quinquies* of the Consolidated Law on Finance. As at 31 December 2022, the Directors Francesca Culasso, Pietro Paolo Giampellegrini, Enrica Maria Ghia, Francesca Grasselli, Giacomo Malmesi, Giuliana Mattiazzo, Tiziana Merlino, Gianluca Micconi, Patrizia Paglia, Cristina Repetto and Licia Soncini are also in possession of the requirements of independence provided for in the provisions of the Consolidated Law on Finance (acc. to arts 147-*ter*, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance), and in art. 7 of the Code according to the Corporate Governance solutions adopted by IREN S.p.A.

Organisational model under the terms of Legislative Decree 231/2001

Iren and the main Group companies have adopted Organisational, Management and Control Models under the terms of Legislative Decree No. 231/2001 with the objective of creating a structured and organic system of procedures and control activities aimed at preventing, as far as possible, conduct that can entail committing the crimes contemplated by Legislative Decree 231/2001. In addition to the Organisational, Management and Control Model, Iren S.p.A. also adopted the Code of Ethics by resolution of the Board of Directors on 10 December 2010. This document has been updated several times over the years and was approved in its current version by the Board of Directors on 18 December 2020.

During 2022, the Project for the revision and updating of the Organisational, Management and Control Models of the main Group companies continued, in order to guarantee their constant consistency with the organisational changes that have occurred and with the introduction by the legislator of new predicate offences, so that over time they maintain the effective capacity to prevent the commission of the 231 offenses. The updated 231 Models were subsequently submitted to the Supervisory Bod, presented to the Boards of Directors of the individual companies for approval, and published in their entirety on the companies' intranet sites. Iren and the main companies in the Group have established, by a resolution of the Board of Directors, a Supervisory Body pursuant to art. 6 of Legislative Decree 231/2001, with the task of supervising the functioning of and compliance with the model and ensuring that it is updated. In 2022, the Board of Directors of Iren S.p.A. confirmed the sitting as a united bench of its Supervisory Body appointing three external professionals with legal, corporate governance, organisational, economic and financial skills, with the objective of meeting the requirements of autonomy, independence and professionalism required by law. The Board of Directors also appointed a Contact Person within the Supervisory Body in order to ensure the coordination and continuity of action of the Board and the constant identification of a reference in the Company. IREN S.p.A.'s Supervisory Body, availing itself of the competent corporate functions, performs supervision on areas of activity considered at risk under the terms of Legislative Decree 231/2001, and half-yearly reports to the Board of Directors on its activities and findings. If it is considered necessary, the Supervisory Body expresses suggestions aimed at improving the system for controlling the activities and monitors its implementation.

Both the general part of the Model and the Code of Ethics are available on the Company's website.

PROPOSALS OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING

PROPOSALS RELATING TO THE AGENDA ITEMS “Separate financial Statements at 31 December 2022; Directors' Report, Report of the Board of Statutory Auditors and of the Independent Auditors” and “Proposal for allocation of the profit, relevant and ensuing deliberations”

Dear Shareholders,

In relation to the above, we propose that you:

- approve the Separate Financial statements of Iren S.p.A. at 31 December 2022 and the Directors' Report prepared by the Board of Directors;
- approve the proposed allocation of the profit for the year, 258,687,824.16 euro, as follows:
 - 12,934,391.21 euro, 5% of the profit for the year, to the legal reserve;
 - a maximum of 143,102,451.47 euro as dividend to Shareholders, corresponding to 0.11 euro for each of the maximum No. of 1,300,931,377 ordinary shares constituting the Company's share capital, noting that treasury shares, if any, will not benefit from the dividend; the dividend will be paid starting from 21 June 2023, validity date for registration for the dividend 19 June 2023, and record date 20 June 2023;
 - to a specific retained earnings reserve, the remaining amount of at least 102,650,981.48 euro.

Reggio Emilia, 23 March 2023

On behalf of the Board of Directors
Chairperson
Luca Dal Fabbro

(signed on the original)

STATEMENT OF FINANCIAL POSITION

thousands of euro

	Notes	31.12.2022	of which related parties	31.12.2021 Restated (a) (b)	of which related parties	01.01.2021 Restated (b)	of which related parties
ASSETS							
Property, plant and equipment	(1)	4,366,722		3,939,662		3,798,958	
Investment property	(2)	2,015		2,456		2,764	
Intangible assets with a finite useful life	(3)	2,826,692		2,522,771		2,320,092	
Goodwill	(4)	237,966		192,480		169,255	
Equity-accounted investments	(5)	211,320		217,339		221,613	
Other equity investments	(6)	10,188		8,469		4,020	
Non-current contract assets	(7)	146,286		77,262		82,230	
Non-current trade receivables	(8)	30,888	23,641	20,824	18,753	20,412	13,273
Non-current financial assets	(9)	169,057	52,016	131,766	78,769	173,736	128,800
Other non-current assets	(10)	88,917	128	37,167	44	66,670	6,944
Deferred tax assets	(11)	340,866		427,572		372,768	
Total non-current assets		8,430,917	75,785	7,577,768	97,566	7,232,518	149,017
Inventories	(12)	139,359		111,812		65,642	
Current contract assets	(13)	198,590		46,391		3,175	
Trade receivables	(14)	1,409,435	61,564	1,063,926	124,188	885,921	119,629
Current tax assets	(15)	38,263		7,114		9,622	
Sundry assets and other current assets	(16)	438,915	41	385,061	766	317,082	13
Current financial assets	(17)	256,376	9,799	370,516	10,352	96,674	8,831
Cash and cash equivalents	(18)	788,402		606,888		890,169	
Assets held for sale	(19)	16,802		1,144		1,285	
Total current assets		3,286,142	71,404	2,592,852	135,306	2,269,570	128,473
TOTAL ASSETS		11,717,059	147,189	10,170,620	232,872	9,502,088	277,490

- a) 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 deriving from the completion of the purchase price allocation to the final fair value of the assets and liabilities acquired (Purchase Price Allocation) of Sidiren and Iren Energy Solutions. Please refer to Section IV Business combinations for more information.
- b) The Group presents a third column in the statement of financial position at the beginning of the previous year, as the change in accounting standards has a material effect on the disclosure in the statement. For further information, see the section on Changes in Accounting standards in Section V. Accounting policies.

thousands of euro

	Notes	31.12.2022	of which related parties	31.12.2021 Restated (a) (b)	of which related parties	01.01.2021 Restated (b)	of which related parties
EQUITY							
Equity attributable to the owners of the parent							
Share capital		1,300,931		1,300,931		1,300,931	
Reserves and Retained Earnings		1,218,137		966,512		847,800	
Profit for the year		226,017		303,172		239,172	
Total equity attributable to the owners of the parent		2,745,085		2,570,615		2,387,903	
Equity attributable to non-controlling interests		446,069		379,976		376,844	
TOTAL EQUITY	(20)	3,191,154		2,950,591		2,764,747	
LIABILITIES							
Non-current financial liabilities	(21)	4,266,014		3,549,612	611	3,829,543	2,013
Employee benefits	(22)	90,948		105,601		109,027	
Provisions for risks and charges	(23)	404,781		422,989		409,091	
Deferred tax liabilities	(24)	142,221		188,725		209,317	
Sundry liabilities and other non-current liabilities	(25)	505,131	149	495,809	124	488,006	138
Total non-current liabilities		5,409,095	149	4,762,736	735	5,044,984	2,151
Current financial liabilities	(26)	294,575	9,745	465,959	3,141	279,277	4,755
Trade payables	(27)	2,279,400	38,333	1,523,705	22,329	977,906	40,230
Current contract liabilities	(28)	39,209		89,262		28,279	
Sundry liabilities and other current liabilities	(29)	261,131		261,057	121	317,168	363
Current tax liabilities	(30)	34,969		48,674		5,309	
Provisions for risks and charges - current portion	(31)	207,526		68,636		84,418	
Liabilities associated with assets held for sale	(32)	-		-		-	
Total current liabilities		3,116,810	48,078	2,457,293	25,591	1,692,357	45,348
TOTAL LIABILITIES		8,525,905	48,227	7,220,029	26,326	6,737,341	47,499
TOTAL EQUITY AND LIABILITIES		11,717,059	48,227	10,170,620	26,326	9,502,088	47,499

- a) 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 deriving from the completion of the purchase price allocation to the final fair value of the assets and liabilities acquired (Purchase Price Allocation) of Sidiren and Iren Energy Solutions. Please refer to Section IV Business combinations for more information.
- b) The Group presents a third column in the statement of financial position at the beginning of the previous year, as the change in accounting standards has a material effect on the disclosure in the statement. For further information, see the section on Changes in Accounting standards in Section V. Accounting policies.

INCOME STATEMENT

				thousands of euro	
	Notes	FY 2022	of which related parties	2021 FY Restated	of which related parties
Revenue					
Revenue from goods and services	(33)	7,627,961	327,514	4,826,741	345,416
- of which non-recurring		(42,634)			
Other income	(34)	235,082	6,520	129,130	7,742
Total revenue		7,863,043	334,034	4,955,871	353,158
Operating expenses					
Raw materials, consumables, supplies and goods	(35)	(4,582,060)	(3,908)	(1,990,495)	(60,053)
Services and use of third-party assets	(36)	(1,669,325)	(56,337)	(1,421,590)	(38,376)
Other operating expenses	(37)	(81,582)	(10,788)	(87,832)	(9,503)
Capitalised costs for internal works	(38)	55,655		43,382	
Personnel expense	(39)	(531,060)		(483,498)	
Total operating expenses		(6,808,372)	(71,033)	(3,940,033)	(107,932)
GROSS OPERATING PROFIT		1,054,671		1,015,838	
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(40)	(522,591)		(478,320)	
Impairment losses on loans and receivables	(41)	(63,465)		(53,521)	
Other provisions and impairment losses	(41)	(4,880)		(30,321)	
Total depreciation, amortisation, provisions and impairment losses		(590,936)		(562,162)	
OPERATING PROFIT		463,735		453,676	
Financial management					
Financial income	(42)	23,201	261	28,173	2,179
Financial expense		(105,108)	(48)	(74,553)	(231)
- of which non-recurring		(20,864)			
Net financial expense		(81,907)	213	(46,380)	1,948
Gains on equity-accounted investments	(43)	5,211		6,019	
Share of profit of equity-accounted investees, net of tax effects	(44)	11,758		10,294	
Pre-tax profit		398,797		423,609	
Income taxes	(45)	(128,851)		(90,208)	
- of which non-recurring		(27,254)		32,371	
Profit from continuing operations		269,946		333,401	
Profit (loss) from discontinued operations	(46)	-		-	
Profit for the year		269,946		333,401	
attributable to:					
- the owners of the parent		226,017		303,172	
- non-controlling interests	(47)	43,929		30,229	
Earnings per ordinary and savings share	(48)				
- basis (euro)		0.18		0.24	
- diluted (euro)		0.18		0.24	

The comparative figures for 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects deriving from the completion of the purchase price allocation to the final fair value of the assets and liabilities acquired (Purchase Price Allocation) of Sidren and Iren Energy Solutions. Please refer to Section IV Business combinations for more information.

STATEMENT OF COMPREHENSIVE INCOME

		thousands of euro	
		FY 2022	FY 2021 Restated
Profit/(loss) for the year - owners of the parent and non-controlling interests (A)		269,946	333,401
Other comprehensive income that will be subsequently reclassified to profit or loss			
- effective portion of fair value gains on cash flow hedges		107,049	7,646
- fair value gains/(losses) on financial assets		-	-
- share of other gains/(losses) of equity-accounted investees		114	19
- change in translation reserve		840	752
Tax effect		(26,363)	(1,505)
Other comprehensive income to be subsequently reclassified to profit or loss net of tax effect (B1)	(49)	81,640	6,912
Other comprehensive income that will not be subsequently reclassified to profit or loss			
- actuarial gains/(losses) on defined benefit plans (IAS 19)		11,399	(3,046)
- share of other gains/(losses) of equity-accounted investees related to defined benefit plans (IAS 19)		-	3
Tax effect		(2,807)	392
Other comprehensive income (expense) not to be subsequently reclassified to profit or loss net of tax effect (B2)	(49)	8,592	(2,651)
Comprehensive income (A)+(B1)+(B2)		360,178	337,662
attributable to:			
- the owners of the parent		311,906	306,530
- non-controlling interests		48,272	31,132

The comparative figures for 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects deriving from the completion of the purchase price allocation to the final fair value of the assets and liabilities acquired (Purchase Price Allocation) of Sidren and Iren Energy Solutions. Please refer to Section IV Business combinations for more information.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve	Hedging reserve	Other reserves and retained earnings
31/12/2020 Restated	1,300,931	133,019	76,713	(19,501)	657,569
Owner transactions					
Dividends					
Retained earnings			10,503		106,777
Repurchase of treasury shares					(4,042)
Changes in consolidation scope					326
Change in equity interests					1,545
Other changes					240
Total owner transactions	-	-	10,503	-	104,846
Comprehensive income for the year					
Profit for the year					
Other comprehensive income				5,036	(1,673)
Total comprehensive income for the year	-	-	-	5,036	(1,673)
31/12/2021 Restated	1,300,931	133,019	87,216	(14,465)	760,742

	Share capital	Share premium reserve	Legal reserve	Hedging reserve	Other reserves and retained earnings
31/12/2021 Restated	1,300,931	133,019	87,216	(14,465)	760,742
Owner transactions					
Dividends					
Retained earnings			10,943		157,506
Repurchase of treasury shares					-
Changes in consolidation scope					
Change in equity interests					(1,928)
Other changes					(786)
Total owner transactions	-	-	10,943	-	154,792
Comprehensive income for the year					
Profit for the year					
Other comprehensive income				77,107	8,783
Total comprehensive income for the year	-	-	-	77,107	8,783
31/12/2022	1,300,931	133,019	98,159	62,642	924,317

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 deriving from the completion of the purchase price allocation to the final fair value of the assets and liabilities acquired (Purchase Price Allocation) of Sidiren and Iren Energy Solutions. Please refer to Section IV Business combinations for more information.

thousands of euro

	Total reserves and retained earnings (losses)	Profit for the year	Total equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
31/12/2020 Restated	847,800	239,172	2,387,903	376,844	2,764,747
Owner transactions					
Dividends	-	(121,892)	(121,892)	(27,390)	(149,282)
Retained earnings	117,280	(117,280)	-	-	-
Repurchase of treasury shares	(4,042)	-	(4,042)	-	(4,042)
Changes in consolidation scope	326	-	326	1,766	2,092
Change in equity interests	1,545	-	1,545	(6,009)	(4,464)
Other changes	240	-	240	3,638	3,878
Total owner transactions	115,349	(239,172)	(123,823)	(27,995)	(151,818)
Comprehensive income for the year					
Profit for the year	-	303,172	303,172	30,229	333,401
Other comprehensive income	3,363	-	3,363	898	4,261
Total comprehensive income for the year	3,363	303,172	306,535	31,127	337,662
31/12/2021 Restated	966,512	303,172	2,570,615	379,976	2,950,591

thousands of euro

	Total reserves and retained earnings (losses)	Profit for the year	Total equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
31/12/2021 Restated	966,512	303,172	2,570,615	379,976	2,950,591
Owner transactions					
Dividends	-	(134,723)	(134,723)	(29,987)	(164,710)
Retained earnings	168,449	(168,449)	-	-	-
Repurchase of treasury shares	-	-	-	-	-
Changes in consolidation scope	-	-	-	48,623	48,623
Change in equity interests	(1,928)	-	(1,928)	(1,590)	(3,518)
Other changes	(786)	-	(786)	776	(10)
Total owner transactions	165,735	(303,172)	(137,437)	17,822	(119,615)
Comprehensive income for the year					
Profit for the year	-	226,017	226,017	43,929	269,946
Other comprehensive income	85,890	-	85,890	4,342	90,232
Total comprehensive income for the year	85,890	226,017	311,907	48,271	360,178
31/12/2022	1,218,137	226,017	2,745,085	446,069	3,191,154

STATEMENT OF CASH FLOWS

thousands of euro

	FY 2022	FY 2021 Restated
A. Opening cash and cash equivalents	606,888	890,169
Cash flows from operating activities		
Profit for the year	269,946	333,401
Adjustments:		
Income taxes for the year	128,851	90,208
Share of profit (loss) of associates and joint ventures	(11,758)	(10,294)
Net financial expense	81,907	46,380
Amortisation and depreciation	522,591	478,320
Net impairment losses (reversals of impairment losses) on assets	(3,717)	18,676
Impairment losses on loans and receivables	63,465	53,521
Net provisions for risks and other charges	155,485	38,570
Capital (gains) losses	(555)	825
Payment of employee benefits	(9,624)	(10,373)
Utilisations of provisions for risks and other charges	(33,955)	(39,424)
Change in other non-current assets	(34,016)	30,929
Change in sundry liabilities and other non-current liabilities	4,374	492
Taxes paid	(194,274)	(102,550)
Cash flows for transactions on commodities derivatives markets	65,915	(25,583)
Other changes in equity	752	(901)
Change in inventories	(25,746)	(48,574)
Change in contract assets	(218,747)	(35,823)
Change in trade receivables	(183,190)	(317,767)
Change in current tax assets and other current assets	(30,982)	(84,500)
Change in trade payables	600,235	533,763
Change in contract liabilities	(50,053)	61,124
Change in current tax liabilities and other current liabilities	(13,847)	(59,948)
B. Net cash and cash equivalents generated by operating activities	1,083,057	950,472
Cash flows from/(used in) investing activities		
Investments in property, plant and equipment and intangible assets	(897,565)	(757,775)
Investments in financial assets	(39,455)	(4,488)
Proceeds from the sale of investments	5,959	7,011
Acquisition of subsidiaries net of cash acquired	(213,983)	(60,419)
Dividends received	2,941	3,878
C. Net cash and cash equivalents used in investing activities	(1,142,103)	(811,793)
Cash flows from/(used in) financing activities		
Repurchase of treasury shares	-	(4,042)
Dividends paid	(157,611)	(149,458)
Purchase of interests in consolidated companies	(1,658)	(4,464)
New non-current loans	780,000	205,000
Repayment of non-current loans	(413,422)	(293,765)
Repayment of lease liabilities	(14,223)	(11,509)
Change in other financial liabilities	(11,402)	(17,746)
Change in loan assets	148,439	(71,972)
Interest paid	(90,875)	(75,930)
Interest received	1,312	1,926
D. Net cash and cash equivalents generated by/(used in) financing activities	240,560	(421,960)
E. Cash flow for the year (B+C+D)	181,514	(283,281)
F. Closing cash and cash equivalents (A+E)	788,402	606,888

The comparative figures for 2021 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects deriving from the completion of the purchase price allocation to the final fair value of the assets and liabilities acquired (Purchase Price Allocation) of Sidiren and Iren Energy Solutions. Please refer to Section IV Business combinations for more information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Iren S.p.A. is an Italian multi-utility company, listed on the Italian Stock Exchange (Borsa Italiana) and established on 1 July 2010 through the merger of IRIDE and ENÌA. The Company's registered office is in Italy, in Reggio Emilia, Via Nubi di Magellano 30. There were no changes in the company name during 2021.

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

The 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 Generation and generation from other renewable sources, Combined Heat and Power, District Heating Networks, Thermoelectric Production, Public Street Lighting, Global services, Energy efficiency services)
- Market (Sale of electricity, gas, heat)
- Other services (Laboratories, Telecommunications and other minor services).

Section XIII, Segment reporting, includes the information required by IFRS 8.

The consolidated financial statements of the group as at and for the year ended 31 December 2021 include the financial statements of the parent and its subsidiaries, (collectively referred to as the "Group" and, individually, as "Group companies") and the Group's interest in joint ventures and associates, which are measured using the equity method.

I. BASIS OF PRESENTATION

The Consolidated Financial Statements of Iren Group at 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, as well as the measures issued in implementation of Article 9 of Legislative Decree No. 38/2005. The "IFRS" comprise also the revised International Accounting Standards ("IAS"/"IFRS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In preparing these consolidated financial statements, the same accounting standards adopted in preparing the financial statements of the previous year were applied, except for as reported in the paragraphs "Changes in accounting standards" and "Accounting standards, amendments and interpretations applied from 1 January 2022".

The consolidated financial statements are drawn up on the basis of the historical cost principle, with the exception of certain financial instruments measured at fair value and potential fees deriving from a business combination (i.e. put options to non-controlling investors), which are measured at fair value, as well as on the going concern assumption. The Group did not detect any particular risks connected with its business and/or any uncertainties that might cast doubt on its ability to continue as a going concern.

These consolidated financial statements are stated in euro, the parent's functional currency. All amounts expressed in euro are rounded to the nearest thousand in these consolidated financial statements. Due to rounding, there could be cases in which the detailed tables contained in this document show a difference of around one thousand euro. It is believed that these cases do not alter the reliability and informative value of these consolidated financial statements.

Financial statement formats

The financial statement formats adopted by Iren Group in preparing these consolidated 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 year end. Current liabilities are those for which settlement is envisaged during the Group's ordinary operating cycle or during the twelve months following year end.

The Income Statement is classified on the basis of the nature of the costs. In addition to the Operating Profit, the Income Statement also shows the interim total of 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 consolidated Financial Statements

The consolidated Financial Statements were approved for publication by Iren S.p.A.'s Board of Directors at its meeting of 23 March 2023. The Board of Directors authorised the Chairperson, and the Chief Executive Officer to make such changes to the consolidated financial statements as necessary or adequate to improve them until the date of approval by the Shareholders.

The Shareholders' Meeting to be called to approve the separate financial statements of the Parent has the right to request amendments to the aforementioned consolidated financial statements.

Use of estimates and assumptions by management

Estimates

Preparation of the Consolidated Financial Statements entails making estimates, opinions and assumptions that have an effect on the amounts of revenue, costs, assets and liabilities, including contingent liabilities, and on the information provided. These estimates and assumptions are based on past experience and other factors considered reasonable in the case in question, particularly when the value of assets and liabilities is not readily apparent from comparable sources.

Estimates and assumptions were used in applying the accounting standards, in particular to measure the following items of the financial statements:

- revenue from contracts with customers: revenue from the sale of electricity, gas and heat to end customers is recognised at the time the electricity or gas is supplied and includes, in addition to the amounts invoiced on the basis of periodic readings (and pertaining to the financial year) or on the basis of the volumes communicated by distributors and transporters, an estimate of the electricity and gas supplied during the financial year but not yet invoiced, as the difference between the electricity and gas injected into the distribution network and those invoiced during the financial year, calculated taking account of any network losses. Revenue between the date of the last reading and the end of the year is based on estimates of the customer's daily consumption, primarily based on the customer's historical profile, adjusted to reflect weather conditions or other factors that may affect the estimated consumption.
- impairment of non-financial assets: assets such as property, plant and equipment, investment property, intangible assets, right-of-use assets, goodwill and equity investments in associates/joint ventures are impaired when their carrying amount exceeds their recoverable amount, represented by the higher of fair value, net of costs to sell, and value in use. The recoverable amount is sensitive to the estimates and assumptions used to determine the amount of cash flows and the discount rates applied. However, possible variations in the basic assumptions on which these calculations are based could produce different recoverable amounts. Information on the main assumptions used to estimate the recoverable amount of assets with reference to impacts related to climate change as well as information on changes in these assumptions is provided in Note 4 "Goodwill".
- Expected losses on financial assets: at the end of each reporting date, the Group recognises a loss allowance for on trade receivables and other financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and all other assets within the scope of impairment. Loss allowances for financial assets are based on assumptions regarding the default risk and the measurement of expected credit losses. In making these assumptions and selecting the inputs to calculate the expected credit loss, management uses its professional judgement, based on the Group's past

experience, current market conditions, as well as forward-looking estimates at the end of each reporting date.

- Determining the useful life of non-financial assets. In determining the useful life of property, plant and equipment and intangible assets with a finite useful life, the Group considers not only the future economic benefits - contained in the assets - enjoyed through their use, but also many other factors, such as physical deterioration, obsolescence of the product or service provided by the asset (e.g. technical, technological or commercial), legal restrictions or other similar constraints (e.g. safety, environmental, etc.) on the use of the asset, if the useful life of the asset depends on the useful life of other assets. For further details on this aspect, see Note 1 "Property, plant and equipment".
- the useful life of property, plant and equipment. Transferable assets are depreciated according to the expiry term of the related concession decrees. Decree Law No. 135 of 14 December 2018 (Urgent provisions on support and simplification for businesses and public administration - "D.L. Semplificazioni") converted, with amendments, by Law No. 12 of 11 February 2019, regulates the new regime of remuneration of the so-called "Wet Works" concerning concessions for large-scale diversions of water for hydroelectric power plants; the new regulations establish that "Wet Works" are to be transferred without compensation to the Regions. If the Operator has made new investments during the useful life and provided that these investments have been authorised or permitted by the competent Public Administration, the Operator will have the right to a remuneration limited to the non-depreciated value. As regards the so-called "dry works" (property, plant and equipment included in the business unit of the outgoing operator and not included under the "wet works" category, the so-called non-transferable assets), the new law did not introduce changes and, therefore, the outgoing operator has the right to a consideration determined on the basis of the value of reconstruction as new, less normal wear. Consequently, in order to make it consistent with the new regulations, the depreciation plan for the Wet works related to expired concessions was redetermined, also taking into consideration the possible reassignment dates, which, based on the previous regulations, had been discontinued as of the 2012 financial statements.

While acknowledging that the new regulations introduce significant changes regarding the transfer of ownership of the business unit required for the operation of the hydroelectric concession, the difficulties associated with the practical application of the aforementioned principles are evident owing to their uncertainties, which do not allow a reliable estimate to be formulated of the amount that can be recovered at the end of the existing concession (residual value).

Accordingly, management has decided that it is not able to arrive at a reasonable and reliable estimate of residual value.

Given that the law in question nevertheless requires the incoming concessionaire to award a consideration to the outgoing concessionaire, management reconsidered the depreciation schedules of assets to be relinquished free of charge prior to Law 134/2012 (until the year ended on 31 December 2011, as the assets were to be relinquished free of charge, the depreciation schedule corresponded to the closest period between that of the concession or the useful life of the individual asset), no longer as proportional to the duration of the concession but, if longer, to the useful life of the individual asset: for this reason, in 2021, the management started a valuation process aimed at assessing the plants held by the Group in order to identify their residual life, which concerned the plants of San Mauro and Valle Orco. This process continued in 2022 for the other hydroelectric plants, and the carrying amounts of the assets involved were changed prospectively.

- the determination of the fair value of derivative instruments and certain financial assets. The fair value of financial instruments is determined on the basis of prices directly observable on the market, where available, or, for unlisted financial instruments, using specific valuation techniques (mainly based on present value) that maximise the use of inputs observable on the market. In the rare circumstances where this is not possible, management estimates the inputs by taking into account the characteristics of the instruments being measured. For further details on financial instruments valued at fair value, please refer to section VI Group Financial Risk Management. Changes in the assumptions made in estimating input data could affect the fair value recognised for these instruments, especially in the current context in which markets are volatile and the economic outlook highly uncertain and subject to rapid changes. When valuations are subject to significant measurement uncertainty due to the current environment and there is a wide range of possible fair value estimates, the Group is required to apply judgement in determining the point within that range that is most representative of fair value under the circumstances.

- Hedge accounting. Hedge accounting is applied to derivatives in order to reflect the effects of risk management strategies in the financial statements. To this end, the Group documents at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well as the risk management objectives and strategy. In addition, the Group assesses, both at the inception of the relationship and on a systematic basis, whether hedging instruments are highly effective in offsetting changes in the fair value or cash flows of hedged items. Based on the opinion of the Directors, the assessment of effectiveness based on the existence of an economic relationship between hedging instruments and hedged items, the dominance of credit risk in changes in value and the hedge ratio, as well as the measurement of ineffectiveness, are evaluated by means of a qualitative assessment or a quantitative calculation, depending on the specific facts and circumstances and the characteristics of the hedging instruments and hedged items. With respect to cash flow hedges of future transactions, management assesses and documents that they are highly probable and present an exposure to changes in cash flows that impacts profit or loss. For more details about the key assumptions on assessing effectiveness and measuring ineffectiveness, please refer to Section VI Group Financial Risk Management.
- The determination of the amount of provisions for future risks and charges. The Group is a party to various civil, administrative and tax proceedings connected with the normal course of its business, which could give rise to liabilities of a significant amount, for which it is not always objectively possible to predict the final outcome. The assessment of the risks connected with the above procedures is based on complex elements that by their nature entail recourse to the judgement of the Directors, also taking account of elements acquired from external consultants assisting the Group, with reference to their classification among contingent liabilities or among liabilities. Provisions have been established to cover all significant liabilities for cases where attorneys have noted the likelihood of an adverse outcome and a reasonable estimate of the amount of the expense. The Group determines whether to consider each uncertain tax treatment separately or jointly with one or more uncertain tax treatments, as well as whether to report the effect of uncertainty using the most probable amount method or the expected value method, choosing the one that, according to its projections, best provides for the resolution of the uncertainty, taking into account tax regulations. The Group makes significant use of professional judgement in identifying uncertainties about income tax treatments and reviews opinions and estimates made when there is a change in facts and circumstances that could change the conclusion about the acceptability of a particular tax treatment or the estimated effects of the uncertainty, or both. Refer to Note 45 Income Taxes for further details regarding income taxes.
- Onerous Contracts. In order to identify an onerous contract, the Group estimates the non-discretionary costs required to perform the obligations assumed (including any penalties) under the contract and the economic benefits expected to be obtained from the same contract.
- Evaluation of the existence of significant influence over an associate. Associates are companies in which the Group exercises significant influence, i.e., the power to be involved in decision-making on the financial and management policies of the associate while not exercising control or joint control over those policies. As a general rule, the Group is presumed to have significant influence when it holds an interest of at least 20%. In order to determine the existence of significant influence, management's judgement is required to evaluate all facts and circumstances. The Group reviews the existence of significant influence when facts and circumstances indicate that there has been a change in one or more of the elements considered for the test of the existence of significant influence. For further details of the Group's equity investments in associates, reference should be made to Note 5 "Equity-accounted investments".
- Application of IFRIC 12 "Service Concession Arrangements" to concessions. IFRIC 12 applies to "public-to-private" service concession arrangements, which can be defined as contracts that oblige a concessionaire to provide public services, i.e., to provide access to key economic and social services, for a specified period of time on behalf of the public authority (i.e. the grantor). In these contracts, the grantor transfers to the concessionaire the right to operate the infrastructure used to provide these public services.

The estimates and assumptions are regularly revised. Any changes resulting from the revision of accounting estimates are recognised in the year in which the revision is made if it affects only that year. Should the revision involve both current and future years, the variation is recognised in both the year in which the revision occurs and in the related future years.

The criticality inherent in these valuations refers to the use of assumptions and judgements relating to issues that are by their very nature uncertain, and is amplified by the peculiarity and variety of the businesses in which the Group operates. In addition, any changes in the conditions underlying the assumptions and judgements could have a significant impact on the results of subsequent years.

II. BASIS OF CONSOLIDATION

The consolidation scope includes subsidiaries, joint ventures and associates.

Subsidiaries

Entities controlled by the Group are considered subsidiaries, as defined by IFRS 10 – *Consolidated Financial Statements*. Control exists when the Parent has all of the following:

- decision-making power over the investee, i.e. the current ability to direct the relevant activities of the investee that significantly affect the investee's returns;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

The financial statements of subsidiaries are consolidated beginning on the date when control is acquired until when control ceases.

Equity and the profit/loss attributable to non-controlling interests are identified separately in the consolidated statement of financial position and income statement.

Subsidiaries are consolidated on a line-by-line basis with the elimination of intra-group balances, transactions, unrealised income and expenses.

Furthermore: a) all changes in the equity interest that do not constitute a loss of control are treated as equity transactions and, therefore, have a balancing entry in equity; b) when a parent transfers control in an investee, but retains an interest in the company, it measures the retained equity investment at fair value and recognises any gains or losses deriving from loss of control in profit or loss.

Joint ventures

These are companies over which the Group has joint control, in virtue of contractual agreements. Joint control, as defined by IFRS 11 – *Joint Arrangements*, is the “contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control”.

With reference to entities jointly owned by mixed public and private companies, given the objective possibility for the public shareholder to influence the company not only by means of governance agreements, but also because of its nature as public entity, the existence of joint control is ascertained on the basis of contractual agreements, assessing the actual possibility for the private partner to jointly control strategic decisions regarding the joint venture.

Joint arrangements are divided into 2 types:

- a Joint Venture (JV) is an arrangement whereby the parties have rights to the net assets of the arrangement. Joint Ventures are measured using the equity method;
- a Joint Operation (JO) is an arrangement whereby the parties are not limited exclusively to participating in the company's profit or loss but have rights to its assets and obligations for its liabilities. In this case the assets/revenue on which the joint operator exercises such rights and the liabilities/costs of which the joint operator assumes the obligations are fully consolidated.

Associates (accounted for using the equity method)

An associate is a company over which the Group has significant influence, but not control or joint control over its financial and operating policies. The consolidated financial statements include the Group's share of the associates' profit or loss recognised using the equity method from the date that significant influence commences until the date that significant influence ceases.

Equity-accounted investments are accounted for an amount equal to the corresponding portion of equity resulting from the latest available financial statements, adjusted to take into account the differences between the price paid and equity at the date of purchase and for any intra-group transactions, if significant.

The investor's share of profit or loss arising from application of the equity method is recognised as a “Share of profit or loss of equity-accounted associates and joint ventures”, while the share of other comprehensive income is recognised in the statement of comprehensive income.

The difference between the purchase cost and the Group's share of the present value of the identifiable assets, current liabilities and contingent liabilities of an associate or joint venture at the acquisition date is recognised as goodwill, included in the investment's carrying amount and tested for impairment as described in the previous section.

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 given group of activities and 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 makes it possible to ascertain if the acquired group of activities and assets is not a business through a simplified procedure. 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 net identifiable assets acquired are usually recognised at fair value. The carrying amount of any goodwill that arises is tested annually for impairment. Any gain from a bargain purchase is recognised immediately in profit or loss under gains or losses on Investments, while costs related to the combination, other than those related to the issuance of debt or equity instruments, are recognised as an expense in profit/(loss) for the year when incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Normally, these amounts are recognised in profit/(loss) for the year.

The contingent consideration is recognised at fair value on the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity related to the subsidiary. Any profit or loss deriving from the loss of control is recognised in profit/(loss) for the year. Any interest retained in the former subsidiary is measured at fair value when control has been lost.

Transactions eliminated on consolidation

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

III. CONSOLIDATION SCOPE

The consolidation scope includes companies in which the parent directly or indirectly exercises control, joint ventures and associates.

Parent:

Iren S.p.A.

Companies consolidated on a line-by-line basis

The four companies responsible for the single business lines and their direct and indirect subsidiaries are consolidated on a line-by-line basis.

1) Iren Ambiente and its subsidiaries:

- Waste Management ACAM
- AMIAT V and the subsidiary:
 - AMIAT
- Bonifiche Servizi Ambientali (formerly Unieco Holding Ambiente)
- Bonifica Autocisterne
- I.Blu
- Iren Ambiente Parma
- Iren Ambiente Piacenza
- Iren Ambiente Toscana and subsidiaries:
 - Futura
 - Scarlino Energia
 - SEI Toscana and subsidiaries:
 - Ekovision
 - Valdisieve
 - Valdarno Ambiente and subsidiaries:
 - CRCM
 - TB
- Manduriamambiente
- ReCos
- Rigenera Materiali
- San Germano
- Territorio e Risorse
- TRM
- Uniproject

2) Iren Energia and its subsidiaries:

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

- Iren Green Generation (formerly Puglia Holding) and subsidiaries:
 - Iren Green Generation Tech (formerly ASI Troia FV1)
 - Limes 1
 - Limes 2
 - Mara Solar
 - Omnia Power
 - 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
- Consorzio GPO
- Iren Laboratori
- Iren Acqua and its subsidiary:
 - Iren Acqua Tigullio
- IRETI Gas
- Minerva and subsidiary
 - ATENA Trading
- Nord Ovest Servizi
- Acquisition of Società dell'Acqua Potabile (SAP)

The change in the consolidation scope for 2022 is due to the acquisition of 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 Energy, Valdarno Ambiente, CRCM, Alegas, Dogliani Energia, Valle Dora Energia, Società dell'Acqua Potabile (SAP), SEI Toscana, Ekovision, Valdisieve, Mara Solar, Limes 1, Limes 2 and Omnia Power. Further details on these transactions are provided in Section IV Business combinations below.

From the point of view of shareholding structures, it should be noted that the following interests have changed:

- on 19 April 2022, the share capital of Scarlino Energia S.p.A. was reconstituted and fully subscribed by Iren Ambiente Toscana S.p.A., which thus became its sole shareholder;
- on 20 April 2022, with the contribution of the equity investment in TB, which contributed to the acquisition of control of the newly-formed Valdarno Ambiente, the Group reduced its effective stake in TB from 90.09% to 38.07%, without losing control of the same;
- on 1 July 2022, following the consolidation of the subsidiary, SEI Toscana, the Group increased its shareholding in the subsidiary Futura by 20%;
- on 1 July 2022, Iren Energia purchased a further 15.77% of the shares of the subsidiary Maira and therefore, following this transaction, the Group holds 82% of the company's share capital;
- on 15 November 2022, SEI Toscana purchased a further 19% of the shares of the subsidiary Ekovision and therefore, following this transaction, the Group holds 100% of the company's share capital.

Furthermore, in 2022, a number of corporate transactions became effective, which, although not entailing changes in the consolidation scope, led to a streamlining of the Group's shareholding structure or are aimed at future rationalisation operations of the Group:

- 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 as of 1 June 2022;
- the mergers of Picena Depur into Uniproject and of Scarlino Immobiliare into Iren Ambiente, both effective as of 1 July 2022;

- the establishment of the company IRETI Gas on 15 September 2022;
- the establishment of the company Minerva on 30 December 2022.

It should also be noted that in 2022, the company Borgo Ambiente was wound up and, consequently, cancelled from the register of companies.

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

IV. BUSINESS COMBINATIONS

BUSINESS COMBINATIONS IN 2022

Business combinations definitively recognised

The business combinations carried out by the Group during 2022 concerned the acquisition of control of the following companies:

- Iren Green Generation (formely Puglia Holding) and its subsidiaries (Iren Green Generation Tech, Palo Energia, Piano Energia, Solleone Energia, Traversa Energia);
- Valdarno Ambiente and its subsidiary C.R.C.M.;
- Alegas;
- Valle Dora Energia;
- Società dell'Acqua Potabile (SAP);
- SEI Toscana and its subsidiaries Ekovision e Valdisieve.

For these transactions, the Group incurred costs related to legal and notary fees of 415 thousand euros and due diligence costs of 209 thousand euros. These costs were included respectively in the income statement items "Legal and notary expenses" and "Technical, administrative, commercial and advertising expenses".

Puglia Holding (now Iren Green Generation)

On 16 February 2022, the Group finalised the acquisition from European Energy of 100% of Puglia Holding (now Iren Green Generation), the holder of five Special Purpose Entities (SPEs) dedicated to solar photovoltaic power generation, for a consideration of 188,648 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 Montevergine, 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.

In the 11-month period ended 31 December 2022, the subsidiaries generated revenue of 53,704 thousand euro and a profit of 26,426 thousand euro, fully included in these consolidated financial statements. In calculating the above amounts, Management assumed that the fair value adjustments at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2022.

The following table shows the value of identifiable assets acquired and liabilities assumed.

	thousands of euro		
	Nominal values	FV Adjustment	Fair Value
Property, plant and equipment	98,346	-	98,346
Intangible assets with a finite useful life	1,294	54,688	55,982
Trade receivables	8,199	-	8,199
Current tax assets	3	-	3
Sundry assets and other current assets	14,303	-	14,303
Cash and cash equivalents	6,968	-	6,968
Provisions for risks and charges	(457)	-	(457)
Deferred tax liabilities	(15)	(15,422)	(15,437)
Current financial liabilities	(616)	-	(616)
Trade payables	(4,787)	-	(4,787)
Sundry liabilities and other current liabilities	(784)	-	(784)
Current tax liabilities	(2,330)	-	(2,330)
Total net identifiable assets	120,124	39,266	159,390

The analysis conducted for the purpose of purchase price allocation identified the intangible assets arising from the single authorisation for photovoltaic plants and the value of the incentive tariff recognised for energy produced and fed into the grid.

The fair value of the single licence of 35,768 thousand euro was determined by reference to comparable transactions observable on the market. The valuation of the incentive tariff totalling 18,920 thousand euro was carried out using the discounted cash flow method (DCF). The main assumptions used to evaluate the incentive rate are shown below:

- Useful life: 18 years;
- Discount rate of cash flows: 4.60%;
- Average tax rate applied: 28.2%.

Goodwill arising from the acquisition has been recognised as shown in the table below.

	thousands of euro
Fair value of the price transferred (cash and cash equivalents)	188,648
Fair value of net identifiable assets	(159,390)
Goodwill	29,258

Goodwill resulting from the acquisition mainly refers to the profitability that will be generated over the remaining life of the plants. Goodwill recognised in the financial statements will not be deductible for income tax purposes.

Valdarno Ambiente and CRCM

On 20 April 2022, the Group completed the acquisition of control of the newly established Valdarno Ambiente (investment holding company) and its subsidiary CRCM through a contribution. In particular, the various corporate changes that took place led to the establishment of Valdarno Ambiente, whose shares, as of April 2022, were held by Iren Ambiente Toscana for 43.54% and by the associate CSAI for 56.46%.

On the same date, shareholders' agreements were signed by CSAI and IREN Ambiente Toscana for the governance of the investee, which conferred to Iren Ambiente Toscana the current ability to manage the relevant activities of Valdarno Ambiente. The shareholders' agreements had initially provided for the right of the shareholder CSAI to transfer to Iren Ambiente Toscana the investment, or part of it, held in Valdarno Ambiente. This option was subsequently removed through a new agreement signed by CSAI and Iren Ambiente Toscana.

As a result of the various contributions, Valdarno Ambiente holds 100% of the company TB (previously controlled by the Group), 76.06% of the company CRCM and 16.367% of the company SEI Toscana.

Finally, on 29 June 2022, Iren Ambiente Toscana subscribed a further cash capital injection of 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 9-month period ended 31 December 2022, the subsidiaries generated revenue of 1,515 thousand euro and a loss of 115 thousand euro. Management believes that if the acquisition had occurred on 1 January 2022, the impact on consolidated revenue would have amounted to 2,046 thousand euro and on consolidated profit for the year would have amounted to -39 thousand euro.

The following table shows the value of identifiable assets acquired and liabilities assumed.

	Thousands of euro
	Fair Value
Property, plant and equipment	2,471
Intangible assets with a finite useful life	191
Equity-accounted investments	6,262
Non-current financial assets	164
Other non-current assets	8
Deferred tax assets	14
Inventories	35
Trade receivables	1,071
Current tax assets	46
Sundry assets and other current assets	300
Cash and cash equivalents	1,294
Non-current financial liabilities	(1,756)
Employee benefits	(120)
Sundry liabilities and other non-current liabilities	(1)
Trade payables	(221)
Sundry liabilities and other current liabilities	(97)
Current tax liabilities	(28)
Total net identifiable assets	9,633

Trade receivables include gross contractual amounts of 1,090 thousand euro, of which 19 thousand euro considered non-collectable at the date of acquisition.

The analysis carried out for the purposes of allocating the purchase price of the company Valdarno Ambiente and the subsidiary CRCM did not reveal any differences between the fair value of the assets acquired and the identifiable liabilities assumed and their carrying amount at the acquisition date.

Goodwill arising from the acquisition has been recognised as shown in the table below.

	thousands of euro
Equity instruments	4,114
Fair value of net identifiable assets	(9,633)
Non-controlling interests in net identifiable assets	5,796
Goodwill	277

Goodwill from the acquisition mainly relates to the project to develop platforms for the recycling and reuse of wood waste and paper and cardboard packaging. Goodwill recognised in the financial statements will not be deductible for income tax purposes.

Alegas

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 distributed in the Province of Alessandria.

In the 9-month period ended 31 December 2022, the subsidiary generated revenue of 51,281 thousand euro and a loss of 8,978 thousand euro. Management believes that if the acquisition had occurred on 1 January 2022, the impact on consolidated revenue would have amounted to 92,913 thousand euro and on consolidated profit for

the year would have amounted to a loss of 8,465 thousand euro. In calculating the above amounts, Management assumed that the fair value adjustments at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2022.

The following table shows the value of identifiable assets acquired and liabilities assumed.

	thousands of euro		
	Nominal values	FV Adjustment	Fair Value
Property, plant and equipment	46		46
Intangible assets with a finite useful life	7	10,363	10,370
Deferred tax assets	930		930
Trade receivables	55,325		55,325
Current tax assets	19		19
Sundry assets and other current assets	11,084		11,084
Cash and cash equivalents	2,362		2,362
Non-current financial liabilities	(2,746)		(2,746)
Employee benefits	(73)		(73)
Deferred tax liabilities	(174)	(2,891)	(3,065)
Sundry liabilities and other non-current liabilities	(990)		(990)
Current financial liabilities	(15,301)		(15,301)
Trade payables	(39,792)		(39,792)
Sundry liabilities and other current liabilities	(14,869)		(14,869)
Current tax liabilities	(518)		(518)
Provisions for risks and charges - current portion	(185)		(185)
Total net identifiable assets	(4,875)	7,472	2,597

Trade receivables include gross contractual amounts of 68,791 thousand euro, of which 13,466 thousand euro considered non-collectable at the date of acquisition.

The analysis conducted for allocation of the price for the acquisition of Alegas identified the intangible asset resulting from the customer relationship, which was valued at 10,363 thousand euro using the discounted cash flow (DCF) method. Below are the main assumptions used in the evaluation of business relations with customers:

- Useful life: 19 years and 9 months;
- Churn rate: 5.05%, calculated as the average of the Company's churn rate and the churn rate implied in the average life of business relationships with customers of comparable companies;
- Average tax rate applied: 27.90%.

Goodwill arising from the acquisition has been recognised as shown in the table below.

	thousands of euro
Fair value of the price transferred (cash and cash equivalents)	17,150
Fair value of net identifiable assets	(2,597)
Non-controlling interests in net identifiable assets	519
Goodwill	15,072

The goodwill resulting 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 acquired company in the Group's market sector. Goodwill recognised in the financial statements will not be deductible for income tax purposes.

Valle Dora Energia

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, the company's articles of association were finalised, allowing Iren Energia to control Valle Dora Energia.

In the 7-month period ended 31 December 2022, the subsidiary generated revenue of 1,396 thousand euro and a loss of 1,089 thousand euro. Management believes that if the acquisition had occurred on 1 January 2022, the impact on consolidated revenue would have amounted to 7,530 thousand euro and on consolidated profit for the year would have amounted to +1,483 thousand euro. In calculating the above amounts, Management assumed that the fair value adjustments at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2022.

The following table shows the value of identifiable assets acquired and liabilities assumed.

	thousands of euro		
	Nominal values	FV Adjustment	Fair Value
Property, plant and equipment	20,586		20,586
Intangible assets with a finite useful life	524	10,540	11,064
Deferred tax assets	28		28
Trade receivables	969		969
Current tax assets	24		24
Sundry assets and other current assets	2,815		2,815
Current financial assets	7		7
Non-current financial liabilities	(15,376)		(15,376)
Deferred tax liabilities	-	(2,941)	(2,941)
Trade payables	(2,660)		(2,660)
Current tax liabilities	(631)		(631)
Provisions for risks and charges - current portion	(1,294)		(1,294)
Total net identifiable assets	4,992	7,599	12,591

From the analysis carried out for the purpose of allocating the company's purchase price, the intangible asset deriving from the measurement of the concession for the derivation of water for the hydroelectric plants of Chiomonte and Susa (TO) was identified, which was measured at 10,540 thousand euro using the discounted cash flow method (DCF). The main assumptions used to evaluate the concession are shown below:

- Useful life: 24 years and 7 months;
- Discount rate of cash flows: 5.25%;
- Average tax rate applied: 27.9%.

The gain from the purchase at favourable prices was recognised as shown in the table below.

	thousands of euro
Fair value of the price transferred (cash and cash equivalents)	1,560
Fair value of interest held before acquisition of control	2,741
Restatement of interests at fair value through profit or loss	257
Fair value of net identifiable assets	(12,591)
Non-controlling interests in net identifiable assets	3211
Profit from purchase at favourable prices	(4,822)

The restatement at fair value of the Group's previously held 49% interest in Valle Dora Energia generated income of 257 thousand euro (4,558 thousand euro less 4,301 thousand euro relating to the carrying amount of the

equity-accounted investment at the date of acquisition). This amount has been included in the item "Impairment losses on equity investments". The gain from the purchase at favourable prices is recorded in the same item.

Acquisition of Società dell'Acqua Potabile (SAP)

On 1 July 2022, the acquisition of 100% of Società dell'Acqua Potabile ("SAP") from Siram SpA, a company of the French Veolia group, took effect for a consideration of 11,440 thousand euro. 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, as well as in the municipalities of 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 wastewater treatment 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.

In the 6-month period ended 31 December 2022, the subsidiary generated revenue of 4,195 thousand euro and a profit of 130 thousand euro. Management believes that if the acquisition had occurred on 1 January 2022, the impact on consolidated revenue would have amounted to 8,339 thousand euro and on consolidated profit for the year would have amounted to +398 thousand euro. In calculating the above amounts, Management assumed that the fair value adjustments at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2022.

The following table shows the value of identifiable assets acquired and liabilities assumed.

	thousands of euro		
	Nominal values	FV Adjustment	Fair Value
Property, plant and equipment	30		30
Intangible assets with a finite useful life	8,926	1,866	10,792
Equity-accounted investments	95	612	707
Non-current contract assets	2,476		2,476
Other non-current assets	101		101
Deferred tax assets	96		96
Inventories	477		477
Trade receivables	2,447		2,447
Current tax assets	30		30
Sundry assets and other current assets	181		181
Cash and cash equivalents	663		663
Employee benefits	(874)		(874)
Provisions for risks and charges	(11)		(11)
Deferred tax liabilities	(3)	(526)	(529)
Sundry liabilities and other non-current liabilities	(1,203)		(1,203)
Trade payables	(4,369)		(4,369)
Sundry liabilities and other current liabilities	(318)		(318)
Current tax liabilities	(136)		(136)
Total net identifiable assets	8,608	1,952	10,560

Trade receivables include gross contractual amounts of 2,846 thousand euro, of which 399 thousand euro considered non-collectable at the date of acquisition.

The analysis conducted to allocate the price for the acquisition of the company resulted in an adjustment of the carrying amount of the assets of the integrated water service infrastructure by 1,866 thousand euros to bring it into line with the Regulatory Asset Base (RAB). The RAB represents the value of assets for regulatory purposes, calculated on the basis of the rules defined by the Regulatory Authority for Energy Networks and the Environment (ARERA) in order to determine the reference revenue for regulated businesses. RAB's value is

determined starting from the historical cost of acquisition or realisation of the assets at the time of their first use, net of any economic and monetary revaluations that may have occurred, revaluing it based on the deflation indices established by ARERA and published every two years on Water Tariff Method update. The assets are depreciated based on the regulatory useful life of each fixed asset category defined in the method. Furthermore, the carrying amount of the equity investment in the 49% affiliate EGUA was adjusted by 612 thousand euro in order to adjust it to the pro-rata share of equity.

Goodwill arising from the acquisition has been recognised as shown in the table below.

	thousands of euro
Fair value of the price transferred (cash and cash equivalents)	11,440
Fair value of net identifiable assets	(10,560)
Goodwill	880

The goodwill deriving from the acquisition mainly refers to the synergies that are expected to be obtained from the integration of the acquired company in the Integrated Water Service sector. Goodwill recognised in the financial statements will not be deductible for income tax purposes.

SEI Toscana

On 1 July 2022, the Group acquired control of the investee SEI Toscana, the company that manages the integrated municipal waste service of the "Toscana Sud" Optimal Territorial Areas (ATO), operating in over one hundred municipalities in the provinces of Arezzo, Grosseto, Siena and Livorno. The company also holds controlling stakes in Ekovision, which designs, develops and provides software assistance for applications dedicated to companies operating in the waste sector, and Valdisieve.

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, 41.77% of the company directly and, as stated in the previous section on the Valdarno Ambiente/CRCM transaction, 16.57% through Valdarno Ambiente and CRCM.

In the 6-month period ended 31 December 2022, the subsidiaries generated revenue of 106,715 thousand euro and a loss of 1,864 thousand euro. Management believes that if the acquisition had occurred on 1 January 2022, the impact on consolidated revenue would have amounted to 202,757 thousand euro and on consolidated profit for the year would have amounted to -3,887 thousand euro. In calculating the above amounts, Management assumed that the fair value adjustments at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2022.

The following table shows the value of identifiable assets acquired and liabilities assumed.

	thousands of euro		
	Nominal values	FV Adjustment	Fair Value
Property, plant and equipment	71,766		71,766
Intangible assets with a finite useful life	5,587	37,179	42,766
Other equity investments	1,689		1,689
Non-current trade receivables	11,690		11,690
Non-current financial assets	513		513
Other non-current assets	16,953		16,953
Deferred tax assets	8,999		8,999
Inventories	1,081		1,081
Trade receivables	49,343		49,343
Current tax assets	1,700		1,700
Sundry assets and other current assets	21,012		21,012
Current financial assets	23,250		23,250
Cash and cash equivalents	3,229		3,229
Non-current financial liabilities	(37,806)		(37,806)
Employee benefits	(4,105)		(4,105)
Provisions for risks and charges	(450)		(450)
Deferred tax liabilities	(561)	(10,827)	(11,388)
Sundry liabilities and other non-current liabilities	(2,608)		(2,608)
Current financial liabilities	(7,354)		(7,354)
Trade payables	(102,706)		(102,706)
Sundry liabilities and other current liabilities	(13,573)		(13,573)
Provisions for risks and charges - current portion	(3,419)		(3,419)
Total net identifiable assets	44,230	26,352	70,582

Current and non-current trade receivables include gross contractual amounts of 83,586 thousand euro, of which 22,553 thousand euro considered non-collectable at the date of acquisition.

The analysis conducted for the purpose of allocating the purchase price identified the intangible asset deriving from the ATO Toscana Sud integrated municipal waste management service concession.

The valuation of the concession, amounting to 37,179 thousand euro, was carried out on the basis of the *Multi Period Excess Earning method (MEEM)*, which is based on the principle that the entire current income of a company must be allocated to the assets identified at the time of purchase price allocation. The income attributable to the identified intangible asset can then be derived by deducting the normal remuneration of all other assets (property, plant and equipment and intangible assets) from total income. The fair value of the intangible asset is thus obtained by discounting the expected residual income over the years of the useful life of the asset.

The gain from the purchase at favourable prices was recognised as shown in the table below.

	thousands of euro
Fair value of interest held before acquisition of control	41,386
Restatement of interests at fair value through profit or loss	(1,219)
Fair value of net identifiable assets	(70,582)
Non-controlling interests in net identifiable assets	28,832
Profit from purchase at favourable prices	(1,583)

The remeasurement at fair value of the equity investment previously held by the Group in SEI Toscana generated a charge of 1,219 thousand euro (40,167 thousand euro after deducting 41,386 thousand euro relating to the carrying amount of the equity-accounted investment at the acquisition date). This amount has been included in the item "Impairment losses on investments". The gain from the purchase at favourable prices is recorded in the same item.

OTHER CHANGES IN THE CONSOLIDATION SCOPE IN 2022

During 2022, the Group acquired control of the special purpose entities Dogliani Energia, Mara Solar, Omnia Power and Limes 1/Limes 2.

Such acquisitions do not have the characteristics to be defined as a business and are therefore excluded from the scope of IFRS 3 - *Business Combinations*.

At the respective dates of acquisition, the companies were in fact substantially the holders, at the planning stage, of the agreements/authorisations for the forthcoming construction of a district heating network in the Municipality of Dogliani, in the Province of Cuneo (Dogliani Energia) and photovoltaic plants in Basilicata (Mara Solar and Omnia Power) and Lazio (Limes 1 and Limes 2). Consequently, these transactions represent an acquisition of individual assets/liabilities.

The table below summarises for each transaction the consideration transferred, the carrying amount of the individual assets/liabilities acquired, and the value of the assets to which the price differential was attributed.

	thousands of euro				
	Dogliani Energia	Mara Solar	Limes 1	Limes 2	Omnia Power
% Acquired	100%	100%	51%	51%	100%
Consideration transferred (cash and cash equivalents)	240	4,542	4,773	5,943	3,424
Assets and liabilities acquired					
Property, plant and equipment	10	107	1,445	863	94
Intangible assets with a finite useful life	-	43	-	1	2
Trade receivables	-	12	-	107	19
Sundry assets and other current assets	47	-	264	410	-
Cash and cash equivalents	1	592	5,452	8,524	1,564
Non-current financial liabilities	(12)	-	(2,119)	(4,213)	-
Sundry liabilities and other non-current liabilities	-	(146)	-	-	-
Trade payables	(6)	(6)	(995)	(861)	(27)
Sundry liabilities and other current liabilities	-	-	(2)	-	(1)
Total assets and liabilities acquired	40	602	4,045	4,831	1,651
Non-controlling interests in assets and liabilities acquired	-	-	(1,983)	(2,368)	-
Surplus consideration transferred	200	3,940	2,711	3,480	1,773
Allocation of surplus consideration transferred					
Intangible assets with a finite useful life	279	5,487	3,774	4,845	2,470
Deferred tax liabilities	(79)	(1,547)	(1,063)	(1,365)	(697)
Total	200	3,940	2,711	3,480	1,773

The surplus of the consideration transferred represents, net of the related tax effect, the value of the agreements/authorisations held by the acquired special purpose entities.

BUSINESS COMBINATIONS OCCURRING IN 2021 ACCOUNTED FOR PROVISIONALLY AS AT 31 DECEMBER 2021

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

For the acquisition of Sidiren and Bosch Energy and Building Solutions Italy, the definitive fair value of the consideration transferred, of the identifiable assets acquired and of the identifiable liabilities assumed was determined in 2022, reflecting the best knowledge gained in the meantime. In accordance with the provisions of the standard, the update of the fair value occurred with effect from the date of acquisition and, therefore, all changes were made to the financial position of the company acquired at that date. The resulting balances in the consolidated financial statements at 31 December 2021 have been restated to reflect the new amounts.

The IFRS 3 valuation period also ended for the acquisition of Lab231 and a business unit of Sviluppo Ambiente e Sicurezza in 2022. Provisional fair values of the identifiable assets acquired and liabilities assumed on the date when control was obtained were not changed and the values provisionally recognised in the 2021 financial statements were not changed.

Sidiren

On 16 July 2021, the Group completed the acquisition of 100% of Sidiren, a newco conferring 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 provisionally accounted for as of the acquisition date and the amounts restated in these financial statements as of that date.

	Provisional fair value	Fair value adjustment	Final fair value
Fair value of the price at the acquisition date	30,223		30,223
Fair value of net identifiable 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	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 the customer relationship, which was valued at 20,202 thousand euro using the discounted cash flow (DCF) method. Below are the main assumptions used in the evaluation of business relations with customers:

- 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 business relationships with customers 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 acquired company in the Group's market sector.

Iren Energy Solutions

On 30 November 2021, Iren Smart Solutions acquired the entire equity investment of Bosch Energy and Building Solutions Italy S.r.l. (Iren Energy Solutions as from 1 January 2022), operating in the energy efficiency sector, in particular in the design, construction and management of integrated heating, air conditioning and cogeneration plants for public and private customers.

In the one-month period ended 31 December 2021, the acquisition generated revenue of 6,437 thousand euro and a loss of 1,380 thousand euro. Management believes that if the acquisition had occurred on 1 January 2022, the impact on consolidated revenue would have amounted to 38,454 thousand euro and on consolidated profit for the year would have amounted to a loss of 5,830 thousand euro. In calculating the above amounts, Management assumed that the fair value adjustments at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2021.

The following table shows the value of the identifiable assets acquired and liabilities assumed provisionally accounted for as of the acquisition date and the amounts restated in these financial statements as of that date.

	thousands of euro		
	Provisional fair value	Fair value adjustment	Final fair value
Consideration transferred			
Cash and cash equivalents	29,001		29,001
Contingent consideration	5,268	(1,628)	3,640
Fair value of the price at the acquisition date	34,269	(1,628)	32,641
Fair value of net identifiable assets			
Property, plant and equipment	2,947		2,947
Intangible assets with a finite useful life	8		8
Non-current financial assets	17,472		17,472
Other non-current assets	1,134		1,134
Deferred tax assets	1,500		1,500
Inventories	126		126
Current contract assets	3,475		3,475
Trade receivables	19,574		19,574
Sundry assets and other current assets	334		334
Current financial assets	760	(132)	628
Cash and cash equivalents	1		1
Non-current financial liabilities	(87)		(87)
Employee benefits	(324)		(324)
Current financial liabilities	(172)		(172)
Trade payables	(10,764)		(10,764)
Sundry liabilities and other current liabilities	(1,612)		(1,612)
Provisions for risks and charges - current portion	(1,362)		(1,362)
Total fair value of net identifiable assets	33,010	(132)	32,878
Goodwill / (Profit from purchase at favourable prices)	1,259	(1,496)	(237)

The contingent consideration contractually recognised to the seller is influenced by the profitability of the company's existing orders. During 2022, the profitability analysis of these orders was completed, which led to a reduction of the estimated contingent consideration by 1,628 thousand euro.

In addition, the valuation of contract assets was completed in 2022, which resulted in a fair value adjustment of leasing assets of -132 thousand euro.

V. ACCOUNTING POLICIES

The accounting policies adopted in preparing the consolidated financial statements of Iren Group at 31 December 2022 are indicated below; the accounting standards described below have been applied consistently by all Group companies and have not changed compared to those adopted at 31 December 2021, with the exception of as reported in the paragraph "Changes in accounting standards" relating to the treatment of the Emission Trading Scheme (ETS).

CHANGES IN ACCOUNTING STANDARDS

In order to improve the representation of the operations and obligations related to the Emission Trading Scheme (ETS), starting in 2022, the Group decided to change its accounting procedure from the so-called "gross method" to the so-called "net method".

The gross method applied until 31 December 2021 required that all emission allowances were recognised as intangible assets, initially measured at fair value, represented by the actual purchase price, and were not amortised. Quotas received free of charge were not recognised. As regards obligations related to the year, the CO2 emissions made were measured at fair value, represented by the market price at year end and/or by the effective price of quotas already purchased, and were set aside as provisions for charges, used at the moment in which the rights are cancelled.

The net method applied from 2022 onwards provides that only those purchased emission allowances that exceed the requirement, determined in relation to the accrued obligations at the end of the year (so-called "surplus"), are recorded under other intangible assets at cost incurred. Quotas received free of charge are not recognised. Since it is an asset with instantaneous use, this item is not subject to amortisation. With regard to the obligations relating to the year, if the requirement exceeds the quotas in the portfolio at the reporting date (so-called "deficit"), the charge necessary to meet the residual obligation is allocated in the financial statements, estimated on the basis of any purchase contracts, including forward contracts, already entered into at the reporting date and, residually, market prices.

The new presentation method constitutes a change in accounting policy, in accordance with IAS 8 - Accounting Standards, Changes in Accounting Estimates and Errors. Therefore, it was necessary to restate the statement of financial position balances referring to previous years for comparative purposes only, with no impact on either the profit and loss or equity items. The following tables show the effects of the restatement of balances for the comparative years.

Statement of financial position

	thousands of euro					
	1.1.2021 Published	Adjustment	1.1.2021 Restated	31.12.2021 Published	Adjustment	31.12.2021 Restated
Intangible assets with a finite useful life	2,391,646	(71,554)	2,320,092	2,646,864	(143,865)	2,502,999
Total non-current assets	7,304,072	(71,554)	7,232,518	7,715,394	(143,865)	7,571,529
TOTAL ASSETS	9,573,642	(71,554)	9,502,088	10,310,454	(143,865)	10,166,589
Provisions for risks and charges - current portion	155,972	(71,554)	84,418	212,501	(143,865)	68,636
Total current liabilities	1,763,911	(71,554)	1,692,357	2,602,786	(143,865)	2,458,921
TOTAL LIABILITIES	6,808,895	(71,554)	6,737,341	7,359,794	(143,865)	7,215,929
TOTAL EQUITY AND LIABILITIES	9,573,642	(71,554)	9,502,088	10,310,454	(143,865)	10,166,589

Property, plant and equipment

- Property, plant and equipment owned

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all directly attributable costs necessary to make the asset available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and reclaiming the site on which it is located), net of trade discounts and rebates.

Borrowing costs related to the purchase or internal construction of items of property, plant and equipment are capitalised for the part of the cost of the asset until it becomes operative.

If significant items of such property, plant and equipment have different useful lives, these items are accounted for separately.

In particular, under this policy, land and buildings located on the land are to be recognised separately; only the buildings are depreciated, while the carrying amount of land is subject to impairment, as described in the section "Impairment losses on non-financial assets" below.

Maintenance costs of an ordinary nature are charged in full to profit or loss. Other costs of an incremental nature are allocated to the assets to which they refer, in accordance with IAS 16, and depreciated in relation to the residual useful life of the assets to which they refer. Costs that reasonably expect an increase in future economic benefits, such as an increase in useful life, an increase in production capacity, an improvement in product quality or the adoption of production processes that result in a substantial reduction in production costs, are considered to be incremental.

Assets under construction include costs related to the construction of plants incurred until the reporting date. These investments are depreciated once the asset becomes operative.

Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives. Landfills are depreciated based on the filling percentage.

The rates applied are provided for in the following table:

	Min. rate	Max. rate
Buildings	1.25%	20.00%
Light constructions	2.00%	35.00%
Vehicles	5.00%	25.00%
Sundry equipment	5.00%	35.00%
Furniture and office machines	6.00%	25.00%
Hardware	10.00%	50.00%
Plants	1.22%	35.00%

The changes in rates compared to 2021 are due to the new companies that came into the full consolidation scope, the updating of the economic and technical useful lives of individual assets and the outcome of the inspections carried out on them by the technicians responsible for the plants. It should be noted that, with the support of technical appraisals drawn up by independent experts, the useful lives of the so-called 'wet works' relating to large hydroelectric derivation plants were restated in 2022. As a result of this change, lower depreciation of 8,748 thousand euro was recorded in the 2022 financial statements.

The table below shows the residual term of the lease contracts on the basis of which the rights of use recognised among property, plant and equipment are depreciated:

	Years	
	from	to
Land	2	95
Buildings	2	57
Plant and machinery	3	7
Industrial and commercial equipment	5	5
Other assets (motor vehicles)	2	8

Government capital grants that relate to property, plant and equipment are recognised as deferred revenue and taken to profit or loss over the depreciation period of the related assets.

- Leased assets

Lessee

IFRS 16 establishes a criterion based on the control (right of use) of an asset to distinguish leases from contracts for services, regardless of the contractual form adopted (lease, rental or hire). The discriminants are: the identification of the asset, the right to replace the same, the right to obtain substantially all the economic benefits deriving from use of the asset and the right to direct the use of the asset underlying the contract.

On the lease side, the Group applies the practical expedient of IFRS 16, which requires the recognition of financial assets and related liabilities in the statement of financial position for all lease contracts with a term of more than 12 months, unless the underlying asset has a unit replacement value of less than five thousand euro.

The lease liability is initially measured at the present value of the payments due for the lease, primarily the fixed and/or variable payments contractually provided for in the contract and the price to exercise the option if there is reasonable certainty of exercising it; with regard to the rate used for discounting, reference is made to the marginal financing rate inferred from the market value of the listed debt instruments issued by Iren. Subsequently, the liability is reduced by the principal repaid and, if necessary, restated to take account of new valuations or changes. The residual debt must be accounted for by separating the current portion (within 12 months) from the non-current portion.

The right to use the asset underlying the lease contract is recognised under property, plant and equipment at cost, consisting of the initial measurement of the financial liability plus any initial costs incurred. The asset is depreciated over the term of the lease or, if the transfer of ownership at the end of the lease is provided for, over the expected useful life of the underlying asset. The asset may also be reduced as the result of any impairment losses, and adjusted to take into account any redetermination of the lease liability.

In the statement of financial position, the Group shows right-of-use assets that do not meet the definition of investment property under 'property, plant and equipment' and lease liabilities under 'financial liabilities'.

Interest on the debt and depreciation, as well as any impairment losses on the right-of-use asset, are recognised separately in the income statement.

Lessor

At the inception of a contract or upon amendment of a contract that contains a lease component, the Group allocates the contract consideration to each lease component based on its stand-alone price.

At the inception of the lease, the Group, in its role as lessor, classifies each of its leases as either a finance lease or an operating lease.

For this purpose, the Group generally assesses whether the lease transfers substantially all the risks and rewards associated with ownership of the underlying asset. In this case, the lease is classified as a finance lease, otherwise as an operating lease. As part of this assessment, the Group considers, among other indicators, whether the lease term covers most of the economic life of the underlying asset.

With respect to sub-leases, the Group, as an intermediate lessor, classifies its share in the main lease separately from the sub-lease. For this purpose, it classifies the sub-lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the head lease is a short-term lease that the Group has accounted for by applying the above exemption, the sub-lease is classified as an operating lease.

For contracts containing a lease component and one or more lease and non-lease components, the Group allocates the contract consideration by applying IFRS 15.

The Group applies the derecognition and impairment provisions of IFRS 9 to the net investment in leases. The Group periodically reviews estimates of non-guaranteed residual values used in the calculation of gross investment in leases.

The Group recognises payments received for operating leases as income on a straight-line basis over the lease term in 'other income'.

Investment property

Investment property is initially measured at purchase or construction cost. This cost includes the purchase price and any directly attributable costs. The related transaction costs are recognised among the property costs, when purchase is recognised. In the subsequent measured, investment properties are measured at cost.

Costs incurred subsequent to the purchase or completion of an investment property are charged to the initial cost of the asset if it is probable that, as a result of such costs, the company will obtain future economic benefits greater than those previously estimated. Otherwise, these costs are charged to profit or loss.

Investment property is systematically depreciated each year on a straight-line basis at rates deemed representative of the residual useful life of the asset.

Intangible assets

Intangible assets are recognised in the statement of financial position when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Development expenditure is capitalised if all of the following features can be demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If only one of these requirements is not met, the expenditure in question is fully expensed in the year in which it is incurred.

Intangible assets with a finite useful life are amortised systematically in accordance with their expected future useful life, such that their carrying amount at year end matches their residual useful life or their recoverable amount based on the group's plans to develop production. Amortisation begins when the asset is available for use.

Amortisation of intangible assets is calculated on a straight-line basis over the following useful lives:

	Years	
	from	to
Industrial patents and intellectual property rights	2	20
Concessions, licences, trademarks and similar rights	2	99
Software	2	5
Other intangible assets with a finite useful life	2	99

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation ceases at the later of either the date the asset is classified as held for sale (or included in a disposal group classified as held for sale) in accordance with IFRS 5 and the date when the asset is derecognised.

Assets under development and payments on account relate to internal and external costs associated with intangible assets for which ownership of the right has not yet been acquired and use in production has not yet started. These investments are amortised from the date they begin to be used in production.

In accordance with IAS 36, at each reporting date or whenever there is evidence that an intangible asset is impaired, intangible assets undergo an impairment test to verify the correspondence between its carrying amount and recoverable amount.

Goodwill

Goodwill is initially recognised at cost and represents the excess of the purchase cost and any non-controlling interests with respect to the net fair value referred to the identifiable assets and current and contingent and liabilities acquired. If, after this restatement, the fair value of current and contingent assets and liabilities exceeds the purchase cost, the excess is immediately recognised in profit or loss.

Any goodwill deriving from the acquisition of an associated company or joint venture is included in the carrying amount of the investment.

Goodwill is allocated to one or more cash-generating units and is not amortised, but is annually tested for impairment or more frequently if specific events or changes in circumstances indicate that impairment may have taken place (see section on “Impairment losses on non-financial assets”).

Non-current assets held for sale - Discontinued operations

A non-current asset (or disposal group of assets and liabilities) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the assets are measured in accordance with Group accounting policies. The asset (or disposal group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with Group accounting policies. Impairment losses due to the initial classification of an asset as held for sale and subsequent valuation differences are recognised in the income statement. Reversals of impairment losses are recognised only up to the amount of any accumulated impairment loss.

Discontinued operations represent a part of the group that has been discontinued or classified as held for sale, and:

- a. represents an important business unit or geographical segment;
- b. is part of a single coordinated disposal plan or an important autonomous business unit or geographical segment;
- c. is a subsidiary acquired solely with a view to resale.

If a single non-current asset is involved (e.g. a property or an investment in an associate), the recognition of profit or loss from the disposal or valuation depends on the nature of the asset.

If it is a discontinued operation and is a material component of the item “Profit/loss from discontinued operations”, a single amount is recorded represented by the total of:

- i) profit or loss on the discontinued operation, net of tax effects; and
- ii) the capital gain or loss, net of tax effects, recognised after the fair value measurement, net of costs to sell or actual disposal of the asset.

The income statement of the comparative year is restated in order to guarantee consistent comparison.

If the asset is immaterial, revenue and costs from the discontinued operation continue to be recognised on a line-by-line basis under the related income statement items, whilst the profit/loss from discontinued operations includes only the capital gain or loss referred to under point ii) above.

Service concession arrangements

IREN Group is subject to application of IFRIC 12, which defines the recognition and measurement criteria to be adopted in agreements between public and private sectors related to development, financing, management and maintenance of concession-based infrastructures. In particular, should the grantor control the infrastructure by regulating and controlling the characteristics of the services supplied and the applicable prices, as well as by maintaining a residual interest in the activity, the operator will acquire either the right to use said infrastructure, or the financial asset, or both, based on the agreements made. Therefore, the operators that are included in the above cases cannot recognise the assets dedicated to the supply of the service as property, plant and equipment in the statement of financial position, regardless of the acknowledgement of ownership in favour of the same operators included in the service concession arrangements.

In particular, the operator purchases a financial asset to the extent that it has an unconditioned contractual right to payment or another financial asset from, or upon instruction of, the grantor with reference to the building services. The financial asset recognised is subject to the provisions of IAS 32, IAS 9 and IFRS 7.

The operator purchases an intangible asset to the extent that it has a right (licence) to receive payment from users of the public utility. The right to receive payments from users is not an unconditional right to receive payments since the amounts depend on the extent to which the public uses the service. The intangible asset recognised is subject to the provisions of IAS 38.

If the operator is paid for the construction services partly with a financial asset and partly with an intangible asset, the two amounts composing the payment to the operator shall be recognised separately. The payment received or to be received for both items is initially recognised at the fair value of the amount received or to be received and disclosed in the relevant revenue item.

With reference to the grants received on non-current assets, included in the application of IFRIC 12, these grants are classified under Other liabilities, divided between current and non-current, while the related disbursement is included in Other revenue.

Impairment losses on non-financial assets

The IFRS require a company to assess whether there are any specific indications of impairment. An impairment test is performed, which consists of estimating the recoverable amount of the asset and comparing it to its carrying amount.

The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or Cash-Generating Unit, inclusive of taxes, by applying a discount rate, before taxes, which reflects the current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior years no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased, with a balancing entry in profit or loss, until the new recoverable amount is estimated. The latter amount shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is not applicable to goodwill.

The value in use is generally defined by discounting the cash flows expected from use of the asset or Cash Generating Units and from the amount expected from its disposal at the end of its useful life.

The Cash Generating Units were identified in keeping with the Group's organisational and business structure, as assets that generate independent incoming cash flows deriving from continuous use of the same.

Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Financial instruments

All financial instruments, including derivatives, are recognised in the statement of financial position when the group becomes a party to the agreement and therefore acquires a right to receive cash flows or an obligation to pay.

- Financial assets and liabilities

Upon initial recognition, the financial asset or liability is measured at fair value plus or minus, in the case of a financial asset or financial liability not measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition the financial asset or liability is measured as described below.

Financial assets are classified in three categories: a) financial assets measured at amortised cost; b) financial assets measured at fair value through other comprehensive income (FVOCI); c) financial assets measured at fair value through profit or loss (FVTPL).

The classification under the categories indicated above is made on the basis of the entity's business model and in relation to the characteristics of the cash flows generated by the said assets:

- a) a financial asset is measured at amortised cost if the entity's business model envisages that the financial asset is held to collect the related cash flows (therefore, substantially, not to make a profit also from sale of the instrument) and the characteristics of the cash flows of the asset correspond only to payment of principal and interest;
- b) a financial asset is measured at Fair Value with a balancing item in Other Comprehensive Income if it is held with the objective both of collecting the contractual cash flows, and of being sold (Hold to Collect and Sell model);
- c) finally if it is a financial asset held for trading and in any case does not come within the cases indicated in points a) and b) it is measured at fair value through profit or loss.

At each reporting date all financial assets, with the exception of those measured at fair value recognised in profit (loss) for the year, are subjected to an impairment test to determine whether there is objective evidence that can lead to the belief that the value of the asset is not fully recoverable. In accordance with what is provided for in IFRS 9 the impairment model adopted by Iren Group is based on expected credit losses, where "loss" means the present value of all cash shortfalls considering forward-looking information. According to the general approach concerning all financial assets, the expected credit losses is a function of probability of default (PD) of the loss given default (LGD) and exposure at default (EAD): the PD represents the probability that an asset will not be repaid and will go into default; the LGD is the amount of money lost when a borrower defaults on a loan; the EAD represents the exposure claimed against the counterparty, including any guarantees, collateral, etc. The estimate is made initially on the expected credit losses in the subsequent 12 months; in view of any gradual deterioration of the financial asset, the estimate is adjusted to cover the expected credit losses along the entire life of the financial asset.

Financial liabilities are generally classified as measured at amortised cost, with the exception of derivatives which are measured at fair value through profit or loss. Changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to a change in the creditworthiness of the liability itself are recognised under other comprehensive income.

- Other equity investments

Other equity investments, consisting of non-controlling interests in unlisted companies that the Group intends to keep in its portfolio in the near future, are measured at FVTPL – fair value through profit and loss.

- Hedging instruments

The Group holds hedging instruments, acquired for non-speculative purposes, solely to hedge its exposure to currency, interest rate and commodity risks.

A hedging relationship qualifies for hedge accounting if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the group's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
- for cash flow hedges, an expected future transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;

- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are recognised at fair value, determined with measurement models appropriate to each type of financial instrument using, where available, the forward curves of both regulated and unregulated markets (intrinsic value); for options, the fair value is supplemented with the time value component, which is based on their residual life and the volatility of the hedged item.

At each reporting date, hedging instruments are tested for effectiveness to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting. A hedging relationship is effective if:

- there is an economic relationship between the hedged instrument and hedging instrument;
- the credit risk effect does not dominate the change in value that results from the economic relationship;
- the ratio between the quantity of the hedging instrument and the quantity of the hedged instrument in terms of relative weight does not determine an imbalance in terms of the hedge ratio.

If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, changes in the fair value of the hedging instrument are recognised in equity for the effective portion of the hedge (intrinsic value), and in profit or loss for the time-value portion and any ineffective portion (over-hedging);
- for fair value hedges, changes in the fair value of both the hedging instrument and the hedged item are recognised in profit or loss.

If the hedge does not meet the criteria for hedge accounting, the gains or losses deriving from measurement at fair value of only the hedging instrument are fully recognised in profit or loss.

Considering the provisions of IFRS 7 on the fair value hierarchy, as extended by IFRS 13, for each category of financial instrument measured at fair value the fair value hierarchy is as follows:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability which are not based on observable market data.

- Trade receivables and payables

Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement, and are recognised at fair value (equal to their nominal value). After initial recognition they are measured at amortised cost.

Trade receivables are shown net of loss allowances determined, in accordance with IFRS 9, by applying, instead of the general approach, valid for all financial assets with the exception of those measured at fair value through profit or loss, the simplified approach and, more specifically, the provision matrix model, which is based on identifying the default rates by maturity bands observed on a historical basis, applied for the entire expected life of the receivable and updated on the basis of significant future scenario elements.

- Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents, including ancillary charges, are measured at fair value.

Cash on hand and equivalents in hand are measured at their nominal value.

- Derecognition of financial assets and liabilities

Financial assets are derecognised whenever one of the following conditions occurs:

- the contractual right to receive the cash flows associated with the asset has expired;
- the Group has substantially transferred all the risks and benefits associated with the asset, either by transferring its rights to receive the cash flows from the asset or assuming a contractual obligation to remit the cash flows to one or more beneficiaries under a contract that meets the requirements under IFRS 9 (pass through test);
- the Group has transferred the control of the financial asset but has neither transferred nor retained the risks and benefits associated with the financial asset.

Financial liabilities are derecognised when they are settled, i.e. when the contractual obligation is fulfilled, cancelled or prescribed. When an existing financial liability is replaced by another to the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such replacement or modification is treated as derecognition of the original liability and recognition of a new liability.

The difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories, consisting mainly of materials and equipment for plant maintenance and construction, raw materials, such as fuel oil and diesel oil, and gas in connection with marketing activities, are measured at the lower of cost (consisting of purchase price, conversion costs and other costs incurred in bringing the inventories to their present location and condition) and estimated net realisable or replacement value.

Cost is determined using the weighted average cost method.

If the cost of inventories cannot be recovered because they are damaged, have become entirely or partly obsolete or their sales prices have decreased, they are written down to their net realisable value. If the circumstances leading to the write-down no longer exist, the write-down is reversed.

Equity

Share capital, including the various categories of shares, is stated at its nominal value less share capital proceeds to be received.

The purchase cost of treasury shares is recognised as a reduction in equity.

Costs directly attributable to share capital transactions of the parent, for new subscriptions, are offset against equity.

Dividends are recognised as liabilities when they are approved by the shareholders.

Employee benefits

Post-employment benefits are defined according to plans which, based on their characteristics, are separated into “defined contribution” and “defined benefit” plans.

In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For the Group, this category includes post-employment benefits accrued from 1 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the portion paid to the supplementary pension funds.

The liability relating to defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For the Group, this category includes post-employment benefits accrued up to 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the tariff discounts for employees and former employees, additional monthly salary payments, the loyalty bonus paid to employees, and contributions paid to the Premungas fund.

The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, considering economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured. For post-employment benefits accrued as at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the proportional basis is not applied because at the reporting date the benefits can be considered accrued in full.

The demographic, economic and financial variables are validated annually by an independent actuary.

As regards presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:

- 1) operating (service costs), personnel expense;
- 2) financial (financial expense), net interest income/expense;
- 3) measurement (remeasurement costs), actuarial gains/losses.

Gains and losses resulting from actuarial calculations for post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in profit or loss.

With regard to disclosures, information is provided on the characteristics of the plans and the amounts recognised in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of fluctuations in demographic risk.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover liabilities of uncertain amount or maturity that must be recognised when, and only when, the following conditions are met:

- the group has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the consolidated financial statements, and no provision is made.

No provision is made for events that are only remote, i.e. events that have very little chance of occurring, and no additional or supplementary information is provided.

Provisions are recognised at the amount representing the best estimate of the amount that the group would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.

On discounting, the time-related increase in the provision is recognised as financial expense.

The post-closure provisions are discounted according to the cash flows indicated in the report prepared by an independent expert.

Revenue from goods and services

Revenue is measured at fair value with respect to the amount received or due, taking account of any trade discounts and reductions connected with quantity. A distinction is made between revenue from operating activities and any financial income accruing up to the date of collection.

For correct recognition of revenue from contracts with customers, reference is made to the provisions of IFRS 15, which provides for a revenue recognition model based on 5 steps:

1. identify the contract with the customer. Contract means a commercial agreement approved by two or more parties that creates enforceable rights and obligations. A contract is valid when the following conditions are jointly met: a) the parties have approved the contract (in writing or according to usual commercial practices); b) it is possible to identify the customer's rights as regards the goods or services that must be transferred; c) the payment terms are identifiable; d) the contract has commercial substance; e) it is probable that the price will be collected (only the customer's ability and intention to pay are considered);
2. identify the "Performance Obligations" contained in the contract. Where a contract provides for the supply/provision of multiple goods and services, it is assessed whether these should be recognised separately or together, considering their individual characteristics.

Activities carried out to execute the contract, such as administrative formalities for preparing the contract itself, do not transfer separate goods and services to the customer, and therefore do not represent performance obligations. Non-refundable initial expenses charged to the customer are not revenue unless they refer to separate goods and services.

If under a contract an entity grants the customer an option to purchase future goods or services, that option is a separate performance obligation only if it provides the customer with a benefit that it could not otherwise obtain, such as a greater discount than is typically given for those particular goods or services. An option to purchase goods or services at a price that reflects its stand-alone selling price, is not a separate performance obligation even if it can be obtained only by signing the contract in question.

In this context, it is determined whether the entity is acting as "principal" or "agent," depending on whether or not, respectively, it controls the promised good or service before control thereof is transferred to the customer. When the entity acts as an "agent," particularly with respect to gas and electric grid connection services, revenue is recognised on a net basis;

3. determine the "Transaction Price". The following elements must be considered in determining the transaction price: a) any amounts collected on behalf of third parties, which must be excluded from the price; b) variable components of the price (such as performance bonuses, penalties, discounts, refunds, incentives, etc.); c) financial component, if the payment terms grant the customer a significant extension;
4. allocate the price to the Performance Obligations on the basis of the "Relative Stand Alone Selling Price". For any bundled supplies, the selling price is generally allocated on the basis of the stand-alone price of each good or service, i.e., the price at which the Group would sell such good or service separately to the customer;
5. recognise revenue when the Performance Obligation is satisfied. The asset or service is transferred when the customer obtains control over the asset or service and that is when it has the ability to decide and/or direct its use and obtain substantially all its benefits. The transfer of control, and consequently the recognition of revenue may occur at a certain point in time or over time.
For each obligation fulfilled over time, revenue is recognised by evaluating progress toward complete fulfilment of the obligation. On the asset side, contract assets, specifically identified in the financial statements, represent the right to the price for goods and services transferred to the customer when said right is subject to a condition other than the passage of time.
When said right is unconditional, i.e. collection of the price depends solely on the passage of time, a receivable is recognised.
If the customer pays the price before the transfer of goods or services occurs, a liability arising from contracts with customers is recognised at the time payment is made (or payment is due); this liability is recognised as revenue when the obligation under the contract is fulfilled.

With reference to the Group's operating segments, it should also be noted that:

- revenue from the sale of electricity, gas and heat to customers is recognised at the time of supply and include the estimated amount relating to supplies made but not yet invoiced. This estimate is based on the customer's historical consumption profile, adjusted to reflect weather conditions or other factors that may affect the estimated consumption;
- revenue from network businesses (electricity, gas and water distribution) is entered on the basis of the tariffs determined by the competent Authorities to reflect the remuneration paid for the investments made;
- revenue relating to contracts for the energy efficiency upgrading of buildings or plants is recognised on the basis of the stage of completion of the contract work, inferred from the total of the estimated costs incurred, through the recognition of an asset resulting from contracts with customers until the obligation has been fully met.

In the event of contractual amendment, that is a change in the subject and/or the price of the contract approved by the parties, if the amendment introduces new separate goods and/or services and the increase in the contractual price is equal to the stand-alone selling price of the new goods and/or services, the contractual amendment is accounted for as a new contract. If the two aforementioned conditions are not met and the goods and/or services still to be delivered are separate with respect to what has already been transferred to the customer before the amendment, the change is treated as cancellation of the old contract and introduction of a new contract with prospective effect on revenue; otherwise the amendment is treated as continuation of the original contract with retrospective effect on revenue.

The costs of obtaining contracts with customers are capitalised in accordance with the provisions of IFRS 15 and are amortised over the duration of the relationship with the customer. In order to determine this expected period, reference is made to historical experience with churn rates.

Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically recognised as income over the useful life of the asset to which they refer. The deferred revenue relating to the grants is reflected in the statement of financial position under other liabilities, with appropriate separation of the current and non-current parts.

Grants related to income are recognised in profit or loss when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Connection grants invoiced by distribution companies as reimbursement of the costs incurred for the connection/meter installation pursuant to IFRS 15 cannot be considered part of the distribution service fee as there is no transfer of control over the asset. Therefore, they are deferred and released over the life of the relevant asset in line with what is envisaged for tariff purposes.

Other income

Other income includes all kinds of revenue not included in the previous types and not of a financial nature.

Revenue is measured at the fair value of the consideration received or receivable and is recognised when the amount of revenue can be reliably estimated and it is probable that the economic benefits of the transaction will flow to the group .

Costs for the purchase of goods and services

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. Costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

Financial income and expense

Financial income and expense are recognised when they accrue on the basis of the interest earned on the net amount of the related financial assets and liabilities using the effective interest rate.

Borrowing costs that are directly attributable to the acquisition, construction or production of a plant are capitalised when it is probable that they will result in future economic benefits for the group and are reliably determined.

Income taxes

Income taxes include all the taxes calculated on the Group's taxable income.

Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable.

Deferred taxes have been calculated considering the expected tax rate for the year in which the differences will reverse.

The Group also exercised the option, pursuant to Art. 118 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the Parent IREN S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES assets.

Uncertainty of income tax treatment

The definition of uncertainty should consider whether a given tax treatment would be acceptable to the Tax Authority. If it is considered probable that the Tax Authority will accept the tax treatment (the term "probable" being understood as "more likely than not"), then the Group recognises and measures its current or deferred tax assets and liabilities by applying the provisions of IAS 12.

Conversely, if the Group believes that it is not likely that the Tax Authority will accept the tax treatment for income tax purposes, the Group reflects the effect of such uncertainty by using the method that best provides for the resolution of the uncertain tax treatment. The Group decides whether to consider each uncertain tax treatment separately or in conjunction with one or more uncertain tax treatments, choosing the approach that best provides for resolution of the uncertainty. In assessing whether and how uncertainty affects tax treatment, the Group assumes that the Tax Authority does or does not accept uncertain tax treatment on the assumption that the Tax Authority, on audit, will check the amounts it is entitled to examine and that it will be fully aware of all relevant information. The Group reflects the effect of uncertainty in determining current and deferred income taxes, using either the expected value method or the most probable amount method, depending on which method best provides for resolution of the uncertainty. Since uncertain tax positions relate to the definition of income taxes, the Group reports uncertain tax assets/liabilities as current taxes or deferred taxes.

Translation criteria for foreign currency items

The functional and reporting currency adopted by the Group is the Euro. When transactions in foreign currency are made, they are initially recognised at the exchange rate in effect on the transaction date. Except for non-current assets, assets and liabilities in foreign currency are recognised at the closing rate and related foreign exchange gains and losses are charged to profit or loss. Any net gain that emerges is set aside in a special reserve unavailable until realisation.

Emission Trading Scheme

The Emission Trading Scheme is part of the so-called 'flexible mechanisms' allowed under the Kyoto Protocol to reduce greenhouse gas emissions. In this context, the Group actively participates in the emissions trading scheme, contributing to the achievement of the reduction targets set by the national reduction plan.

The emission quotas purchased as part of the activities related to the achievement of these objectives in excess of the requirements, determined in relation to the obligations accrued at the end of the financial year (so-called "surplus"), are recorded under other intangible assets at cost incurred. Quotas received free of charge are not valued. Since this asset can be used instantaneously, it is not subject to amortisation.

With regard to the obligations relating to the year, if the requirement exceeds the quotas in the portfolio at the reporting date (so-called "deficit"), the charge necessary to meet the residual obligation is accrued in the financial statements, estimated on the basis of any purchase contracts, including forward contracts, already signed at the reporting date and, residually, market prices.

Any emission quotas held for trading which are still unsold at year end are recognised in under Inventories. These quotas are measured at the lower of cost and market value.

Other energy certificates

Closely related to the activities carried out, the Group is interested in certain types of incentives or energy certificates strictly related to the performance of specific activities aimed at energy saving and the introduction into the electricity system of energy produced from renewable sources. In particular, the Group received:

- from the Energy Services Operator (“Gestore dei Servizi Energetici” - GSE) the ex-green certificate incentive, as established by the Ministerial Decree of 6 July 2012, valid for the production of plants that already benefited from green certificates;
- from the Energy Services Operator (GSE), tradable certificates that certify that energy-saving measures have been carried out (Energy Efficiency Certificates – “EECs”- the so-called “white certificates”).

For accounting purposes, these cases are treated as follows:

- the incentive tariff (formerly referred to as green certificates) deriving from the annual production of electricity from renewable sources is recognised on the basis of the accruals concept when the right matures;
- white certificates are accounted for in a slightly different way according to whether the entity is obliged or not obliged to return the EECs.

In fact, entities that are obliged to return EECs recognise among other income the grant received related to the obligation for the year and among cost for raw materials the cost of EECs purchased to meet this obligation in the year of accrual. If the EECs purchased exceed the compulsory amount, the cost of the exceeding purchased certificates is discounted; conversely, if the certificates purchased are not enough to meet obligations, the cost of certificates to be purchased will be allocated to meet the compulsory amount for the year.

Entities not obliged to return the EECs:

- if they operate in trading activities, recognise revenue and costs of the certificates bought and sold and suspend among Inventories any unsold certificates, measured at the weighted average cost and at the lower between cost and market;
- if white certificates mature in the context of energy efficiency and energy saving activities, the related revenue is recognised as it accrues.

Earnings per share

- Earnings per share

The group calculates basic earnings per share on the basis of the profit or loss attributable to ordinary shareholders of the parent. Basic earnings per share are calculated by dividing the profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

- Diluted earnings per share

The group calculates diluted earnings per share based on the profit or loss attributable to shareholders of the parent.

For the purposes of calculating diluted earnings per share, the number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares that could be issued on conversion to shares of all potential ordinary shares with dilutive effects. This conversion takes place at the beginning of the year or at the date of issue of the potential ordinary shares.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED 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:

Amendment to IAS 37 - Onerous Contracts

The document, issued by the IASB in May 2020 and endorsed by the European Union through Reg. 2021/1080 of 28 June 2021, specifies which costs should be included in the cost of performing a contract in order to identify any onerous contract. In particular, paragraph 68A clarifies that costs necessary to perform the contract include: (a) incremental costs incurred by the entity in performing the contract, such as materials and direct labour; and (b) an allocation of other costs, such as a portion of the depreciation of a facility used to perform the contract on a non-exclusive basis. The amendment must be applied as of 1 January 2022, with respect only to contracts in

effect on the date of initial application. An entity shall not restate prior year balances; 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).

Amendment to IAS 16 - Property, plant and equipment - proceeds before intended use

The document, issued by the IASB in May 2020 and endorsed by the European Union through Reg. 2021/1080 of 28 June 2021, introduces some changes to *IAS 16 - Property, Plant and Equipment* with reference to the accounting for proceeds 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 proceeds shall no longer be deducted from the cost of property, plant and equipment (offsetting is therefore eliminated). Sales proceeds and costs of these items must 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 proceeds and cost 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 cycle of improvements to IFRS 2018-2020

The amendments will be applicable for annual reporting periods beginning 1 January 2022.

The main amendments regard:

- IFRS 1 First-time Adoption of IFRS - Subsidiary as a First-time adopter - A subsidiary that applies the IFRS for the first time after its parent, may apply paragraph D16(a) of IFRS 1 and measure cumulative translation differences using the amounts recognised in the group's consolidated financial statements, which were determined based on the parent's date of transition to IFRS. The above exemption can also be applied by associates and joint ventures that apply IFRS for the first time after their investor.
- IFRS 9 Financial instruments - Fees included in the "10 per cent" test for the purpose of derecognition of financial liabilities - The amendment to IFRS 9 has clarified that the fees to be considered in the above 10 per cent 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.

Amendment to IFRS 3 - Reference to the framework for the preparation and presentation of financial statements.

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 financial performance.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BUT NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP

IFRS 17 - Insurance contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts, which replaces IFRS 4, issued in 2004. The standard aims to improve investor understanding of insurers' risk exposure, profitability and financial position by requiring that all insurance contracts be accounted for consistently by overcoming the comparison problems created by IFRS 4.

The standard goes into effect on 1 January 2023. However, earlier application is permitted. This standard will not have a significant impact on the Group's financial position and financial performance and related financial reporting.

Amendments to IAS 1 and to IAS 8

European Union Regulation 2022/357 of 2 March 2022 adopts the amendments to IAS 1 and IAS 8 published by the IASB on 12 February 2021. The amendments clarify the differences between accounting policies and accounting estimates in order to ensure the consistent application of accounting standards and the comparability of financial statements. The amendments must be applied at the latest from the starting date of the first financial year beginning on or after 1 January 2023. Early application is, however, permitted.

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

It should be noted that these documents will only be applicable once they have been approved by the EU.

Document title	Date issued by the IASB	Effective date of the IASB document	Date of expected EU type-approval
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Approval process suspended pending new accounting standard on "rate-regulated activities".
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of IASB project on the equity method	Endorsement process suspended pending conclusion of IASB project on the equity method
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Non-current liabilities with covenants	January 2020	1 January 2024	To be defined
	July 2020		
Lease liability in a sale and leaseback (Amendments to IFRS 16)	October 2020	1 January 2024	To be defined
	September 2022		

As regards the new standards applicable starting from 2023 or subsequent years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.

VI. GROUP FINANCIAL RISK MANAGEMENT

A summary of the risk management and control methods is shown below with respect to financial instruments (liquidity risk, currency risk, interest rate risk, credit risk) and *commodity* price risk related to fluctuations in the prices of energy *commodities*.

1. FINANCIAL RISKS

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

a) Liquidity risk

Liquidity risk is the risk that financial resources available to the group will be insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines. The procurement of financial resources has been centralised in order to optimise their use. In particular, centralised management of cash flows at Iren makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense. A number of investees have an independent financial management structure in compliance with the guidelines provided by the parent.

The current and forecast financial position and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the coverage of short-term financial commitments. At the end of the year, short-term bank credit facilities used by the Parent were nil.

In addition, having assessed the convenience and advisability from time to time in the context of optimising available financial resources, the Group carries out non-recourse factoring of trade receivables, assets related to energy certificates and tax assets, benefiting from the liquidity advance arising therefrom.

To support the Group's liquidity profile and rating level, Iren has 295 million euro in medium/long-term financing lines that were agreed and available but not used, in addition to current liquidity.

The table below illustrates the nominal cash flows required to settle financial liabilities:

Financial liabilities at 31 December 2022:

	thousands of euro				
	Carrying amount	Contractual cash flows	within 12 months	1-5 years	Beyond 5 years
Mortgage loan and bond liabilities (*)	4,248,825	(4,674,533)	(132,459)	(2,284,415)	(2,257,659)
Hedging of interest rate risk (**)	(52,813)	52,813	11,977	34,463	6,373
Lease liabilities	64,745	(69,715)	(16,254)	(39,291)	(14,170)

(*) The carrying amount of "Mortgage loan and bond liabilities" includes both current and non-current portions.

(**) The carrying amount of "Hedging of interest rate risk" includes the positive and negative fair value of the hedging contracts.

Financial liabilities at 31 December 2021:

	thousands of euro				
	Carrying amount	Contractual cash flows	within 12 months	1-5 years	Beyond 5 years
Mortgage loan and bond liabilities (*)	3,866,528	(4,086,459)	(444,443)	(1,355,691)	(2,286,325)
Hedging of interest rate risk (**)	46,845	(46,845)	(13,442)	(28,154)	(5,249)
Lease liabilities	38,940	(40,055)	(10,424)	(18,741)	(10,890)

(*) The carrying amount of "Mortgage loan and bond liabilities" includes both current and non-current portions.

(**) The carrying amount of "Hedging of interest rate risk" includes the positive and negative fair value of the hedging contracts.

The expected cash flows to settle other financial liabilities, other than those to lenders and those related to the application of IFRS 16 on the leases reported in the tables above, do not differ significantly from the carrying amount reported in the consolidated financial statements.

Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suited to its needs, and the best market conditions.

Details of the activities performed in this area and of the individual transactions are shown in the Financial management section of the Directors' report.

Financial debt at year end consisted of 29% loans and 71% bonds; it is also noted that:

- 76% of total debt is financed by sustainable funds, consistent with the Iren Sustainable Finance Framework, such as Green Bonds and loans whose interest rate is linked to ESG Key Performance Indicators - see also Note 21 "Non-current financial liabilities" of these Notes;
- 71% of the residual debt for mortgages is contracted at a fixed rate and 29% at a variable rate.

With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (*default* risk and *covenants*), it is noted that the clauses in Iren's loan agreements are complied with. Specifically, for certain medium/long-term loan agreements Iren is committed to observing financial *covenants* (such as Debt/gross operating profit, gross operating profit/borrowing costs) verified on a yearly basis. Moreover, other covenants have been provided for the *Change of Control* clause, which states that Iren Group should be kept under the direct and indirect control of public shareholders. In addition, *Negative Pledge* clauses exist whereby the group 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 indebtedness, specifically the Project Finance contract with TRM, envisage the observance of financial covenants which have been complied with.

b) Currency risk

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

c) Interest rate risk

Iren Group is exposed to fluctuations in interest rates, especially with regard to borrowing costs. Iren Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

For non-speculative purposes, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by *swap* and *collar* contracts with financial high credit *standing* counterparties, for the sole purpose of hedging. At the end of the year, all the contracts entered into meet the requisite of limiting the exposure to the risk of fluctuations in interest rates and they also meet the formal requirements for the application of hedge accounting.

The fair value of the aforementioned interest rate hedging contracts as at 31 December 2022 relates to the position of the parent (positive 61,729 thousand euro) and TRM (negative 8,916 thousand euro).

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 96% of loans against interest rate risk, in line with Iren Group's target of maintaining adequate protection against significant increases in the interest rate.

For a more complete understanding of the interest rate risks to which the Group is subject, stress testing was performed on the sensitivity of net financial expense and evaluation portions in derivative financial contracts to changes in interest rates. With regard to financial expense, this analysis was performed based on assumptions of reasonableness, as follows:

- a theoretical increase and decrease of 100 basis points in the Euribor interest rates over the year was applied to net financial indebtedness;
- if there was any existing hedge, interest rate shock was applied to both the debt position and related hedging derivative with an extremely limited net effect on the income statement;
- the change in interest rates is also applied to any portion of interest expense capitalised in the year.

With regard to hedging derivatives at year end, a 100 basis points theoretical increase and decrease was applied to the forward curve of interest rates used to measure the *fair value* of the hedges.

The table below illustrates the results of the above sensitivity analysis performed with reference to 31 December 2022.

	increase of 100 bps	decrease of 100 bps
Increase (decrease) in net financial expense	473	-476
Increase (decrease) in derivative fair value charges	491	-511
Increase (decrease) in hedging reserve	30,830	-33,054

thousands of euro

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of energy, water and waste management services. The receivables are spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored.

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. This risk reflects, among other factors, also the current economic and financial situation that in 2022, led to particularly significant price increases for gas, electricity and district heating end customers. 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. It should be noted, however, that in some regulated sectors there are specific tariff reintegration mechanisms linked to uncollected amounts and arrears, determined ex-ante (for the Integrated Water Service) or ex-post (for the waste and electricity distribution sectors).

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.

With reference to Trade Receivables and their breakdown by Business Unit and ageing bracket, please refer to the contents of Note 14 "Trade Receivables" in Section X. "Information on the statement of financial position".

The loss allowance reflects, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and is determined on the basis of the extraction from databases of the amounts making up the receivable and, in general, assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related expected credit losses determined on a prospective basis, taking into due consideration the historical data.

In this regard, a breakdown by financial statements item of the estimated expected credit losses recognised in the year is provided.

	thousands of euro
Trade receivables	61,696
Non-current trade receivables	855
Non-current contract assets	914
Total to IS impairment losses on loans and receivables	63,465
Current financial assets	2,930
Non-current financial assets	163
Total - to IS under Financial expense	3,093
Total	66,558

Again with reference to Trade Receivables, in the related Note 14 to the consolidated Financial Statements, the appropriate loss allowance is disclosed by segment, with evidence of average loss percentages by ageing bracket.

There is credit concentration in the transactions between the subsidiaries Iren Smart Solutions and AMIAT and the Municipality of Turin. For further details, see in particular Note "Non-current financial assets" of the Notes to the statement of financial position.

3. ENERGY RISK

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 currency 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) on commodities (commodity swaps on TTF, PSV, PFOR and PUN indices) totalling 5.4 TWh. The fair value of these instruments as at 31 December 2022 was negative overall by 5,532 thousand euro (depending on the different positions, of which 182,423 thousand euro of positive fair value included in current financial assets and 187,955 thousand euro of negative fair value included in current financial liabilities);
- on the regulated platform European Energy Exchange - EEX, on PUN for a total net notional amount equal to 13 GWh. The Fair Value of these instruments as at 31 December 2022 is positive overall for 37,404 thousand euro, with daily settlement on a specific current account: these instruments are not specifically valued in the financial statements as they are already expressed in terms of "higher/lower" liquidity.

Between the end of February and the beginning of March 2022, the so-called Block Deals were performed for a volume of 300 MW, aimed at neutralising the position on EEX, with simultaneous reopening of the position on OTC.

This strategy made it possible, with a view to containing liquidity risk and for low fees, to eliminate the Initial Margin and to freeze the Variation Margin at the execution date for neutralised EEX transactions. These transactions were due on 31 December 2022.

Finally, it should be noted that, following the enactment of Legislative Decree No. 115 of 9 August 2022, the reference index for the coverage of natural gas procurement costs applied to customers in the protected market was converted from the PFOR index (based on the value of the Dutch TTF market and determined by ARERA to update the quarterly price of natural gas) to the PSV Day-Ahead index. As a result, hedging relationships for OTC derivatives related to the PFOR index totalling 464 GWh, relating to the fourth quarter of 2022, were discontinued and hedge accounting for the cancellation of the originally hedged PFOR exposure was discontinued. For further details, please refer to the paragraph 'ARERA Resolution of 29 July 2022 374/2022/R/gas' in 'Significant non-recurring events and transactions' in the section 'Other information'.

RECOGNITION OF DERIVATIVES

Financial derivatives are measured at fair value, determined on the basis of market values or, if unavailable, according to an internal measurement technique.

In order to recognise derivatives, it is necessary to distinguish between transactions that meet all of the IFRS 9 requirements in order to account for them in compliance with the hedge accounting rules and transactions that do not fulfil all of the aforesaid requirements.

Transactions recognised under hedge accounting

These transactions may include:

- fair value hedges: the derivative and the hedged item are recognised at fair value in the statement of financial position and the change in their fair values is recognised directly in the income statement;
- cash flow hedges: the derivative is recognised at fair value with a balancing entry in a specific equity reserve for the effective portion of the hedge and in the income statement for the ineffective portion; 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 in the statement of financial position at fair value. The change in the fair value of the derivative and the realised portion is recognised in the income statement according to the following classification:

- in the case of derivative instruments on commodities for which there is a relationship with a cost or revenue component, in the gross operating profit; in particular, the realised portion is accounted for as an adjustment to the cost or revenue component to which it refers and that deriving from the evaluation of the derivative at the end of the year under other expense or under other income;
- in the case of interest rate risk hedges, it is recognised in financial income or expense.

Finally, in the case of derivative instruments for which there is no longer a relationship with a cost or revenue component, the change in the fair value of the derivative is recognised in financial income and expense, as they are considered instruments with purely financial characteristics and do not have the characteristics to manage exposures arising from particular risks that could affect the profit for the year.

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. In the case of derivative instruments for which there is no relationship with a cost or income component, the fair value of the derivative is recognised as long-term financial liabilities/assets for the maturing quota more than twelve months from the balance sheet date, while it is recognised as short-term financial liabilities/assets for the maturing quota within twelve months from the balance sheet date.

FAIR VALUE

The following table shows, for each financial asset and liability:

- the carrying amount, including the method of accounting;
- the fair value, including the Level in the relative hierarchy.

In this regard, the various levels were defined as shown below:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability which are not based on observable market data.

Mortgages and bonds

The fair value of Level 2 loans is determined as the sum of the expected future cash flows associated with the asset or liability including the related component of 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 (rate 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.

Put options

Financial liabilities for put options concern the fair value measurement of put options granted to non-controlling investors of I.Blu and Nord Ovest Servizi. Their nominal value, contractually defined between the parties and discounted to take into account the time component with respect to the exercise date, is the directly observable input for the Level 2 fair value measurement.

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 show the assets and liabilities relating to derivatives stipulated on the EEX market (used both for cash flow hedges and fair value hedges), which present a daily settlement of their fair value on a specific current account: they are not specifically measured in the financial statements as they are already expressed in "higher/lower" liquidity.

In order to provide a disclosure as complete as possible, the corresponding figure from the previous year is also indicated.

thousands of euro

31.12.2022	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 (rate and commodities)	244,152				244,152
Assets for variable portion of transfer price OLT Offshore LNG Toscana		25,077			25,077
Other equity investments		10,188			10,188
Total Financial assets measured at fair value	244,152	35,265	-	-	279,417
Financial assets not measured at fair value					
Trade receivables			1,440,323		1,440,323
Loan assets			156,204		156,204
Sundry assets and other assets (*)			488,240		488,240
Cash and cash equivalents			788,402		788,402
Total Financial assets not measured at fair value	-	-	2,873,169	-	2,873,169
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)	(196,871)				(196,871)
Put options		(7,227)			(7,227)
Total Financial liabilities measured at fair value	(196,871)	(7,227)	-	-	(204,098)
Financial liabilities not measured at fair value					
Bonds				(3,015,622)	(3,015,622)
Mortgages				(1,233,203)	(1,233,203)
Sundry financial liabilities (**)				(42,921)	(42,921)
Trade payables				(2,279,400)	(2,279,400)
Sundry liabilities and other liabilities (*)				(199,540)	(199,540)
Total Financial liabilities not measured at fair value	-	-	-	(6,770,686)	(6,770,686)
TOTAL	47,281	28,038	2,873,169	(6,770,686)	(3,822,198)

(*) Prepaid expenses and deferred income are excluded

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

thousands of euro

31.12.2022	Fair Value			TOTAL
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Derivative hedging contracts (rate and commodities)		244,152		244,152
Assets for variable portion of transfer price OLT Offshore LNG Toscana			25,077	25,077
Other equity investments				-
Total Financial assets measured at fair value	-	244,152	25,077	269,229
Financial assets not measured at fair value				
Trade receivables				-
Loan assets				-
Sundry assets and other assets (*)				-
Cash and cash equivalents				-
Total Financial assets not measured at fair value	-	-	-	-
Financial liabilities measured at fair value				
Derivative hedging contracts (rate and commodities)		(196,871)		(196,871)
Put options		(7,227)		(7,227)
Total Financial liabilities measured at fair value	-	(204,098)	-	(204,098)
Financial liabilities not measured at fair value				
Bonds	(2,558,262)			(2,558,262)
Mortgages		(1,217,452)		(1,217,452)
Sundry financial liabilities (**)				-
Trade payables				-
Sundry liabilities and other liabilities (*)				-
Total Financial liabilities not measured at fair value	(2,558,262)	(1,217,452)	-	(3,775,714)
TOTAL	(2,558,262)	(1,177,398)	25,077	(3,710,583)

The non-current portion of "Financial assets measured at fair value" includes at Level 3 the asset relating to the variable portion of the sale price of OLT Offshore LNG Toscana, amounting to 25,077 thousand euro as at 31 December 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)	987	(987)
Discount rate	(1,398)	1,498

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 (rate and commodities)	169,451				169,451
Assets for variable portion of transfer price OLT Offshore LNG Toscana		24,725			24,725
Other equity investments		8,469			8,469
Total Financial assets measured at fair value	169,451	33,194	-	-	202,645
Financial assets not measured at fair value					
Trade receivables			1,084,750		1,084,750
Loan assets			308,106		308,106
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	-	-	2,389,106	-	2,389,106
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)	(70,195)				(70,195)
Put options		(7,263)			(7,263)
Total Financial liabilities measured at fair value	(70,195)	(7,263)	-	-	(77,458)
Financial liabilities not measured at fair value					
Bonds				(3,319,311)	(3,319,311)
Mortgages				(547,217)	(547,217)
Sundry financial liabilities (**)				(32,645)	(32,645)
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	-	-	-	(5,715,392)	(5,715,392)
TOTAL	99,256	25,931	2,389,106	(5,715,392)	(3,201,099)

(*) Prepaid expenses and deferred income are excluded

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

thousands of euro

	Fair Value			TOTAL
	31.12.2021	Level 1	Level 2	
Financial assets measured at fair value				
Derivative hedging contracts (rate and commodities)			169,451	169,451
Assets for variable portion of transfer price OLT Offshore LNG Toscana				24,725
Other equity investments				-
Total Financial assets measured at fair value		-	169,451	24,725
Financial assets not measured at fair value				
Trade receivables				-
Loan assets				-
Sundry assets and other assets (*)				-
Cash and cash equivalents				-
Total Financial assets not measured at fair value		-	-	-
Financial liabilities measured at fair value				
Derivative hedging contracts (rate and commodities)			(70,195)	(70,195)
Put options			(7,263)	(7,263)
Total Financial liabilities measured at fair value		-	(77,458)	-
Financial liabilities not measured at fair value				
Bonds	(3,421,160)			(3,421,160)
Mortgages		(552,827)		(552,827)
Sundry 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)

VII. RELATED PARTY TRANSACTIONS

As indicated in the Directors' report, the information on transactions with related parties is provided below.

Transactions with owner municipalities The main transactions directly carried out between the Parent's main subsidiaries and the owner municipalities classified as related parties (Municipality of Turin, Municipality of Reggio Emilia, Municipality of Parma, Municipality of Piacenza and Municipality of Genoa) where Iren operates are detailed below.

Through Iren Smart Solutions, the Group manages services awarded by the Municipality of Turin, such as 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 AMIAT for management of the past-due amounts related to the above activities.

Transactions with associates

Among the main transactions carried out by 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;
- supply of gas and electricity and energy efficiency services to the associate, Arienes;
- sale of electricity and gas to Asti Servizi Pubblici and electricity to CSAI;
- waste collection and disposal services, including special waste, for GAIA, SETA and CSAI, which operate in the waste management services sector;
- delivery of waste to the plants of the associates GAIA, Barricalla and CSAI and the purchase of sorted fractions from GAIA and SETA for treatment;
- in-plant waste disposal service from the associate Sienambiente to SEI Toscana.

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.

The transactions with these companies are mainly of a commercial nature and regard services provided to all other customers, in particular regarding energy vectors.

Moreover, 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.

Lastly, 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.

Quantitative information on financial transactions with related parties is provided in section "XIV. Annexes to the Consolidated Financial Statements", considered an integral part of these notes.

Lastly and as regards the Directors and Statutory Auditors of IREN, with the exception of payment of the fees envisaged for the performance of duties in the management or control bodies of the Parent or of other Group companies, there were no transactions.

Transactions that consist of assigning remuneration and economic benefits, in any form, to members of the management and control bodies of IREN and Key Management Personnel of Iren Group are also subject to the provisions of the RPT Procedure.

The remuneration of key management (members of the Board of Directors and key management personnel) totals 3,856 thousand euro, and refers to fixed remuneration (2,920 thousand euro), remuneration for participation in committees (109 thousand euro), bonuses and other incentives (663 thousand euro), non-cash benefits (29 thousand euro) and other remuneration (135 thousand euro).

Disclosure pursuant to Art. 5.8 and 5.9 CONSOB Regulation

At its meeting on 29 March 2022, the RPTC, then in office

- 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"), a transaction 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., are not substantial;
- 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 18 April 2016 no. 50, of the plant and energy requalification activity aimed at improving the efficiency of the buildings owned by the 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 amounts due from Iren S.p.A.'s Related Parties as at 31 December 2021.

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

Lastly, during the meeting held on 26 September 2022, the RPTC, in addition to receiving an explanation of the main "small amount" transactions carried out since the last Committee meeting, examined the Transaction between IREN Mercato S.p.A. and TRM S.p.A. regarding the supply of natural gas for the thermal year 2022-2023 (from 1 October 2022 to 30 September 2023), expressing its favourable opinion pursuant to Article 9 of the RPT Procedure with regard to the interest for Iren Group and, specifically, for the aforesaid companies, in the completion of the Transaction as well as to the "convenience" and substantial "fairness" of the relevant conditions.

As for the Remuneration and Appointments Committee, it should be noted that, at its meeting of 20 July 2022, the Committee examined the Transaction concerning the definition of an Addendum to the Regulation of the 2022-2024 Long-Term Monetary Incentive Plan, aimed at regulating the rules of operation of the Plan for the delegated bodies, expressing its favourable opinion pursuant to Article 9 of the RPT Procedure on the interest in the Transaction completion as well as on the "convenience" and substantial "fairness" of the relevant conditions.

VIII. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Rationalisation of gas distribution concessions between Ascopiave and Iren

On 31 January 2023, Ascopiave and Iren, shareholders of Romeo Gas with shares of 80.3% and 19.7%, respectively, following the exit of ACEA from the concessions of their own interest, finalised the rationalisation of certain assets in the natural gas distribution sector, with the exit of Iren Group from Romeo Gas itself. Specifically, the operation envisaged:

- the transfer by Ascopiave to Iren Group of the entire quota capital of a newly incorporated company, Romeo 2 S.r.l., to which the business branches relating to the management of the concessions of the Savona 1 and Vercelli ATEM owned by the Ascopiave Group were previously transferred, for a perimeter of 19,000 Redelivery Points;
- the sale by Iren to Ascopiave of its shareholding in Romeo Gas, holder of concessions in Northern Italy for a total of 126,000 PDR;
- the waiver by Iren to acquire the Piacenza 1 and Pavia 4 business units from Romeo Gas;
- the sale by Romeo Gas to Iren Group of the business units related to the concessions of the Parma and Piacenza 2 ATEM, with about 3,000 PDR;
- the waiver of the right to acquire from the A2A Group the business unit related to the management of the gas network located in the province of Pavia: this acquisition will be completed by Ascopiave.

Overall, the asset rationalisation transaction resulted in the payment to Ascopiave of a monetary adjustment of 3.6 million euro.

PNRR funds for projects on circular economy and network efficiency

At the beginning of March 2023, the Group published the first tender using funds allocated by the National Recovery and Resilience Plan (PNRR). The call for tenders relates to engineering activities for the realisation of a number of interventions on the City of Turin's electricity network: a project worth a total of 44.3 million euro, of which 33.1 million euro will be covered by PNRR funds, which aims to make the city's electricity system more resilient to climatic events, ensuring greater reliability and stability of power supplies. The time horizon of the transaction is set in the first half of 2026.

These funds are part of a total of 124 million euro obtained by the Group within the framework of the PNRR, for investments consistent with the objectives and planning envisaged in the 2030 Business Plan. Of this total amount, 76 million euro (61% of the total funds) are earmarked for circular economy projects concerning:

- the OFMSW treatment plant in Saliceti, in the province of La Spezia (40 million euro);
- waste treatment plants in the provinces of Grosseto, Turin and Udine (17 million euro);
- sludge treatment, through localised interventions in the provinces of Genoa, Reggio Emilia and Parma (19 million euro).

In this context, the Group will also launch specific funded projects on water loss reduction in Parma, district heating in Piacenza and Dogliani (Cuneo), and in innovation through extended partnerships.

IX. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions

Solidarity Contribution (Decree-Law 21/2022 - Decree-Law 50/2022) and Temporary Solidarity Contribution 2023 (Budget Law 2023)

The item "Income Taxes" in 2022 includes 27,254 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), and art.1 (115) of the 2023 Budget Law 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 sales and purchases transactions disclosed in the periodic VAT returns (LIPE) for the periods 1 October 2020 - 30 April 2021 and 1 October 2021 - 30 April 2022.
- a levy of 50% to be applied to the increase in taxable income 2022 that exceeds the average income achieved in the previous four years by at least 10%.

ARERA Resolution of 29 July 2022 374/2022/R/gas

ARERA Resolution No. 374/R/GAS of 29 July 2022 changed the method for updating the CMEM component as of 1 October 2022, indicating as a reference the average of the actual prices of the Italian PSV wholesale market and no longer the forward quotations of the wholesale market. This regulatory change resulted in the discontinuation of cash flow hedge derivative contracts entered into to set the sales price of district heating heat and a share of gas sales on the protected market. As a result, the negative hedging reserve, recognised in equity, which held the fair value changes calculated until the entry into force of the aforementioned resolution, was reclassified as a revenue adjustment in the item "Revenue from goods and services" for -42,634 thousand euro. Subsequent changes in the fair value of derivative instruments were classified under financial expense in the amount of -20,864 thousand euro as they are no longer hedging instruments according to hedge accounting rules.

In 2021, Iren Group had benefited from the option on the realignment of carrying amounts and tax bases pursuant to Article 110 of Decree Law no. 104 of 14 August 2020 ("Decree no. 104/20"), as amended, ("Decree no. 104/20") which, in paragraphs 8 and 8-bis, grants IFRS-adopters and OIC-adopters the possibility of opting for the realignment of the (lower) tax bases to the (higher) carrying amounts of certain property, plant and equipment and intangible assets (paragraph 8), as well as goodwill and other intangible assets (paragraph 8-bis). Application of the regulation contained in Decree no. 104/20 resulted in the recognition of net tax benefit of 32,371 thousand euro.

Positions or transactions deriving from atypical and/or unusual transactions

It is noted that during 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 that, due to their significance/relevance, nature of the counterparties, the purpose of the transaction, the method by which the sales price is calculated and the timing of the event (proximity to the end of the financial year) may give rise to doubts as to the correctness/completeness of the information given in the financial statements, conflict of interest and safeguarding the group's assets or the protection of non-controlling investors.

DISCLOSURE ON PUBLIC DISBURSEMENTS

With reference to what is provided for on the subject of transparency in the system of public disbursements pursuant to article 35 of Decree Law no. 34/2019 ("Decreto Crescita") we can specify what follows:

- the National State Aid Registry includes aid, in favour of Iren Group companies, which must be disclosed. For the related details please see the aforementioned Register, under the terms of article 35, paragraph 125-quinquies;

- pursuant to Article 35, paragraphs 125 and 125-bis, subsidies, benefits, contributions or aids, in cash or in kind, of a general nature and which are of a consideration, retributive or compensatory nature, such as, for example, amounts deriving from former green certificates, white certificates, all-inclusive tariffs, energy account and, in general, all incentives connected to consideration for supplies and services rendered, are not considered in the disclosure;
- during 2022 grants were received that fall under the relevant legislation; these are listed in the table presented in paragraph "XIV. Annexes to the Consolidated Financial Statements", with the exclusion of those less than 10 thousand euro per disbursing Body.

X. INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

Unless otherwise stated, the tables below are in thousands of euro.

ASSETS

NON-CURRENT ASSETS

NOTE 1_PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, including right-of-use assets, divided between historical cost, accumulated depreciation and carrying amount, is shown in the table below:

	thousands of euro					
	Cost as at 31/12/2022	Accumulated depreciation as at 31/12/2022	Carrying amount as at 31/12/2022	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021
Land	160,090	(8,185)	151,905	147,651	(7,150)	140,501
Buildings	938,739	(359,904)	578,835	817,303	(316,619)	500,684
Plant and machinery	6,391,567	(3,248,358)	3,143,209	5,751,970	(3,011,238)	2,740,732
Industrial and commercial equipment	233,241	(156,636)	76,605	175,220	(128,755)	46,465
Other assets	403,257	(254,883)	148,374	330,823	(217,194)	113,629
Assets under construction and payments on account	267,794	-	267,794	397,651	-	397,651
Total	8,394,688	(4,027,966)	4,366,722	7,620,618	(3,680,956)	3,939,662

The variation in the historical cost of property, plant and equipment, including right-of-use assets, is as follows:

	thousands of euro					
	31/12/2021	Increases	Decreases	Changes in consolidation scope	Reclassifications	31/12/2022
Land	147,651	3,760	(605)	7,771	1,513	160,090
Buildings	817,303	39,092	(2,018)	54,663	29,699	938,739
Plant and machinery	5,751,970	278,714	(3,020)	98,360	265,543	6,391,567
Industrial and commercial equipment	175,220	17,891	(2,694)	44,146	(1,322)	233,241
Other assets	330,823	44,262	(14,853)	44,494	(1,469)	403,257
Assets under construction and payments on account	397,651	154,757	(939)	5,614	(289,289)	267,794
Total	7,620,618	538,476	(24,129)	255,048	4,675	8,394,688

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	Changes in consolidation scope	Reclassifications	31/12/2022
Land	(7,150)	(913)	258	-	(380)	(8,185)
Buildings	(316,619)	(32,244)	1,148	(11,448)	(741)	(359,904)
Plant and machinery	(3,011,238)	(222,816)	1,789	(15,880)	(213)	(3,248,358)
Industrial and commercial equipment	(128,755)	(12,730)	2,232	(17,926)	543	(156,636)
Other assets	(217,194)	(36,456)	13,975	(14,030)	(1,178)	(254,883)
Total	(3,680,956)	(305,159)	19,402	(59,284)	(1,969)	(4,027,966)

The column "changes in consolidation scope" refers to the balances acquired during the year relating to the companies of Iren Green Generation Group (formerly Puglia Holding), CRCM, Alegas, Valle Dora Energia, Società dell'Acqua Potabile (SAP), SEI Toscana, Ekovision, Dogliani Energia, Mara Solar, Limes 1, Limes 2, and Omnia Power.

The balance of the "reclassifications" column refers mainly to net transfers from intangible assets to property, plant and equipment of items that do not fall within the scope of application of IFRIC 12.

Land and buildings

This item primarily includes industrial buildings connected with Group plants and related land.

Plant and machinery

This item refers to costs for electricity production plants, heat production plants, electricity distribution networks, gas distribution networks, heat distribution networks and plants related to waste disposal services not operated under concessions as per IFRIC 12. Freely transferable assets are included in the assets of electricity production plants.

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 wood treatment and recycling plant in Vercelli (44,194 thousand euro), the plastic sorting plant in Borgaro (TO) (30,829 thousand euro), the building redevelopment of the building in Piazza Raggi (GE) (25,815 thousand euro), the photovoltaic parks in the provinces of Viterbo and Matera (20,915 thousand euro), the biodigester in Saliceti (SP) (7,860 thousand euro), the heat exchange substation in the Vallette district of Turin (7,758 thousand euro), the expansion of the plant for the treatment of organic fraction in Santhià (VC) (5,985 thousand euro) and electrical storage (5,439 thousand euro).

Increases

The increases in the year, of 538,476 thousand euro, mainly refer to:

- investments in thermoelectric and hydroelectric plants and photovoltaic plants for 147,946 thousand euro;
- development of the district-heating network and new connections to the network, including heat exchange substations, meters and remote reading appliances, for 50,985 thousand euro;
- investments in the electricity distribution grids, including primary substations, of 67,951 thousand euro;
- investments in the gas networks not in a concession arrangement in accordance with the provisions of IFRIC 12 of 13,875 thousand euro;
- investments for collection and disposal in the waste management sector for 167,555 thousand euro.

Depreciation

Ordinary depreciation for 2022, totalling 305,159 thousand euro, was calculated on the basis of the rates previously indicated in paragraph "V. Accounting policies" and considered representative of the residual useful life of the assets.

Finally, no assets are pledged against liabilities.

Right-of-use assets - IFRS 16

IFRS 16 provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months unless the underlying asset is of low value. The contracts in which Iren Group plays the role of lessee refer mainly to property leases and long-term hires of cars and other motor vehicles.

The breakdown of right-of-use assets, divided between historical cost, accumulated depreciation and carrying amount, is as follows:

	thousands of euro					
	Cost as at 31/12/2022	Accumulated depreciation as at 31/12/2022	Carrying amount as at 31/12/2022	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021
Land	10,044	(2,416)	7,628	9,380	(1,680)	7,700
Buildings	45,865	(10,308)	35,557	29,177	(7,659)	21,518
Plant and machinery	3,889	(648)	3,241	1,816	(223)	1,593
Industrial and commercial equipment	923	(803)	120	731	(567)	164
Other assets	31,499	(12,192)	19,307	17,677	(8,789)	8,888
Total	92,220	(26,367)	65,853	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	Changes in consolidation scope	Other changes	31/12/2022
Land	9,380	574	(199)	289	-	10,044
Buildings	29,177	9,774	(1,915)	10,756	(1,927)	45,865
Plant and machinery	1,816	2,118	(45)	-	-	3,889
Industrial and commercial equipment	731	192	-	-	-	923
Other assets	17,677	3,890	(3,980)	14,075	(163)	31,499
Total	58,781	16,548	(6,139)	25,120	(2,090)	92,220

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

	thousands of euro				
	31/12/2021	Depreciation of the year	Decreases	Other changes	31/12/2022
Land	(1,680)	(776)	40	-	(2,416)
Buildings	(7,659)	(4,957)	1,068	1,240	(10,308)
Plant and machinery	(223)	(425)	-	-	(648)
Industrial and commercial equipment	(567)	(236)	-	-	(803)
Other assets	(8,789)	(6,956)	3,390	163	(12,192)
Total	(18,918)	(13,350)	4,498	1,403	(26,367)

Finally, it should be noted that the net amount of 687 thousand euro, reported under "Other changes" in the context of right-of-use assets, refers to assets acquired in 2022 and that were previously the subject of lease contracts.

NOTE 2_ INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

	thousands of euro					
	Cost as at 31/12/2022	Accumulated depreciation as at 31/12/2022	Carrying amount as at 31/12/2022	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021
Land	565	-	565	645	-	645
Buildings	3,390	(1,940)	1,450	3,972	(2,161)	1,811
Total	3,955	(1,940)	2,015	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 31/12/2022	Accumulated amortisation as at 31/12/2022	Carrying amount as at 31/12/2022	Cost as at 31/12/2021	Accumulated amortisation as at 31/12/2021	Carrying amount as at 31/12/2021
Development expenditure	23,783	(10,897)	12,886	13,816	(6,416)	7,400
Industrial patents and intellectual property rights	310,964	(184,219)	126,745	225,748	(141,624)	84,124
Concessions, licences, trademarks and similar rights	3,629,861	(1,495,347)	2,134,514	3,399,490	(1,373,803)	2,025,687
Other intangible assets	666,583	(305,996)	360,587	450,776	(235,261)	215,515
Assets under development and payments on account	191,960	-	191,960	190,045	-	190,045
Total	4,823,151	(1,996,459)	2,826,692	4,279,875	(1,757,104)	2,522,771

The comparative figures as at 31 December 2021 have been restated due to the change in the accounting treatment of obligations related to the Emission Trading Scheme as described in the section "Changes in accounting standards" to which reference should be made for further details.

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

thousands of euro

	31/12/2021	Increases	Decreases	Changes in consolidation scope	Reclassifications	Impairment losses for the year	31/12/2022
Development expenditure	13,816	1,223	-	120	8,624	-	23,783
Industrial patents and intellectual property rights	225,748	43,108	(67)	4,730	37,445	-	310,964
Concessions, licences, trademarks and similar rights	3,399,490	163,123	(5,048)	32,259	41,529	(1,492)	3,629,861
Other intangible assets	450,776	82,125	(99)	136,832	(3,051)	-	666,583
Assets under development and payments on account	190,045	90,903	(278)	1,184	(89,894)	-	191,960
Total	4,279,875	380,482	(5,492)	175,125	(5,347)	(1,492)	4,823,151

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

thousands of euro

	31/12/2021	Amortisation for the year	Decreases	Changes in consolidation scope	Reclassifications	31/12/2022
Accumulated amortisation of development expenditure	(6,416)	(4,416)	-	(119)	54	(10,897)
Accumulated amortisation of ind. patents and intellectual property rights	(141,624)	(39,207)	35	(3,923)	500	(184,219)
Accumulated amortisation of licences, trademarks and similar rights	(1,373,803)	(112,493)	3,065	(11,922)	(194)	(1,495,347)
Accumulated amortisation of other intangible assets	(235,261)	(61,250)	1	(11,095)	1,609	(305,996)
Total	(1,757,104)	(217,366)	3,101	(27,059)	1,969	(1,996,459)

The column "changes in consolidation scope" refers to the balances acquired during the year relating to the companies of Iren Green Generation Group (formerly Puglia Holding), CRCM, Alegas, Valle Dora Energia, Società dell'Acqua Potabile (SAP), SEI Toscana, Ekovision, Dogliani Energia, Mara Solar, Limes 1, Limes 2, and Omnia Power.

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

The increases in other intangible assets mainly refer to the capitalisation of costs for the commercial development of customers.

The carrying amount of other intangible assets at the end of the year includes 128,320 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 to use penstocks not owned by 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;
- costs for the commercial development of customers;
- from the valuation of the customer list that took place during the allocation of the price for the acquisition of control of Atena Trading, Salerno Energia Vendite, Alfa Solutions, Spezia Energy Trading, Sidiren and Alegas;
- the 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;
- the valuation of the single authorisation for photovoltaic plants and the amount of the incentive tariff recognised for the energy produced and fed into the grid that took place during the allocation of the purchase price for the acquisition of control of Iren Green Generation Group (formerly Puglia Holding);
- the valuation of the concession for the derivation of water for hydroelectric plants that took place during the allocation of the purchase price for the acquisition of control of Valle Dora Energia;
- the valuation of the ATO Toscana Sud integrated urban waste management service concession that took place during the allocation of the purchase price for the acquisition of control of SEI Toscana.

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 237,966 thousand euro (192,480 thousand euro at 31 December 2021), showed an increase of 45,486 thousand euro in 2022 following the acquisitions (business combinations) carried out by the Group during the year and detailed below.

		thousands of euro
Goodwill as at 31.12.2021 Restated		192,480
Acquisition of Iren Green Generation Group	Final accounting	29,257
Acquisition C.R.C.M.	Final accounting	277
Acquisition of Alegas	Final accounting	15,072
Acquisition of Società dell'Acqua Potabile (SAP)	Final accounting	880
Goodwill as at 31.12.2022		237,966

It should be noted that in 2022, the fair value of the identifiable assets acquired and the identifiable liabilities assumed relating to the acquisition of control of Sidiren, Iren Energy Solutions and the "SAS" and Lab 231 branch was definitively determined. For the acquisitions of Sidiren and Iren Energy Solutions, the amounts recognised on a provisional basis in the 2021 financial statements have been restated and for more details, see section IV. Business combinations. For the acquisition of the SAS Branch and Lab 231, the amounts provisionally accounted for in the 2021 financial statements were not changed.

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 Group level, the cash-generating units coincide with the individual business units and correspond to the business segments described in the introduction to these notes and are based on the Group's management structure and internal reporting system.

This method allows for a more effective disclosure of goodwill and future investment plans and supplies a homogeneous analysis of information communicated to the market.

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

	31/12/2021 Restated	Increases for Business Combinations	thousands of euro 31/12/2022
Waste Management	24,020	277	24,297
Energy	7,331	29,257	36,588
Market	50,993	15,072	66,065
Networks	110,136	880	111,016
Total	192,480	45,486	237,966

At 31 December 2022, the impairment test was carried out in accordance with the same methods used at 31 December 2021.

The impairment test consists of verifying that the carrying amount of an asset recognised in the financial statements is not more than the recoverable amount of that asset.

The recoverable amount of an asset is the higher between fair value, less costs to sell, and the value in use.

The fair value is defined as the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, less costs to sell.

The value in use is the present value of the estimate of future outgoing and incoming cash flows that will derive from continuous use of the asset and from its final disposal. To measure the value in use, the pre-tax operating cash flows were used, which derive from the most recent economic and financial projections on the basis of the approved plan, adjusted to consider the macroeconomic changes that occurred during 2022, with an explicit horizon up to 2026, and the pre-tax terminal value calculated with the perpetual yield method, if applicable, following an industrial logic of continuity across all businesses. The investments contained in the economic flows of the plan include investments for maintaining the plants and infrastructures, in keeping with the going concern assumption. The average of the perpetual yield and net invested capital was used as the control method. This is based on the reasonable assumption that, if the business is discontinued, the recovery value will be at least equal to the value of the net invested capital.

The discount rate, defined starting from the pre-tax weighted average cost of capital (WACC), is calculated specifically for each CGU and is included in the 5.60%-8.90% range, according to the related business unit.

The table below shows the goodwill attributed to the single Cash Generating Units, specifying for each of them the discount rate (WACC) used.

	Value as at 31/12/2022	WACC 2022
Waste Management	24,297	7.00%
Energy	36,588	7.70%
Market	66,065	8.90%
Networks	111,016	5.60% - 6.60% (1)
Total	237,966	

(1) Range between 5.60% and 6.60% according to whether they are Electricity Networks, Gas Networks or Water Networks

The recoverable amount of the goodwill attributed to the Cash Generating Units was determined making reference to the value in use of the same.

In general, and prudentially, the "g" growth rate was used to calculate the terminal value equal to zero at real values. In the event of standalone plans used at nominal values, the "g" growth rate used was equal to inflation estimated at 2026 (1.8%).

Waste Management Cash Generating Unit

Goodwill, of 24,297 thousand euro refers mainly to the:

- acquisition of control over CRCM in April 2022 (277 thousand euro);
- acquisition of control over Futura in March 2021 (4,115 thousand euro);

- acquisition of control over the companies operating in the environmental sector 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).

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Waste Management Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

Energy Cash Generating Unit

Goodwill, of 36,588 thousand euro refers mainly to the:

- the acquisition of control in February 2022 of the Puglia Holding Group (now Iren Green Generation) (29,257 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);
- the Heat Service Management business unit transferred in 2017 from the Market Cash Generating Unit to the Energy Cash Generating Unit (948 thousand euro).

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Energy Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

Market Cash Generating Unit

Goodwill, of 66,065 thousand euro refers mainly to the:

- acquisition of control over Alegas in April 2022 (15,072 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;
- the 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;

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Market Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

Networks Cash Generating Unit

Goodwill, of 111,016 thousand euro refers mainly to the:

- acquisition of control of Società dell'Acqua Potabile which took place in July 2022 (880 thousand euro);
- 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);
- the acquisition of control of Acqua Italia S.p.A in 2005 (now Mediterranea delle Acque S.p.A.), where the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill of 23,202 thousand euro;
- 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;

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Networks Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

In light of the considerations set out above, the recoverable amount is higher than the carrying amount of the net invested capital for all the cash-generating units and therefore, no impairment losses were recognised. In the years prior to the year ended 31 December 2022, goodwill was impaired for a total of 9,636 thousand euro.

The recoverable amount is particularly sensitive to changes in the pre-tax weighted average cost of capital (WACC) and the definition of the Terminal Value. The definition of these two variables follows a prudential approach in terms of construction logic and absolute value. Appropriate stress tests were therefore performed on the sensitivity of the recoverable amount as the two variables deteriorate, without any significant problems emerging. The table below shows the pre-tax weighted average cost of capital (WACC) that would make the value in use equal to the carrying amount of each Cash Generating Unit.

Waste Management	13.80%
Energy	10.10%
Market	17.00%
Networks	9.80%

Moreover, the Group has developed a sensitivity scenario, which takes into account specific relevant risks (market risks, technological changes, natural events) not otherwise assessed in the base scenario (Business Plan). The future cash flows for each CGU were then adjusted for the negative impact of adverse events identified in the Group Risk Map. These analyses did not reveal any critical issues with regard to the recoverable amount of the Group's goodwill, intangible assets and property, plant and equipment.

In light of the current market volatility and uncertainty about future economic prospects, the group believes it appropriate to point out that regulated businesses are subject to specific industry regulations governing their profitability; therefore, these businesses have more stable and predictable profitability even during market turbulence periods. In 2022, non-regulated activities contributed 21% to gross operating profit (28% in 2021), regulated activities accounted for 59% (substantially in line compared to 58% in 2021), and semi-regulated activities contributed 20% (14% in 2021).

We can note that the results of the aforementioned procedures were the subject of specific approval by the Board of Directors of Iren S.p.A., prior to approval of the draft financial statements, as recommended in the rules issued by CONSOB, the Bank of Italy and IVASS.

NOTE 5_EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments are investments in companies in which the Group has joint control or exercises a significant influence. Measurement at equity is carried out on the basis of the latest available financial statements (consolidated if prepared) of the investees.

The list of Group companies measured using the equity method at 31 December 2022 is attached.

The item amounted to a total of 211,320 thousand euro (217,339 thousand euro as at 31 December 2021). Changes for the year are shown in the following tables:

Equity investments in joint ventures

	thousands of euro						
	31/12/2021	Increases (Decreases)	Changes in consolidation scope	Change in profit or loss	Change in Equity	Dividend distribution	31/12/2022
Acque Potabili	8,015	-	-	75	-	-	8,090
TOTAL	8,015	-	-	75	-	-	8,090

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

Equity investments in associates

	thousands of euro						
	31/12/2021	Increases (Decreases)	Changes in consolidation scope	Change in profit or loss	Change in Equity	Dividend distribution	31/12/2022
A2A Alfa	-	-	-	-	-	-	-
Acos	13,758	-	-	536	-	(205)	14,089
Acos Energia	1,168	-	-	229	-	(224)	1,173
Acquaenna	4,277	-	-	602	114	-	4,993
Aguas de San Pedro	15,876	-	-	2,197	840	(379)	18,534
Aiga	-	-	-	-	-	-	-
Amat	-	-	-	-	-	-	-
Amter	1,077	-	-	65	-	(128)	1,014
Arienes	-	21	-	-	-	-	21
Asa	39,848	-	-	2,483	-	-	42,331
Asa scpa	1,197	-	-	-	-	-	1,197
Astea	25,726	-	-	973	-	(341)	26,358
Asti Servizi Pubblici	17,552	-	-	2,349	67	(204)	19,764
Barricalla	14,970	-	-	960	-	(840)	15,090
BI Energia	378	-	-	(207)	-	-	171
Centro Corsi S.r.l.	25	-	-	-	-	-	25
CSA	596	(191)	-	(1)	-	-	404
CSAI	3,474	-	-	436	110	(330)	3,690
E.G.U.A.	-	-	707	-	-	-	707
Fingas	-	-	-	-	-	-	-
Fratello Sole Energie Solidali	256	-	-	3	-	-	259
G.A.I.A.	14,830	-	-	36	-	-	14,866
Global Service	6	-	-	-	-	-	6
Iniziative Ambientali	487	-	-	9	-	-	496
Mondo Acqua	745	-	-	-	-	-	745
Nove	-	-	-	-	-	-	-
Rimateria	-	-	-	-	-	-	-
SEI Toscana	14,319	21,865	(33,905)	(2,015)	(264)	-	-
SETA	12,459	-	-	142	-	(333)	12,268
Sienambiente	19,512	-	-	309	-	-	19,821
Sinergie Italiane	-	32	-	(32)	-	-	-
STU Reggiane	5,235	-	-	(27)	-	-	5,208
Tirana Acque	-	-	-	-	-	-	-
Valle Dora Energia	1,553	1,560	(4,539)	1,622	-	(196)	-
TOTAL	209,324	23,287	(37,737)	10,669	867	(3,180)	203,230

For the investment in SEI Toscana, the increases refer to:

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

The changes in consolidation scope refer to the acquisition of control and the consequent line-by-line consolidation of the company.

The increase in the equity investment in Valle Dora Energia refers to the purchase of 25.5%, while the changes in consolidation scope relates to the acquisition of control and the consequent line-by-line consolidation of the company.

E.G.U.A. enters the consolidation scope using the equity method following the acquisition of control of Società dell'Acqua Potabile, which holds 49% of its capital.

The amounts related to the column Changes in Equity are due mainly to exchange differences (Aguas de San Pedro) and to changes in the hedging reserve.

NOTE 6_OTHER EQUITY INVESTMENTS

This item relates to equity investments in companies over which the Group has neither control, nor joint control, nor significant influence. These equity investments are measured at *fair value* but, as the most recent information available for measuring the *fair value* is insufficient and the cost represents the best estimate of the *fair value*, they are recognised at cost.

The list of other Group equity investments as at 31 December 2022 is provided in the annex.

The breakdown of this item is as follows:

	31/12/2021	Changes in consolidation scope	Increases	Impairment losses	Reclassifications	31/12/2022
AISA Impianti	992	-	-	-	-	992
Autostrade Centro Padane	1,248	-	-	-	-	1,248
CIDIU Servizi	2,655	-	-	-	-	2,655
EGEA	-	1,000	-	-	-	1,000
Enerbrain	1,554	-	-	-	-	1,554
Environment Park	1,243	-	-	-	-	1,243
Romeo Gas	-	-	15,658	-	(15,658)	-
Others	777	677	242	(200)	-	1,496
TOTAL	8,469	1,677	15,900	(200)	(15,658)	10,188

thousands of euro

The changes in consolidation scope refers to the equity investments held directly and indirectly by the subsidiary SEI Toscana, consolidated as of 1 July 2022.

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. This investment at the end of the year was reclassified to "Assets held for sale" since its carrying amount will be recovered through a sale transaction rather than through its continued use.

NOTE 7_NON-CURRENT CONTRACT ASSETS

Non-current contract assets, net of the related loss allowance, total 146,286 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 (125,344 thousand euro as at 31 December 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 (17,809 thousand euro as at 31 December 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 (3,133 thousand euro as at 31 December 2022, 4,230 thousand euro as at 31 December 2021).

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

	thousands of euro	
	31/12/2022	31/12/2021
Non-current contract assets	146,286	77,262
Current contract assets	198,590	46,391
Current contract liabilities	(39,209)	(89,262)
Net contract assets	305,667	34,391

NOTE 8_NON-CURRENT TRADE RECEIVABLES

Receivables, which are affected by the effect of discounting, amounted to 30,888 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 (23,641 thousand euro at 31 December 2022, 18,753 thousand euro at 31 December 2021). For more information on the overall position of 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 169,057 thousand euro (131,766 thousand euro as at 31 December 2021) mainly consists of loan assets and derivatives with positive fair value. These are detailed in the following table.

	thousands of euro	
	31/12/2022	31/12/2021
Non-current loan assets with associates	12,199	37,467
Non-current loan assets with owners	33,154	34,801
Non-current loan assets with others	36,825	32,676
Fair value of derivatives – non-current portion	61,729	2,024
Securities other than equity investments	73	73
Other financial assets	25,077	24,725
Total	169,057	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) and Acquaenna (3,832 thousand euro).

As at 31 December 2021, there were also loans assets with the companies Valle Dora Energia (22,562 thousand euro) and SEI Toscana (2,688 thousand euro), which during 2022, became subsidiaries and therefore consolidated using the line-by-line method.

Non-current loan assets with owners

Amounting to 33,154 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 (876 thousand euro). The current account agreement is valid until 31 December 2036 and the interest accruing on the balance is calculated based on the actual average cost incurred by 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 (32,279 thousand euro). Recognition of the discounted financial asset is a result of the vesting of the current unconditional right to receive the contractually-agreed cash flows, which coincided with completion of the installation of the related LED devices.

The accounting treatment of the aforementioned current account agreement determines a reduction of trade receivables presented in the statement of cash flows as a generation of operating cash flows, and a corresponding increase in loan assets, presented as a cash absorption in cash flows from financing activities. These assets form part of an overall position, totalling 80,037 thousand euro, and are divided among various accounting items according to their classification by type and due date: Non-current trade receivables (Note 8), Non-current financial assets (this Note 9), Trade receivables (Note 14) and Current financial assets (Note 17), as shown in the table presented below.

The directors have classified financial assets as current and non-current on the basis of a forecast of their collection times also considering the outcome the agreement signed by the Municipality of Turin and Iren Group in 2018.

	thousands of euro	
	31/12/2022	31/12/2021
Non-current trade receivables	23,641	18,753
Invoices issued for services	1,875	71,748
Invoices to be issued for services	15,252	6,923
Supply of heating and other	42	5,830
Loss allowance	(127)	(176)
Total current trade receivables	17,042	84,325
Non-current portion of current account assets	876	2,904
Non-current portion of service concession financial assets	32,442	31,898
Loss allowance	(163)	-
Total non-current financial assets	33,155	34,802
Current portion of current account assets		1,223
Current portion of accrued interest income	159	3,364
Current portion of service concession financial assets	6,498	2,980
Loss allowance	(458)	
Total current financial assets	6,199	7,567
Total	80,037	145,447

Non-current financial assets with others

Non-current financial assets with others include the non-current portion of:

- finance lease assets related to air-conditioning systems;
- assets arising from the sale of the business unit related to the management of the integrated water service of two municipalities of the Veronese ATO Basin in 2019;
- assets arising from the application of the financial asset model provided for by IFRIC 12 to the energy efficiency project connected with the Public Lighting service provided under concession in various cities, including Vercelli, Biella and Fidenza.
- assets 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.

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 25,077 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. The asset is measured at fair value with changes recognised in profit or loss.

NOTE 10_OTHER NON-CURRENT ASSETS

These are as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Guarantee deposits	5,144	3,954
Non-current tax assets	57,113	23,243
Other non-current assets	22,538	6,696
Non-current accrued income and prepaid expenses	4,121	3,274
Total	88,917	37,167

Non-current tax assets 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 non-current 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 340,866 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.

For further details please see the note to the income statement, "Income taxes" (Note 42) and the annexed table.

CURRENT ASSETS

NOTE 12_INVENTORIES

Inventories, measured at weighted average cost, primarily comprise natural gas and consumables intended for maintenance and construction of the Group plants.

The table below summarises the amounts of the item in the years in question:

	thousands of euro	
	31/12/2022	31/12/2021
Gas stocks	70,327	57,009
Consumables and spare parts	75,824	61,992
Provision for inventory write-down	(6,792)	(7,189)
Total	139,359	111,812

The increase gas stocks deriving from the increase in raw material prices contributes to the change in gas inventories during the year.

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

At 31 December 2022, no inventories were pledged against liabilities.

NOTE 13_CURRENT CONTRACT ASSETS

Current contract assets, net of the loss allowance of 234 thousand euro (205 thousand euro at 31 December 2021), amounted to 198,590 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	
	31/12/2022	31/12/2021
Trade receivables from customers	1,647,582	1,179,250
Trade receivables from joint ventures	139	114
Trade receivables from associates	25,649	16,712
Trade receivables from owners	30,136	103,434
Trade receivables from other related parties	5,639	3,928
Total gross trade receivables	1,709,145	1,303,438
Loss allowance	(299,710)	(239,512)
Total	1,409,435	1,063,926

As at 31 December 2022, factoring transactions were completed with derecognition of the receivables for a total of 114,323 thousand euro (77,718 thousand euro as at 31 December 2021).

The table below shows the credit risk exposure with reference to trade receivables, together with the related expected credit losses (loss allowance), broken down by due date:

	thousands of euro		
	Gross trade receivables	Loss allowance	Average credit loss percentage
Not yet due	1,187,970	(51,286)	4.3%
0 to 3 months past due	188,925	(19,623)	10.4%
3 to 12 months past due	135,837	(60,841)	44.8%
Past due for more than 12 months	196,413	(167,960)	85.5%
Total	1,709,145	(299,710)	

Trade receivables not past due include invoices to be issued of 893,698 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 year end.

Trade receivables from customers

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

Trade receivables from joint ventures

This item includes amounts due from the Group's joint ventures, consolidated using the equity method. These relate to normal trade transactions performed at arm's length. For further details, please see the table of related party transactions shown in the annex.

Trade receivables from owners

These refer to trade transactions performed at arm's length with territorial authorities classified as related parties (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and, marginally, with the company FSU. For further details, please see the table of related party transactions shown in the annex.

Trade receivables from other related parties

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

The following table shows gross trade receivables broken down by segment:

	thousands of euro					
	Networks	Waste Management	Energy	Market	Other services	Total
Not yet due	105,416	199,422	249,197	624,399	9,536	1,187,970
0 to 3 months past due	40,511	18,208	6,294	123,871	41	188,925
3 to 12 months past due	28,376	10,504	1,501	95,418	38	135,837
Past due for more than 12 months	59,022	17,737	4,712	113,890	1,052	196,413
Total gross trade receivables	233,325	245,871	261,704	957,578	10,667	1,709,145

Excluding invoices to be issued, gross trade receivables for invoices issued (815,447 thousand euro) refer to retail customers for 460,494 thousand euro, business customers for 286,181 thousand euro, and public administration customers for 68,772 thousand euro.

Loss allowance

The table below shows the changes in the loss allowance:

	31/12/2021	Impairment losses for the year	Decreases	Changes in consolidation scope	31/12/2022
Loss allowance	239,512	61,696	(37,835)	36,337	299,710

thousands of euro

The impairment losses for the year were recognised to adjust the amount of the loss allowance to the expected credit losses determined on the basis of the simplified model provided for in IFRS 9, where “loss” means the present value of all cash shortfalls, considering forward-looking information. The decreases for the year relate to utilisations.

The following table shows the loss allowance broken down by segment:

	Networks	Waste Management	Energy	Market	Other services	Total
Not yet due	(7,116)	(23,462)	(3,659)	(17,041)	(8)	(51,286)
0 to 3 months past due	(4,026)	(1,562)	(484)	(13,550)	(1)	(19,623)
3 to 12 months past due	(11,951)	(2,096)	(267)	(46,511)	(16)	(60,841)
Past due for more than 12 months	(55,909)	(16,598)	(3,612)	(90,790)	(1,051)	(167,960)
Total loss allowance	(79,002)	(43,718)	(8,022)	(167,892)	(1,076)	(299,710)

thousands of euro

NOTE 15_CURRENT TAX ASSETS

These amounted to 38,263 thousand euro (7,114 thousand euro as at 31 December 2021) and IRES and IRAP assets with the tax authority.

NOTE 16_SUNDRY ASSETS AND OTHER CURRENT ASSETS

These are as follows:

	31/12/2022	31/12/2021
Government land tax/UTIF	11,904	3,537
VAT assets	41,502	46,692
Other tax assets	137,218	160,581
Current tax assets	190,624	210,810
Cassa Servizi Energetici e Ambientali (CSEA)	63,844	39,927
Green certificates	17,692	31,109
Advances to suppliers	18,913	14,260
Other current assets	112,290	59,363
Other current assets	212,739	144,659
Accrued income and prepaid expenses	35,552	29,592
Total	438,915	385,061

thousands of euro

It should be noted that as at 31 December 2022, factoring transactions were carried out with derecognition of the amount due from the GSE relating to tariff components for 33,231 thousand euro.

The decrease in tax assets for government land tax is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.

Other tax assets include 90,350 thousand euro for deductions on work carried out to improve the energy efficiency of buildings (ecobonus). Beginning in 2021, these assets are recognised under current assets, as the business model calls for the financial asset to be realised through transfers to financial intermediaries.

In September 2019, Iren exercised the option for establishment of Group VAT to which the Revenue Agency attributed a new VAT number with effect from 1 January 2020. 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. (and the merged companies Scarlino Immobiliare S.r.l. and Produrre Pulito S.r.l.), AMIAT S.p.A, Iren Smart Solutions S.p.A., Iren Acqua Tigullio S.p.A., Iren Acqua S.p.A. Iren Laboratori S.p.A., Bonifica Autocisterne S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., ACAM Ambiente S.p.A., ACAM Acque S.p.A., ReCos S.p.A., Alfa Solutions S.p.A., TRM S.p.A, San Germano S.p.A., Maira S.p.A., Formaira S.p.A., Territorio e Risorse S.r.l. and Rigenera Materiali S.r.l. , BSA s.r.l., Uniproject S.r.l. (and the merged companies Uniservizi S.r.l. and Picena Depur S.r.l.), Manduriambiente Spa, Scarlino Energia S.p.A., Iren Ambiente Toscana S.p.A. (formerly STA S.p.A. and the merged companies UCH H S.r.l. and Scarlino H S.r.l.), TB S.p.A., Borgo Ambiente Scarl, Futura S.p.A., I Blu S.r.l., IAM Parma S.r.l., IAM Piacenza S.r.l. and Asti Energia and Calore S.p.A.

The increase in Other current assets was mainly attributable to deposits paid for trading on regulated markets for the forward trading of CO₂ emission rights (Emission Trading System) (10,432 thousand euro), insurance reimbursements to be collected (15,000 thousand euro), and changes in the consolidation scope (20,322 thousand euro).

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

NOTE 17_CURRENT FINANCIAL ASSETS

These are as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Loan assets with associates	1,960	2,786
Loan assets with owners	6,199	7,568
Financial assets with others	65,794	192,737
Current portion of derivative financial instruments	182,423	167,426
Total	256,376	370,516

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

Loan assets with associates

This item refers mainly to loans to Acquaenna (423 thousand euro), BI Energia (999 thousand euro) and STU Reggiane (463 thousand euro). The remainder relates mainly to dividends to be collected.

For further details please see the schedule of related party transactions shown in the annex.

Loan assets with owners These regard amounts due from the Municipality of Turin, on which interest accrues in favour of the Group, and amounted to 6,199 thousand euro (7,568 thousand euro as at 31 December 2021), and are related to transactions between the subsidiaries AMIAT and Iren Smart Solutions and the Municipality of Turin.

For details of the overall position of Iren Group with the Municipality of Turin please see Note 9 "Non-current financial assets".

Financial assets with others

Most of the amount refers to deposits paid as security for transactions on commodities futures markets (2,476 thousand euro), and restricted current accounts of the subsidiary, TRM S.p.A., deriving from the loan agreement that provides for the linking of amounts to service the instalment due, environmental compensation charges and extraordinary maintenance of the waste-to-energy plant (36,695 thousand euro). The remaining balance consists of assets resulting from the implementation of the financial asset model provided by IFRIC 12 for the water purification service acquired in the Marche region, assets resulting from the sale of tax positions for Superbonus, accrued income and deferred charges of a financial nature and finance lease assets.

Current portion of derivative financial instruments

These relate to the positive *fair value* of derivative contracts on commodities.

NOTE 18_CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents is made up as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Bank and postal deposits	788,333	606,787
Cash and similar on hand	68	101
Total	788,401	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 year.

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 16,802 thousand euro (1,144 thousand euro as at 31 December 2021). This item relates to:

- 15,658 thousand euro (not present at 31 December 2021) for the equity investment in Romeo Gas acquired in April 2022 and sold at the end of January 2023.
- 987 thousand euro (unchanged from 31 December 2021) for 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, fully impaired in previous years.

LIABILITIES

NOTE 20_EQUITY

Equity may be analysed as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Share capital	1,300,931	1,300,931
Reserves and Retained Earnings	1,218,137	966,512
Profit for the year	226,017	303,172
Total equity attributable to the owners of the parent	2,745,085	2,570,615
Capital and reserves attributable to non-controlling interests	402,140	349,747
Profit attributable to non-controlling interests	43,929	30,229
Total consolidated equity	3,191,154	2,950,591

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 parent repurchased 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	
	31/12/2022	31/12/2021
Treasury shares	(38,691)	(38,691)
Share premium reserve	133,019	133,019
Legal reserve	98,159	87,215
Hedging reserve	62,642	(14,468)
Other reserves and retained earnings	963,008	799,437
Total reserves	1,218,137	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 in to hedge exposure to the risk of interest rate fluctuations on floating rate loans and to the risk of price changes in electricity and gas purchase contracts.

Other reserves and retained earnings

These comprise mainly the goodwill arising on the merger of AMGA into AEM Torino and the subsequent merger of Enia into Iride, retained earnings, and the actuarial reserve, for actuarial gains and losses resulting from the measurement of post-employment benefits.

The increase in 2022 is mainly due to the carrying forward of the profit for 2021 not distributed (157,506 thousand euro).

Dividends

On 21 June 2022, the Ordinary Meeting of Iren S.p.A.'s Shareholders 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 4,266,014 thousand euro (3,549,612 thousand euro as at 31 December 2021).

Bonds

These amounted to 3,015,622 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 value outstanding at 31 December 2022 of 3,050,000 thousand euro (3,000,000 thousand at 31 December 2021). The details of Public Bonds with maturity after 12 months are as follows:

- Bonds maturing November 2024, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 498,308 thousand euro);
- Green Bonds maturing September 2025, coupon 1.95%, amount 500 million euro, all outstanding (amount at amortised cost 497,358 thousand euro);
- Green Bonds maturing October 2027, coupon 1.5%, amount 500 million euro, all outstanding (amount at amortised cost 494,918 thousand euro);
- Green Private Placement maturing October 2028, coupon 2.85%, amount 50 million euro, issued in August 2022, all outstanding (amount at amortised cost 49,550 thousand euro);
- Green Bonds maturing October 2029, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 496,253 thousand euro);
- Bonds maturing July 2030, coupon 1%, amount 500 million euro, all outstanding (amount at amortised cost 491,777 thousand euro);
- Green Bonds maturing January 2031, coupon 0.25%, amount 500 million euro, including TAP issue of October 2021, all outstanding (amount at amortised cost 487,458 thousand euro)

The bonds were subscribed by Italian and foreign institutional investors, are listed on the Irish Stock Exchange and were assigned a Fitch and S&P rating.

The change in the total carrying amount compared to 31 December 2021 is due to the issue of the Green Private Placement described above and the allocation of accrued financial expense, calculated on the basis of the amortised cost method.

Non-current bank loans

Non-current loans relate exclusively to the non-current portion of loans/credit lines due after 12 months granted by banks, and amounted to 1,183,111 thousand euro (504,677 thousand euro as at 31 December 2021). Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and by maturity date (related to the portion after 12 months), as shown in the table below:

thousands of euro

	fixed rate	floating rate	TOTAL
min/max rate	n.a.	2.785% - 3.919%	
maturity	2024-2028	2024-2036	
1.1.2024 – 31.12.2024	1,076	60,388	61,464
1.1.2025 – 31.12.2025	1,136	62,398	63,534
1.1.2026 – 31.12.2026	1,201	63,116	64,317
1.1.2027 – 31.12.2027	1,267	318,888	320,155
Subsequent	1,336	672,305	673,641
Total after 12 months as at 31/12/2022	6,016	1,177,095	1,183,111
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:

thousands of euro

	31/12/2021		Changes in consolidation scope	Decreases	Change in amortised cost	31/12/2022
	Total after 12 months	Increases				Total after 12 months
- fixed rate	7,038	-	1,713	(2,732)	(3)	6,016
- floating rate	497,639	730,000	9,690	(58,608)	(1,626)	1,177,095
TOTAL	504,677	730,000	11,403	(61,340)	(1,629)	1,183,111

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

- disbursement to the Parent of ESG Linked loans in the amount of 650,000 thousand euro, as commented on in the Directors' report - Financial Management, in addition to 80 million euro drawn down on available lines with the EIB-CEB;
- increase of 11,403 thousand euro in non-current loans held by companies that entered the Group's consolidation scope during the year, repaid in advance within the year;
- a reduction of 61,340 thousand euro for the aforementioned early repayments and for the classification of the portions of loans due within the next 12 months as current;
- decrease of 1,629 thousand euro due to recognition of the loans at amortised cost.

Other financial liabilities

These amount to 67,281 thousand euro (84,759 thousand euro as at 31 December 2021) and refer to:

- for 8,916 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 details, see the "Group financial risk management" paragraph);
- for 49,738 thousand euro (29,820 thousand euro as at 31 December 2021) to lease liabilities;
- for 3,200 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 5,427 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 companies consolidated on a line-by-line basis, but in which the Group does not hold 100% of the shares, granted by the non-controlling investor.

NOTE 22_EMPLOYEE BENEFITS

Changes in this item in 2022 were as follows:

	31/12/2021	Changes in consolidation scope	Disbursements during the year	Obligations vested during the year	Actuarial (gains)/losses	Financial expense	31/12/2022
Post-employment benefits	92,081	5,172	(8,194)	973	(9,716)	453	80,769
Additional salary payments (seniority bonus)	4,168	-	(606)	131	(682)	30	3,041
Loyalty bonus	2,807	-	(126)	56	(500)	12	2,249
Tariff discounts	4,362	-	(269)	4	(886)	26	3,237
Premungas fund	2,183	-	(429)	-	(115)	13	1,652
Total	105,601	5,172	(9,624)	1,164	(11,899)	534	90,948

The “changes in consolidation scope” column refers to the balances acquired during the year relating to the companies CRCM, Alegas, Società dell'Acqua Potabile (SAP), SEI Toscana and Ekovision.

The tariff discounts include benefits related to the supply of natural gas for domestic use. Following the signing of specific agreements with the trade unions, the “Energy discount” awarded up to 30 September 2017 to employees in service was converted into other forms of employee benefits. The “Energy discount” awarded up to 30 September 2017 to retired employees was revoked unilaterally and replaced with lump sums included in provisions for former employee benefits.

Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries. The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accrual basis in line with the service necessary to obtain benefits.

For the purpose of defining the present value of the obligations, the future service is estimated based on assumptions related to changes in the total number of employees and employee remuneration. Future service represents the amount that would be paid out to each employee in the event of continuing working activity with another company, retirement, death, resignation or a request for an advance.

The following factors were considered in deciding which discount rate to adopt in the measurement approach provided by IAS 19:

- relevant market;
- the measurement date;
- expected average term of the liabilities.

The average residual term of liabilities was obtained as the weighted average residual term of liabilities related to all benefits and all Group companies.

The economic and financial assumptions adopted in the calculations are as follows:

Annual discount rate	3.34% - 3.77%
Annual inflation rate	2.30%
Annual rate of increase of post-employment benefits	3.225%

In accordance with the provisions of IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the subsequent year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the table below.

	Change in liabilities according to changes in discount rate		Service cost 2023	Duration of the plan	Disbursements 2023
	+0.25%	-0.25%			
Post-employment benefits	(1,178)	1,453	665	7.8	7,866
Additional salary payments	(60)	62	102	9.5	88
Loyalty bonus	(26)	(16)	76	8.2	397
Tariff discounts	(65)	68	-	9.3	196
Premungas	(18)	18	-	5.3	220

The method used to estimate sensitivity was unchanged compared to the previous year.

NOTE 23_PROVISIONS FOR RISKS AND CHARGES

The item amounted to 404,781 thousand euro (422,989 thousand euro as at 31 December 2021). It is detailed in the following table, and refers both to the current and non-current portions:

	thousands of euro						
	31/12/2021	Increases	Decreases	(Gains) losses	Changes in consolidation scope	31/12/2022	Non-current portion
Provision for restoration of third-party assets	173,994	7,054	-	(502)	-	180,546	180,546
"Post-closure" provisions	79,479	7,091	(8,237)	(3,991)	-	74,342	67,638
Provision for dismantling and reclaiming sites	49,024	4,109	(190)	(2,901)	-	50,042	50,042
Provision for early retirement	10,025	2	(5,599)	-	-	4,428	1,585
ETS cancellation obligation	-	152,314	-	-	-	152,314	-
Other provisions for risks and charges	179,103	22,471	(56,755)	-	5,816	150,635	104,970
Total	491,625	193,041	(70,781)	(7,394)	5,816	612,307	404,781

The comparative figures as at 31 December 2021 have been restated due to the change in the accounting treatment of obligations related to the Emission Trading Scheme as described in the section "Changes in accounting standards" to which reference should be made for further details.

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 2.95%. The "changes in consolidation scope" column refers to the balances acquired during the year relating to the companies of Iren Green Generation Group (formerly Puglia Holding), Alegas, Valle Dora Energia, Società dell'Acqua Potabile (SAP) and SEI Toscana.

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 Enia), 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 Iren Group and the Trade Unions that provide for 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 Iren Group’s personnel, in view of a plan to recruit young individuals.

The incentive, completely chargeable to 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.

ETS cancellation obligation

This item refers to obligations related to carbon dioxide emission rights under the Emission Trading Scheme. The increase relates to the estimated costs of the rights still to be purchased for the obligation of the year.

Other provisions for risks and charges

The amount of the provisions mainly refers to the probable risk of higher charges for the construction of plants which are completed or yet to be finished, the estimated IMU/ICI tax to be paid based on the value of plant systems as envisaged in Art. 1-quinquies of Italian Law Decree 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 2022, releases of provisions amounting to 33,661 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 142,221 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.

For further details please see the note to the income statement, “Income taxes” (Note 42) and the annexed table.

NOTE 25_SUNDRY LIABILITIES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Due after 12 months	63,454	59,828
Deferred income for grants related to assets- non current	438,344	431,783
Non-current accrued expenses and deferred income	3,333	4,198
Total	505,131	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 amounts due to GSE for a dispute with AEEG (Scarlino Energia), tax liabilities for substitute taxes to be paid more than 12 months after the reporting date.

Deferred income for grants related to assets, non-current portion, includes the amounts relating to connection grants of 241,915 thousand euro and the Fo.N.I. component (Provision for New Investments), amounting to 57,081 thousand euro, provided for by the tariff method for the Integrated Water Service, which will be reversed in the income statement more than 12 months after the reporting date. The portion that will be taken to profit or loss in the 12 months following the reporting date amounts to 9,770 thousand and 3,271 thousand euro, respectively, and is included in the item "Sundry liabilities and other current liabilities under deferred income" for grants related to assets.

CURRENT LIABILITIES

NOTE 26_CURRENT FINANCIAL LIABILITIES

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

Current financial liabilities can be analysed as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Bonds	-	359,135
Bank loans	65,346	55,677
Financial liabilities with associates	2,192	-
Financial liabilities with owners	7,548	3,140
Financial liabilities with other related parties	4	1
Lease liabilities	15,007	9,120
Financial liabilities with others	16,523	17,559
Current derivative liabilities	187,955	21,327
Total	294,575	465,959

Bonds

As at 31 December 2022, there were no bonds maturing within 12 months. The amount shown at 31 December 2021, referred to the Bonds issued in 2015, which were repaid at their natural maturity date of November 2022 (nominal value maturing in the amount of 359,634 thousand euro).

Bank loans

Current bank loans may be broken down as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Loans - current portion	50,092	42,540
Other current bank loans	728	2,126
Accrued financial expenses and deferred financial income	14,526	11,011
Total	65,346	55,677

Financial liabilities with associates

They refer to amounts due to the company Arienes for 2,151 thousand euro and to the company CSAI for 40 thousand euro.

Financial liabilities with owners

This item relates to dividends of the company TRM still to be paid to the shareholder Municipality of Turin.

Financial liabilities with others

They amounted to 20,934 thousand euro (17,559 thousand euro as of 31 December 2021) and mainly related to the fair value valuation of the put option on the non-controlling interest in IBlu S.r.l. (4,026 thousand euro), equal to 20% of the quota capital, held by Idealservice Soc Coop.

Current derivative liabilities

These relate to the *fair value* of derivative contracts entered into to hedge the exposure to the risk of fluctuations in commodity prices.

NOTE 27_TRADE PAYABLES

All trade payables are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

	thousands of euro	
	31/12/2022	31/12/2021
Trade payables to suppliers	2,101,840	1,486,776
Trade payables to joint ventures	(2)	(2)
Trade payables to associates	26,368	12,517
Trade payables to owners	7,330	6,760
Trade payables to other related parties	4,637	3,053
Advances due within 12 months	133,711	9,012
Guarantee deposits due within 12 months	5,506	5,579
Charges to be reimbursed within 12 months	10	10
Total	2,279,400	1,523,705

NOTE 28_CURRENT CONTRACT LIABILITIES

This item totalled 39,209 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 liabilities approximates their fair value as the impact of discounting is negligible.

	thousands of euro	
	31/12/2022	31/12/2021
VAT liability	2,650	196
Government land tax/UTIF	1,559	17,412
IRPEF liability	1,734	2,361
Other tax liabilities	33,397	27,449
Current tax liabilities	39,340	47,418
Amounts due to employees	62,427	59,235
Amounts due to Cassa Servizi Energetici e Ambientali (CSEA)	9,963	31,102
Amounts due to social security institutions within 12 months	31,269	26,470
Other current liabilities	92,563	68,170
Current sundry liabilities	196,222	184,977
Accrued expenses and deferred income	25,569	28,662
Total	261,131	261,057

The increase for the government land tax is due to prepayments 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 34,969 thousand euro (48,674 thousand euro as at 31 December 2021) is made up of IRES and IRAP, comprising the estimate of taxes for the current year.

NOTE 31_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounted to 207,526 thousand euro (68,636 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 152,314 thousand euro;
- provisions for environmental offset charges of 10,954 thousand euro;
- provisions for early retirement of 2,843 thousand euro;
- provisions for dismantling and reclaiming sites and post-closure provisions for 6,704 thousand euro;
- other provisions for risks of 34,711 thousand euro.

For further details on the breakdown of and changes in provisions for risks and charges see Note 23.

NOTE 32_LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

There are no liabilities associated with assets held for sale at 31 December 2022.

FINANCIAL POSITION

Net financial indebtedness, calculated as the difference between current and non-current financial indebtedness and current and non-current financial assets, can be broken down as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Non-current financial assets	(169,057)	(131,766)
Non-current financial indebtedness	4,266,014	3,549,612
Non-current net financial indebtedness	4,096,957	3,417,846
Current financial assets	(1,044,778)	(977,404)
Current financial indebtedness	294,575	465,959
Current net financial position	(750,203)	(511,445)
Net financial indebtedness	3,346,754	2,906,401

Net Financial indebtedness with related parties

Non-current financial assets include 33,318 thousand euro due from the Municipality of Turin and 18,699 thousand euro due from associates.

Current financial assets include 6,657 thousand euro due from the Municipality of Turin and 3,141 thousand euro due from associates.

Current financial liabilities include 7,548 thousand euro due to owners (for dividends), 2,192 thousand euro due to associates and 5 thousand euro due to other related parties.

The net financial indebtedness according to the structure proposed by ESMA in the document of 04 March 2021 *Guidelines on disclosure requirements under the Prospectus Regulation and implemented by Consob with Warning notice No. 5/21 of 29 April 2021* is shown below.

	thousands of euro	
	31/12/2022	31/12/2021
A. Cash	(788,402)	(606,888)
B. Cash equivalents	-	-
C. Other current financial assets	(2,476)	(103,595)
D. Liquidity (A) + (B) + (C)	(790,878)	(710,483)
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	229,476	55,164
F. Current portion of non-current financial debt	65,099	410,795
G. Current financial indebtedness (E + F)	294,575	465,959
H. Net current financial position (G - D)	(496,303)	(244,524)
I. Non-current financial debt (excluding current portion and debt instruments)	1,250,392	589,436
J. Debt instruments	3,015,622	2,960,176
K. Non-current trade payables and other liabilities	-	-
L. Non-current financial indebtedness (I + J + K)	4,266,014	3,549,612
M. Total financial indebtedness (H + L)	3,769,711	3,305,088

The annexes to the consolidated financial statements include the reconciliation statement between "total financial indebtedness", calculated according to the structure proposed by ESMA, and "net financial indebtedness", calculated according to 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	4,015,571
Monetary changes as reported in the statement of cash flows	
New non-current loans	780,000
Repayment of non-current loans	(413,422)
Repayment of lease liabilities	(14,223)
Change in other financial liabilities	(11,402)
Interest paid	(90,875)
Dividends paid	(157,611)
Non-monetary changes	
Liabilities acquired following change in consolidation scope	50,709
New finance leases	14,909
Fair value change in derivatives	147,540
Interest and other financial expense	74,683
Dividends resolved	164,710
Current and non-current financial liabilities 31.12.2022	4,560,589

XI. INFORMATION ON THE INCOME STATEMENT

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

The consolidated income statement includes the income statement amounts of the entities over which the Group acquired control in 2022: 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, Valle Dora Energia, Società dell'Acqua Potabile (SAP), SEI Toscana, Ekovision, Valdisieve, Mara Solar, Limes 1, Limes 2 and Omnia Power; the financial results for 2022 are therefore affected by the inclusion of these entities in the consolidation scope.

Again for the purposes of a correct analysis, it should also be noted that the items include, throughout the entire time span, the results of Futura, Sidren (merged into Salerno Energia Vendite), Lab231, the SAS business unit merged into Alfa Solutions and Nove and Bosch Energy and Building Solutions Italy (merged into Iren Smart Solutions), acquired in 2021.

REVENUE

NOTE 33_REVENUE FROM GOODS AND SERVICES

This item amounted to 7,627,961 thousand euro (4,826,741 thousand euro in 2021) and is detailed in the following table.

	thousands of euro	
	FY 2022	FY 2021
Electricity revenue	3,767,075	2,321,317
Heat revenue	399,437	237,775
Gas revenue	1,194,416	615,591
Integrated water service revenue	481,800	423,468
Waste collection and disposal revenue	825,123	734,735
Revenue from asset construction services under concession	231,739	225,846
Revenue from other services	728,371	268,009
Total	7,627,961	4,826,741

The following table shows the reconciliation between the item Revenue from goods and services and the segment reporting in section XIII below Segment reporting.

	thousands of euro						
	Networks	Waste Management	Energy	Market	Other services	Elisions	Total
Revenue from goods and services	967,525	1,001,047	4,222,642	5,307,668	24,824	(3,895,745)	7,627,961
Other revenue	162,223	88,224	171,791	87,089	4,649	(278,894)	235,082
Total	1,129,748	1,089,271	4,394,433	5,394,757	29,473	(4,174,639)	7,863,043

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

	thousands of euro						
	Networks	Waste Management	Energy	Market	Other services	Elisions	Total
Electricity revenue	131,293	68,831	3,335,575	2,297,437	-	(2,066,061)	3,767,075
District heating revenue	-	24,174	411,373	-	-	(36,110)	399,437
Gas revenue	113,456	7,127	-	2,832,847	-	(1,759,014)	1,194,416
Integrated water service revenue	476,315	4,166	-	-	-	1,319	481,800
Waste management revenue	15	833,764	-	-	-	(8,656)	825,123
Revenue from asset construction services under concession - IFRIC 12	222,049	6,819	2,871	-	-	-	231,739
Revenue from other services	24,397	56,166	472,823	177,384	24,824	(27,223)	728,371
Total Revenue from goods and services	967,525	1,001,047	4,222,642	5,307,668	24,824	(3,895,745)	7,627,961

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 data communicated by the distributors and material suppliers broken down on the customer's historical consumption profile, adjusted to reflect the 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:

- 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 reuse. 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 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 punctually 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 is 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 a contract asset until the obligation has been fully met.

NOTE 34_OTHER INCOME

Other income totalled 235,082 thousand euro (129,130 thousand euro in 2021) and refers to grants, revenue for energy certificates and sundry income. The tables below show the details of the individual items.

Grants

	thousands of euro	
	FY 2022	FY 2021
Grants related to assets	13,982	13,741
Connection grants	10,975	10,653
Other grants	47,742	5,520
Total	72,699	29,914

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.

The increase in the item "Other grants" is largely attributable to the regulatory measures introduced to combat the high cost of energy, in particular Law 51/2022 and the decrees "Aiuti" (DL 50/2022), "Aiuti bis" (DL 115/2022) and "Aiuti Ter" (DL 144/2022), which provided for a tax credit for so-called "non-energy-intensive" and "non-gas-intensive", aimed at compensating for the higher charges incurred for electricity and gas purchased and used in economic activity. The effect of these measures for the Group amounted to 40,988 thousand euro.

Revenue from energy efficiency certificates

	thousands of euro	
	FY 2022	FY 2021
Revenue from the sale of ETS certificates (Emission Trading Certificates)	19,124	-
Revenue from ex-Green Certificates incentive	35,714	53,442
Revenue from Energy Efficiency Certificates (White Certificates)	14,417	28,778
Reduction in tariff contribution for White Certificates from previous years	-	(33,078)
Total	69,255	49,142

The reduction in the tariff contribution relating to White Certificates from previous years 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	
	FY 2022	FY 2021
Service contracts	2,110	2,595
Lease income	1,937	1,608
Capital gains on sale of assets	2,696	2,252
Insurance settlements	23,291	5,105
Sundry reimbursements	8,410	7,461
Other revenue and income	54,684	31,053
Total	93,128	50,074

It should be noted that the item "Insurance settlements" for 2022 largely refers to a reimbursement for the business interruption of a line of the Turbigio thermoelectric plant, while the increase in the item "Other revenue and income" is mainly due to penalties to suppliers applied, according to contractual terms, following the delays encountered during the repowering of the same.

COSTS

NOTE 35_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

	thousands of euro	
	FY 2022	FY 2021
Purchase of electricity	1,198,853	441,523
Purchase of gas	2,968,274	1,368,234
Purchase of heat	663	302
Purchase of other fuels	720	168
Purchase of water	4,443	4,282
Other raw materials and inventory materials	211,740	112,137
CO ₂ emission quotas	215,819	144,200
White certificates	13,297	728
Reduction in obligations for White Certificates from previous years	-	(35,806)
Change in inventories	(31,749)	(45,273)
Total	4,582,060	1,990,495

Costs for raw materials, consumables, supplies and goods increased by 2,591,565 thousand euro. The increase in the costs of purchasing electricity and gas is mainly linked to the increase in prices of commodities.

The purchase of raw materials and materials in stock increased in connection with the marketing to retail customers of products in the area of home automation, energy saving and maintenance of domestic installations and, to a lesser extent, fuels for operating vehicles.

The reduction in obligations for White Certificates from previous years of 2021 referred to the revision of the estimated costs for the purchase of securities for compliance for 2020, following the quantitative reduction of obligations introduced by the Decree of the Ministry of Ecological Transition of 21 May 2021.

NOTE 36_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services amounted to 1,631,570 thousand euro (1,386,547 thousand euro in 2021), as follows:

	thousands of euro	
	FY 2022	FY 2021
Electricity transport and electricity system expenses	520,110	471,396
Gas transmission	(34,819)	69,346
Third-party works, maintenance and industrial services	560,164	377,307
Collection and disposal, snow clearing, public parks	302,227	250,008
Expenses related to personnel (meal allowance, training, business travel)	13,752	10,439
Technical, administrative and commercial consulting and advertising expenses	96,205	82,446
Legal and notary fees	1,895	2,529
Insurance	24,186	19,170
Bank expenses	11,278	8,388
Telephone expenses	6,366	5,737
Expenses for IT services	57,010	47,901
Reading and invoicing services	11,320	11,653
Board of Statutory Auditors' fees	1,229	1,118
Other costs for services	60,647	29,109
Total costs for services	1,631,570	1,386,547

Costs for third-party works mainly relate to operating and maintenance costs of plants and networks.

Gas transmission costs are negative as a result of the effects of ARERA's introduction of a UG2c tariff component with a negative sign, envisaged as part of urgent and extraordinary interventions in favour of consumers in relation to the situation of tension in the functioning of the gas markets.

"Other costs for services" include residual costs for internal consumption, back office, transport and other services: this item increased largely as a result of higher transport costs and the closure of estimates from previous years.

Use of third-party assets amounted to 37,755 thousand euro (35,043 thousand euro in 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 81,582 thousand euro (87,832 thousand euro in 2021), as follows:

	thousands of euro	
	FY 2022	FY 2021
General expenses	27,707	24,703
Instalments and higher instalments for water shunting	26,466	20,550
Taxes and duties	24,599	21,784
Capital losses on sale of assets	2,625	2,059
Other sundry operating expenses	185	18,736
Total	81,582	87,832

General expenses include among other things contributions to the running costs of various entities and penalties from service providers. The item "Taxes and duties" relates mainly to expenses for IMU property tax on the Group's plants and buildings and expenses for occupying and reclaiming public land. The item "Other sundry operating expenses" includes adjustments of revenue pertaining to previous years.

NOTE 38 CAPITALISED EXPENSES FOR INTERNAL WORK

Capitalised expenses for internal work amounted to 55,655 thousand euro (43,382 thousand euro in 2021), and regard increases in capital assets made with internal resources and production factors.

	thousands of euro	
	FY 2022	FY 2021
Capitalised personnel expense	(36,102)	(36,340)
Capitalised inventory materials	(19,553)	(7,042)
Total	(55,655)	(43,382)

NOTE 39 PERSONNEL EXPENSE

Personnel expense amounted to 531,060 thousand euro (483,489 thousand euro in 2021), as follows:

	thousands of euro	
	FY 2022	FY 2021
Gross remuneration	380,059	343,430
Social security contributions	116,642	106,596
Post-employment benefits	973	481
Other long-term employee benefits	191	80
Other personnel expense	31,176	31,028
Directors' fees	2,019	1,883
Total	531,060	483,498

As specified in Note 38, 36,102 thousand euro of costs related to employees were 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.

	31/12/2022	31/12/2021	Yearly average
Executives	117	104	112
Junior managers	372	345	367
White collars	4,474	3,915	4,192
Blue collars	5,620	4,691	5,196
Total	10,583	9,055	9,867

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;

- the consolidation, in April 2022, by Iren Mercato of Alegas S.r.l., for a total of 11 resources and, by Iren Ambiente of CRCM S.r.l., for a total of 10 resources;
- the consolidation, in July 2022, by Ireti of Società dell'Acqua Potabile (SAP) S.r.l., for a total of 30 resources and by Iren Ambiente of SEI Toscana S.r.l., for a total of 1042 resources and, consequently, of Ekovision S.r.l., a subsidiary of SEI Toscana S.r.l., for a total of 18 resources.

NOTE 40_DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the year amounted to 522,592 thousand euro (478,320 thousand euro in 2021).

	thousands of euro	
	FY 2022	FY 2021
Depreciation	305,464	282,321
Amortisation	217,128	195,999
Total	522,592	478,320

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 68,345 thousand euro (83,842 thousand euro in 2021) as follows:

	thousands of euro	
	FY 2022	FY 2021
Impairment losses on loans and receivables	63,465	53,521
Provisions for risks and restoration of third-party assets	29,602	21,197
Release of provisions	(26,214)	(15,620)
Impairment losses	1,492	24,744
Total net other provisions and impairment losses	4,880	30,321
Total	68,345	83,842

The provisions for the year which, in addition to the impairment losses on trade receivables, include impairment losses on non-current trade receivables and contract assets, were accrued to adjust the amount of the loss allowance to the amount of expected credit losses on the basis of the simplified model provided for in IFRS 9, where "loss" means the present value of all cash shortfalls considering forward-looking information.

The trend of provisions set aside for risks and restoration of third-party assets is referable to the assessment of risks of liabilities in the electrical and water fields, as well as to costs in the waste management segment, while releases of provisions in the year refer to the revision of estimates of expenses accrued in previous years largely related to electricity generation plants.

Details of changes in provisions are provided in the note to the Statement of financial position item "Provisions for risks and charges".

Finally, impairment losses in 2022 related to the Futura waste treatment plant, which was damaged by fire, while in 2021, they referred to the waste-to-energy plant in Scarlino (Grosseto), which was fully impaired following the interruption of the authorisation process for its operation.

NOTE 42_FINANCIAL MANAGEMENT

Financial income

Financial income amounted to 23,201 thousand euro (28,173 thousand euro in 2021). The details are shown in the following table:

	thousands of euro	
	FY 2022	FY 2021
Dividends	5	-
Bank interest income	1,849	562
Interest income from receivables/loans	2,039	2,928
Interest income from customers	6,038	5,238
Fair value gains on derivatives	2,265	1,068
Gains on derivatives	497	-
Capital gain on disposal of financial assets	-	409
Other financial income	10,508	17,968
Total	23,201	28,173

Fair value income on derivative contracts refers to the overhedging portion of interest rate risk hedging derivatives.

Other financial income consists mainly of income for the discounting of provisions. In 2021, there was also income related to the early settlement of financial liabilities.

Financial expense

The item amounted to 105,108 thousand euro (74,553 thousand euro in 2021). The breakdown of financial expense is shown in the following table:

	thousands of euro	
	FY 2022	FY 2021
Interest expense on loans	8,011	1,815
Interest expense on bonds	47,822	50,386
Interest expense on bank current accounts	1,959	133
Other interest expense	3,475	1,005
Capitalised borrowing costs	(1,567)	(1,874)
Fair value losses on derivatives	20,864	-
Realised losses on derivatives	4,803	5,848
Capital losses on disposal of financial assets	-	759
Interest cost – Employee benefits	535	-
Financial expense on lease liabilities	910	254
Impairment losses on loan assets	3,093	1
Other financial expense	15,203	16,226
Total	105,108	74,553

Interest expense on loans and bonds includes the expense relating to the measurement at amortised cost. The fair value losses on derivatives concern instruments entered into to fix the sale price of heat from district heating and of a portion of gas sales on the protected market that, following regulatory changes introduced by ARERA, no longer comply with hedge accounting rules. For further details, please refer to CONSOB Communication No. DEM/6064293 of 28 July 2006 - Significant Non-Recurring Events and Transactions. Other financial expense consists mainly of financial expense for discounting provisions and expense arising from the assignment to financial intermediaries of credits related to deductions on works carried out to improve the energy efficiency of buildings (ecobonus).

NOTE 43_GAINS ON EQUITY-ACCOUNTED INVESTMENTS

These gains came to 5,211 thousand euro (6,019 thousand euro in 2021) and mainly refer to the restatement at fair value, at the date control was acquired, of the non-controlling interest and the gain from the purchase at favourable prices related to the business combinations of Valle Dora Energia (+5,079 thousand euro) and SEI Toscana (+364 thousand euro).

In 2021, these gains were 6,019 thousand euro and essentially referred to the gain deriving from the acquisition of the net assets of Nove (4,627 thousand euro) and the effect of the remeasurement at fair value, at the date of acquisition of control, of the non-controlling interest in Futura (1,305 thousand euro).

NOTE 44_SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEEES

The profit of equity-accounted investees amounted to 11,758 thousand euro (10,294 thousand euro in 2021). For more details please see Note 5 "Equity-accounted investments".

NOTE 45_INCOME TAXES

Income taxes for 2022 amounted to 128,851 thousand euro (90,332 thousand euro in 2021) and included the estimated income taxes for 2022 in the amount of 101,597 thousand euro and the so-called "Solidarity Contribution" for 27,254 thousand euro.

	thousands of euro	
	FY 2022	FY 2021
Current taxes (IRES)	89,318	140,378
Current taxes (IRAP)	28,925	29,386
Current taxes (IRES and IRAP) previous years	(1,894)	1,588
Change in deferred tax assets	(4,657)	(36,008)
Change in deferred tax liabilities	(10,095)	(45,136)
Solidarity contribution	27,254	-
Total	128,851	90,208

The Group's effective tax rate in 2022 is 32.3%, while in 2021, it was 21.3%. The latter was influenced by the net non-recurring tax income of 32,371 thousand euro related to the exercise of the option on 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%. Moreover, the change in the effective tax rate was also influenced, to a lesser extent, by the redemption of goodwill and other intangible assets pursuant to art. 176 of Presidential Decree no. 917/1986.

The item "Income Taxes" in 2022 includes 27,254 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), and art.1 (115) of the 2023 Budget Law 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 sales and purchases transactions disclosed in the periodic VAT returns (LIPE) for the periods 1 October 2020 - 30 April 2021 and 1 October 2021 - 30 April 2022.
- a levy of 50% to be applied to the increase in taxable income 2022 that exceeds the average income achieved in the previous four years by at least 10%.

The table below shows the breakdown of the tax rate for 2022 and 2021.

	FY 2022		FY 2021	
Pre-tax profit	398,797		423,609	
Current taxes (IRES)	95,711	24.0%	101,588	24.0%
Permanent differences	(4,911)	-1.2%	(3,858)	-0.9%
Effect on releases and realignments	(4,410)	-1.1%	(35,115)	-8.3%
Extraordinary extra-profits contributions	27,254	6.8%		
Tax relief effect	(16,029)	-4.0%	(2,486)	-0.6%
IRAP (Regional business tax)	24,387	6.1%	29,386	6.9%
Previous years' taxes and other differences	6,849	1.7%	692	0.2%
Total income taxes	128,851	32.3%	90,208	21.3%

The Group also exercised the option, pursuant to Art. 117 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the Parent IREN S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES assets. The companies in the domestic tax consolidation for 2022, not including the Parent Company Iren Spa, are as follows: Iren energia S.p.A., Ireti S.p.A., Territorio e Risorse S.r.l., Iren Acqua S.p.A., Iren Mercato S.p.A., Iren Ambiente S.p.A. (and the merged companies Scarlino Immobiliare S.r.l. and Produrre Pulito S.r.l.), Iren Smart Solution S.p.A., Acam Ambiente S.p.A., Acam Acque S.p.A., Maira S.p.A., AMIAT S.p.A. AMIAT V S.p.A., Formaira S.p.A., Alfa Solutions S.p.A., Recos S.p.A., Iren Laboratori S.p.A., IAM Parma S.r.l., IAM Piacenza S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., Gia in liquidazione S.r.l., San Germano S.p.A., Rigenera Materiali S.r.l., BSA s.r.l., Uniproject S.r.l. (and the merged companies Uniservizi S.r.l. and Picena Depur S.r.l.), Manduriambiente Spa, Scarlino Energia S.p.A., Iren Ambiente Toscana S.p.A. (formerly STA S.p.A. and the merged companies UCH H S.r.l. and Scarlino H S.r.l.), TB S.p.A., Borgo Ambiente Scarl.

The following table shows deferred tax assets and liabilities and their impact.

	thousands of euro	
	FY 2022	FY 2021
Deferred tax assets		
Non-taxable provisions	175,832	175,109
Differences in non-current assets	200,032	186,327
Connection grants	4,013	4,390
Derivatives	49,310	54,696
Tax loss carry-forwards + ACE	9,330	3,375
Other	2,801	3,675
Total	441,319	427,572
Deferred tax liabilities		
Differences in non-current assets	152,900	133,875
Loss allowance and other provisions	10,161	5,464
Derivatives	20,533	-
Other	59,080	49,386
Total	242,674	188,725
Net deferred tax assets	198,645	238,847
Total change	(40,202)	
of which:		
in Equity	(29,171)	
in profit or loss	14,752	
for change in consolidation scope	(25,782)	

NOTE 46_ PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

Not present in 2022 or 2021.

NOTE 47_ PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests, which amounted to 43,929 thousand euro (30,229 thousand euro in 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 2022 represents the weighted average number of shares in issue in the reporting period based on the provisions of IAS 33 § 20. The parent has not issued any financial instruments that have the potential to dilute its common stock, therefore diluted earnings per share is equal to basic earnings per share.

	FY 2022	FY 2021
Profit for the year (thousands of euro)	226,017	303,172
Weighted average number of shares outstanding over the year (thousand)	1,283,076	1,283,304
Basic earnings per share (euro)	0.18	0.24

NOTE 49_OTHER COMPREHENSIVE INCOME

Other comprehensive income amounted to 90,232 thousand euro (4,261 thousand euro in 2021) and included other comprehensive income that will be subsequently reclassified to profit or loss and other comprehensive income that will not be subsequently reclassified to profit or loss.

Other comprehensive income that will be subsequently reclassified to profit or loss relates to:

- the effective portion of fair value gains on cash flow hedges, of 107,049 thousand euro, which refers to derivatives hedging changes in interest rates and derivatives hedging changes in commodity prices (for the Group, this concerns electricity and gas).
- the share of other gains of equity-accounted investees, of 114 thousand euro, which refers to fair value gains on cash flow hedges of associates;
- the change in the translation reserve, amounting to a positive 840 thousand euro, due to the change in the exchange rate used to translate the financial statements balances of associates that prepare their financial statements in currencies other than the euro
- the tax effect, for 26,363 thousand euro.

Other comprehensive income that will not be subsequently reclassified to profit or loss relates to:

- net actuarial losses, related to defined benefit plans, for 11,399 thousand euro;
- the tax effect, for 2,807 thousand euro.

XII. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees relate to:

- a) Sureties and other guarantees for own commitments of 1,113,185 thousand euro (741,391 thousand euro as at 31 December 2021); the most significant items refer to sureties issued in favour of:
- Gestore dei Servizi Elettrici for 145,405 thousand euro to guarantee the gas supply contract;
 - the Electricity Market Operator (GME) for 132,528 thousand euro to guarantee the energy market participation contract;
 - The Tax Authority for 130,670 thousand euro for a VAT refund request;
 - Shell Energy Europe for 85,000 thousand euro to guarantee the gas supply contract;
 - ATERSIR for 73,424 thousand euro for agreements and tenders in progress relating to the Integrated Water Service and the Urban Waste Management Service;
 - ARPAE for 72,137 thousand euro for waste transfer and operations and post-closure management of plants subject to Integrated Environmental Authorisation (I.E.A.);
 - the Turin Provincial/Metropolitan City Governments, for 56,898 thousand euro for waste transfer and post-closure management of plants subject to I.E.A.;
 - ATO-R, for 44,335 thousand euro, as definitive guarantees in the Amiat/TRM tender procedure;
 - Municipality of Turin, for 34,861 thousand euro, definitive guarantee in the AMIAT/TRM acquisition;
 - CONSIP for 34,462 thousand euro mainly related to electricity supply contracts;
 - Ministry of the Environment, for 31,783 thousand euro for various authorisations;
 - Customs Authority, for 22,781 thousand euro to guarantee the regular payment of customers tax and additional local and provincial duties on electricity consumption and gas excise;
 - Province of La Spezia for 22,081 thousand euro for waste transfer and management of plants;
 - Tuscany Region for 15,297 thousand euro to guarantee landfill and plant authorisations;
 - Piedmont Region for 14,520 thousand euro as guarantee for project financing for the concession of large water derivation plants for hydroelectric purposes;
 - Apulia Region for 12,444 thousand euro to guarantee landfill and plant authorisations;
 - Aisa Impianti for 7,800 thousand euro as guarantee for the contract of transfer at the plants;
 - Province of Savona for 7,589 thousand euro to guarantee management of plants.
 - Terna, for 7,236 thousand euro to guarantee injection and withdrawal dispatching contracts and to guarantee the electricity transport service contract;
 - SNAM Reti Gas for 7,670 thousand euro to guarantee contracts and network codes;
 - Province of Parma for 6,187 thousand euro as guarantee for authorisations for various plants;

- Consorzio di Bacino Basso Novarese for 6,989 thousand euro to guarantee the contract for the collection and disposal of urban waste.

With reference to the associate Sinergie Italiane, it should be noted that as of 31 December 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 266.9 million euro;
- contracts for the purchase of methane gas at an indexed price, for a forecast quantity of the equivalent of 20.2 MWh;
- electricity purchase agreements, with a countervalue of 22,9 million euro;
- contracts for the purchase of CO₂ emission quotas, with a countervalue of 59.6 million euro.

CONTINGENT LIABILITIES

Disclosure on the Inspection Report of 26 July 2019 served on Iren Mercato S.p.A.

On 20 February 2019, Agenzia delle Entrate - Regional Revenue Authority Department of Liguria initiated a tax audit, for the 2013 and 2014 tax years, against the company Iren Mercato S.p.A. which concluded in the notification of the official tax audit report (OTAR) of 26 July 2019: the audit concerned mainly the business relationships between the company and the investee Sinergie Italiane, in implementation of the contract for the purchase of natural gas signed on 20 March 2013.

The Office with the aforementioned OTAR, for IRES and IRAP purposes, claimed that the company applied an undue deduction, in breach of Art. 109 of the Consolidated Law on Income Tax (TUIR), of part of the price of the gas paid to Sinergie Italiane (for the part constituted, in fact, of the *mark-up* applied by the latter on its natural gas purchase price), for a total of 4,274,009 euro for 2013 and 3,748,010 euro for 2014.

In the OTAR, the Office also contested the undue deduction (in violation of Article 19, paragraph 1, of Presidential Decree no. 633/1972) of VAT (applied at a 10% rate) paid by the company in relation to the invoices issued by Sinergie Italiane.

In relation to the transactions covered by the accusation, Iren Mercato produced, during the audit, briefs with which ample clarifications were provided on the nature of the commercial transactions that occurred between the two companies.

In addition, the company - although convinced of the legitimacy of its actions and for the sole purpose of benefiting from the criminal non-punishability cause introduced by Article 39, paragraph 1, of Legislative Decree no. 124/2019 - on 6 February 2020, carried out the so-called "voluntary correction of the tax return" (in relation to the Mark-up irregularity) for the years 2015, 2016, and 2017, through the submission of supplementary statements and simultaneous payment of taxes, interest and penalties.

On 30 June 2022, the Revenue Agency notified the notices of assessment relating to the findings contained in the aforementioned tax audit report, which concerned the recovery of IRES for approximately 2.2 million euro and VAT for 884 thousand euro, to which were added penalties of approximately 3.145 million euro and interest of approximately 1 million euro updated to the date of notification of the notices of assessment. These notices were duly challenged within the time limits before the Court of First Instance.

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 bis3 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. Both rulings were favourable to the company.

The risk associated with the Revenue 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 on the asset recognised in relation to the amounts assessed to act on the aforementioned voluntary correction.

Iren Mercato S.p.A. / Azienda Sanitaria Locale Roma 1 - Iren Mercato S.p.A. / Local Health Authority Rome 4

Two proceedings are pending before the Court of Rome, initiated by certain local health authorities in Lazio and relating to the transactions between them and Iren Mercato, in its own right and as a member of the temporary joint venture entrusted under the Agreement of 4 August 2006 entered into with the Lazio Region for the "Technological multi-service and provision of energy carriers - Lot D"; in particular:

- claim form dated 10 April 2020 by ASL ROMA 1 (contract of 13 December 2007) with the aim of ascertaining the undue receipt of the fee for the supply of hot water and steam for the period from 01 July 2007 to 28 February 2017, contesting the incorrect application of the tariff, and the consequent repayment of the sum; the plaintiff has quantified this amount as 8 million euro;

- claim form dated 12 April 2022 by ASL ROMA 4 (contract of 08 June 2007) with the aim of ascertaining the undue receipt of the fee for the supply of hot water and steam for the period from 01 April 2007 to 19 February 2017, contesting the incorrect application of the tariff, and the consequent repayment of the sum; the plaintiff has quantified this amount as 7.5 million euro;

In both cases, 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.

Decree Law 115/2022 (DL "Aiuti bis") - Unilateral variations

Article 3 of Decree-Law 115/2022 provided for the suspension until 30 April 2023 of the effectiveness of any contractual clause allowing an electricity and natural gas supplier to unilaterally change the general terms and conditions of the contract relating to the definition of the price.

This approach was interpreted by the Antitrust Authority in its most restrictive form, extending the suspension also to those clauses that provided for the possibility for sales companies to update supply prices as the expiry date indicated on the financial conditions approached (this prohibition was enforced by means of special suspension measures ordered by the same AGCM).

Subsequent appeals to the administrative justice system made it possible to distinguish the case of price updates from other changes made on the basis of the more generic principle of the *ius variandi*; in this sense, following the ruling of the Council of State of 23 December 2022, the suspension imposed by the AGCM with respect to the case of renewals was revoked.

XIII. SEGMENT REPORTING

Segment reporting, based on the Group's management and internal reporting structure, is given below in accordance with IFRS 8.

Given the nature of the activity performed by Group companies, a geographical segment analysis is not relevant.

The operating segments in which the Group operates are:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Energy (Hydroelectric Production and production from other renewable sources, Combined Heat and Power, District Heating Networks, Thermoelectric Production, Public Street Lighting, Global services, Energy efficiency services)
- Market (Sale of electricity and gas)
- Other services (Laboratories, Telecommunications and other minor services).

These operating segments are reported on pursuant to IFRS 8, which requires the disclosure about operating segments to be based on the elements which management uses in making operational and strategic decisions.

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

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

The following tables show the Net Invested Capital compared to the restated 31 December 2021 figures and the income statements for 2022 (up to the operating profit/loss) by business segment, compared with the restated 2021 figures.

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 analysis tables below, the following quantities are presented:

Net invested capital (NIC): determined by the algebraic sum of non-current assets, other non-current assets (liabilities), net working capital, deferred tax assets (liabilities), provisions for risks, and employee benefits and assets held for sale (liabilities associated with assets held for sale).

Net financial indebtedness: 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 by 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 or loss: calculated as the sum of income before tax, income from equity-accounted investments, adjustments to the value of investments, financial income and expense, and amortisation, depreciation, provisions and write-downs.

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

Reclassified statement of financial position by business segment as at 31 December 2022

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,323	1,475	2,270	337	28	222	7,655
Net Working Capital	(42)	-200	150	(138)	6	-	(224)
Other non-current assets and liabilities	(604)	(172)	(186)	53	-	16	(893)
Net invested capital (NIC)	2,677	1,103	2,234	252	34	238	6,538
Equity							3,191
Net financial indebtedness							3,347
Own funds and net financial indebtedness							6,538

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	1,964	258	26	226	6,883
Net Working Capital	(60)	91	29	-286	3	-	(223)
Other non-current assets and liabilities	(606)	(198)	19	(21)	3	-	(804)
Net invested capital (NIC)	2,466	1,170	2,012	-49	33	226	5,857
Equity							2,951
Net financial indebtedness							2,906
Own funds and net financial indebtedness							5,857

Income Statement by operating segment for 2022

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,130	1,089	4,394	5,396	29	(4,174)	7,864
Total operating expenses	(717)	(825)	(4,035)	(5,382)	(25)	4,174	(6,809)
Gross Operating Profit	413	264	359	14	5	-	1,055
Net amortisation, depreciation and impairment losses	(203)	(141)	(135)	(109)	(3)	-	(591)
Operating profit (loss)	210	123	224	(95)	2	-	464

Income Statement by operating segment for 2021, restated

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	991	916	2,279	3,071	26	(2,327)	4,956
Total operating expenses	(608)	(689)	(1,981)	(2,967)	(22)	2,327	(3,940)
Gross Operating Profit	383	227	298	104	4	-	1,016
Net amortisation, depreciation and impairment losses	(195)	(135)	(140)	(90)	(2)	-	(562)
Operating profit	188	92	158	14	2	-	454

XIV. ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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LIST OF JOINT VENTURES

LIST OF ASSOCIATES

LIST OF EQUITY INVESTMENTS IN OTHER COMPANIES

ACCOUNTING DATA OF THE MAIN CONSOLIDATED COMPANIES, JOINT VENTURES AND ASSOCIATES

RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS
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DEFERRED TAX ASSETS AND LIABILITIES

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LIST OF CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00	Iren
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00	Iren
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00	Iren
Ireti S.p.A.	Genoa	Euro	196,832,103	100.00	Iren
Ireti Gas S.p.A.	Parma	Euro	120,000	100.00	Ireti
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 S.r.l.	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	Minerva S.r.L.
Minerva s.r.L.	Vercelli		10,000	59.97	Ireti
Bonifica Autocisterne S.r.l.	Piacenza	Euro	595,000	51.00	Iren Ambiente
Bonifiche Servizi Ambientali (formerly UHA) S.r.l.	Reggio Emilia	Euro	3,000,000	100.00	Iren Ambiente
Consorzio GPO	Reggio Emilia	Euro	20,197,260	62.35	Ireti
C.R.C.M. S.r.l.	Terranuova Bracciolini (AR)	Euro	3,062,000	76.06	Valdarno Ambiente
Dogliani Energia S.r.l.	Cuneo	Euro	10,000	100.00	Iren Energia
Ekovision S.r.l.	Prato	Euro	1,485,000	100.00	SEI Toscana
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 20.00 20.00	Iren Ambiente Toscana Iren Ambiente Sei Toscana
I. Blu S.r.l.	Pasian di Prato (UD)	Euro	9,001,000	80.00	Iren Ambiente
Iren Acqua S.p.A.	Genoa	Euro	19,203,420	60.00	Ireti
Iren Acqua Tigullio S.p.A.	Chiavari (GE)	Euro	979,000	66.55	Iren Acqua
Iren Ambiente Parma S.r.l.	Parma	Euro	4,000,000	100.00	Iren Ambiente
Iren Ambiente Piacenza S.r.l.	Piacenza	Euro	4,000,000	100.00	Iren Ambiente
Iren Ambiente Toscana S.p.A.	Florence	Euro	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 20.00 20.00	Iren Energia Iren Ambiente Iren Mercato
LAB 231 S.r.l.	Parma	Euro	10,000	100.00	Alfa Solutions
Limes 1 S.r.l.	Turin	Euro	20,408	51.00	Iren Green Generation
Limes 2 S.r.l.	Turin	Euro	20,408	51.00	Iren Green Generation
Maira S.p.A.	San Damiano Macra (CN)	Euro	596,442	82.00	Iren Energia
Manduriambiente S.p.A.	Manduria (TA)	Euro	4,111,820	95.28	Iren Ambiente
Mara Solar srl	Turin	Euro	10,000	100.00	Iren Green Generation
Nord Ovest Servizi S.p.A.	Turin	Euro	7,800,000	45.00 30.00	Ireti Amiat
Iren Green Generation S.r.l.	Turin	Euro	10,000	100.00	Iren Energia
Iren Green Generation Tech S.r.l.	Turin	Euro	80,200	100.00	Iren Green Generation
Omnia Power S.r.l.	Turin	Euro	10,000	100.00	Iren Green Generation
Palo Energia S.r.l.	Turin	Euro	10,000	100.00	Iren Green Generation
Piano Energia S.r.l.	Turin	Euro	10,000	100.00	Iren Green Generation
Solleone Energia S.r.l.	Turin	Euro	10,000	100.00	Iren Green Generation
Traversa Energia S.r.l.	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
SEI Toscana S.r.l.	Siena	Euro	75,272,566	41.77	Iren Ambiente Toscana
				16.37	Valdarno Ambiente
				0.20	CRCM
Società dell'Acqua Potabile S.r.l.	Sestri Levante (GE)	Euro	110,000	100.00	Ireti
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
				35.00	ASM Vercelli
TRM S.p.A.	Turin	Euro	86,794,220	80.00	Iren Ambiente
Uniproject S.r.l.	Maltignano (AP)	Euro	91,800	100.00	Iren Ambiente
Valdarno Ambiente S.r.l.	Terranuova Bracciolini (AR)		22,953,770	56.016	Iren Ambiente Toscana
Valdisieve S.c.a.r.l.	Florence	Euro	1,400,000	70.96	Sei Toscana
				0.96	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/quota capital	% interest	Investor
A2A Alfa S.r.l. (1)	Milan	Euro	100,000	30.00	Iren Mercato
Acos S.p.A.	Novi Ligure	Euro	17,075,864	25.00	Ireti
Acos Energia S.p.A.	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
EGUA S.r.l.	Cogorno (GE)	Euro	119,000	49.00	Società dell'Acqua Potabile
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
Iniziativa Ambientali S.r.l.	Novellara (RE)	Euro	100,000	40.00	Iren Ambiente
Mondo Acqua S.p.A.	Mondovi (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
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	13,020,080	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/quota capital	% interest	Investor
Acque Potabili Siciliane S.p.A. (1)	Palermo	Euro	5,000,000	9.83	Iren Acqua
Aeroporto di Reggio Emilia S.p.A.	Reggio Emilia	Euro	2,177,871	0.11	Alfa Solutions S.p.A.
AISA S.p.A. in liquidation (1)	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	Bonifiche Servizi Ambientali
Consorzio Integra	Bologna	Euro	42,548,492	0.02	Bonifiche Servizi Ambientali
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
I-TES S.r.l.	Turin	Euro	10,204	7.41	AMIAT
Genera S.c.a.r.l.	Ascoli Piceno	Euro	1,390,361	2.00	Iren Energia
L.E.A.P. S.c. a r.l.	Piacenza	Euro	155,000	1.00	Uniproject
Parma Servizi Integrati S.c. a r.l.	Parma	Euro	20,000	8.30	Iren Ambiente
Reggio Emilia Innovazione S.c.a.r.l. in liquidation (2)	Reggio Emilia	Euro	871,956	11.00	Iren Smart Solutions
Re Mat Srl	Turin	Euro	57,750	0.99	Iren Ambiente
Romeo Gas S.p.A.	Pieve di Soligo (TV)	Euro	39,593,746	9.09	Iren Ambiente
Serchio Verde Ambiente S.p.a. in liquidation (2)	Castelnuovo di Garfagnana (LU)	Euro	1,128,950	19.70	Iren Ambiente Toscana
Società di Biotecnologie S.p.A.	Turin	Euro	536,000	5.93	Iren Ambiente Toscana
Stadio Albaro S.p.A. in liquidation (2)	Genoa	Euro	1,230,000	2.93	Iren Smart Solutions
Tech4Planet	Rome	Euro	70,808	2.00	Iren Mercato
T.I.C.A.S.S. S.c. a r.l.	Genoa	Euro	136,000	11.03	Iren Spa
				2.94	Ireti

ACCOUNTING DATA OF THE MAIN CONSOLIDATED COMPANIES LINE-BY-LINE, JOINT VENTURES AND ASSOCIATES

Consolidated companies

Company	Currency	Total Assets	Equity	Revenues	Net Income
Iren Ambiente S.p.A.	Euro	1.063.786.263	258.257.331	482.291.512	24.283.629
Iren Energia S.p.A.	Euro	2.725.692.057	1.386.392.280	3.795.160.448	77.734.111
Iren Mercato S.p.A.	Euro	1.703.763.847	(90.046.769)	5.711.886.958	(77.958.399)
Ireti S.p.A.	Euro	2.870.664.692	1.189.302.697	568.254.735	103.117.066
Acam Acque S.p.A.	Euro	305.958.888	38.591.868	95.856.979	5.249.348
Acam Ambiente S.p.A.	Euro	51.238.872	6.717.224	52.231.748	384.815
Alegas S.r.l.	Euro	49.626.692	(12.839.016)	93.644.348	(15.124.484)
Alfa Solutions S.p.A.	Euro	27.742.067	7.265.695	26.159.737	1.979.945
AMIAT S.p.A.	Euro	198.876.223	93.234.644	218.390.629	13.002.853
AMIAT V S.p.A.	Euro	50.529.736	44.098.764	-	11.640.794
ASM Vercelli S.p.A.	Euro	205.626.067	133.433.801	46.994.930	3.985.740
Asti Energia e Calore S.p.A.	Euro	4.412.137	906.992	1.611.449	188.658
Atena Trading S.r.l.	Euro	21.679.671	4.919.185	50.921.275	(2.484.750)
Bonifica Autocisterne S.r.l.	Euro	1.625.798	1.004.928	1.463.319	165.108
Bonifiche Servizi Ambientali (già UHA) S.r.l.	Euro	23.568.534	14.622.905	15.620.818	26.770
Consorzio GPO	Euro	22.907.050	22.879.716	-	300.911
C.R.C.M. S.r.l.	Euro	4.524.231	3.462.791	2.046.048	47.052
Dogliani Energia S.r.l.	Euro	817.433	32.000	-	(9.236)
Ekovision S.r.l.	Euro	2.323.838	1.488.709	1.934.940	73.783
Formaira S.r.l.	Euro	164.651	29.400	65.993	(8.582)
Futura S.p.A.	Euro	34.965.331	3.319.076	9.151.361	(341.879)
Iblu S.r.l.	Euro	70.337.832	16.778.186	63.144.857	1.539.626
Iren Acqua S.p.A.	Euro	773.287.323	497.130.452	246.693.425	54.442.514
Iren Acqua Tigullio S.p.A.	Euro	62.519.649	19.616.869	28.661.798	593.998
Iren Ambiente Parma S.p.A.	Euro	4.011.087	3.994.359	2	10.969
Iren Ambiente Piacenza S.p.A.	Euro	4.008.248	3.994.281	2	10.996
Iren Ambiente Toscana S.p.A.	Euro	73.799.078	5.661.480	4.785.900	269.961
Iren Laboratori S.p.A.	Euro	14.486.589	7.909.003	15.516.326	1.974.671
Ireti Gas S.p.A.	Euro	124.398	107.588	-	(12.412)
Iren Smart Solutions S.p.A.	Euro	475.513.274	48.461.306	485.152.046	20.430.625
LAB 231 S.r.l.	Euro	293.506	66.320	278.748	24.289
Limes 1 S.r.l.	Euro	10.019.293	4.043.886	-	(2.176)
Limes 2 S.r.l.	Euro	12.592.719	4.590.579	-	(242.551)
Maira S.p.A.	Euro	9.564.936	7.577.874	1.506.545	(380.599)
Manduriambiente S.p.A.	Euro	44.476.420	9.905.190	16.793.396	257.647
Mara Solar S.r.l.	Euro	15.991.012	57.647	-	(67.998)
Nord Ovest Servizi S.p.A.	Euro	18.490.973	18.388.332	-	140.269
Iren Green Generation S.r.l.	Euro	46.027.906	5.905.901	-	3.149.649
Iren Green Generation Tech S.r.l.	Euro	100.648.602	28.365.971	43.668.208	23.230.770
Omnia Power S.r.l.	Euro	7.217.450	94.858	2	(44.201)
Palo Energia S.r.l.	Euro	5.881.702	1.938.739	3.191.762	1.846.337
Piano Energia S.r.l.	Euro	5.616.767	2.367.120	3.405.613	2.067.333
Solleone Energia S.r.l.	Euro	1.601.775	331.615	556.243	280.454
Traversa Energia S.r.l.	Euro	4.782.809	2.034.954	2.882.216	1.776.664
ReCos S.p.A.	Euro	37.005.721	5.539.085	14.155.768	147.895
Rigenera Materiali S.r.l.	Euro	10.076.415	2.766.321	69.824	(23.372)
Salerno Energia Vendite S.p.A.	Euro	140.092.499	13.235.562	217.275.801	3.324.753
San Germano S.p.A.	Euro	60.456.760	7.057.770	69.256.510	(1.270.849)
Scarlino Energia S.p.A.	Euro	35.048.482	18.403.745	4.340.012	1.101.946
SEI Toscana S.r.l.	Euro	217.873.625	45.389.478	201.520.530	(4.985.323)
Società dell'Acqua Potabile S.r.l.	Euro	16.211.708	3.221.831	8.331.190	431.339

TB S.p.A.	Euro	4.524.231	3.462.791	2.046.048	47.052
Territorio e Risorse S.r.l.	Euro	28.629.321	3.064.410	5.606.948	394.798
TRM S.p.A.	Euro	479.284.719	180.990.506	203.475.037	94.023.888
UNIPROJECT S.r.l.	Euro	46.795.544	5.136.712	4.783.303	(834.046)
Valdarno Ambiente S.r.l.	Euro	22.995.961	22.953.770	-	(86.318)
Valdisieve S.c.a.r.l.	Euro	1.194.812	(1.185.675)	-	(3.738)
Valle Dora Energia S.r.l.	Euro	25.220.790	4.137.966	5.891.770	1.847.773

Joint Ventures

Company	Currency	Total Assets	Equity	Revenues	Net Income
Acque Potabili S.p.A. (1)	Euro	46.209.000	17.015.000	886.000	158.000

Associates

Company	Currency	Total Assets	Equity	Revenues	Net Income
A2A Alfa S.r.l. (1)	Euro	216.694	5.040	17.994	4.319
Acos Energia S.p.A. (1)	Euro	14.217.472	4.960.002	21.194.915	969.052
Acos S.p.A. (1)	Euro	179.490.338	67.945.392	86.140.425	5.342.262
Acquaenna S.c.p.a. (1)	Euro	99.123.573	9.114.358	28.291.072	478.950
Aguas de San Pedro (1)	Lempiras	1.684.782.037	1.125.207.267	1.058.678.372	173.697.355
Aiga S.p.A. (1)	Euro	2.931.427	(1.613.337)	375.698	(422.487)
Amat S.p.A. (1)	Euro	19.677.390	(9.339.317)	1.726.310	(796.448)
Amter S.p.A. (1)	Euro	14.485.649	2.329.848	5.452.888	260.055
ASA S.c.p.a. (1)	Euro	16.898.367	2.442.487	1.556.831	-
ASA S.p.A. (1)	Euro	367.447.959	91.130.478	114.702.927	3.842.993
ASTE A S.p.A. (1)	Euro	210.634.399	119.216.792	52.609.030	8.679.185
Asti Servizi Pubblici S.p.A. (1)	Euro	57.989.584	13.492.464	39.229.345	1.108.531
Barricalla S.p.A. (1)	Euro	38.603.564	5.662.871	16.836.885	2.401.208
BI Energia S.r.l. (1)	Euro	7.743.722	901.086	689.950	(80.919)
Centro Corsi S.r.l.	Euro	237.946	39.462	183.168	13.130
CSA Centro Servizi Ambientali S.p.A. in liquidazione (1)	Euro	1.303.645	1.170.982	34.080	-
CSAI - Centro Servizi Ambientali Impianti S.p.A. (1)	Euro	56.726.208	3.478.032	17.046.533	818.520
EGUA S.r.l. (1)	Euro	2.118.121	1.442.869	1.215.554	51.162
Fin Gas S.r.l. (3)	Euro	11.694.721	11.684.331	-	(62.630)
Fratello Sole Energie Solidali Impresa Sociale S.r.l. (1)	Euro	26.558.483	248.046	1.623.739	8.225
GAIA S.p.A. (1)	Euro	65.703.816	18.991.280	24.877.741	89.308
Global Service Parma S.c.a.r.l. (1)	Euro	221.169	20.000	-	-
Iniziative Ambientali S.r.l. (1)	Euro	4.960.196	1.241.219	-	(21.931)
Mondo Acqua S.p.A. (1)	Euro	10.476.500	2.139.952	4.915.677	204.728
SETA S.p.A (1)	Euro	29.155.877	15.942.455	36.383.399	1.426.025
Sienambiente S.p.A (1)	Euro	63.480.310	25.771.842	28.521.870	1.093.589
Sinergie Italiane S.r.l. in liquidazione (2)	Euro	12.724.599	(19.338.212)	3.758	(663.156)
STU Reggiane S.p.A. (1)	Euro	28.207.316	15.381.300	8.899.554	(881.545)

(1) At 31.12.2021

(2) At 30.09.2022

(3) At 31.12.2022

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	4,366,722	Property, plant and equipment	4,366,722
Investment property	2,015	Investment property	2,015
Intangible assets	2,826,692	Intangible assets	2,826,692
Goodwill	237,966	Goodwill	237,966
Equity-accounted investments	211,320	Equity-accounted investments	211,320
Other equity investments	10,188	Other equity investments	10,188
Total (A)	7,654,903	Non-current Assets (A)	7,654,903
Other non-current assets	88,917	Other non-current assets	88,917
Sundry liabilities and other non-current liabilities	(505,131)	Sundry liabilities and other non-current liabilities	(505,131)
Total (B)	(416,214)	Other non-current assets (Liabilities) (B)	(416,214)
Inventories	139,359	Inventories	139,359
Non-current contract assets	146,286	Non-current contract assets	146,286
Current contract assets	198,590	Current contract assets	198,590
Non-current trade receivables	30,888	Non-current trade receivables	30,888
Trade receivables	1,409,435	Trade receivables	1,409,435
Current tax assets	38,263	Current tax assets	38,263
Sundry assets and other current assets	438,915	Sundry assets and other current assets	438,915
Trade payables	(2,279,400)	Trade payables	(2,279,400)
Contract liabilities	(39,209)	Contract liabilities	(39,209)
Sundry liabilities and other current liabilities	(261,131)	Sundry liabilities and other current liabilities	(272,085)
Current tax liabilities	(34,969)	Current tax liabilities	(34,969)
Total (C)	(212,973)	Net working capital (C)	(223,927)
Deferred tax assets	340,866	Deferred tax assets	340,866
Deferred tax liabilities	(142,221)	Deferred tax liabilities	(142,221)
Total (D)	198,645	Deferred tax assets (Liabilities) (D)	198,645
Employee benefits	(90,948)	Employee benefits	(90,948)
Provisions for risks and charges	(404,781)	Provisions for risks and charges	(404,781)
Provisions for risks and charges - current portion	(207,526)	Provisions for risks and charges - current portion	(196,572)
Total (E)	(703,255)	Provisions and employee benefits (E)	(692,301)
Assets held for sale	16,802	Assets held for sale	16,802
Liabilities associated with assets held for sale	-	Liabilities associated with assets held for sale	-
Total (F)	16,802	Assets (Liabilities) held for sale (F)	16,802
		Net invested capital (G=A+B+C+D+E+F)	6,537,908
Equity (H)	3,191,154	Equity (H)	3,191,154
Non-current financial assets	(169,057)	Non-current financial assets	(169,057)
Non-current financial liabilities	4,266,014	Non-current financial liabilities	4,266,014
Total (I)	4,096,957	Non-current financial debt (I)	4,096,957
Current financial assets	(256,376)	Current financial assets	(256,376)
Cash and cash equivalents	(788,402)	Cash and cash equivalents	(788,402)
Current financial liabilities	294,575	Current financial liabilities	294,575
Total (L)	(750,203)	Current financial debt (L)	(750,203)
		Net financial indebtedness (M=I+L)	3,346,754
		Own funds and net financial indebtedness (H+M)	6,537,908

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

	thousands of euro	
	31/12/2022	31/12/2021
A. Cash	(788,402)	(606,888)
B. Cash equivalents	-	-
C. Other current financial assets	(2,476)	(103,595)
D. Liquidity (A) + (B) + (C)	(790,878)	(710,483)
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	229,476	55,164
F. Current portion of non-current financial debt	65,099	410,795
G. Current financial indebtedness (E + F)	294,575	465,959
H. Net current financial position (G - D)	(496,303)	(244,524)
I. Non-current financial debt (excluding current portion and debt instruments)	1,250,392	589,436
J. Debt instruments	3,015,622	2,960,176
K. Non-current trade payables and other liabilities	-	-
L. Non-current financial indebtedness (I + J + K)	4,266,014	3,549,612
M. Total financial indebtedness (H + L)	3,769,711	3,305,088
(-) C. Other current financial assets	2,476	103,595
(+) Non-current financial assets (statement of financial position item)	(169,057)	(131,766)
(+) Current financial assets (statement of financial position item)	(256,376)	(370,516)
Net financial indebtedness	3,346,754	2,906,401

LIST OF GRANTS UNDER DECREE LAW 34/2019 ART. 35

ACAM ACQUE

Lender	Type of grant	Amounts of euro
Municipality of Spezia (SP)	Installation grants	362,816
Municipality of Spezia (SP)	Installation grants	99,131
Municipality of Spezia (SP)	Installation grants	377,919
Municipality of Portovenere (SP)	Installation grants	90,317
Region of Liguria	Installation grants	40,320

ACAM AMBIENTE

Lender	Type of grant	Amounts of euro
Customs Agency	Diesel oil benefits for automotive use – Carbon Tax in compensation	50,974

AMIAT

Lender	Type of grant	Amounts of euro
City of Torino	Installation grants	1,054,171

IREN AMBIENTE

Lender	Type of grant	Amounts of euro
ATERSIR	Lfa grant	30,569

IRETI

Lender	Type of grant	Amounts of euro
Agenzia Regionale Sicurezza	Installation grants	24,800
Anas S.p.A	Installation grants	845,000
Municipality of Casalgrande	Installation grants	34,700
Municipality of Casina	Installation grants	16,250
Municipality of Castel S. Giovanni	Installation grants	52,387
Province of Piacenza	Installation grants	116,567
CSEA	Installation grants	150,060
Region of Emilia Romagna	Grants to financial statements	33,254

I.BLU

Lender	Type of grant	Amounts of euro
Customs Agency	Diesel oil benefits for automotive use – Carbon Tax in compensation	61,949

DEFERRED TAX ASSETS AND LIABILITIES - 2022

	Opening balance	formatio n	differences Change in consolidation scope	Reversal	Closing balance
Deferred tax assets					
Non-taxable provisions	679,187	239,354	3,699	348,518	573,722
Differences in non-current assets	738,648	250,765	-	57,611	931,801
Connection grants	143,381	-	-	1,384	141,997
Derivatives	200,872	163,839	-	162,642	202,069
Tax loss carry-forwards + ACE	8,203	6,642	37,472	17,666	34,651
Other	45,392	86,999	11,067	57,806	85,652
Total taxable amount/deferred tax assets	1,815,682	747,599	52,237	645,626	1,969,892
Deferred tax liabilities					
Differences in non-current assets	399,819	112,435	92,853	40,190	564,917
Loss allowance and other provisions	24,947	37,945	60	2,444	60,508
Derivatives		222,143	-	155,420	66,723
Other	166,779	40,000	41,108	0	247,888
Total taxable amount/deferred tax liabilities	591,545	412,523	134,021	198,054	940,035
Net deferred tax assets (liabilities)	1,224,137	335,076	(81,783)	447,573	1,029,857

DEFERRED TAX ASSETS AND LIABILITIES - 2021

	Opening balance	formatio n	differences Change in consolidation scope	Reversal	Closing balance
Deferred tax assets					
Non-taxable provisions	565,033	297,797	3,726	187,370	679,187
Differences in non-current assets	719,005	145,257	-	125,615	738,648
Connection grants	197,964	358	-	54,941	143,381
Derivatives	93,577	153,624	-	46,329	200,872
Tax loss carry-forwards + ACE	5,623	4,265	-	1,685	8,203
Other	60,771	41,022	5,916	62,317	45,392
Total taxable amount/deferred tax assets	1,641,973	642,323	9,642	478,257	1,815,682
Deferred tax liabilities					
Differences in non-current assets	748,249	11,769	22,160	382,359	399,819
Loss allowance and other provisions	9,259	30,057		14,369	24,947
Derivatives					
Other	53,637	164,559	2,880	54,296	166,779
Total taxable amount/deferred tax liabilities	811,145	206,384	25,039	451,024	591,545
Net deferred tax assets (liabilities)	830,828	435,939	(15,397)	27,233	1,224,137

thousands of euro

Change in consolidation scope	taxes					total
	taxes	taxes	IRES (Corporate income tax)	IRAP (Regional business tax)		
	to profit or loss	to equity				
261	(1,381)	1,842	159,583	16,249	175,832	
-	13,705	-	191,315	8,717	200,032	
-	(377)	-	3,417	596	4,013	
-	(2,409)	(2,976)	42,921	6,390	49,310	
8,994	(2,290)	(748)	9,037	293	9,330	
3,116	(2,590)	(1,400)	330	2,471	2,801	
12,371	4,658	(3,282)	406,603	34,716	441,319	
26,748	(7,723)	-	130,729	22,170	152,900	
17	(675)	5,355	9,977	184	10,161	
-	-	20,533	13,955	6,578	20,533	
11,388	(1,695)	0	56,790	2,290	59,080	
38,153	(10,094)	25,889	211,451	31,223	242,674	
(25,782)	14,752	(29,171)	195,152	3,493	198,645	

thousands of euro

Change in consolidation scope	taxes					total
	taxes	taxes	IRES (Corporate income tax)	IRAP (Regional business tax)		
	to profit or loss	to equity				
859	28,428	(52)	147,092	28,017	175,109	
-	6,355	-	165,831	20,496	186,327	
-	(12,379)	-	3,666	724	4,390	
-	(2,032)	34,619	48,132	6,564	54,696	
-	589	-	3,375	-	3,375	
1,668	(3,714)	461	2,400	1,275	3,675	
2,527	17,247	35,029	370,496	57,076	427,572	
6,250	(64,746)	-	113,123	20,752	133,875	
-	4,471	-	4,759	706	5,464	
691	(3,400)	36,142	42,870	6,516	49,386	
6,941	(63,674)	36,142	160,752	27,974	188,725	
(4,413)	80,922	(1,113)	209,743	29,102	238,847	

RELATED PARTY TRANSACTIONS

	Trade Receivables	Loan assets	Sundry assets	Trade Payables	Financial liabilities
OWNERS					
Municipality of Genoa	475	-	-	634	-
Municipality of Parma	8,435	-	-	951	-
Municipality of Piacenza	513	-	-	1,855	-
Municipality of Reggio Emilia	3,529	-	-	750	-
Municipality of Turin	40,810	39,975	107	3,141	7,548
Finanziaria Sviluppo Utilities	16	-	41	-	-
JOINT VENTURES					
Acque Potabili	139	-	-	(2)	-
ASSOCIATES					
ACOS	15	5,786	-	-	-
ACOS Energia	2	225	-	-	-
Acquaenna	75	4,255	-	-	-
Aguas de San Pedro	1	-	-	-	-
AIGA	228	75	-	85	-
AMAT	24	-	-	-	-
AMTER	8,499	-	-	221	-
Arienes	10,586	-	-	-	2,151
ASA	285	-	-	1,479	-
ASA Livorno	388	-	-	(107)	-
ASTEA	8	588	-	(16)	-
Asti Servizi Pubblici	68	-	-	40	-
Barricalla	266	-	-	5,143	-
BI Energia	15	999	-	-	-
Centro Corsi	-	40	-	38	-
CSAI	728	-	-	6,237	41
EGUA	157	-	-	-	-
Fratello Sole Energie Solidali	297	-	-	-	-
GAIA	885	-	-	2,707	-
Global Service Parma	-	-	-	45	-
Iniziative Ambientali	6	-	-	-	-
Mondo Acqua	12	-	-	-	-
Piana Ambiente in liquidation	70	-	-	-	-
SETA	2,666	-	-	863	-
Sienambiente	320	-	-	9,635	-
Sinergie Italiane in liquidation	-	9,409	-	-	-
STU Reggiane	51	463	-	-	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Turin	1,501	-	15	1,580	-
Subsidiaries of Municipality of Genoa	2,727	-	-	419	5
Subsidiaries of Municipality of Parma	811	-	6	1,309	-
Subsidiaries of Municipality of Piacenza	82	-	-	572	-
Subsidiaries of Municipality of Reggio Emilia	449	-	-	754	-
Others	66	-	-	-	-
TOTAL	85,205	61,815	169	38,333	9,745

thousands of euro

	Sundry liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
OWNERS					
Municipality of Genoa	8	1,994	8,444	-	-
Municipality of Parma	-	34,918	1,508	-	-
Municipality of Piacenza	-	19,062	1,836	-	1
Municipality of Reggio Emilia	-	3,260	494	-	-
Municipality of Turin	-	225,882	7,708	140	-
Finanziaria Sviluppo Utilities	-	-	5	-	-
JOINT VENTURES					
Acque Potabili	-	75	2	-	-
ASSOCIATES					
ACOS	-	47	-	-	-
ACOS Energia	-	3	64	-	-
Acquaenna	-	65	-	79	-
Aguas de San Pedro	-	-	-	-	-
AIGA	-	-	-	-	-
AMAT	-	(5)	-	-	-
AMTER	-	3,969	492	-	-
Arienes	-	10,586	-	-	-
ASA	-	948	2,743	-	-
ASA Livorno	-	228	(47)	-	-
ASTEA	-	8	-	-	-
Asti Servizi Pubblici	-	406	75	-	-
Barricalla	-	345	5,908	-	-
BI Energia	-	9	-	28	-
Centro Corsi	-	-	81	-	-
CSAI	151	2,107	5,766	-	41
EGUA	-	357	-	-	-
Fratello Sole Energie Solidali	7	779	-	-	-
GAIA	-	1,787	6,723	-	-
Global Service Parma	-	-	-	-	-
Iniziative Ambientali	-	6	-	-	-
Mondo Acqua	-	14	-	-	-
Piana Ambiente in liquidation	-	-	-	-	-
SETA	-	11,510	1,975	-	-
Sienambiente	-	798	10,237	-	-
Sinergie Italiane in liquidation	-	(14)	-	-	-
STU Reggiane	-	71	4	13	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Turin	(17)	5,470	3,193	-	6
Subsidiaries of Municipality of Genoa	-	5,629	2,272	1	-
Subsidiaries of Municipality of Parma	-	1,828	3,506	-	-
Subsidiaries of Municipality of Piacenza	-	310	1,144	-	-
Subsidiaries of Municipality of Reggio Emilia	-	1,279	6,900	-	-
Others	-	303	-	-	-
TOTAL	149	334,034	71,033	261	48

INDEPENDENT AUDITORS' FEES

thousands of euro

	Statutory audit	Non-audit services		Total
		Services for the purpose of issuing an attestation	Other services	
Iren S.p.A.	281	105	17	403
Direct and indirect subsidiaries of Iren S.p.A.	1,300	117	18	1,435
Total Iren Group	1,581	222	35	1,838

STATEMENT REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Gianni Vittorio Armani, Chief Executive Officer, and Anna Tanganelli, Administration, Finance, Control and M&A Director 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 Italian Legislative Decree No. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the group and
- the effective application of the administrative and accounting procedures in preparing the 2022 consolidated financial statements.

2. It is also hereby certified that:

2.1. the consolidated financial statements:

- a) are prepared in compliance with the applicable IFRS endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;
- b) correspond to the results of the books and accounting records;
- c) provide a true and fair representation of the financial position and financial performance of the Issuer and the whole of the companies included in the consolidation scope;

2.2 The directors' report includes reliable analysis of the operating performance and results and the business of the issuer and of all entities included in the consolidation scope as well as description of principal risks and uncertainties to which they are exposed.

23/03/2023

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



KPMG S.p.A.
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(The accompanying translated consolidated financial statements of the Iren Group constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Iren Group (the "group"), which comprise the statement of financial position as at 31 December 2022, income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Iren Group as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Iren S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Iren Group

Independent auditors' report

31 December 2022

Recoverability of the carrying amount of goodwill

Note illustrative al consolidated financial statements: note V "Accounting policies" and note 4 "Goodwill"

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 31 December 2022 include goodwill of €238 million, accounting for approximately 2% of total assets.</p> <p>The directors tested the cash-generating units (CGUs) to which goodwill is allocated for impairment.</p> <p>The directors have calculated the CGUs' estimated recoverable amount, based on their value in use, using the discounted cash flow model and the cash flows derived from the business plan approved by the parent's board of directors on 11 November 2021 and updated for impairment testing purposes at 31 December 2022 (the "plan").</p> <p>The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for recent years and the projected growth rates; the financial parameters used to calculate the discount rate. <p>For the above reasons, we believe that the recoverability of the carrying amount of goodwill is a key audit matter.</p>	<ul style="list-style-type: none"> Analysing the process adopted by the parent to prepare the impairment test. Analysing the criteria used to identify the CGUs and trace their carrying amounts to the consolidated financial statements. Assessing the consistency of the cash flows used for impairment testing with the cash flows forecast in the plan. Checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors. Analysing the expected cash flows and the reasonableness of the main assumptions used to calculate the CGUs' value in use. Involving experts in the assessment of the reasonableness of the valuation models and related assumptions. Checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing. Assessing the appropriateness of the disclosures provided in the notes.

Recognition of revenue from the supply of electricity and gas not yet invoiced

Notes to the consolidated financial statements: note V "Accounting policies", note 14 "Trade receivables" and note 33 "Revenue from goods and services".

Key audit matter	Audit procedures addressing the key audit matter
<p>Revenue from the supply of electricity and gas to end users is recognised at the time the electricity or gas is delivered and includes, in addition to amounts invoiced on the basis of periodic meter readings or on the volumes notified by distributors and transporters, a quantification of the electricity and gas delivered during the year but not yet invoiced that is calculated also taking account of any network losses. Revenue accrued between the date of the last meter reading and the year end is based on calculations of the daily consumption of individual customers, primarily based on their historical information, adjusted to reflect the climate factors or other matters that may affect the quantified consumption.</p>	<ul style="list-style-type: none"> Understanding the process for the recognition of revenue from the supply of electricity and gas not yet invoiced. Assessing the design, implementation and operating effectiveness of controls, including IT controls, deemed material for the purposes of our audit, including by involving our IT specialists. Checking the accuracy of the data used to recognise revenue accrued and not invoiced.



Iren Group

Independent auditors' report

31 December 2022

Key audit matter	Audit procedures addressing the key audit matter
Since the accruals are determined using methods that require the use of complex algorithms, we believe that the recognition of this revenue component and the related invoices to be issued is a key audit matter.	<ul style="list-style-type: none">• Comparing the accruals for invoices to be issued for revenue from the supply of electricity and gas recognised in the prior year's consolidated financial statements with the subsequent actual figures.• Assessing the appropriateness of the disclosures provided in the notes about the revenue from the supply of electricity and gas not yet invoiced.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;



Iren Group

Independent auditors' report

31 December 2022

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 13 June 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.



Iren Group

Independent auditors' report

31 December 2022

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 2022 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2022 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2022 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2022 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.



Iren Group

Independent auditors' report

31 December 2022

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Iren S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Turin, 12 April 2023

KPMG S.p.A.

(signed on the original)

Roberto Bianchi
Director of Audit

Separate Financial Statements

at 31 December 2022

STATEMENT OF FINANCIAL POSITION

		Amounts in euro			
	Notes	31.12.2022	of which related parties	31.12.2021	of which related parties
ASSETS					
Property, plant and equipment	(1)	192,707,825		166,969,021	
Intangible assets with a finite useful life	(2)	88,131,357		79,953,672	
Investment property		-		-	
Investments in subsidiaries, associates and joint ventures	(3)	2,564,031,856		2,564,031,856	
Other equity investments	(4)	468,739		150,000	
Non-current financial assets	(5)	3,103,724,491	3,016,878,673	2,499,027,889	2,472,238,796
Other non-current assets	(6)	1,321,361	41,520	1,662,322	41,520
Deferred tax assets	(7)	-		7,517,350	
Total non-current assets		5,950,385,629	3,016,920,193	5,319,312,110	2,472,280,316
Inventories	(8)	5,140,763		3,954,348	
Trade receivables	(9)	98,003,227	97,328,996	107,802,796	107,296,078
Current tax assets	(10)	29,170,033		59,923	
Sundry assets and other current assets	(11)	71,166,263	36,135,256	117,194,736	58,308,049
Current financial assets	(12)	17,993,939	17,362,408	70,632,654	40,299,610
Cash and cash equivalents	(13)	573,371,509		430,162,174	
Assets held for sale	(14)	-		-	
Total current assets		794,845,734	150,826,661	729,806,631	205,903,737
TOTAL ASSETS		6,745,231,363	3,167,746,854	6,049,118,741	2,678,184,053

			Amounts in euro		
	Notes	31.12.2022	of which related parties	31.12.2021	of which related parties
EQUITY					
Share capital		1,300,931,377		1,300,931,377	
Reserves and Retained Earnings		686,960,007		551,548,320	
Profit for the year		258,687,824		218,850,794	
TOTAL EQUITY	(15)	2,246,579,208		2,071,330,491	
LIABILITIES					
Non-current financial liabilities	(16)	4,034,165,028		3,278,813,634	
Employee benefits	(17)	14,879,035		17,997,003	
Provisions for risks and charges	(18)	5,834,200		6,694,033	
Deferred tax liabilities	(19)	9,716,858		-	
Sundry liabilities and other non-current liabilities	(20)	1,327,591		1,474,768	230
Total non-current liabilities		4,065,922,712		3,304,979,438	230
Current financial liabilities	(21)	197,020,265	155,245,396	464,708,167	69,347,888
Trade payables	(22)	133,615,148	13,973,612	87,672,308	6,416,892
Sundry liabilities and other current liabilities	(23)	100,547,669	67,002,191	82,337,054	54,074,519
Current tax liabilities	(24)	-		31,708,637	
Provisions for risks and charges - current portion	(25)	1,546,361		6,382,646	
Liabilities associated with assets held for sale		-		-	
Total current liabilities		432,729,443	236,221,199	672,808,812	129,839,299
TOTAL LIABILITIES		4,498,652,155	236,221,199	3,977,788,250	129,839,529
TOTAL EQUITY AND LIABILITIES		6,745,231,363	236,221,199	6,049,118,741	129,839,529

INCOME STATEMENT

				Amounts in euro	
	Notes	FY 2022	of which related parties	FY 2021	of which related parties
Revenue					
Revenue from goods and services	(26)	271,143,873	270,925,258	235,752,785	234,816,613
Other income	(27)	12,669,287	10,213,179	11,566,759	9,599,174
Total revenue		283,813,160	281,138,437	247,319,544	244,415,787
Operating expenses					
Raw materials, consumables, supplies and goods	(28)	(9,923,676)	(167,168)	(7,370,458)	(24,488)
Services and use of third-party assets	(29)	(164,108,281)	(22,751,480)	(137,851,832)	(17,716,358)
Other operating expenses	(30)	(7,872,003)	(1,263,082)	(11,008,313)	(1,342,617)
Capitalised costs for internal works	(31)	5,780,294		4,901,842	
Personnel expense	(32)	(80,289,730)		(77,093,283)	
Total operating expenses		(256,413,396)	(24,181,729)	(228,422,044)	(19,083,463)
GROSS OPERATING PROFIT		27,399,764		18,897,500	
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(33)	(39,263,498)		(36,266,835)	
Impairment losses on loans and receivables	(34)	-		-	
Other provisions and impairment losses	(34)	2,181,266		(72,642)	
Total depreciation, amortisation, provisions and impairment losses		(37,082,232)		(36,339,477)	
OPERATING LOSS		(9,682,468)		(17,441,977)	
Financial management					
Financial income	(35)	327,552,210	326,364,524	288,829,589	286,369,950
Financial expense		(57,026,237)	(306,829)	(53,598,164)	(60,685)
Net financial income		270,525,973	326,057,695	235,231,425	286,309,265
Gains/(losses) on equity-accounted investments	(36)	-		-	
Pre-tax profit		260,843,505		217,789,448	
Income tax expense (benefit)	(37)	(2,155,681)		1,061,346	
Profit from continuing operations		258,687,824		218,850,794	
Profit (loss) from discontinued operations		-		-	
Profit for the year		258,687,824		218,850,794	

STATEMENT OF COMPREHENSIVE INCOME

		Amounts in euro	
	Notes	FY 2022	FY 2021
Profit for the year (A)		258,687,824	218,850,794
Other comprehensive income that will be subsequently reclassified to profit or loss	(38)		
- effective portion of fair value gains on cash flow hedges		65,518,630	8,732,205
- fair value gains/(losses) on financial assets			
Tax effect		(15,724,471)	(2,095,729)
Other comprehensive income that will be subsequently reclassified to profit or loss, net of tax effect (B1)		49,794,159	6,636,476
Other comprehensive income that will not be subsequently reclassified to profit or loss			
- actuarial gains/(losses) on defined benefit plans (IAS 19)		1,960,113	(169,872)
Tax effect		(470,427)	40,769
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss, net of tax effect (B2)		1,489,686	(129,103)
Comprehensive income (A)+(B1)+(B2)		309,971,669	225,358,167

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2020	1,300,931	133,019	76,713
Owner transactions			
Dividends			
Retained earnings			10,503
Repurchase of treasury shares			
Other changes			
Total owner transactions	-	-	10,503
Comprehensive income for the year			
Profit for the year			
Other comprehensive income			
Total comprehensive income for the year			
31.12.2021	1,300,931	133,019	87,216
31.12.2021	1,300,931	133,019	87,216
Owner transactions			
Dividends			
Retained earnings			10,943
Repurchase of treasury shares			
Other changes			
Total owner transactions	-	-	10,943
Comprehensive income for the year			
Profit for the year			
Other comprehensive income			
Total comprehensive income for the year			
31.12.2022	1,300,931	133,019	98,159

thousands of euro

Hedging reserve	Other reserves and retained earnings	Total reserves and retained earnings	Profit for the year	Equity
(9,516)	260,696	460,912	210,063	1,971,907
		-	(121,892)	(121,892)
	77,668	88,171	(88,171)	-
	(4,042)	(4,042)		(4,042)
		-		-
-	73,626	84,129	(210,063)	(125,934)
		-	218,851	218,851
6,636	(129)	6,507		6,507
6,636	(129)	6,507	218,851	225,358
(2,880)	334,193	551,548	218,851	2,071,331
(2,880)	334,193	551,548	218,851	2,071,331
		-	(134,723)	(134,723)
	73,185	84,128	(84,128)	-
		-		-
		-		-
-	73,185	84,128	(218,851)	(134,723)
		-	258,688	258,688
49,795	1,489	51,284		51,284
49,795	1,489	51,284	258,688	309,972
46,915	408,867	686,960	258,688	2,246,580

STATEMENT OF CASH FLOWS

	thousands of euro	
	FY 2022	FY 2021
A. Opening cash and cash equivalents	430,162	745,111
Cash flows from operating activities		
Profit for the year	258,688	218,851
Adjustments:		
Income tax expense (benefit) for the year	2,156	(1,061)
Net financial income	(270,526)	(235,232)
Amortisation and depreciation	39,264	36,266
Net impairment losses (reversals of impairment losses) on assets	-	-
Impairment losses on loans and receivables	-	-
Net provisions for risks and other charges	(1,528)	1,116
Capital (gains) losses	(24)	58
Payment of employee benefits	(1,255)	(1,507)
Utilisations of provisions for risks and other charges	(1,061)	(1,662)
Change in other non-current assets	341	170
Change in sundry liabilities and other non-current liabilities	(147)	(8,335)
Other changes in equity	-	-
Taxes paid	2,065	6,655
Change in inventories	(1,254)	571
Change in trade receivables	9,949	(17,026)
Change in current tax assets and other current assets	19,854	30,875
Change in trade payables	45,943	(2,162)
Change in current tax liabilities and other current liabilities	(22,078)	(82,830)
B. Net cash and cash equivalents generated by/(used in) operating activities	80,388	(55,253)
Cash flows from/(used in) investing activities		
Investments in property, plant and equipment and intangible assets	(73,069)	(49,868)
Investments in financial assets	(319)	(50)
Proceeds from the sale of investments	5,738	587
Change in consolidation scope	-	-
Dividends received	264,491	235,329
C. Net cash and cash equivalents generated by investing activities	196,841	185,998
Cash flows from/(used in) financing activities		
Capital increase	-	-
Repurchase of treasury shares	-	(4,042)
Dividends paid	(132,963)	(121,743)
New non-current loans	780,000	205,000
Repayment of non-current loans	(378,233)	(235,327)
Change in balance of cash pooling arrangement	(462,838)	(191,905)
Repayment of lease liabilities	(4,870)	(4,631)
Change in other financial liabilities	83,746	(9,426)
Change in loan assets	(25,557)	(76,837)
Interest paid	(52,362)	(59,848)
Interest received	59,058	53,065
D. Net cash and cash equivalents used in financing activities	(134,019)	(445,694)
E. Cash flow for the year (B+C+D)	143,210	(314,949)
F. Cash and cash equivalents (A+E)	573,372	430,162

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

INTRODUCTION

Iren S.p.A. is an Italian multi-utility company, listed on the Italian Stock Exchange (Borsa Italiana) and established on 1 July 2010 through the merger of IRIDE and ENÌA. The Company's registered office is in Italy, in Reggio Emilia, Via Nubi di Magellano 30. There were no changes in the company name during 2022.

Iren S.p.A. is an industrial holding company, with registered office in Reggio Emilia, parent of the four companies responsible for the operational activity (Business Units) in the main operating offices of Genoa, La Spezia, Parma, Piacenza, Reggio Emilia, Turin and Vercelli.

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

- Networks, which operates in the field of the integrated water cycle, and in the gas distribution and electricity distribution sectors;
- Waste Management, which performs the activities of waste collection and disposal;
- Energy, operating in the sectors of the production of hydroelectric energy and energy from other renewable sources, district heating and energy efficiency;
- Market, active in the sale of electricity, gas, heat, and customer services.

I. BASIS OF PRESENTATION

These financial statements represent the separate financial statements of the Parent Iren S.p.A. and were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as with the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005. The "IFRS" comprise also the revised International Accounting Standards ("IAS"/"IFRS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In drawing up these separate financial statements, the same accounting standards were applied as those adopted for the separate Financial Statements at 31 December 2021, with the exceptions highlighted in the section "Accounting standards, amendments and interpretations effective as of 1 January 2022".

The separate financial statements at 31 December 2022 consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. The schedules are the same as those applied in the preparation of the separate financial statements as at and for the year ended 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 company's ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the ordinary operating cycle or during the twelve months following year end.

The Income Statement is classified on the basis of the nature of the costs. In addition to the Operating Profit, the Income Statement also shows the Gross Operating Profit obtained by deducting total operating 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.

The separate financial statements are drawn up on the basis of the historical cost principle, with the exception of certain financial instruments and the asset relating to the variable portion of the sale price

of OLT Offshore LNG Toscana, measured at fair value, as well as on a going concern basis. The company did not detect any particular risks connected with the Company's business and/or any uncertainties that might cast doubt on its ability to continue as a going concern.

These separate financial statements are stated in euro, the company's functional currency. Data included in the notes, unless otherwise specified, are expressed in thousands of euro. Due to rounding, there could be cases in which the detailed tables contained in this document show a difference of around one thousand euro. It is believed that these cases do not alter the reliability and informative value of these separate financial statements.

Lastly, in accordance with CONSOB Resolution No. 15519 of 27 July 2006 regarding the format of financial statements, specific additional columns have been added to the Income Statement and the Statement of Financial Position to highlight transactions with related parties.

Use of estimates and assumptions by management

Estimates

Preparation of the separate Financial Statements entails making estimates, opinions and assumptions that have an effect on the amounts of revenue, costs, assets and liabilities, including contingent liabilities, and on the information provided. These estimates and assumptions are based on past experience and other factors considered reasonable in the case in question, particularly when the value of assets and liabilities is not readily apparent from comparable sources.

Estimates and assumptions were used in applying the accounting standards, in particular to measure the following items of the financial statements:

- impairment of non-financial assets: assets such as property, plant and equipment, investment property, intangible assets, right-of-use assets, goodwill and equity investments in associates/joint ventures are impaired when their carrying amount exceeds their recoverable amount, represented by the higher of fair value, net of costs to sell, and value in use. The recoverable amount is sensitive to the estimates and assumptions used to determine the amount of cash flows and the discount rates applied. However, possible variations in the basic assumptions on which these calculations are based could produce different recoverable amounts.
- Expected losses on financial assets: at the end of each reporting date, the company recognises a loss allowance for trade receivables and other financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and all other assets within the scope of impairment. Loss allowances for financial assets are based on assumptions regarding the default risk and the measurement of expected credit losses. In making these assumptions and selecting the inputs to calculate the expected credit loss, management uses its professional judgement, based on past experience, current market conditions, as well as forward-looking estimates at the end of each reporting date.
- Determining the useful life of non-financial assets. In determining the useful life of property, plant and equipment and intangible assets with a finite useful life, the Company considers not only the future economic benefits - contained in the assets - enjoyed through their use, but also many other factors, such as physical deterioration, obsolescence of the product or service provided by the asset (e.g. technical, technological or commercial), legal restrictions or other similar constraints (e.g. safety, environmental, etc.) on the use of the asset, if the useful life of the asset depends on the useful life of other assets.
- The determination of the fair value of derivative instruments and certain financial assets. The fair value of financial instruments is determined on the basis of prices directly observable on the market, where available, or, for unlisted financial instruments, using specific valuation techniques (mainly based on present value) that maximise the use of inputs observable on the market. In the rare circumstances where this is not possible, management estimates the inputs by taking into account the characteristics of the instruments being measured. For further details on financial instruments measured at fair value, please refer to section VI Iren S.p.A. Financial Risk Management. Changes in the assumptions made in estimating input data could affect the fair value recognised for these instruments, especially in the current context in which markets are volatile and the economic outlook highly uncertain and subject to rapid changes. When valuations are subject to significant measurement uncertainty due to the current environment and there is a wide range of possible fair

value estimates, the company is required to apply judgement in determining the point within that range that is most representative of fair value under the circumstances.

- Hedge accounting. Hedge accounting is applied to derivatives in order to reflect the effects of risk management strategies in the financial statements. To this end, the company documents at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well as the risk management objectives and strategy. In addition, the company assesses, both at the inception of the relationship and on a systematic basis, whether hedging instruments are highly effective in offsetting changes in the fair value or cash flows of hedged items. Based on the opinion of the Directors, the assessment of effectiveness based on the existence of an economic relationship between hedging instruments and hedged items, the dominance of credit risk in changes in value and the hedge ratio, as well as the measurement of ineffectiveness, are evaluated by means of a qualitative assessment or a quantitative calculation, depending on the specific facts and circumstances and the characteristics of the hedging instruments and hedged items. With respect to cash flow hedges of future transactions, management assesses and documents that they are highly probable and present an exposure to changes in cash flows that impacts profit or loss. For more details about the key assumptions on assessing effectiveness and measuring ineffectiveness, please refer to Section VI Financial Risk Management of Iren S.p.A..
- The determination of the amount of provisions for future risks and charges. The company is a party to various civil, administrative and tax proceedings connected with the normal course of its business, which could give rise to liabilities of a significant amount, for which it is not always objectively possible to predict the final outcome. The assessment of the risks connected with the above procedures is based on complex elements that by their nature entail recourse to the judgement of the Directors, also taking account of elements acquired from external consultants assisting the company, with reference to their classification among contingent liabilities or among liabilities. Provisions have been established to cover all significant liabilities for cases where attorneys have noted the likelihood of an adverse outcome and a reasonable estimate of the amount of the expense. The company determines whether to consider each uncertain tax treatment separately or jointly with one or more uncertain tax treatments, as well as whether to report the effect of uncertainty using the most probable amount method or the expected value method, choosing the one that, according to its projections, best provides for the resolution of the uncertainty, taking into account tax regulations. The company makes significant use of professional judgement in identifying uncertainties about income tax treatments and reviews opinions and estimates made when there is a change in facts and circumstances that could change the conclusion about the acceptability of a particular tax treatment or the estimated effects of the uncertainty, or both. Refer to Note 37 Income tax expense (benefit) for further details regarding income taxes.
- Onerous Contracts. In order to identify an onerous contract, the company estimates the non-discretionary costs required to perform the obligations assumed (including any penalties) under the contract and the economic benefits expected to be obtained from the same contract.

The estimates and assumptions are regularly revised. Any changes resulting from the revision of accounting estimates are recognised in the year in which the revision is made if it affects only that year. Should the revision involve both current and future years, the variation is recognised in both the year in which the revision occurs and in the related future years.

The criticality inherent in these evaluations relates to the use of assumptions and judgements regarding issues that are, by their nature, uncertain. In addition, any changes in the conditions underlying the assumptions and judgements could have a significant impact on the results of subsequent years.

II. ACCOUNTING POLICIES

The accounting policies adopted in drawing up these separate Financial Statements of Iren S.p.A. at 31 December 2022 are indicated below; the accounting standards described have not changed with respect to those adopted at 31 December 2021.

Property, plant and equipment

- Property, plant and equipment owned

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all directly attributable costs necessary to make the asset available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and reclaiming the site on which it is located), net of trade discounts and rebates.

Borrowing costs related to the purchase or internal construction of items of property, plant and equipment are capitalised for the part of the cost of the asset until it becomes operative.

If significant items of such property, plant and equipment have different useful lives, these items are accounted for separately.

In particular, under this policy, land and buildings located on the land are to be recognised separately; only the buildings are depreciated, while the carrying amount of land is subject to impairment, as described in the section "Impairment losses on non-financial assets" below.

Maintenance costs of an ordinary nature are charged in full to profit or loss. Other costs of an incremental nature are allocated to the assets to which they refer, in accordance with IAS 16, and depreciated in relation to the residual useful life of the assets to which they refer. Costs that reasonably expect an increase in future economic benefits, such as an increase in useful life, an increase in production capacity, an improvement in product quality or the adoption of production processes that result in a substantial reduction in production costs, are considered to be incremental.

Assets under construction include expenditure related to the construction or improvement of plants incurred until the reporting date. These investments are depreciated once the asset becomes operative.

Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives.

The rates applied are set out below. The tables also show the residual term of the lease contracts on the basis of which the right-of-use assets recognised among property, plant and equipment are depreciated:

	Min. rate	Max. rate
Buildings	2.00%	5.00%
Light constructions	10.00%	10.00%
Vehicles	20.00%	25.00%
Sundry equipment	10.00%	10.00%
Furniture and office machines	12.00%	12.00%
Hardware	20.00%	20.00%
Plants	5.00%	20.00%

Right-of-use –assets as per IFRS 16	Years	
	from	to
Land	10	10
Buildings	2	57
Other assets (motor vehicles)	2	4

The rates for plants, as minimum and maximum rates respectively, refer mainly to the electrical and mechanical components required for the construction of the new building for the Conference Hall and Offices at the Reggio Emilia headquarters and to TLC infrastructures.

Grants related to assets are recognised as deferred revenue and taken to profit or loss over the depreciation period of the related item of property, plant and equipment and intangible assets.

- Leased assets

Lessee

IFRS 16 establishes a criterion based on the control (right of use) of an asset to distinguish leases from contracts for services, regardless of the contractual form adopted (lease, rental or hire). The discriminants are: the identification of the asset, the right to replace the same, the right to obtain substantially all the economic benefits deriving from use of the asset and the right to direct the use of the asset underlying the contract.

On the lessee's part, IFRS 16 provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months, unless the underlying asset has a new value of less than five thousand euro.

The lease liability is initially measured at the present value of the payments due for the lease, primarily the fixed and/or variable payments contractually provided for and the price to exercise the option if the reasonable certainty of exercising it exists; as regards the rate to be used for discounting, reference is made to the marginal loan rate derived from the market value of the listed debt instruments issued by Iren. Subsequently, the liability is reduced by the principal repaid and, if necessary, restated to take account of new valuations or changes. The residual debt must be accounted for by separating the current portion (within 12 months) from the non-current portion.

The right to use the asset underlying the lease contract is recognised under property, plant and equipment at cost, consisting of the initial measurement of the financial liability plus any initial costs incurred. The asset is depreciated over the term of the lease or, if the transfer of ownership at the end of the lease is provided for, over the expected useful life of the underlying asset. The asset may also be reduced as the result of any impairment losses, and adjusted to take into account any redetermination of the lease liability.

Interest on the debt and depreciation, as well as any impairment losses on the right-of-use asset, are recognised separately in the income statement.

Lessor

At the inception of a contract or upon amendment of a contract that contains a lease component, the contract consideration is allocated to each lease component based on its stand-alone price.

At the inception of the lease, the company, in its role as lessor, classifies each of its leases as either a finance lease or an operating lease.

For this purpose, it generally assesses whether the lease transfers substantially all the risks and rewards associated with ownership of the underlying asset. In this case, the lease is classified as a finance lease, otherwise as an operating lease. As part of this assessment, the company considers, among other indicators, whether the lease term covers most of the economic life of the underlying asset.

With respect to sub-leases, the company, as an intermediate lessor, classifies its share in the master lease separately from the sub-lease. For this purpose, it classifies the sub-lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the head lease is a short-term lease that it has accounted for by applying the above exemption, the sub-lease is classified as an operating lease.

For contracts containing a lease component and one or more lease and non-lease components, the contract consideration is allocated by applying IFRS 15.

The Company applies the derecognition and impairment provisions of IFRS 9 to the net investment in the lease and periodically reviews the estimates of non-guaranteed residual values used in calculating the gross investment in the lease.

Payments received for operating leases are recognised as income on a straight-line basis over the lease term in "other income".

Intangible assets

Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Development expenditure is capitalised if all of the following features can be demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If even one of these requirements is not met, the expenditure is fully recognised in the year in which it is incurred.

Intangible assets with a finite useful life are amortised systematically in accordance with their expected future useful life, such that their carrying amount at the end of the year matches their residual useful life or their recoverable amount based on the group's plans to develop production. Amortisation begins when the asset is available for use.

Amortisation of intangible assets is calculated on a straight-line basis over the following useful lives:

	Years	
	from	to
Industrial patents and intellectual property rights	20	20
Software	5	5
Other intangible assets with a finite useful life	5	5

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation expires on the later of either the date on which the asset is classified as held for sale (or included in a disposal group classified as held for sale), pursuant to IFRS 5, or the date on which the asset is derecognised.

Assets under development relate to internal and external costs referring to intangible assets for which the company has not yet acquired the right to and has not started to use in production. These investments are amortised from the date they begin to be used in production.

Under IAS 36, assets under development are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

Non-current assets held for sale - Discontinued operations

A non-current asset (or disposal group of assets and liabilities) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the assets are measured in accordance with Group accounting policies. The asset (or disposal group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with Group accounting policies. Impairment losses due to the initial classification of an asset as held for sale and subsequent valuation differences are recognised in the income statement. Reversals of impairment losses are recognised only up to the amount of any accumulated impairment loss.

Discontinued operations represent a part of the company that has been discontinued or classified as held for sale, and:

- a. represents an important business unit or geographical area of operations;
- b. is part of a single coordinated disposal plan or an important autonomous business unit or geographical segment;
- c. is a subsidiary acquired solely with a view to resale.

If a single non-current asset is involved (e.g. a property or an investment in an associate), the recognition of profit or loss from the disposal or valuation depends on the nature of the asset.

If it is a discontinued operation and is a material component of the item "Profit/loss from discontinued operations", a single amount is recorded represented by the total of:

- i) profit or loss on the discontinued operation, net of tax effects; and
- ii) the capital gain or loss, net of tax effects, recognised after the fair value measurement, net of costs to sell or actual disposal of the asset.

The income statement of the comparative year is restated in order to guarantee consistent comparison.

If the asset is immaterial, revenue and costs from the discontinued operation continue to be recognised on a line-by-line basis under the related income statement items, whilst the profit/loss from discontinued operations includes only the capital gain or loss referred to under point ii) above.

Impairment losses on non-financial assets

The IFRS require a company to assess whether there are any specific indications of impairment. An impairment test is performed, which consists of estimating the recoverable amount of the asset and comparing it to its carrying amount.

The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or Cash-Generating Unit, inclusive of taxes, by applying a discount rate, before taxes, which reflects the current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior years no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased, with a balancing entry in profit or loss, until the new recoverable amount is estimated. The latter amount shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is not applicable to goodwill.

The value in use is generally defined by discounting the cash flows expected from use of the asset or Cash Generating Units and from the amount expected from its disposal at the end of its useful life.

Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Financial instruments

All financial instruments, including derivatives, are recognised in the statement of financial position when the company becomes a party to the agreement and therefore acquires a right to receive cash flows or an obligation to pay.

- Financial assets and liabilities

Upon initial recognition, the financial asset or liability is measured at fair value plus or minus, in the case of a financial asset or financial liability not measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition the financial asset or liability is measured as described below.

Financial assets are classified in three categories: a) financial assets measured at amortised cost; b) financial assets measured at fair value through other comprehensive income (FVOCI); c) financial assets measured at fair value through profit or loss (FVTPL).

The classification under the categories indicated above is made on the basis of the entity's business model and in relation to the characteristics of the cash flows generated by the said assets:

- a) a financial asset is measured at amortised cost if the entity's business model envisages that the financial asset is held to collect the related cash flows (therefore, substantially, not to make a profit

also from sale of the instrument) and the characteristics of the cash flows of the asset correspond only to payment of principal and interest;

- b) a financial asset is measured at Fair Value with a balancing item in Other Comprehensive Income if it is held with the objective both of collecting the contractual cash flows, and of being sold (Hold to Collect and Sell model);
- c) finally if it is a financial asset held for trading and in any case does not come within the cases indicated in points a) and b) it is measured at fair value through profit or loss.

At each reporting date all financial assets, with the exception of those measured at fair value recognised in profit (loss) for the year, are subjected to an impairment test to determine whether there is objective evidence that can lead to the belief that the value of the asset is not fully recoverable. In accordance with what is provided for in IFRS9 the impairment model adopted by Iren Group is based on expected credit losses, where “loss” means the present value of all cash shortfalls considering forward-looking information. According to the general approach concerning all financial assets, the expected credit losses is a function of probability of default (PD) of the loss given default (LGD) and exposure at default (EAD): the PD represents the probability that an asset will not be repaid and will go into default; the LGD is the amount of money lost when a borrower defaults on a loan; the EAD represents the exposure claimed against the counterparty, including any guarantees, collateral, etc. The estimate is made initially on the expected credit losses in the subsequent 12 months; in view of any gradual deterioration of the financial asset, the estimate is adjusted to cover the expected credit losses along the entire life of the financial asset.

Financial liabilities are generally classified as measured at amortised cost, with the exception of derivatives which are measured at fair value recognised through profit or loss. Changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to a change in the creditworthiness of the liability itself are recognised under other comprehensive income.

- *Equity investments in subsidiaries and associates*

Investments in subsidiaries and associates are measured at cost. In the event of impairment, the carrying amount of the investment is written down. The impairment loss is recognised in the income statement.

- *Other equity investments*

Other equity investments, consisting of non-controlling interests in unlisted companies that the Company intends to keep in its portfolio in the near future, are measured at fair value through profit or loss (FVTPL).

- *Hedging instruments*

The Company holds hedging instruments, acquired for non-speculative purposes, solely to hedge its exposure to interest rate and currency risks.

A hedging relationship qualifies for hedge accounting if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the company's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
- for cash flow hedges, an expected future transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are recognised at fair value, determined by employing adequate measurement models for each type of financial instrument using, where available, the market forward curves, both regulated and not regulated (intrinsic value). For options, the fair value is supplemented with the time value component, which is based on their residual life and the volatility of the underlying.

At each reporting date, hedging instruments are tested for effectiveness to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting. A hedging relationship is effective if:

- there is an economic relationship between the hedged instrument and hedging instrument;
- the credit risk effect does not dominate the change in value that results from the economic relationship;
- the ratio between the quantity of the hedging instrument and the quantity of the hedged instrument in terms of relative weight does not determine an imbalance in terms of the hedge ratio.

If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, changes in the fair value of the hedging instrument are recognised in equity for the effective portion of the hedge (intrinsic value), and in profit or loss for the time-value portion and any ineffective portion (over-hedging);
- for fair value hedges, changes in the fair value of both the hedging instrument and the hedged item are recognised in profit or loss.

If the hedge does not meet the criteria for hedge accounting, the gains or losses deriving from measurement at fair value of only the hedging instrument are fully recognised in profit or loss.

Considering the provisions of IFRS 7 on the fair value hierarchy, as extended by IFRS 13, for each category of financial instrument measured at fair value the fair value hierarchy is as follows:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability which are not based on observable market data (unobservable data).

- *Trade receivables and payables*

Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement, and are recognised at fair value (equal to their nominal value). After initial recognition they are measured at amortised cost. Trade receivables are shown net of loss allowances determined, in accordance with IFRS 9, applying, instead of the general approach, valid for all financial assets with the exception of those measured at fair value through profit or loss, the simplified approach and, more specifically, the provision matrix model, which is based on identifying the default rates by maturity bands observed on a historical basis, applied for the entire expected life of the receivable and updated on the basis of significant future scenario elements.

- *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents, including ancillary charges, are measured at fair value.

Cash on hand and equivalents in hand are measured at their nominal value.

- *Derecognition of financial assets and liabilities*

Financial assets are derecognised whenever one of the following conditions occurs:

- the contractual right to receive the cash flows associated with the asset has expired;
- the company has substantially transferred all the risks and benefits associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to shift these cash flows to one or more beneficiaries under a contract that meets the requirements under IFRS 9 (pass through test);
- the company has transferred the control of the financial asset but has neither transferred nor retained the risks and rewards associated with the financial asset.

Financial liabilities are derecognised when they are settled, i.e. when the contractual obligation is fulfilled, cancelled or prescribed. When an existing financial liability is replaced by another to the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such replacement or modification is treated as derecognition of the original liability and recognition of a new liability.

The difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are carried at the lower of cost (purchase cost, transformation and other costs incurred to bring the inventories to their current place and condition) and their expected net realisable or replacement value.

Cost is determined using the weighted average cost method. If the cost of inventories cannot be recovered because they are damaged, have become entirely or partly obsolete or their sales prices have decreased, they are written down to their net realisable value. If the circumstances leading to the write-down no longer exist, the write-down is reversed.

Equity

Share capital, including the various categories of shares, is stated at its nominal value less share capital proceeds to be received.

The purchase cost of treasury shares is recognised as a reduction in equity.

Costs directly attributable to share capital transactions, for new subscriptions, are accounted for reducing equity.

Dividends are recognised as payables when they are approved by the Shareholders.

Employee benefits

Post-employment benefits are defined according to plans which, based on their characteristics, are separated into “defined contribution” and “defined benefit” plans.

In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For the company this category includes post-employment benefits accrued since 1 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the share paid to the additional pension funds.

The liability relating to defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For the company, included in this category are post-employment benefits accrued until 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the tariff discounts for employees and former employees, additional monthly salaries (Art. 47, national labour agreement for the sector), the loyalty bonus paid to employees and contributions paid to the Premungas fund.

The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, considering economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured. For post-employment benefits accrued as at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the proportional basis is not applied because at the reporting date the benefits can be considered accrued in full.

The demographic, economic and financial variables are validated annually by an independent actuary.

As regards presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:

- 1) operating (service costs), personnel expense;
- 2) financial (financial expenses), net interest income/expense;
- 3) measuring (remeasurement costs), actuarial gains/losses.

Gains and losses resulting from actuarial calculations for post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in profit or loss.

As regards disclosures, information is given on the characteristics of the plans and related amounts entered in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of fluctuations in demographic risk.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover liabilities of uncertain amount or maturity that must be recognised in the statement of financial position when, and only when, the following conditions are met:

- the company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the separate financial statements, and no provision is made.

No additional information is provided for events that are remote, i.e. where it is very unlikely they will arise, and no provision is made.

The provisions are recognised at the amount representing the best estimate of the total that the company would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.

On discounting, the time-related increase in the provision is recognised as financial expense.

Revenue from goods and services

Revenue is measured at fair value with respect to the amount received or due, taking account of any trade discounts and reductions connected with quantity. A distinction is made between revenue from operating activities and any financial income accruing up to the date of collection.

For correct recognition of revenue from contracts with customers, reference is made to the provisions of IFRS 15, which provides for a revenue recognition model based on 5 steps:

1. identify the contract with the customer. Contract means a commercial agreement approved by two or more parties that creates enforceable rights and obligations. A contract is valid when the following conditions are jointly met: a) the parties have approved the contract (in writing or according to usual commercial practices); b) it is possible to identify the customer's rights as regards the goods or services that must be transferred; c) the payment terms are identifiable; d) the contract has commercial substance; e) it is probable that the price will be collected (only the customer's ability and intention to pay are considered);
2. identify the "Performance Obligations" contained in the contract. Where a contract provides for the supply/provision of multiple goods and services, it is assessed whether these should be recognised separately or together, considering their individual characteristics.

Activities carried out to execute the contract, such as administrative formalities for preparing the contract itself, do not transfer separate goods and services to the customer, and therefore do not represent performance obligations. Non-refundable initial expenses charged to the customer are not revenue unless they refer to separate goods and services.

If in a contract an entity gives the customer an option to purchase future goods and services, this option constitutes a separate performance obligation only if it gives the customer a benefit that the customer would not have been able to obtain in another way, for example a discount higher than those typically given for those particular goods or services. An option to purchase goods or services at a price that reflects its stand-alone selling price, is not a separate performance obligation even if it can be obtained only by signing the contract in question.

In this context, it is determined whether the entity is acting as "principal" or "agent," depending on whether or not, respectively, it controls the promised good or service before control thereof is transferred to the customer. When the entity acts as an "agent," particularly with respect to gas and electric grid connection services, revenue is recognised on a net basis;

3. determine the "Transaction Price". The following elements must be considered in determining the transaction price: a) any amounts collected on behalf of third parties, which must be excluded from the price; b) variable components of the price (such as performance bonuses, penalties, discounts, refunds, incentives, etc.); c) financial component, if the payment terms grant the customer a significant extension;
4. allocate the price to the Performance Obligations on the basis of the "Relative Stand Alone Selling Price". For any bundled supplies, the selling price is generally allocated on the basis of the stand-alone

price of each good or service, i.e., the price at which the company would sell such good or service separately to the customer;

5. recognise revenue when the Performance Obligation is satisfied. The asset or service is transferred when the customer obtains control over the asset or service and that is when it has the ability to decide and/or direct its use and obtain substantially all its benefits. The transfer of control, and consequently the recognition of revenue may occur at a certain point in time or over time.

For each obligation fulfilled over time, revenue is recognised by evaluating progress toward complete fulfilment of the obligation. On the asset side, contract assets, specifically identified in the financial statements, represent the right to the price for goods and services transferred to the customer when said right is subject to a condition other than the passage of time.

When said right is unconditional, i.e. collection of the price depends solely on the passage of time, a receivable is recognised.

If the customer pays the price before the transfer of goods or services occurs, a liability arising from contracts with customers is recognised at the time payment is made (or payment is due); this liability is recognised as revenue when the obligation under the contract is fulfilled.

With reference to the specific activity of Iren S.p.A., i.e. the provision of corporate and technical-administrative services to its investees, the related revenue is recognised upon provision of the services. For each contract, the fees for the individual services rendered are identified and recorded separately.

In the event of contractual amendment, that is a change in the subject and/or the price of the contract approved by the parties, if the amendment introduces new separate goods and/or services and the increase in the contractual price is equal to the stand-alone selling price of the new goods and/or services, the contractual amendment is accounted for as a new contract. If the two aforementioned conditions are not met and the goods and/or services still to be delivered are separate with respect to what has already been transferred to the customer before the amendment, the change is treated as cancellation of the old contract and introduction of a new contract with prospective effect on revenue; otherwise the amendment is treated as continuation of the original contract with retrospective effect on revenue.

The costs of obtaining contracts with customers are capitalised in accordance with the provisions of IFRS 15 and are amortised over the duration of the relationship with the customer. In order to determine this expected period, reference is made to historical experience with churn rates.

Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically recognised as income over the useful life of the asset to which they refer. The deferred revenue related to the grants is recognised in the statement of financial position, under Other liabilities, with suitably separated current and non-current amounts.

Grants related to income are recognised in profit or loss when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Other income

Other income includes all kinds of revenue not included in the previous types and not of a financial nature. Income is measured at the fair value of the price received or due and is recognised when:

- the amount of revenue can be estimated reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company

Costs for the purchase of goods and services

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. Costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

Financial income and expense

Financial income and expense are recognised when they accrue on the basis of the interest earned on the net amount of the related financial assets and liabilities using the effective interest rate.

Financial expense directly attributable to the acquisition, construction or production of a plant is capitalised when:

- it is likely that it will result in future economic benefits for the company;
- it can be reliably measured.

Dividends on equity investments are recognised when the right to receive payment is established. This usually coincides with the resolution passed by the Shareholders.

Income taxes

Income taxes comprise all the taxes calculated on the company's taxable income.

Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable. The amendments to IAS 12 approved by the European Commission with Regulation (EU) 2017/1989 of 6 November 2017 provide some clarifications on the criteria to be adopted to determine whether there are sufficient future taxable incomes against which to use the deductible temporary differences.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply for the year in which the differences will be paid.

The Group also exercised the option, pursuant to Art. 118 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the Parent Iren S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES assets.

Uncertainty of income tax treatment

The definition of uncertainty should consider whether a given tax treatment would be acceptable to the Tax Authority. If it is considered probable that the Tax Authority will accept the tax treatment (the term "probable" being understood as "more likely than not"), then the Company recognises and measures its current or deferred tax assets and liabilities by applying the provisions of IAS 12.

Conversely, if the Company believes that it is not likely that the Tax Authority will accept the tax treatment for income tax purposes, it reflects the effect of such uncertainty by using the method that best provides for the resolution of the uncertain tax treatment. The Company decides whether to consider each uncertain tax treatment separately or in conjunction with one or more uncertain tax treatments, choosing the approach that best provides for resolution of the uncertainty. In assessing whether and how uncertainty affects tax treatment, the Company assumes that the Tax Authority does or does not accept uncertain tax treatment on the assumption that the Tax Authority, on audit, will check the amounts it is entitled to examine and that it will be fully aware of all relevant information. The Company reflects the effect of uncertainty in determining current and deferred income taxes, using either the expected value method or the most probable amount method, depending on which method best provides for resolution of the uncertainty. Since uncertain tax positions relate to the definition of income taxes, the Company reports uncertain tax assets/liabilities as current taxes or deferred taxes.

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:

Amendment to IAS 37 - Onerous Contracts

The document, issued by the IASB in May 2020 and endorsed by the European Union through Reg. 2021/1080 of 28 June 2021, specifies which costs should be included in the cost of performing a contract in order to identify any onerous contract. In particular, paragraph 68A clarifies that costs necessary to perform the contract include: (a) incremental costs incurred by the entity in performing the contract, such as materials and direct labour; and (b) an allocation of other costs, such as a portion of the depreciation of a facility used to perform the contract on a non-exclusive basis. The amendment must be applied as of 1 January 2022, with respect only to contracts in effect on the date of initial application. An entity shall not restate prior year balances; 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).

Amendment to IAS 16 - Property, plant and equipment - proceeds before intended use

The document, issued by the IASB in May 2020 and endorsed by the European Union through Reg. 2021/1080 of 28 June 2021, introduces some changes to *IAS 16 - Property, Plant and Equipment* with reference to the accounting for proceeds 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 proceeds shall no longer be deducted from the cost of property, plant and equipment (offsetting is therefore eliminated). Sales proceeds and costs of these items must 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 proceeds and cost 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 cycle of improvements to IFRS 2018-2020

The amendments will be applicable for annual reporting periods beginning 1 January 2022.

The main amendments regard:

- IFRS 1 First-time Adoption of IFRS - Subsidiary as a First-time adopter - A subsidiary that applies the IFRS for the first time after its parent, may apply paragraph D16(a) of IFRS 1 and measure cumulative translation differences using the amounts recognised in the group's consolidated financial statements, which were determined based on the parent's date of transition to IFRS. The above exemption can also be applied by associates and joint ventures that apply IFRS for the first time after their investor.

- IFRS 9 Financial instruments - Fees included in the "10 per cent" 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 per cent 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.

Amendment to IFRS 3 - Reference to the framework for the preparation and presentation of financial statements.

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 financial performance.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BUT NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY

IFRS 17 - Insurance contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts, which replaces IFRS 4, issued in 2004. The standard aims to improve investor understanding of insurers' risk exposure, profitability and financial position by requiring that all insurance contracts be accounted for consistently by overcoming the comparison problems created by IFRS 4.

The standard goes into effect on 1 January 2023. However, earlier application is permitted. This standard will not have a significant impact on the Group's economic and financial results and on the related disclosure in the financial statements.

Amendments to IAS 1 and to IAS 8

European Union Regulation 2022/357 of 2 March 2022 adopts the amendments to IAS 1 and IAS 8 published by the IASB on 12 February 2021. The amendments clarify the differences between accounting policies and accounting estimates in order to ensure the consistent application of accounting standards and the comparability of financial statements. The amendments must be applied at the latest from the starting date of the first financial year beginning on or after 1 January 2023. Early application is, however, permitted.

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

It should be noted that these documents will be applicable once they have been approved by the EU.

Document title	Issue date by IASB	Effective date by IASB	Date of expected EU type-approval
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	1 st January 2016	Approval process suspended pending new accounting standard on "rate-regulated activities".
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until IASB's project on the <i>equity method</i>	Endorsement suspended pending the competition of IASB's project on <i>equity method</i>
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Non-current liabilities with covenants	January 2020	1 st January 2024	To be defined
	July 2020		
	October 2020		
Lease liability in a sale and leaseback (Amendments to IFRS 16)	September 2022	1 st January 2024	To be defined

A the new standards applicable starting from financial year 2023 or subsequent years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.

III. FINANCIAL RISK MANAGEMENT OF IREN S.p.A.

A summary of the risk management methods is shown hereunder for the risk management and control with respect to the financial instruments (liquidity risk, interest rate risk, credit risk).

As part of its Risk Management activities, the Company uses non-speculative hedging contracts to limit interest rate risk.

LIQUIDITY RISK

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

The current and forecast financial position and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the coverage of short-term financial commitments. At the end of the year, short-term bank credit facilities used by the company were nil.

In addition, having assessed the convenience and advisability from time to time in the context of optimising available financial resources, the Company carries out non-recourse factoring of tax assets, 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 295 million euro, which are added to current liquid assets.

The table below illustrates the nominal cash flows required to settle financial liabilities:

Data as at 31/12/2022	thousands of euro				
	Carrying amount	Contractual cash flows	Within 12 months	1-5 years	Beyond 5 years
Mortgage loan and bond liabilities (*)	4,049,109	(4,443,568)	(97,892)	(2,150,151)	(2,195,526)
Hedging of interest rate risk (**)	(61,729)	61,729	14,386	40,315	7,027
Lease liabilities	11,441	(11,253)	(4,009)	(5,846)	(1,398)

(*) The carrying amount of "Mortgage loan and bond liabilities" includes both current and non-current portions.

(**) The carrying amount of "Hedging of interest rate risk" includes the fair value of hedging contracts (both positive and negative).

Cash flows required to settle remaining financial liabilities, other than those shown in the above tables, do not differ significantly from the recognised carrying amount.

Financial indebtedness at year end consisted of 26% in loans and 74% in bonds; it is noted that 76% of the total debt was financed by sustainable funds and that 74% of the residual debt for loans was at fixed rate and 26% at floating rate

For details of the liquidity risk management policies, reference is made to the Notes to the Consolidated Financial Statements included in this report.

INTEREST RATE RISK

Iren is exposed to interest rate fluctuations especially with regard to the measurement of borrowing costs. The strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

For non-speculative purposes, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by *swap* and *collar* contracts with financial counterparties of high credit standing, for the sole purpose of hedging. At the end of the year, all the contracts entered into meet the requisite of limiting the exposure to the risk of fluctuations in interest rates and they also meet the formal requirements for the application of hedge accounting.

The total fair value of the aforementioned interest rate hedges was a positive 61,729 thousand euro as at 31 December 2022.

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 95% loans against interest rate risk, in line with the goal of maintaining adequate protection against significant increases in the interest rate.

For a more complete understanding of the interest rate risks to which the Company is exposed, stress testing was performed on the sensitivity of net financial expense and evaluation portions in derivatives contracts to changes in interest rates. With regard to financial expense, this analysis was performed based on assumptions of reasonableness, as follows:

- a theoretical increase and decrease of 100 basis points in the Euribor interest rates over the year was applied to net financial indebtedness;
- if there was any existing hedge, interest rate shock was applied to both the debt position and related hedging derivative with an extremely limited net effect on the income statement;
- the change in interest rates is also applied to any portion of interest expenses capitalised in the year.

With regard to hedging derivatives at year end, a 100 basis points theoretical increase and decrease was applied to the forward curve of interest rates used to measure the *fair value* of the hedges.

The table below illustrates the results of the above sensitivity analysis performed with reference to 31 December 2022.

	thousands of euro			
	Financial expense		Hedging Reserve	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Cash flow sensitivity (net)				
Net financial indebtedness (including hedging contracts)	(13,949)	14,159	-	-
Change in fair value				
Hedging contracts (evaluation portions only)	-	-	25,634	(27,517)
Total impact from sensitivity analysis	(13,949)	14,159	25,634	(27,517)

RECOGNITION OF DERIVATIVES

Financial derivatives are measured at fair value, determined on the basis of market values or, if unavailable, according to an internal measurement technique.

In order to recognise derivatives, it is necessary to distinguish between transactions that meet all of the IFRS 9 requirements in order to account for them in compliance with the hedge accounting rules and transactions that do not fulfil all of the aforesaid requirements.

Transactions recognised under hedge accounting

These transactions may include:

- **fair value hedges:** the derivative and the hedged item are recognised at fair value in the statement of financial position and the change in their fair values is recognised directly in the income statement;
- **cash flow hedges:** the derivative is recognised at fair value with a balancing entry in a specific equity reserve for the effective portion of the hedge and in the income statement for the ineffective portion; 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. Specifically, in the case of interest rate risk hedges in financial income and expense.

Transactions not recognised under hedge accounting

The derivative is recognised in the statement of financial position at fair value. The change in the fair value of the derivative is recognised in the income statement and is classified based on the type of underlying instrument; in the case of interest rate risk hedges, it is recognised in financial income and expense.

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

FAIR VALUE

The following table shows, for each financial asset and liability:

- the carrying amount, including the method of accounting;
- the fair value, including the Level in the relative hierarchy.

In this regard, the various levels were defined as shown below:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability which are not based on observable market data.

Mortgages and bonds

The fair value of mortgages, level 2, is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense, discounted with reference to the reporting date. This present value is determined by applying the forward interest rate curve at the reporting date.

With regard to bonds, the 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

All Iren S.p.A. hedging financial instruments have a fair value which can be classified as level 2. This level is measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from the prices of the financial instruments, or in any case that do not require a significant adjustment based on data which cannot be observed on the market.

Finally, it should be noted that there have been no transfers between the various levels of the fair value hierarchy and that information on the fair value of financial assets and liabilities not measured at fair value is excluded when their carrying amount is reasonably representative of their fair value.

In order to provide a disclosure as complete as possible, the corresponding figure from the previous year is also indicated.

thousands of euro

31.12.2022	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					
Interest rate derivative hedging contracts	61,729				61,729
Assets for variable portion of transfer price OLT Offshore LNG Toscana		25,077			25,077
Other equity investments		469			469
Total Financial assets measured at fair value	61,729	25,546	-	-	87,275
Financial assets not measured at fair value					
Non-current financial assets with related parties			3,004,879		3,004,879
Trade receivables			98,003		98,003
Loan assets			30,033		30,033
Sundry assets and other assets (*)			53,092		53,092
Cash and cash equivalents			573,372		573,372
Total Financial assets not measured at fair value	-	-	3,759,379	-	3,759,379
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)	-				-
Total Financial liabilities measured at fair value	-	-	-	-	-
Financial liabilities not measured at fair value					
Bonds				(3,015,622)	(3,015,622)
Mortgages				(1,033,487)	(1,033,487)
Sundry financial liabilities (**)				(169,007)	(169,007)
Trade payables				(133,615)	(133,615)
Sundry liabilities and other liabilities (*)				(101,720)	(101,720)
Total Financial liabilities not measured at fair value	-	-	-	(4,453,452)	(4,453,452)
TOTAL	61,729	25,546	3,759,379	(4,453,452)	(606,798)

(*) Prepaid expenses and deferred income are excluded

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

thousands of euro

31.12.2022	Fair Value			TOTAL
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Interest rate derivative hedging contracts		61,729		61,729
Assets for variable portion of transfer price OLT Offshore LNG Toscana			25,077	25,077
Other equity investments				-
Total Financial assets measured at fair value	-	61,729	25,077	86,806
Financial assets not measured at fair value				
Non-current financial assets with related parties		2,700,554		2,700,554
Trade receivables				-
Loan assets				-
Sundry assets and other assets (*)				-
Cash and cash equivalents				-
Total Financial assets not measured at fair value	-	2,700,554	-	2,700,554
Financial liabilities measured at fair value				
Derivative hedging contracts (rate and commodities)				-
Total Financial liabilities measured at fair value	-	-	-	-
Financial liabilities not measured at fair value				
Bonds	(2,558,262)			(2,558,262)
Mortgages		(1,018,382)		(1,018,382)
Sundry financial liabilities (**)				-
Trade payables				-
Sundry liabilities and other liabilities (*)				-
Total Financial liabilities not measured at fair value	(2,558,262)	(1,018,382)	-	(3,576,644)
TOTAL	(2,558,262)	1,743,901	25,077	(789,284)

(*) Prepaid expenses and deferred income are excluded

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

The non-current portion of "Financial assets measured at fair value" includes at Level 3 the asset relating to the variable portion of the sale price of OLT Offshore LNG Toscana, amounting to 25,077 thousand euro as at 31 December 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)	987	(987)
Discount rate	(1,398)	1,498

The fair value level of the item "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					
Interest rate derivative hedging contracts	2,024				2,024
Assets for variable portion of transfer price OLT Offshore LNG Toscana		24,725			24,725
Other equity investments		150			150
Total Financial assets measured at fair value	2,024	24,875	-	-	26,899
Financial assets not measured at fair value					
Non-current financial assets with related parties			2,395,737		2,395,737
Trade receivables			107,803		107,803
Loan assets			147,175		147,175
Sundry assets and other assets (*)			105,062		105,062
Cash and cash equivalents			430,162		430,162
Total Financial assets not measured at fair value	-	-	3,185,939	-	3,185,939
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)	(5,814)				(5,814)
Total Financial liabilities measured at fair value	(5,814)	-	-	-	(5,814)
Financial liabilities not measured at fair value					
Bonds				(3,319,311)	(3,319,311)
Mortgages				(324,064)	(324,064)
Sundry financial liabilities (**)				(82,892)	(82,892)
Trade payables				(87,672)	(87,672)
Sundry liabilities and other liabilities (*)				(83,565)	(83,565)
Total Financial liabilities not measured at fair value	-	-	-	(3,897,504)	(3,897,504)
TOTAL	(3,790)	24,875	3,185,939	(3,897,504)	(690,480)

(*) Prepaid expenses and deferred income are excluded

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

thousands of euro	Fair Value				
	31.12.2021	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value					
Interest rate derivative hedging contracts			2,024		2,024
Assets for variable portion of transfer price OLT Offshore LNG Toscana				24,725	24,725
Other equity investments					-
Total Financial assets measured at fair value		-	2,024	24,725	26,749
Financial assets not measured at fair value					
Non-current financial assets with related parties			2,548,823		2,548,823
Trade receivables					-
Loan assets					-
Sundry assets and other assets (*)					-
Cash and cash equivalents					-
Total Financial assets not measured at fair value		-	2,548,823	-	2,548,823
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)			(5,814)		(5,814)
Total Financial liabilities measured at fair value		-	(5,814)	-	(5,814)
Financial liabilities not measured at fair value					
Bonds	(3,421,160)				(3,421,160)
Mortgages			(323,426)		(323,426)
Sundry financial liabilities (**)					-
Trade payables					-
Sundry liabilities and other liabilities (*)					-
Total Financial liabilities not measured at fair value	(3,421,160)	(323,426)		-	(3,744,586)
TOTAL	(3,421,160)	2,221,607	24,725		(1,174,828)

(*) Prepaid expenses and deferred income are excluded

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

CREDIT RISK

From a business point of view, Iren S.p.A. is not particularly exposed to credit risk as it mainly provides professional services to the subsidiaries, according to their needs, based on service agreements signed by the parties.

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

For details of the credit risk management policies, reference is made to the Notes to the Consolidated Financial Statements included in this report.

IV. RELATED PARTY TRANSACTIONS

As indicated in the Directors' Report, contained in this document, the information on main financial and economic transactions with related parties, carried out for Iren S.p.A. is provided below.

Transactions with subsidiaries

Intra-group Services

In order to make the most of the organisational synergies that can be achieved, Iren's configuration is based on the model of an industrial holding company, with staff structures that are adequate to support the Group's strategic, development, financial, IT, administrative, and control activities. Therefore, Iren is able to provide professional services of a technical-administrative nature in favour of its subsidiaries, which operate in the relevant business field. All these activities are governed by special supply contracts at arm's length.

Financial management

Organisational solutions were adopted with the aim of centralising financial management for the entire Group under the direct responsibility of Iren S.p.A., in order to optimise the structure and conditions of access to third party financing. For this purpose, loans have been contracted by Iren with banks, whereby the funds are subsequently transferred to the Group's companies to support the investments made by these companies based on intra-group facility agreements.

The conditions of intra-group loan agreements have been defined according to the conditions which the Parent procures on the financial market.

Tax consolidation

The Group also exercised the option, pursuant to Art. 117 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the Parent IREN S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES assets.

The companies in the domestic tax consolidation for 2022, not including the Parent Iren Spa, are as follows: Iren energia S.p.A., Ireti S.p.A., Territorio e Risorse S.r.l., Iren Acqua S.p.A., Iren Mercato S.p.A., Iren Ambiente S.p.A. (and the incorporated Scarlino Immobiliare S.r.l. and Produrre Pulito S.r.l.), Iren Smart Solution S.p.A., Acam Ambiente S.p.A., Acam Acque S.p.A., Maira S.p.A., AMIAT S.p.A. AMIAT V S.p.A., Formaira S.p.A., Alfa Solutions S.p.A., Recos S.p.A., Iren Laboratori S.p.A., IAM Parma S.r.l., IAM Piacenza S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., Gia in liquidazione S.r.l., San Germano S.p.A., Rigenera Materiali S.r.l., BSA s.r.l., Uniproject S.r.l. (and the merged companies Uniservizi S.r.l. and Picena Depur S.r.l.), Manduriambiente Spa, Scarlino Energia S.p.A., Iren Ambiente Toscana S.p.A. formerly STA S.p.A. (and the merged companies UCH H S.r.l. and Scarlino H S.r.l.), TB S.p.A. and Borgo Ambiente Scarl.

VAT Group

In September 2019, Iren exercised the option for establishment of Group VAT to which the Revenue Agency attributed a new VAT number with effect from 1 January 2020.

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. (and the merged companies Scarlino Immobiliare S.r.l. and Produrre Pulito S.r.l.), AMIAT S.p.A, Iren Smart Solutions S.p.A., Iren Acqua Tigullio S.p.A., Iren Acqua S.p.A. Iren Laboratori S.p.A., Bonifica Autocisterne S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l, ACAM Ambiente S.p.A., ACAM Acque S.p.A., ReCos S.p.A., Alfa Solutions S.p.A., TRM S.p.A, San Germano S.p.A., Maira S.p.A., Formaira S.p.A., Territorio e Risorse S.r.l. and Rigenera Materiali S.r.l., BSA s.r.l., Uniproject S.r.l. (and the merged companies Uniservizi S.r.l. and Picena Depur S.r.l.), Manduriambiente Spa, Scarlino Energia S.p.A., Iren Ambiente Toscana S.p.A. formerly STA S.p.A. (and the merged companies UCH H S.r.l. and Scarlino H S.r.l.), TB S.p.A., Borgo Ambiente Scarl, Futura S.p.A., I Blu S.r.l., IAM Parma S.r.l., IAM Piacenza S.r.l. and Asti Energia e Calore S.p.A.

Transactions with owners

Iren S.p.A.'s main transactions with owners concern not only property taxes, but also costs for sponsorships, including of a technical nature, within the scope of which the Group's activities were promoted.

Transactions with joint ventures and associates

Among the main transactions carried out by Iren S.p.A. with joint ventures and associates, we can note:

- the reversible fees paid to Iren S.p.A. for the participation of its employees in the Boards of Directors of the related companies;
- the supply of administrative services.

Quantitative information on transactions with related parties is provided in section "X. Annexes to the Separate Financial Statements", considered an integral part of these Notes.

Finally, as regards the Directors and Statutory Auditors of Iren S.p.A. with the exception of payment of the fees envisaged for the performance of duties in the management or control bodies, there were no transactions.

Transactions that consist of assigning remunerations and economic benefits, in any form, to members of the management and control bodies of Iren S.p.A. and Key Management Personnel of IREN Group are also subject to the provisions of the RPT Procedure.

Key management remuneration (members of the Board of Directors and Managers with Strategic Responsibilities) totalled 3,856 thousand euro, and refers to fixed remuneration (2,920 thousand euro), remuneration for participation in committees (109 thousand euro), bonuses and other incentives (663 thousand euro), non-cash benefits (29 thousand euro) and other remuneration (135 thousand euro).

V. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No significant events occurred after the reporting date.

VI. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions

During 2022, the Company was not affected by “non-recurring” events and did not carry out significant transactions identified as such on the basis of the definitions contained in the Communication. In particular, it was not affected by events which do not reoccur frequently during the normal performance of the business.

Positions or transactions deriving from atypical and/or unusual transactions

In 2022, the Company was not involved in atypical and/or unusual transactions, as defined in the Communication, i.e. transactions that may, due to their significance/relevance, nature of the counterparties, subject of the transaction, methods for determining the transfer price and timing of the event (near year end), give rise to concerns about the correctness/completeness of the financial statements disclosures, conflict of interest, safeguard of the company’s assets or protection of non-controlling interests.

DISCLOSURE ON PUBLIC DISBURSEMENTS

With reference to what is provided for on the subject of transparency in the system of public disbursements pursuant to article 35 of Decree Law no. 34/2019 ("Decreto Crescita") we can specify that the National Register of State Aid includes aid, in favour of the company, which must be disclosed. For the related details please see the aforementioned Register, under the terms of article 35, paragraph 125-quinquies.

VII. INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

Unless otherwise stated, the tables below are in thousands of euro.

ASSETS

NON-CURRENT ASSETS

NOTE 1_PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, including right-of-use assets, is shown in the table below:

	thousands of euro					
	Cost as at 31/12/2022	Accumulated depreciation as at 31/12/2022	Carrying amount as at 31/12/2022	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021
Land	15,113	(1,110)	14,003	14,644	(861)	13,783
Buildings	143,388	(26,827)	116,561	132,590	(21,911)	110,679
Plant and machinery	9,439	(2,259)	7,180	5,129	(1,375)	3,754
Industrial and commercial equipment	1,200	(640)	560	1,047	(562)	485
Other assets	61,308	(35,324)	25,984	47,617	(28,730)	18,887
Assets under construction and payments on account	28,420	-	28,420	19,381	-	19,381
Total	258,868	(66,160)	192,708	220,408	(53,439)	166,969

The variation in the historical cost of property, plant and equipment, including right-of-use assets, is as follows:

	thousands of euro				
	31/12/2021	Increases	Decreases	Reclassifications	31/12/2022
Land	14,644	180	-	289	15,113
Buildings	132,590	9,782	(207)	1,223	143,388
Plant and machinery	5,129	3,374	(32)	968	9,439
Industrial and commercial equipment	1,047	116		37	1,200
Other assets	47,617	13,313	(1,724)	2,102	61,308
Assets under construction and payments on account	19,381	11,642	-	(2,603)	28,420
Total	220,408	38,407	(1,963)	2,016	258,868

Changes in accumulated depreciation are shown below:

	thousands of euro				
	31/12/2021	Depreciation for the year	Decreases	Reclassifications	31/12/2022
Land	(861)	(10)	-	(239)	(1,110)
Buildings	(21,911)	(5,359)	204	239	(26,827)
Plant and machinery	(1,375)	(902)	18	-	(2,259)
Industrial and commercial equipment	(562)	(78)	-	-	(640)
Other assets	(28,730)	(8,303)	1,709	-	(35,324)
Total	(53,439)	(14,652)	1,931	-	(66,160)

The main categories refer to:

- Land and buildings: this item mainly includes buildings relating to management offices or in support of operating activities;
- Plant and equipment: this item includes the auxiliary systems of buildings, air conditioning systems, telecommunications equipment and some prototypes for development activities;
- Other assets: include motor vehicles and cars, furniture, office machines and IT equipment;
- Assets under construction and payments on account: this item includes all expenses incurred for investments in progress and not yet in operation.

Finally, no assets are pledged against liabilities.

Increases

The increases in the year, of 38,407 thousand euro, refer mainly to:

- extraordinary maintenance of buildings and auxiliary plants at the various Company Offices;
- upgrading of hardware infrastructure and telecommunications equipment;
- investments in motor vehicles, including those leased and recorded in accordance with IFRS 16;
- costs incurred for the new conference room and office building at the Reggio Emilia office;
- costs incurred for the building renovation of the Piazza Raggi (Genoa) office, which is currently underway.

Depreciation

Ordinary depreciation for 2022, amounting to 14,652 thousand euro, was calculated on the basis of the rates indicated in the section "Accounting policies " and deemed representative of the residual useful life of the assets.

Reclassifications

It is noted that changes in statement of financial position items, in addition to the normal entry into operation of investments made in the previous year, concern mainly the separation of the value of the land underlying the property complexes repurchased during the year.

Right-of-use assets - IFRS 16

IFRS 16 provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months unless the underlying asset is of low value. The contracts in which Iren S.p.A. acts as lessee refer to property leases and long-term hires of cars and other motor vehicles.

The breakdown of right-of-use assets, divided between historical cost, accumulated depreciation and carrying amount, is as follows:

	thousands of euro					
	Cost as at 31/12/2022	Accumulated depreciation as at 31/12/2022	Carrying amount as at 31/12/2022	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021
Land	115	(28)	87	111	(18)	93
Buildings	18,150	(8,735)	9,415	15,860	(6,980)	8,880
Other assets	6,648	(2,591)	4,057	5,642	(2,635)	3,007
Total	24,913	(11,354)	13,559	21,613	(9,633)	11,980

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

	31/12/2021	Increases	Decreases	Other changes	31/12/2022
Land	111	4	-	-	115
Buildings	15,860	3,817	(203)	(1,324)	18,150
Other assets	5,642	2,691	(1,685)	-	6,648
Total	21,613	6,512	(1,888)	(1,324)	24,913

Finally, changes in the accumulated depreciation of right-of-use assets are shown below:

	31/12/2021	Depreciation for the year	Decreases	Other changes	31/12/2022
Land	(18)	(10)	-	-	(28)
Buildings	(6,980)	(3,053)	203	1,095	(8,735)
Other assets	(2,635)	(1,627)	1,671	-	(2,591)
Total	(9,633)	(4,690)	1,874	1,095	(11,354)

NOTE 2_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The breakdown of intangible assets, divided between historical cost, accumulated amortisation and carrying amount is as follows:

thousands of euro

	Cost as at 31/12/2022	Accumulated amortisation as at 31/12/2022	Carrying amount as at 31/12/2022	Cost as at 31/12/2021	Accumulated amortisation as at 31/12/2021	Carrying amount as at 31/12/2021
Development expenditure	47	(47)	-	47	(47)	-
Industrial patents and intellectual property rights	183,607	(109,918)	73,689	143,931	(86,207)	57,724
Concessions, licences, trademarks and similar rights	34	(4)	30	34	(4)	30
Other intangible assets	9,605	(9,491)	114	9,605	(9,182)	423
Assets under development and payments on account	14,298	-	14,298	21,777	-	21,777
Total	207,591	(119,460)	88,131	175,394	(95,440)	79,954

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

thousands of euro

	31/12/2021	Increases	Decreases	Reclassifica- tions	31/12/2022
Development expenditure	47	-	-	-	47
Industrial patents and intellectual property rights	143,931	28,943	(713)	11,446	183,607
Concessions, licences, trademarks and similar rights	34	-	-	-	34
Other intangible assets	9,605	-	-	-	9,605
Assets under development and payments on account	21,777	12,231	(5,576)	(14,134)	14,298
Total	175,394	41,174	(6,289)	(2,688)	207,591

Changes in the accumulated amortisation are shown below:

thousands of euro

	31/12/2021	Amortisation for the year	Decreases	Reclassifica- tions	31/12/2022
Development expenditure	(47)	-	-	-	(47)
Industrial patents and intellectual property rights	(86,207)	(24,304)	593	-	(109,918)
Concessions, licences, trademarks and similar rights	(4)	-	-	-	(4)
Other intangible assets	(9,182)	(309)	-	-	(9,491)
Total	(95,440)	(24,613)	593	-	(119,460)

The main categories refer to:

- **Industrial patents and intellectual property rights:** the item consists of software use licenses and costs incurred for the internal production of software created in order to adapt and update the licensed applications; these assets are amortized over a five-year period;
- **Assets under development:** this item consists mainly of costs incurred for new implementations and studies relating to IT projects, concerning applications supporting operating and administrative activities.

Increases

Increases in the year, amounting to 41,174 thousand euro, primarily refer to the purchase, internal development (including ongoing development), implementation and adaptation of software for administrative, commercial and customer management within the Group.

Decreases

The decreases for the year, equal to 5,696 thousand euro, refer to the transfer to the subsidiary Ireti of the Iren Way software, functional to the management of distribution networks.

NOTE 3_INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Equity investments in subsidiaries

Data on investments in direct subsidiaries, i.e., the lead companies of the Group's business chains, as at 31 December 2022 can be found in the appropriate section of the Annexes.

The carrying amounts of equity investments are as follows, and are unchanged from the previous year.

	Cost of equity investment	Equity at 31/12/2022	Difference between equity - Cost of equity investment
Iren Ambiente	243,437	258,275	14,838
IRETI	1,039,418	1,191,471	152,053
Iren Energia	1,139,112	1,386,392	247,280
Iren Mercato	142,065	(24,093)	(166,158)
Total	2,564,032	2,812,045	248,013

thousands of euro

The impairment per BU presented in the Note to "Goodwill" of the consolidated financial statements is also used for the valuation of equity investments in subsidiaries held by Iren S.p.A. and allows to conclude that, with reference to these investments, there are no indications of impairment.

The only company showing a trigger, represented by net assets below cost, is Iren Mercato. Based on the valuations performed in carrying out the CGU impairment test, the equity value of the investment was higher than its carrying value (142,065 thousand euro), and therefore, it was not necessary to record an impairment loss on the investment.

NOTE 4_OTHER EQUITY INVESTMENTS

This item relates to investments in companies over which Iren S.p.A. has neither control nor significant influence. These equity investments are measured at fair value but, as the most recent information available for measuring the fair value is insufficient and the cost represents the best estimate of the fair value, they are recognised at cost.

As of the date of these separate financial statements, the item refers to the equity investment held in the consortium company Competence Industry Manufacturing 4.0 in the amount of 150 thousand euro (unchanged from 31 December 2021) as well as the equity investment in the company Tech4planet, acquired in 2022, in the amount of 469 thousand euro.

NOTE 5_NON-CURRENT FINANCIAL ASSETS

The total of the item amounted to 3,103,724 thousand euro (2,499,028 thousand euro as at 31 December 2021).

	thousands of euro	
	31/12/2022	31/12/2021
Cash pooling arrangement - subsidiaries	2,941,431	2,370,489
Cash pooling arrangement - associates	-	22,561
Loan assets with subsidiaries	75,447	76,502
Loan assets with associates	-	2,687
Fair value of derivatives – non-current portion	61,729	2,024
Sundry assets	40	40
Other financial assets	25,077	24,725
Total	3,103,724	2,499,028

For details on the item "Cash pooling arrangement", see the table showing "Transactions with related parties" in the Annexes to this document.

The fair value of derivative contracts, for the non current portion, amounted to 61,729 thousand euro (2,024 thousand euro as at 31 December 2021). For comments please see section "Financial risk management of Iren S.p.A."

Sundry assets refer to participation in a film production under a Tax credit regime for 40 thousand euro (unchanged from 31 December 2021).

The item "Other financial assets" consists of the variable portion of the sale price of the investment in OLT Offshore LNG Toscana and the related loan, measured at fair value with changes recognised in profit or loss.

NOTE 6_OTHER NON-CURRENT ASSETS

These amounted to 1,321 thousand euro (1,662 thousand euro as at 31 December 2021) and consisted mainly of tax assets accrued with the tax authorities following the request for deduction of IRAP from the IRES taxable base amount for 64 thousand euro (unchanged compared to 31 December 2021), grants accrued for innovation projects for 1,179 thousand euro (1,437 thousand euro as at 31 December 2021) and loans assets with personnel for 20 thousand euro (102 thousand euro as at 31 December 2021).

NOTE 7_DEFERRED TAX ASSETS

This item refers to taxes related to temporary differences between the carrying amount and tax base of assets and liabilities in the statement of financial position. These taxes were calculated by applying the rates envisaged when the temporary differences reverse.

In accordance with IAS 12, the item includes the net effect of deferred tax assets and deferred tax liabilities for IRES.

At 31 December 2022, this item was zero. As at 31 December 2021, deferred tax assets net of deferred tax liabilities were 7,517 thousand euro.

For further information, reference is made to the note to the income statement "Income tax expense (benefit)" and to the Annexes concerning the details on temporary differences related to deferred taxation.

CURRENT ASSETS

NOTE 8_INVENTORIES

Inventories include stocks of items used by all Group companies (technical clothing, hardware, stationery and signs).

The provision for inventory write-down, which was established in 2020 with the aim of taking into account the technical obsolescence and low movement of certain materials, amounted to 275 thousand euro (208 thousand euro at 31 December 2021).

NOTE 9_TRADE RECEIVABLES

These are as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Trade receivables from customers	1,749	1,731
Trade receivables from subsidiaries	96,901	106,227
Trade receivables from joint ventures and associates	412	563
Trade receivables from owners	16	506
Loss allowance	(1,075)	(1,224)
Total	98,003	107,803

Trade receivables from customers

These relate to receivables for services rendered to third-party customers.

Trade receivables from subsidiaries

These relate to normal trade transactions performed at arm's length, and refer mainly to corporate services, of a technical/administrative nature provided to the Group companies. The details of these receivables by counterparty are annexed in the "Transactions with related parties" section of the Annexes to the separate Financial Statements.

Trade receivables from joint ventures and associates

This item refers mainly to fees that may be charged back for offices held by Iren's employees in associates, as well as to the chargeback of insurance costs borne by the Parent. The details of these receivables by counterparty are annexed in the "Transactions with related parties" section of the Annexes to the separate Financial Statements.

Trade receivables from owners

These show a balance of 16 thousand euro (506 thousand euro as at 31 December 2021) and refer to amounts due from the company FSU for 16 thousand euro (unchanged compared to 31 December 2021). As at 31 December 2021, also trade receivables were booked for services and activities carried out in favour of the Municipality of Turin for 483 thousand euro and the Municipality of Reggio Emilia for 7 thousand euro.

Loss allowance

The item amounted to 1,075 thousand euro (1,224 thousand euro as at 31 December 2021). No accrual was made during the year, but a release was made in order to adjust the allowance to the amount of expected credit losses on the basis of the simplified model envisaged by IFRS 9, where "loss" means the present value of all cash shortfalls, considering forward-looking information), taking into due consideration historical data.

	31/12/2022	Accruals	Releases	31/12/2021
Loss allowance	(1,075)	-	(149)	(1,224)

NOTE 10_CURRENT TAX ASSETS

This item amounted to 29,170 thousand euro (60 thousand euro as of 31 December 2021) and referred to IRES advances for 29,110 thousand euro (not present as of 31 December 2021) and IRAP advances for 60 thousand euro (unchanged from 31 December 2021).

NOTE 11_SUNDRY ASSETS AND OTHER CURRENT ASSETS

These are as follows:

	31/12/2022	31/12/2021
Amounts due from subsidiaries for VAT group	22,108	15,467
Amounts due from subsidiaries for tax consolidation scheme	13,987	42,802
VAT assets	3,628	39,275
Other tax assets	3,172	1,048
Current tax assets	42,895	98,592
Advances to suppliers	5,685	2,705
Amounts due from others	3,190	2,103
Other current assets	8,875	4,808
Prepaid expenses	19,396	13,795
Total	71,166	117,195

As noted in the section "Transactions with related parties", in September 2019, Iren exercised the option for establishment of the VAT Group to which the Revenue Agency attributed a new VAT number with effect from 1 January 2020.

The option for the Group tax consolidation scheme was exercised by the Group. This requires that the consolidated companies transfer their IRES assets/liabilities to the Parent Iren S.p.A.

The other tax assets shown in the table consist mainly of amounts due from the tax authorities for tax assets, while prepaid expenses relate largely to the portion pertaining to future IT services.

NOTE 12_CURRENT FINANCIAL ASSETS

The item amounted to a total of 17,994 thousand euro (70,633 thousand euro as at 31 December 2021). All financial assets recognised in this item are due within 12 months. The carrying amount of these assets approximates their fair value as the impact of discounting is negligible. Current financial assets relate to:

	thousands of euro	
	31/12/2022	31/12/2021
Loan assets with subsidiaries	17,362	40,114
Loan assets with joint ventures and associates	-	186
Financial assets with others	632	30,333
Total	17,994	70,633

Loan assets with subsidiaries

These mainly refer to interest accrued on financing, particularly on the cash pooling arrangement (17,252 thousand euro).

Loan assets with joint ventures and associates

This item had a nil balance as at 31 December 2022. As at 31 December 2021, there were assets with associates relating to the interest accrued on the cash pooling arrangement with the companies Valle Dora Energia and Sei Toscana.

Financial assets with others

These amounted to 632 thousand euro (30,333 thousand euro as of 31 December 2021) and included 611 thousand euro (319 thousand euro as of 31 December 2021) in prepayments of a financial nature and 21 thousand euro (30,014 thousand euro as of 31 December 2021) in loan assets with banks.

NOTE 13_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Bank and postal deposits	573,372	430,162
Cash and similar on hand	-	-
Total	573,372	430,162

Cash and cash equivalents consist of available bank and postal deposits.

Iren S.p.A. does not hold cash equivalents, intended as short-term and highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

NOTE 14_ASSETS HELD FOR SALE

This item had a nil balance as at 31 December 2022. During 2021, Iren SpA sold the investment in the company Plurigas in liquidation, which was classified at the time among assets held for sale because the company's operations had ended in 2014.

LIABILITIES

NOTE 15_EQUITY

Equity may be analysed as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Share Capital	1,300,931	1,300,931
Reserves and Retained Earnings	686,960	551,548
Profit for the year	258,688	218,851
Total	2,246,579	2,071,330

Share capital

Share capital amounts to 1,300,931,377 euro (unchanged compared to 31 December 2021), 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 repurchased treasury shares for a total of 17,855,645 for a price of 38,690 thousand euro recognised as a reduction of equity in the item "Reserves and Retained Earnings".

Reserves and Retained Earnings

The breakdown of this item is as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Treasury shares	(38,690)	(38,690)
Share premium reserve	133,020	133,020
Legal reserve	98,158	87,216
Hedging reserve	46,914	(2,880)
Other reserves and Retained earnings	447,558	372,882
Total	686,960	551,548

Treasury shares

On 29 April 2020, the Shareholders' Meeting of Iren S.p.A. had authorised the Board of Directors to repurchase and dispose of treasury shares for eighteen months from that date, at the same time revoking, for the non-executed portion, the previous authorisation to repurchase resolved on 5 April 2019. On 12 May 2020, the Board of Directors, authorising the CEO to carry out the repurchase, had set the limit at 2% of the Company's share capital (equal to 26,000,000 shares), taking into account the shares already held in portfolio.

In November 2021, the repurchase of treasury shares was finally completed and as of 31 December 2022, the portfolio had 17,855,645 shares for a total price of 38,690 thousand euro recognised as a reduction of equity in the item "Reserves and Retained Earnings".

Hedging reserve

Changes in the fair value of effective hedging derivatives are recognised with a corresponding balancing item directly in equity under the hedging reserve. These contracts were concluded to hedge exposure to the risk of interest rate fluctuations on floating rate loans .

Other reserves and Retained earnings

These comprise mainly the goodwill arising on the merger of AMGA into AEM Torino and the subsequent merger of Enìa into Iride, retained earnings, and the actuarial reserve, for actuarial gains and losses resulting from the measurement of post-employment benefits.

The increase in 2022 is mainly due to the carrying forward of profit for the previous financial year not distributed (73,185 thousand euro).

Dividends

On 21 June 2022, the Ordinary Shareholders' Meeting of Iren S.p.A. approved the Company'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. At the ex-dividend date, the number of outstanding shares was 1,283,075,732 and, consequently, the total amount of dividends distributed was 134,722,951.87 euro.

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.

For further details, reference should be made to the statement of changes in equity.

NON-CURRENT LIABILITIES

NOTE 16_NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities amounted to 4,034,165 thousand euro (3,278,814 thousand euro as at 31 December 2021) and consist of:

Bonds

These amounted to 3,015,622 thousand euro due after 12 months (2,960,176 thousand euro as at 31 December 2021). The item consisted entirely of positions referred to Public Bond issues, accounted for at amortised cost, against a total nominal value outstanding at 31 December 2022 of 3,050,000 thousand euro (3,000,000 thousand at 31 December 2021). The details of Public Bonds with maturity after 12 months are as follows:

- Bonds maturing November 2024, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 498,308 thousand euro);
- Green Bonds maturing October 2027, coupon 1.5%, amount 500 million euro, all outstanding (amount at amortised cost 494,918 thousand euro);
- Green Bonds maturing September 2025, coupon 1.95%, amount 500 million euro, all outstanding (amount at amortised cost 497,358 thousand euro);
- Green Bonds maturing October 2029, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 496,253 thousand euro);
- Bonds maturing July 2030, coupon 1%, amount 500 million euro, all outstanding (amount at amortised cost 491,777 thousand euro);

- Green Bonds maturing January 2031, coupon 0.25%, amount 500 million euro, including TAP issue of October 2021, all outstanding (amount at amortised cost 487,458 thousand euro).
- Green Private Placement maturing October 2028, coupon 2.85%, amount 50 million euro, issued in August 2022, all outstanding (amount at amortised cost 49,550 thousand euro).

The bonds were subscribed by Italian and foreign institutional investors, are listed on the Irish Stock Exchange and were assigned a Fitch and S&P rating.

The change in the total carrying amount compared to 31 December 2021 is due to the issue of the Green Private Placement described above and the allocation of accrued financial expense, calculated on the basis of the amortised cost method.

Non-current bank loans

Non-current loans relate exclusively to the non-current portion of loans/credit lines due after 12 months granted by banks, and amounted to 1,009,997 thousand euro (305,465 thousand euro as at 31 December 2021).

Non-current loans, all at floating rate, can be analysed by maturity (referring to the portion due after 12 months), as follows:

	thousands of euro
	TOTAL
min/max rate	2.785% - 3.919%
maturity	2024-2038
1.1.2024 – 31.12.2024	33,221
1.1.2025 – 31.12.2025	35,443
1.1.2026 – 31.12.2026	37,526
1.1.2027 – 31.12.2027	289,610
subsequent	614,197
Total after 12 months as at 31/12/2022	1,009,997
Total after 12 months as at 31/12/2021	305,465

All loans are denominated in euro.

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

	thousands of euro				
	31/12/2021				31/12/2022
	Total after 12 months	Increases	Decreases	Adjustment of amortised cost	Total after 12 months
TOTAL	305,465	730,000	(23,490)	(1,978)	1,009,997

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

- disbursement of ESG Linked loans in the amount of 650,000 thousand euro, as commented in the Directors' report - Financial Management, in addition to 80 million euro of drawdowns on available lines with the EIB-CEB;
- decrease of 23,490 thousand euro, owing to the reclassification of the portions of loans maturing within the next 12 months to current;
- decrease of 1,978 thousand euro due to recognition of the loans at amortised cost.

Non-current lease liabilities

This item relates to the portion of the Company's lease, rental and hire liabilities due after 12 months, recognised in accordance with IFRS 16, and amounted to 8,546 thousand euro (7,359 thousand euro as at 31 December 2021). This figure will be gradually reduced on the basis of repayment of the lease principal.

Other financial liabilities

At 31 December 2022, the item was zero. As of 31 December 2021, it amounted to 5,814 thousand euro referring to the fair value of derivative contracts entered into by Iren to hedge its exposure to the interest rate risk of floating-rate mortgages.

NOTE 17_ EMPLOYEE BENEFITS

Changes in this item in 2022 were as follows:

	31/12/2021	Obligations vested during the year	Financial expense	Disbursements for the year	Intra-group transfers	Actuarial (gains)/losses	thousands of euro 31/12/2022
Post-employment benefits	13,424	57	-	(901)	120	(1,412)	11,288
Additional monthly salaries	1,034	37	-	(132)	-	(143)	796
Loyalty bonus	523	23	-	(26)	-	(45)	475
Tariff discounts	2,289	22	-	(159)	-	(374)	1,778
Premungas	727	3	-	(157)	-	(31)	542
Total	17,997	142	-	(1,375)	120	(2,005)	14,879

The tariff discounts include benefits related to the supply of natural gas for domestic use. Following the signing of specific agreements with the trade unions, the "Energy discount" awarded up to 30 September 2017 to employees in service was converted into other forms of employee benefits.

Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries. The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accrual basis in line with the service necessary to obtain benefits.

For the purpose of defining the present value of the obligations, the future service is estimated based on assumptions related to changes in the total number of employees and employee remuneration. Future service represents the amount that would be paid out to each employee in the event of continuing working activity with another company, retirement, death, resignation or a request for an advance.

The following factors were considered in deciding which discount rate to adopt in the measurement approach provided by IAS 19:

- relevant market;
- the measurement date;
- expected average term of the liabilities.

The average residual term of liabilities was obtained as the weighted average residual term of liabilities related to all benefits.

The economic and financial assumptions adopted in the calculations are as follows:

Annual discount rate	3.34% -3.77%
Annual inflation rate	2.30%
Annual rate of increase of Post-employment benefits	3.225%

In accordance with the provisions of IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the subsequent year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the table below.

	Change in liabilities according to changes in discount rate		Service cost 2022	Duration of the plan	Disbursements 2023
	+0.25%	-0.25%			
Post-employment benefits	181	(186)	-	7.3	878
Additional salary payments (seniority bonus)	16	(17)	25	10.5	36
Loyalty bonus	4	(5)	18	4.0	93
Tariff discounts	33	(34)	-	8.4	123
Premungas	6	(6)	-	6.0	29

NOTE 18_ PROVISIONS FOR RISKS AND CHARGES

Details and changes are shown in the table below:

	31/12/2021	Increases	Decreases	31/12/2022	Non-current portion
Provision for early retirement	3,910		(1,909)	2,001	455
Other provisions for risks and charges	9,166	1,753	(5,540)	5,379	5,379
Total	13,076	1,753	(7,449)	7,380	5,834

thousands of euro

Provision for early retirement

The provision refers to expenses associated with early retirement of some employees and arises from the results of agreements between Iren Group and the Trade Unions that provide for 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 Iren Group's personnel, in view of a plan to recruit young individuals.

The incentive, completely chargeable to 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.

Other provisions for risks and charges

Among the other provisions, the increases mainly concern personnel disputes and the adjustment of the provision for long-term incentive plans, while the decreases mainly refer to the elimination of a tax risk.

NOTE 19_DEFERRED TAX LIABILITIES

Deferred tax liabilities are due to temporary differences between the carrying amount and tax base of assets and liabilities recognised in the financial statements and have been calculated by applying the rates expected when the temporary differences will reverse.

In accordance with IAS 12, the item includes the net effect of deferred tax assets and deferred tax liabilities for IRES.

As at 31 December 2022, deferred tax assets net of deferred tax liabilities were 9,717 thousand euro (not present as at 31 December 2021).

For further information, reference is made to the note to the income statement "Income tax expense (benefit)" and to the Annexes concerning the details on temporary differences related to deferred taxation.

NOTE 20_SUNDRY LIABILITIES AND OTHER NON-CURRENT LIABILITIES

This item amounts to 1,328 thousand euro (1,475 thousand euro as at 31 December 2021) and mainly refers to portions of grants received on innovation projects, relating to future years for an amount of 1,204 thousand euro (1,285 thousand euro as at 31 December 2021).

CURRENT LIABILITIES

NOTE 21_CURRENT FINANCIAL LIABILITIES

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

Current financial liabilities can be analysed as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Bonds	-	359,135
Bank loans	35,333	31,572
Financial liabilities with subsidiaries	155,170	69,348
Financial liabilities with associates	-	-
Lease liabilities	4,523	4,082
Other financial liabilities	1,994	571
Total	197,020	464,708

Bonds

As at 31 December 2022, there were no bonds maturing within 12 months. The amount shown at 31 December 2021 refers to the Bonds issued in 2015, which were repaid at their natural maturity date of November 2022 (nominal value maturing in the amount of 359,634 thousand euro).

Bank loans

The related amounts are as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Loans - current portion	23,490	18,599
Other current loans	-	2,000
Other current borrowings from banks	405	76
Accrued liabilities and deferred income	11,438	10,897
Total	35,333	31,572

Lease liabilities

Current lease liabilities regard the portion of the Company's lease, rental and hire liabilities due within 12 months; they amounted to 4,523 thousand euro (4,082 thousand euro as at 31 December 2021).

Financial liabilities with subsidiaries

This item, amounting to 155,170 thousand euro as at 31 December 2022 (69,348 thousand euro as at 31 December 2021), refers to the cash pooling arrangement with Group companies that have a credit position with Iren S.p.A. The amount includes an estimate of the related accrued interest expense still to be paid.

Financial liabilities with others

They amounted to 1,994 thousand euro (571 thousand euro as at 31 December 2021) and mainly refer to shareholder loans for 1,909 thousand euro.

NOTE 22_TRADE PAYABLES

All trade payables are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

	thousands of euro	
	31/12/2022	31/12/2021
Trade payables to suppliers	119,642	81,240
Trade payables to subsidiaries	13,376	5,760
Trade payables to o associates	1	47
Trade payables to owners	417	481
Trade payables to other related parties	179	144
Total	133,615	87,672

NOTE 23_SUNDRY LIABILITIES AND OTHER CURRENT LIABILITIES

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

thousands of euro

	31/12/2022	31/12/2021
Amounts due to subsidiaries for VAT group	19,984	44,178
Amounts due to subsidiaries for tax consolidation scheme	46,991	9,836
IRPEF liability	66	292
Other tax liabilities	4,216	4,166
Current tax liabilities	71,257	58,472
Amounts due to employees	10,688	10,013
Amounts due to social security institutions	5,507	4,096
Sundry liabilities	13,062	9,697
Other current liabilities	29,257	23,806
Deferred income	34	59
Total	100,548	82,337

Amounts due to social security institutions consist mainly of withholdings and contributions to be paid to INPS and INPDAP.

Deferred income, amounting to 34 thousand euro (59 thousand euro as at 31 December 2021), refers to reimbursements for surety expenses.

The sundry liabilities refer mostly to adjustments of premiums related to insurance policies entered into in favour of the Group.

NOTE 24_CURRENT TAX LIABILITIES

At 31 December 2022, the item shows a nil balance. At 31 December 2021 it amounted to 31,709 thousand euro and referred to IRES tax liabilities.

NOTE 25_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

The current portion of the provisions for risks and charges amounted to 1,546 thousand euro (6,383 thousand euro as at 31 December 2021). This amount refers to the provision for early retirement (3,109 thousand euro as at 31 December 2021). As of 31 December 2021, a provision for risks of 3,274 thousand euro was also recognised in respect of the LTI portion referring to the three-year period 2019-2021 to be paid in 2022.

For more details on the breakdown see Note "Provisions for risks and charges".

FINANCIAL POSITION

Net financial indebtedness, calculated as the difference between current and non-current financial indebtedness and current and non-current financial assets, can be broken down as follows:

	thousands of euro	
	31/12/2022	31/12/2021
Non-current financial assets	(3,103,724)	(2,499,028)
Non-current financial indebtedness	4,034,165	3,278,814
Non-current net financial indebtedness	930,441	779,786
Current financial assets	(591,365)	(500,795)
Current financial indebtedness	197,020	464,708
Current net financial position	(394,345)	(36,087)
Net financial indebtedness	536,096	743,699

Net Financial position with related parties

Non-current financial assets are related to cash pooling arrangements with subsidiaries and associates for 3,004,879 thousand euro.

Current financial assets include 110 thousand related to loans and 17,252 related to invoices to be issued to subsidiaries for interest.

Current financial liabilities of 155,170 thousand euro refer to amounts due to subsidiaries for cash pooling arrangements and the related interest.

For additional information, see the annexed tables on transactions with related parties.

The net financial position according to the structure proposed by ESMA in the document of 04 March 2021 *Guidelines on disclosure requirements under the Prospectus Regulation* and implemented by Consob with *Attention Reminder No. 5/21 of 29 April 2021* is shown below.

	thousands of euro	
	31/12/2022	31/12/2021
A. Cash	(573,372)	(430,162)
B. Cash equivalents	-	-
C. Other current financial assets	-	-
D. Liquidity (A) + (B) + (C)	(573,372)	(430,162)
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	169,007	82,892
F. Current portion of non-current financial debt	28,013	381,816
G. Current financial indebtedness (E + F)	197,020	464,708
H. Net current financial position (G - D)	(376,352)	34,546
I. Non-current financial debt (excluding current portion and debt instruments)	1,018,543	318,638
J. Debt instruments	3,015,622	2,960,176
K. Non-current trade payables and other liabilities	-	-
L. Non-current financial indebtedness (I + J + K)	4,034,165	3,278,814
M. Total financial indebtedness (H + L)	3,657,813	3,313,360

The table below reports on the changes during the year in current and non-current financial liabilities.

	thousands of euro
Current and non-current financial liabilities 31.12.2021	3,743,522
Monetary changes as reported in the statement of cash flows	
New non-current loans	780,000
Repayment of non-current loans	(378,233)
Repayment of lease liabilities	(4,870)
Change in other financial liabilities	83,746
Interest paid	(52,362)
Dividends paid	(132,963)
Non-monetary changes	
New finance leases	6,498
Fair value change in derivatives	(5,814)
Interest and other financial expense	56,938
Dividends resolved	134,723
Current and non-current financial liabilities 31.12.2022	4,231,185

VIII. INFORMATION ON THE INCOME STATEMENT

Unless otherwise stated, the tables below are in thousands of euro.

REVENUE

NOTE 26_REVENUE FROM GOODS AND SERVICES

Revenue from services provided can be broken down as follows:

	thousands of euro	
	FY 2022	FY 2021
Services to subsidiaries	270,787	234,603
Services to associates	138	214
Services to others	219	936
Total	271,144	235,753

Revenue from services refer to corporate, administrative and technical services provided to Group companies and associates.

For additional information, see the annexed tables on transactions with related parties.

NOTE 27_OTHER INCOME

Other income includes:

	thousands of euro	
	FY 2022	FY 2021
Revenue for personnel at other companies	8,633	7,868
Sale of materials	2,145	2,322
Lease income	493	498
Grants related to income	531	415
Insurance settlements	93	51
Capital gains on sale of assets	41	36
Penalties to suppliers	130	21
Revenue from previous years	339	255
Other revenue and income	264	101
Total	12,669	11,567

Revenue from personnel at other companies includes reversible fees which were paid to Iren Directors and employees by Group companies and the charge-back of costs for personnel seconded to subsidiaries. The sale of materials mainly relates to sales to subsidiaries, as a result of the procurement and centralised management of materials for common use by the Group's businesses. Revenue from previous years mainly regards the settlement of prior items with reference to estimates made in previous years and adjustments also to prior years' invoices.

COSTS

NOTE 28_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

Costs for raw materials, consumables, supplies and goods are as follows:

These costs refer mainly to the purchase of materials for common use by subsidiaries (technical clothing, hardware, stationery and signs) and fuel for Group vehicles.

The provision for inventory write-down amounting to 275 thousand euro (208 thousand euro in 2021) was set up in order to take into account the technical obsolescence and low level of movement of certain materials.

	thousands of euro	
	FY 2022	FY 2021
Raw materials and inventory materials	5,263	2,897
Purchase of fuels	5,841	4,405
Change in inventories	(1,247)	570
Accrual/(use) of provision for inventory write-down	67	(502)
Total	9,924	7,370

NOTE 29_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down as follows:

	thousands of euro	
	FY 2022	FY 2021
Technical and administrative services from subsidiaries and Group companies	13,190	10,280
Third-party works, maintenance and industrial services	17,055	13,453
Snow ploughing	1,917	2,033
Expenses related to personnel (meal allowance, training, business travel)	11,033	8,027
Technical, administrative and commercial consulting and advertising expenses	24,695	21,755
Legal and notary fees	720	957
Insurance	18,818	15,736
Bank and postal expenses	704	677
Telephone expenses	4,261	4,082
Internal utilities (electricity, water, gas, cleaning, etc.)	11,416	9,770
IT expenses	53,588	46,028
Board of Statutory Auditors' fees	175	150
Other costs for services	4,834	3,882
Total	162,406	136,830

Use of third-party assets amounted to 1,702 thousand euro (1,022 thousand euro in 2021) and relates mainly to short-term rentals of technical equipment as well as the rental of exhibition space for promotional events.

Secondarily, this item includes short-term leases or when the underlying asset is of low value, which the group has decided to exclude from the scope of application of IFRS 16.

NOTE 30_OTHER OPERATING EXPENSES

Other operating expenses are as follows:

	thousands of euro	
	FY 2022	FY 2021
Membership fees	2,545	2,088
General expenses	1,583	1,500
Taxes and duties	1,931	1,872
Capital losses on sale of goods	1	-
Prior year expenses	(82)	3,154
Charitable donations	1,520	2,230
Other sundry operating expenses	374	164
Total	7,872	11,008

The item " taxes and duties" mainly refers to the charges for IMU property tax on the Company's plants and buildings, as well as vehicle circulation taxes. Prior year expenses refer mainly to adjustments related to differences on estimates.

NOTE 31_CAPITALISED EXPENSES FOR INTERNAL WORK

Capitalised expenses for internal work amounted to 5,780 thousand euro (4,902 thousand euro in 2021) and refer to labour costs mainly for the study, creation and implementation of software and IT projects.

NOTE 32_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

	thousands of euro	
	FY 2022	FY 2021
Gross remuneration	56,683	53,003
Social security contributions	16,862	15,930
Other long-term employee benefits	54	46
Other personnel expense	5,978	7,461
Directors' fees	713	653
Total	80,290	77,093

Other personnel expense includes social security and recreational contributions, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion of post-employment benefits, and contributions to be paid by the employer to supplementary pension funds.

The workforce is broken down as follows:

	31/12/2022	31/12/2021	Yearly average
Executives	53	50	52
Junior managers	133	127	135
White collars	875	823	845
Blue collars	71	74	74
Total	1,132	1,074	1,106

NOTE 33_ DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the year amounted to 39,263 thousand euro (36,267 thousand euro in 2021).

	thousands of euro	
	FY 2022	FY 2021
Depreciation	14,650	12,934
Amortisation	24,613	23,333
Total	39,263	36,267

Depreciation of property, plant and equipment includes the depreciation for the year of right-of-use assets recognised in accordance with IFRS 16.

For further details on depreciation/amortisation, refer to the tables of changes in property, plant and equipment and intangible assets.

NOTE 34_ PROVISIONS AND IMPAIRMENT LOSSES

The item has a positive balance of 2,181 thousand euros (73 thousand euro in 2021) and is detailed in the following table:

	thousands of euro	
	FY 2022	FY 2021
Provisions for risks	25	504
Release of provisions	(2,206)	(431)
Total	(2,181)	73

No impairment losses on loans and receivables was recognised during 2022. However, a release was made to the loss allowance in order to adjust it to the amount of expected credit losses on the basis of the simplified model envisaged by IFRS 9, where "loss" means the present value of all cash shortfalls considering forward-looking information.

The trend in provisions for risks mainly relates to probable charges related to personnel, while the release of provisions mainly relates to a risk in the area of taxation.

Details of changes in provisions are provided in the note to the Statement of financial position item "Provisions for risks and charges".

NOTE 35_ FINANCIAL MANAGEMENT

Financial income

The breakdown of financial income is as follows:

	thousands of euro	
	FY 2022	FY 2021
Dividends	264,491	235,329
Bank interest income	287	534
Interest income from subsidiaries	61,564	50,381
Interest income from associates	309	660
Interest income on derivatives	497	-
Fair value gains on derivatives	-	1,054
Income from discounting earn out Olt	352	301
Income from the sale of securities	-	309
Default interest	-	78
Other financial income	52	184
Total	327,552	288,830

Interest income from subsidiaries increased due to the higher intra-group loans compared to the previous year.

Financial expense

The breakdown of financial expense is shown in the following table:

	thousands of euro	
	FY 2022	FY 2021
Interest expense on loans	5,730	235
Interest expense on bonds	47,822	50,386
Interest expense on bank current accounts	459	1
Realised losses on derivatives	2,445	2,597
Interest expense with subsidiaries	303	60
Interest cost – Employee benefits	88	-
Financial expense on lease liabilities	116	107
Other financial expense	63	212
Total	57,026	53,598

Interest expense on loans and bonds includes the expense relating to the measurement at amortised cost. Interest expense on loans increased due to the greater weight of these financial instruments in terms of debt structure.

Interest expense on bonds decreased due to bonds maturing in Q4 2022.

NOTE 36_ GAINS ON EQUITY-ACCOUNTED INVESTMENTS

This caption had a nil balance in both 2022 and 2021.

NOTE 37_ INCOME TAX EXPENSE (BENEFIT)

Income tax expenses amounted to 2,156 thousand euro (benefit of 1,061 thousand euro in 2021) and can be broken down as follows:

- IRES 1,728 thousand euro (benefit of 1,712 thousand euro in 2021);
- deferred tax expense, given by the reversal of taxable temporary differences, of 1,224 thousand euro (520 thousand in 2021);
- deferred tax income of 185 thousand euro (2 thousand euro in 2021) due to reversal of deferred taxes on accelerated depreciation;
- taxes related to previous years, a benefit of 611 thousand euro (an expense of 133 thousand euro in 2021).

Under the terms of Art. 96 of the Consolidated Law on Income Tax, the interest expense rules provide for their deductibility up to a maximum of 30% of the Gross Operating Profit ("fiscal" GOP) with the option to carry forward any surpluses of non-deductible interest expense to subsequent years and, if Group taxation is implemented, with the right to offset such surpluses with any "fiscal" GOP surpluses accrued from other group companies.

For Iren S.p.A., in 2022, application of the rules pursuant to Art. 96 of the Consolidated Law on Income Tax entailed forming surpluses of net non-deductible interest expense.

The table below shows the reconciliation between standard and effective IRES tax rates. The reconciliation between standard and effective IRAP rate was not significant.

Only current taxes and not deferred taxes are included in the table. Therefore, the changes made to the theoretical tax relate to both temporary and final changes.

The table below also shows the breakdown of the tax rate for 2022 and 2021.

IRES rate reconciliation	<u>FY 2022</u>	<u>FY 2021</u>
A) Pre-tax profit	260,844	217,789
B) Theoretical tax charge (24% rate)	62,602	52,269
C) Temporary differences taxable in future years <i>Alloc. loss allowance – tax assets</i>	-	-
D) Temporary differences deductible in future years <i>Fees to independent auditors and directors</i> <i>Plus minus amortisations</i> <i>Alloc. Provisions and interest expense</i> <i>Other</i>	9,205 394 1,000 3,340 4,471	7,079 205 1,000 2,056 3,818
E) Reversal of previous year temporary differences <i>Dividends not collected during the year</i> <i>Use of provisions and interest expense</i> <i>Fees to independent auditors and directors</i> <i>Other</i>	(12,563) - (8,699) (179) (3,686)	(9,183) - (4,269) (233) (4,682)
F) Differences which will not carry forward <i>Non-taxable share of dividends (95%) received as at 31/12</i> <i>Others</i>	(248,310) (251,267) 2,957	(220,429) (223,563) 3,134
G) Taxable income (A)+C)+D)+E)+F))	9,176	(4,744)
H) Current taxes for the year Income/expenses from consolidation Art Bonus	1,728 2,202 (475)	(1,712) (1,139) (573)
M) Rate	1%	-1%

The table below shows the composition of deferred tax assets and liabilities for the two years, broken down by type of temporary difference, and the resulting effects.

	thousands of euro	
	FY 2022	FY 2021
Deferred tax assets		
Non-taxable provisions	3,564	4,088
Differences in non-current assets	415	485
Derivatives	783	783
Other	2,185	3,104
Total	6,948	8,460
Deferred tax liabilities		
Differences in non-current assets	819	821
Derivatives	11	
Loss allowance	15,724	11
Other	111	111
Total	16,665	943
Net deferred tax assets (liabilities)	(9,717)	7,517

NOTE 38_OTHER COMPREHENSIVE INCOME

Other comprehensive income amounted to 51,284 thousand euro (6,507 thousand euro in 2021).

Specifically, other comprehensive income that will be subsequently reclassified to profit or loss relates to:

- the effective portion of fair value gains on cash flow hedges, of 65,519 thousand euro, which refers to derivatives hedging changes in interest rates;
- the tax effect of 15,724 thousand euro.

Other comprehensive income that will not be subsequently reclassified to profit or loss relates to:

- actuarial losses, related to defined benefit plans, for 1,960 thousand euro;
- the tax effect, for 470 thousand euro.

IX. GUARANTEES AND CONTINGENT LIABILITIES

GUARANTEES PROVIDED

Personal guarantees amounted to 851,180 thousand euro (417,782 thousand euro as at 31 December 2021) broken down as follows:

- 151,732 thousand euro of bank and insurance guarantees provided to various Entities. Among the above, it is worth noting guarantees granted in favour of:
 - The Tax Authority for 119,992 thousand euro to guarantee VAT refund requests for 2019 and 2020;
 - Municipality of Turin, for 27,476 thousand euro, as definitive guarantee in the AMIAT/TRM tender
 - AMIAT/TRM;
 - INPS for 152 thousand euro as guarantees envisaged for planned retirement procedures;
 - FCT Holding for 2,000 thousand euro, as definitive guarantee in the Amiat/TRM tender procedure;
 - Municipality of Genoa for 860 thousand euro to guarantee urbanisation works and the cost of building new premises;
 - Atersir/Ato for 820 thousand euro to guarantee the management of the integrated water service;
- 696,003 thousand euro in guarantees granted on behalf of subsidiaries, primarily to guarantee credit facilities and their transactions (mainly commercial contracts/Parent Guarantees on behalf of Iren Mercato Spa);
- 3,445 thousand euro of guarantees given on behalf of Associates.

X. ANNEXES TO THE SEPARATE FINANCIAL STATEMENTS

LIST OF EQUITY INVESTMENTS

INDEPENDENT AUDITORS' FEES

STATEMENT OF EQUITY WITH ADDITIONAL INFORMATION

DEFERRED TAX ASSETS AND LIABILITIES

RELATED PARTY TRANSACTIONS

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

LIST OF EQUITY INVESTMENTS

Company	Registered office	Currency	Share capital	% interest
SUBSIDIARIES				
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00
IReti S.p.A.	Reggio Emilia	Euro	196,832,103	100.00
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00

INDEPENDENT AUDITORS' FEES

Pursuant to art. 149-duodecies of the Regulation implementing Legislative Decree 58/1998, the fees for the year due to KPMG S.p.A. can be summarised as follows:

	Statutory audit	Non-audit services		Total
		Services for the purpose of issuing an attestation	Other services	
Iren S.p.A.	281	105	17	402

thousands of euro

STATEMENT OF EQUITY WITH ADDITIONAL INFORMATION

	Amounts in euro		
	31.12.2022	31.12.2021	31.12.2020
SHARE CAPITAL	1,300,931,377	1,300,931,377	1,300,931,377
EQUITY-RELATED RESERVES			
Share premium reserve (1)	133,019,647	133,019,647	133,019,647
Negative goodwill	56,792,947	56,792,947	56,792,947
Treasury shares negative reserve	(38,690,317)	(38,690,317)	(34,648,147)
INCOME-RELATED RESERVES			
Legal reserve	98,158,206	87,215,666	76,712,515
Other reserves:			
Extraordinary reserve	53,766,557	53,766,557	53,766,557
Hedging reserve	46,913,947	(2,880,211)	(9,516,688)
IAS 19 actuarial reserve	(3,276,424)	(4,766,110)	(4,637,006)
Other reserves untaxed	1,402,976	1,402,976	1,402,976
Retained earnings	338,872,468	265,687,165	188,019,492
TOTAL	1,987,891,384	1,852,479,697	1,761,843,670
Non-distributable amount	1,493,418,913	1,482,476,373	1,476,015,392
Distributable residual amount	494,472,471	370,003,324	285,828,278

Amounts in euro

Possible utilisation	Available portion	Summary of uses over the last three years	
		To cover losses	Other reasons
B	1,300,931,377		
A, B	133,019,647		
A, B, C	56,792,947		
	(38,690,317)		
B	98,158,206		
A, B, C	53,766,557		
	46,913,947		
	(3,276,424)		
A, B, C	1,402,976		
A, B, C	338,872,468		
	1,987,891,384		
	1,493,418,913		
	494,472,471		

DEFERRED TAX ASSETS AND LIABILITIES - 2022

	differences			Closing balance
	Opening balance	formation	reversal	
<u>Deferred tax assets</u>				
Non-taxable provisions	17,033	2,106	4,288	14,851
Differences in non-current assets	2,019	171	460	1,729
Derivatives	3,264	-	-	3,264
Other	12,935	5,819	9,648	9,106
Total taxable amount/deferred tax assets	35,251	8,096	14,396	28,950
<u>Deferred tax liabilities</u>				
Differences in non-current assets	3,420	-	10	3,411
Loss allowance	44	-	-	44
Derivatives	-	65,519	-	65,519
Other	464	761	761	464
Total taxable amount/deferred tax liabilities	3,928	66,280	771	69,437
Net deferred tax assets (liabilities)	31,322	(58,184)	13,625	(40,487)

thousands of euro

taxes to profit or loss	taxes to equity	IRES (Corporate income tax)	IRAP (Regional business tax)	total
(482)	(42)	3,564	-	3,564
(69)	-	415	-	415
-	-	783	-	783
(673)	(246)	2,185	-	2,185
(1,224)	(288)	6,948	-	6,948
(2)	-	819	-	819
-	-	11	-	11
-	15,724	15,724	-	15,724
(183)	183	111	-	111
(185)	15,907	16,665	-	16,665
(1,039)	(16,195)	(9,717)	-	(9,717)

DEFERRED TAX ASSETS AND LIABILITIES - 2021

	differences			Closing balance
	Opening balance	formation	reversal	
<u>Deferred tax assets</u>				
Non-taxable provisions	18,940	1,770	3,677	17,033
Differences in non-current assets	2,308	171	460	2,019
Derivatives	11,996	-	8,732	3,264
Other	12,736	5,244	5,046	12,935
Total taxable amount/deferred tax assets	45,981	7,185	17,915	35,251
<u>Deferred tax liabilities</u>				
Differences in non-current assets	3,430	-	10	3,420
Loss allowance	44	-	-	44
Other	464	-	-	464
Total taxable amount/deferred tax liabilities	3,938	-	10	3,928
Net deferred tax assets (liabilities)	42,042	7,185	17,906	31,322

thousands of euro

taxes	taxes	IRES (Corporate income tax)	IRAP (Regional business tax)	total
to profit or loss	to equity			
(431)	(27)	4,088	-	4,088
(69)	-	485	-	485
-	(2,096)	783	-	783
(20)	68	3,104	-	3,104
(520)	(2,055)	8,460	-	8,460
(2)	-	821	-	821
-	-	11	-	11
-	-	111	-	111
(2)	-	943	-	943
(518)	(2,055)	7,517	-	7,517

RELATED PARTY TRANSACTIONS

	thousands of euro				
	Trade Receivables	Loan assets, Cash and cash equivalents	Sundry assets	Trade Payables	Financial liabilities
OWNERS					
Municipality of Genoa	-	-	-	244,589	-
Municipality of Parma	-	-	-	84,047	-
Municipality of Piacenza	-	-	-	88,599	-
Municipality of Reggio Emilia	-	-	-	-	-
Municipality of Turin	-	-	-	-	-
FCT Holding - Finanziaria Città di Torino Holding S.p.A.	-	-	-	-	-
FSU - Finanziaria Sviluppo Utilities S.r.l.	15,578	41,285	-	-	-
SUBSIDIARIES					
ACAM Acque S.p.A.	2,147,104	183,186,692	82,314	70,259	-
ACAM Ambiente S.p.A.	755,206	17,080,258	1	279,335	-
Alegas S.r.l.	3,654	13,061,571	-	-	-
Alfa Solutions S.p.A.	914,497	-	406,538	621,754	5,475,167
AMIAT S.p.A.	8,913,915	3,112,021	-	2,965,922	-
AMIAT V. S.p.A.	(3,861)	6,300,779	78,848	-	-
ASM Vercelli S.p.A.	1,731,770	30,358,709	316,650	1,457,064	3
Asti Energia e Calore S.p.A.	10,764	2,999,857	-	-	-
ATENA Trading S.r.l.	175,496	6,349,300	317,596	2,300	(2)
Bonifica Autocisterne S.r.l.	11,342	-	4,240	-	624,613
Bonifiche Servizi Ambientali S.r.l.	241,138	155,773	-	7,124	8,152,623
Consorzio GPO	-	-	-	-	2,135,116
CRCM S.r.l.	-	-	-	-	-
Dogliani Energia S.r.l.	694	353,555	-	-	75,796
Ekovision S.r.l.	-	200,039	-	-	-
Formaira S.r.l.	434	-	2,097	-	63,731
Futura S.p.A.	85,218	22,788,399	1,592	149,932	-
GIA - Gestione Impianti Ambientali S.p.A.	-	-	-	-	-
I. Blu S.r.l.	114,762	21,486,807	-	31,017	-
Iren Acqua Tigullio S.p.A.	617,011	15,833,321	1,042,066	-	-
IREN S.p.A.	-	-	-	-	-
IREN Ambiente S.p.A.	6,585,185	372,475,680	9,332	974,929	-
IREN Ambiente Parma S.r.l.	-	-	-	-	3,983,578
IREN Ambiente Piacenza S.r.l.	-	-	-	-	3,983,202
Iren Ambiente Toscana S.p.A.	69,862	61,866,475	-	188,818	-
IREN Energia S.p.A.	23,693,166	622,973,157	1,764	1,200,529	-
Iren Green Generation S.r.l.	6,899	38,611,277	-	109,973	-
Iren Green Generation Tech S.r.l.	109,086	58,285,974	-	-	-
IREN Mercato S.p.A.	17,340,242	1,803,162	17,609,624	1,462,763	75,333,688
Iren Smart Solutions S.p.A.	2,740,408	227,248,598	253,629	1,272,164	-
IRETI S.p.A.	24,412,479	1,003,095,840	7,522,243	1,929,613	(230)
Iren Laboratori S.p.A.	539,814	-	658,200	63,405	6,514,987
Iren Acqua S.p.A.	3,164,309	102,045,121	7,734,005	312,721	-
IRETI Gas S.p.A.	5,847	-	-	-	-
Lab231 S.r.l.s.	-	-	-	-	-
Limes 1 S.r.l.	539	4,642,405	-	-	-
Limes 2 S.r.l.	539	7,252,342	-	-	-

RELATED PARTY TRANSACTIONS

thousands of euro

	Sundry liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
OWNERS					
Municipality of Genoa	-	200,000	836,996	-	-
Municipality of Parma	-	-	100,347	-	32
Municipality of Piacenza	-	-	88,599	-	-
Municipality of Reggio Emilia	-	2,000	318,082	-	-
Municipality of Turin	-	1,368,000	1,368,000	-	-
FCT Holding - Finanziaria Città di Torino Holding S.p.A.	-	-	-	-	-
FSU - Finanziaria Sviluppo Utilities S.r.l.	-	-	5,156	-	-
SUBSIDIARIES					
ACAM Acque S.p.A.	445,758	5,092,404	265,623	3,240,926	-
ACAM Ambiente S.p.A.	455,787	3,616,695	325,032	433,403	-
Alegas S.r.l.	-	4,282	-	151,660	-
Alfa Solutions S.p.A.	-	1,352,817	1,335,832	-	16,526
AMIAT S.p.A.	2,114,562	24,136,687	3,604,533	754,209	-
AMIAT V. S.p.A.	22,722	168,866	-	120,190	-
ASM Vercelli S.p.A.	841,062	5,073,872	1,461,960	337,150	1,007
Asti Energia e Calore S.p.A.	2,711	10,774	-	70,037	-
ATENA Trading S.r.l.	40,306	550,566	20,663	115,587	-
Bonifica Autocisterne S.r.l.	-	49,166	8	-	4,785
Bonifiche Servizi Ambientali S.r.l.	427,717	341,916	279,003	2,609	33,907
Consorzio GPO	-	-	2	-	8,592
CRCM S.r.l.	-	-	-	-	-
Dogliani Energia S.r.l.	-	698	-	3,551	-
Ekovision S.r.l.	-	-	-	39	-
Formaira S.r.l.	3,227	5,433	-	-	242
Futura S.p.A.	65,078	85,073	149,932	495,919	-
GIA - Gestione Impianti Ambientali S.p.A.	246	-	-	-	-
I. Blu S.r.l.	1,959,754	353,929	321,052	601,409	-
Iren Acqua Tigullio S.p.A.	1,250,332	1,383,887	-	166,863	-
IREN S.p.A.	-	-	-	-	-
IREN Ambiente S.p.A.	10,985,968	33,690,102	1,371,830	35,945,649	-
IREN Ambiente Parma S.r.l.	13,656	341	2	-	15,979
IREN Ambiente Piacenza S.r.l.	14,017	341	2	-	15,987
Iren Ambiente Toscana S.p.A.	134,802	69,864	188,818	941,481	-
IREN Energia S.p.A.	7,010,217	39,387,446	1,065,164	140,254,789	-
Iren Green Generation S.r.l.	-	10,241	-	613,043	-
Iren Green Generation Tech S.r.l.	-	111,948	-	1,285,066	-
IREN Mercato S.p.A.	29,336,311	57,964,157	3,731,631	10,518,890	8,589
Iren Smart Solutions S.p.A.	1,160,233	13,362,037	2,790,837	4,124,421	-
IRETI S.p.A.	4,132,207	79,282,272	3,368,253	120,314,731	-
Iren Laboratori S.p.A.	134,735	2,411,105	164,763	-	22,919
Iren Acqua S.p.A.	1,586,421	7,164,804	316,000	2,325,020	-
IRETI Gas S.p.A.	4,412	5,847	-	-	-
Lab231 S.r.l.s.	-	-	-	-	-
Limes 1 S.r.l.	-	539	-	23,758	-
Limes 2 S.r.l.	-	539	-	38,590	-

RELATED PARTY TRANSACTIONS

	thousands of euro				
	Trade Receivables	Loan assets, Cash and cash equivalents	Sundry assets	Trade Payables	Financial liabilities
Maira S.p.A.	13,798	-	47,531	-	2,189,794
Manduriambiente S.p.A.	67,466	-	-	19,417	25,057,002
Mara Solar S.r.l.	1,575	13,068,100	-	-	-
Minerva S.r.l.	-	-	-	-	-
Nord Ovest Servizi S.p.A.	6,000	-	-	-	-
Omnia Power S.r.l.	1,775	5,010,592	-	-	-
Palo Energia S.r.l.	3,270	2,822,160	-	-	-
Piano Energia S.r.l.	5,023	2,080,468	-	-	-
ReCos S.p.A.	100,871	16,361,972	-	-	-
Rigenera Materiali (Ri. Ma.) S.r.l.	27,591	5,023,767	-	-	-
Salerno Energia Vendite S.p.A.	157,625	79,678,170	-	-	-
San Germano S.p.A.	1,287,557	25,012,033	-	-	-
Scarlino Energia S.p.A.	170,403	17,237,872	-	-	21,648,983
SEI Toscana S.r.l.	13,156	7,117,221	-	-	-
Società dell'Acqua Potabile (SAP) S.r.l.	-	-	-	-	-
Solleone Energia S.r.l.	6,059	804,184	-	-	4,777
TB S.p.A.	11,796	-	2,755	-	-
Territorio e Risorse S.r.l.	102,397	18,082,521	-	-	-
Traversa Energia S.r.l.	4,774	1,780,969	-	-	2,569
TRM S.p.A.	514,847	-	-	257,483	-
Uniproject S.r.l.	4,165	-	44,230	-	-
Valdarno Ambiente S.r.l.	7,110	-	-	-	-
Valle Dora Energia S.r.l.	6,696	16,594,176	-	-	-
JOINT VENTURES					
Acque Potabili S.p.A.	140,206	-	-	-	-
ASSOCIATES					
Acquaenna S.c.p.a.	10,002	-	-	-	-
Aguas de San Pedro S.A. de C.V.	862	-	-	-	-
AMTER S.p.A.	82,868	-	-	140	-
ASA S.c.p.a.	6,000	-	-	-	-
ASA Livorno S.p.A.	28,002	-	-	582	-
ASTEA S.p.A.	8,000	-	-	-	-
Asti Servizi Pubblici S.p.A.	-	-	-	-	-
Fratello Sole Energie Solidali S.r.l.	60,000	-	-	-	-
Iniziative Ambientali S.r.l.	2,000	-	-	-	-
Mondo Acqua S.p.A.	4,000	-	-	-	-
Piana Ambiente S.p.A.	61,853	-	-	-	-
STU Reggiane S.p.A.	8,000	-	-	-	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Genoa	-	-	-	42,541	-
Subsidiaries of Municipality of Parma	-	-	-	-	-
Subsidiaries of Municipality of Piacenza	-	-	-	900	-
Subsidiaries of Municipality of Reggio Emilia	-	-	-	-	-
Subsidiaries of Municipality of Turin	151	-	-	135,021	-
OTHERS					
Immobiliare Due S.a.s.	-	-	-	670	-
TOTAL	97,328,996	3,034,282,602	36,135,256	13,973,612	155,245,396

RELATED PARTY TRANSACTIONS

thousands of euro

	Sundry liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
Maira S.p.A.	2,711	65,760	2	-	8,330
Manduriambiente S.p.A.	687,130	67,412	19,417	10,242	74,045
Mara Solar S.r.l.	-	1,577	-	68,098	-
Minerva S.r.l.	-	-	-	-	-
Nord Ovest Servizi S.p.A.	-	6,000	-	-	-
Omnia Power S.r.l.	-	1,775	-	10,592	-
Palo Energia S.r.l.	-	3,907	-	72,408	-
Piano Energia S.r.l.	-	5,661	-	54,295	-
ReCos S.p.A.	322,623	669,728	-	263,122	-
Rigenera Materiali (Ri. Ma.) S.r.l.	162,213	26,772	-	69,824	-
Salerno Energia Vendite S.p.A.	-	8,316	-	1,387,962	-
San Germano S.p.A.	2,199,444	1,850,094	183,707	556,674	-
Scarlino Energia S.p.A.	270,589	20,509	-	125,000	88,542
SEI Toscana S.r.l.	-	5,008	-	69,628	-
Società dell'Acqua Potabile (SAP) S.r.l.	-	-	-	-	-
Solleone Energia S.r.l.	-	6,418	-	16,588	4,777
TB S.p.A.	10,088	11,796	-	-	-
Territorio e Risorse S.r.l.	266,630	269,938	-	327,585	-
Traversa Energia S.r.l.	-	5,412	-	14,859	2,569
TRM S.p.A.	462,861	540,847	259,463	-	-
Uniproject S.r.l.	475,663	4,165	-	-	-
Valdarno Ambiente S.r.l.	-	7,110	-	-	-
Valle Dora Energia S.r.l.	-	74,091	-	438,659	-
JOINT VENTURES					
Acque Potabili S.p.A.	-	55,197	-	-	-
ASSOCIATES					
Acquaenna S.c.p.a.	-	2	-	-	-
Aguas de San Pedro S.A. de C.V.	-	2	-	-	-
AMTER S.p.A.	-	66,566	-	-	-
ASA S.c.p.a.	-	6,000	-	-	-
ASA Livorno S.p.A.	-	14,002	4,013	-	-
ASTEA S.p.A.	-	8,002	-	-	-
Asti Servizi Pubblici S.p.A.	-	2	-	-	-
Fratello Sole Energie Solidali S.r.l.	-	60,002	-	-	-
Iniziative Ambientali S.r.l.	-	2,002	-	-	-
Mondo Acqua S.p.A.	-	4,002	-	-	-
Piana Ambiente S.p.A.	-	-	-	-	-
STU Reggiane S.p.A.	-	11,716	-	-	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Genoa	-	-	79,043	-	-
Subsidiaries of Municipality of Parma	-	-	50	-	-
Subsidiaries of Municipality of Piacenza	-	-	1,800	-	-
Subsidiaries of Municipality of Reggio Emilia	-	-	-	-	-
Subsidiaries of Municipality of Turin	-	-	156,112	-	-
OTHERS					
Immobiliare Due S.a.s.	-	-	-	-	-
TOTAL	67,002,191	281,138,437	24,181,729	326,364,524	306,829

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	192,708		
Intangible assets with a finite useful life	88,131		
Investment property	-		
Investments in subsidiaries, associates and joint ventures	2,564,032		
Other equity investments	469		
Total (A)	2,845,340	Non-current Assets (A)	2,845,340
Other non-current assets	1,321		
Other non-current liabilities	(1,327)		
Total (B)	(6)	Other non-current assets (Liabilities) (B)	(6)
Inventories	5,141		
Trade receivables	98,003		
Current tax assets	29,701		
Sundry assets and other current assets	70,635		
Trade payables	(133,615)		
Sundry liabilities and other current liabilities	(100,548)		
Current tax liabilities	-		
Total (C)	(30,683)	Net working capital (C)	(30,683)
Deferred tax assets	6,948		
Deferred tax liabilities	(16,665)		
Total (D)	(9,717)	Deferred tax assets (Liabilities) (D)	(9,717)
Employee benefits	(14,879)		
Provisions for risks and charges	(5,834)		
Provisions for liabilities and charges - current portion	(1,546)		
Total (E)	(22,259)	Provisions for risks and employee benefits (E)	(22,259)
		Net invested capital (G=A+B+C+D+E+F)	2,782,675
Equity (F)	2,246,579	Equity (F)	2,246,579
Non-current financial assets	(3,103,724)		
Non-current financial liabilities	4,034,165		
Total (G)	930,441	Non-current financial indebtedness (G)	930,441
Current financial assets	(17,994)		
Cash and cash equivalents	(573,372)		
Current financial liabilities	197,020		
Total (H)	(394,346)	Current financial position (H)	(394,346)
		Net financial indebtedness (I=G+H)	536,095
		Own funds and net financial indebtedness (F+I)	2,782,674

STATEMENT REGARDING THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Gianni Vittorio Armani, Chief Executive Officer, and Anna Tanganelli, Administration, Finance, Control and M&A Manager and Manager in charge of financial reporting of Iren S.p.A., hereby certify, in view of the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the company and
- the effective application of the administrative and accounting procedures in preparing the separate financial statements during 2022.

2. It is also hereby certified that:

2.1 the separate financial statements:

- a) are prepared in compliance with the applicable IFRS endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;
- b) correspond to the results of the books and accounting records;
- c) provide a true and fair representation of the financial position and financial performance of the Issuer and the whole of the companies included in the consolidation scope;

2.2 The directors' report includes reliable analysis of the operating performance and results and the business of the issuer and of all entities included in the consolidation scope as well as description of principal risks and uncertainties to which they are exposed.

23/03/2023

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



KPMG S.p.A.
Revisione e organizzazione contabile
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(The accompanying translated separate financial statements of Iren S.p.A. constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Iren S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Iren S.p.A. as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the separate financial statements" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Iren S.p.A.

Independent auditors' report

31 December 2022

Recoverability of the carrying amount of investments in subsidiaries

Notes to the separate financial statements: note II "Accounting policies" and note 3 "Investments in subsidiaries, associates and joint ventures"

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 31 December 2022 include investments in subsidiaries of €2,564 million, accounting for approximately 38% of total assets.</p> <p>Considering the current structure of the Iren Group, the assessment of the recoverability of the carrying amount of investments in subsidiaries coincides with the assessment of the recoverability of the carrying amount of goodwill performed for the purposes of the consolidated financial statements, because the company's subsidiaries and their investees make up the cash-generating units (CGUs) identified for the purposes of testing goodwill for impairment.</p> <p>The directors have calculated the CGUs' estimated recoverable amount, based on their value in use, using the discounted cash flow model and the cash flows derived from the business plan approved by the board of directors on 11 November 2021 and updated for impairment testing purposes at 31 December 2022 (the "plan").</p> <p>The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none">the expected cash flows, calculated by taking into account the general economic performance and that of the company's sector, the actual cash flows for recent years and the projected growth rates;the financial parameters used to calculate the discount rate. <p>For the above reasons, we believe that the recoverability of the carrying amount of investments in subsidiaries is a key audit matter.</p>	<ul style="list-style-type: none">Analysing the process adopted by the company to prepare the impairment test.Analysing the criteria used to identify the CGUs and trace their carrying amounts to the separate financial statements.Assessing the consistency of the cash flows used for impairment testing with the cash flows forecast in the plan.Checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors.Analysing the expected cash flows and the reasonableness of the main assumptions used to calculate the CGUs' value in use.Involving experts in the assessment of the reasonableness of the valuation models and related assumptions.Assessing the appropriateness of the disclosures provided in the notes.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



Iren S.p.A.

Independent auditors' report

31 December 2022

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Iren S.p.A.

Independent auditors' report

31 December 2022

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 13 June 2019, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements at 31 December 2022 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2022 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2022 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.



Iren S.p.A.

Independent auditors' report

31 December 2022

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2022 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Turin, 12 April 2023

KPMG S.p.A.

(signed on the original)

Roberto Bianchi
Director of Audit

REPORT OF THE BOARD OF STATUTORY AUDITORS OF IREN S.P.A. TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

the Board of Statutory Auditors, pursuant to article 153 of Legislative Decree no. 58/1998, Consolidated Law on Financial Intermediation (hereinafter, "Consolidated Law on Finance"), is called upon to report to the Shareholders' Meeting on the supervisory activities carried out and on any omissions and censurable facts that may have been detected. The Board of Statutory Auditors may also make observations and proposals concerning the budget, its approval and matters within its competence.

During the year, the supervisory tasks assigned to the Board of Statutory Auditors by current laws and regulations were carried out. The Board of Statutory Auditors supervised compliance with the law and the Articles of Association, as well as compliance with the principles of proper administration; it also supervised the adequacy of the Company's organisational, administrative and accounting structure to the extent of its competence. The Board does not consider that there are any irregularities in this regard that require reporting in this Report.

1. Independence of the members of the Board of Statutory Auditors

The Board of Statutory Auditors verified the absence of grounds for disqualification of itself and of its members, pursuant to Article 148 of the Consolidated Law on Finance, and in accordance with the *Corporate Governance* Code, the continued existence of the independence requirements: (i) pursuant to Article 148 of the Consolidated Law on Finance, paragraph 3, as well as (ii) pursuant to Article 2 Recommendation 7 of the aforementioned Code.

2. Transactions and significant events of the reporting period

The Board of Statutory Auditors certifies, to the extent of its competence, the compliance with the law and the Articles of Association of the transactions of major economic, financial and equity significance carried out by the company and that the same are not manifestly reckless or risky, in potential conflict of interest, in contrast with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

The aforementioned transactions, as well as the significant events of the financial year 2022 and the significant events occurring after the reporting period, referring to IREN S.p.A. and the companies directly and indirectly controlled by it ("IREN Group" or "Group"), are illustrated in the paragraphs "Significant events during the year" and "Significant events after the reporting period and outlook" of the Report on Operations as at 31 December 2022.

With regard to the consequences of the Russia-Ukraine conflict, as already highlighted in the Report on Operations relative to the 2021 financial year, the reference energy scenario and the exposure to the relative risks, the Report on Operations draws attention to the actions that the Group has implemented, in addition to the constant monitoring of macroeconomic, *business* and regulatory variables for the timely estimation of the potential impacts, including indirect impacts, deriving from an increase in the prices of consumer products and the consequent possible contraction of GDP with a decrease in energy consumption.

3. Transactions with related or intra-group parties

Pursuant to Article 2391-bis of the Italian Civil Code, the Board of Directors has adopted, in accordance with the general principles indicated by Consob, rules to ensure the transparency and substantial and procedural fairness of transactions with related parties. For this information, please refer to the Report on Operations.

The paragraphs "Notes to transactions with related parties" of the Notes to the Separate Financial Statements of IREN S.p.A. and the Notes to the Consolidated Financial Statements as at 31 December 2022 set forth the economic and financial transactions with related parties. Details of these relationships are set out in section X "Annexes to the Separate Financial Statements" and section XIV "Annexes to the Consolidated Financial Statements".

The Chairman of the Board of Statutory Auditors and/or one or more standing auditors regularly attend the work of the Related Party Transactions Committee, monitoring the procedures concretely adopted for relevant resolutions in the interest of the company and the Group, and there are no observations to report in this regard.

In consideration of the model adopted by the Group with IREN S.p.A. as an industrial *holding* company equipped with adequate centralised *staff* structures, as well as the management and coordination activity carried out, the Company provides professional services of a technical-administrative nature in favour of the subsidiaries, operating in the reference *businesses*. All these activities are governed by special supply contracts at arm's length.

4. Atypical and/or unusual transactions

The Notes to the Separate Financial Statements of IREN S.p.A. and to the Consolidated Financial Statements, the information provided to the Board of Directors and the information received from the directors and company *management* did not reveal the existence of any atypical and/or unusual transactions, including intra-group transactions or transactions with related parties, as defined by CONSOB Communication no. DEM/6064293 of 28 July 2006. In this regard, it should be noted that, up to the time of drafting this Report, the Board of Statutory Auditors has not received any communications from the Control Bodies of the subsidiaries, nor from the Auditing Firm, containing observations to be reported.

5. Meetings of the Board of Statutory Auditors, the Board of Directors and the Board Committees

During the financial year ended on 31 December 2022, the Board of Statutory Auditors met twelve times, with almost all of its members attending.

The Board of Statutory Auditors also attended the meetings of the Board of Directors (nineteen meetings) and ensured the presence of at least one member at the meetings of the Control, Risks and Sustainability Committee (seventeen meetings, including one jointly with the Remuneration and Appointments Committee), the meetings of the Committee for Related Party Transactions (four meetings) and the meetings of the Remuneration and Appointments Committee (twelve meetings, including one jointly with the Control, Risks and Sustainability Committee).

6. Observations pursuant to Legislative Decree no. 39/2010, Legislative Decree no. 254/2016 and on the independence of the auditing firm

With regard to the statutory audit tasks, the Board of Statutory Auditors reminds you that these are assigned to the auditing firm KPMG S.p.A. (the "Auditing Firm"), which issued the reports on 12 April 2023, pursuant to Article 14 of Legislative Decree no. 39/2010 and Article 10 of EU Regulation no. 537/2014, referring you to the Separate Financial Statements of IREN S.p.A. and the Group's Consolidated Financial Statements as at 31 December 2022, noting that they do not contain any findings or requests for information.

The Board of Statutory Auditors on this question points out that both reports contain: (i) an opinion on the true and correct representation of the financial position of Iren S.p.A. and the Group as at 31 December 2022, the results of operations and cash flows for the year then ended in accordance with the *International Financial Reporting Standards* as adopted by the European Union, as well as the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005; (ii) a description of the key aspects of the statutory audit and the audit procedures carried out in response to the key aspects; (iii) an opinion on the consistency of the Report on Operations and certain specific information contained in the Report on Corporate Governance and Ownership Structure with the Separate Financial Statements and the Consolidated Financial Statements as at 31 December 2022 and on their compliance with the law; (iv) confirmation that the opinion on the Separate Financial Statements and the opinion on the Consolidated Financial Statements expressed in the respective reports are in line with what is indicated in the additional report addressed to the undersigned Board of Statutory Auditors, in its capacity as the Audit and Control Committee, prepared pursuant to Article 11 of EU Regulation 537/2014.

The Auditing Firm confirmed that it had carried out the required procedures in order to express opinions on the conformity of the annual Separate Financial Statements and the Consolidated Financial Statements with the provisions of Delegated Regulation (EU) 2019/815, from which it appears that the Consolidated Financial Statements and the annual Separate Financial Statements have been prepared in XHTML format, in accordance with the provisions of the Regulation.

In addition, on 12 April 2023, the Auditing Firm issued the Additional Report for the Board of Statutory Auditors, in its capacity as the Audit and Control Committee, pursuant to Article 11 of EU Regulation 537/2014.

The Auditing Firm confirmed its independence in carrying out the statutory audit.

The Board of Statutory Auditors monitored the effectiveness of the statutory auditing process, meeting periodically with the contact persons of the Auditing Firm.

Further tasks entrusted to the Auditing Firm are governed by a separate Guideline "Entrusting of assignment to the Auditing Firm" in compliance with the reference legislation. The amounts are shown in the Notes to the Separate Financial Statements and in the Notes to the Consolidated Financial Statements under the heading "Independent Auditors' Fees". Following acquisitions made during the year that increased the size of the Group with the entry of new companies, the Board of Directors - in accordance with the provisions of the Framework Agreement entered into with KPMG on 25 November 2019 and subsequently supplemented -, resolved on the signing (finalised on 6 April 2023), also on behalf of the affected consolidated subsidiaries as at 31 December 2022, of a supplementary agreement that, by way of acknowledgement, accounts for an increase in the fees in favour of the Auditing Firm to take into account the aforementioned expansion of the scope of the consolidated companies. The individual subsidiaries engaged KPMG by means of special acts of engagement, following resolutions by the competent bodies.

As represented in another document dated 29 March 2023 of the Board of Statutory Auditors for the attention of the Shareholders' Meeting, to which reference is made, the Shareholders are called upon to resolve on KPMG's request for an adjustment of fees to take into account the increase in the general price level.

The Board of Statutory Auditors monitored the organisational and operational process aimed at preparing the Consolidated Non-Financial Statement (NFS), through discussions with the competent internal function, with the Control, Risk and Sustainability Committee and with the Auditing Firm.

The Board confirms that the Consolidated Non-Financial Statement is prepared in accordance with the requirements of Articles 3 and 4 of Legislative Decree no. 254/2016. The Auditing Firm issued a special report on 12 April 2023, and on the basis of the audit procedures specified therein, certifying that the information provided is compliant, in all material aspects, with the requirements of the aforementioned Legislative Decree and with the reporting *standards* set forth in the NFS's "Methodological Note". The Board of Statutory Auditors points out that the NFS was subject to *limited assurance engagement* according to the criteria set forth in ISAE 3000 *Revised*.

7. Observations on the financial reporting process and the internal control system

During the 2022 financial year, the Board of Statutory Auditors monitored the adequacy of the administrative and accounting system, as well as the reliability of the latter to correctly represent management events, by obtaining information from the Manager in charge of drawing up the accounting and corporate documents and from the other managers of administrative functions. The Company has a complex system of accounting procedures and a Group manual capable, among other things, of facilitating integration processes, following acquisition transactions, with uniform behaviour within the Group.

The Board of Statutory Auditors also monitored the implementation of the recommendations of ESMA (*European Securities and Markets Authority*, 28 October 2022) concerning the disclosures to be made in the financial statements as at 31 December 2022 with reference to the evolution of the macroeconomic scenario, the impact of Russia's invasion of Ukraine, and risks from climate change.

Overall, the Board of Statutory Auditors considers the administrative and accounting system to be adequate and reliable in relation to the size and complexity of the Company and the Group.

The Board of Statutory Auditors monitored, within the scope of its functions, the adequacy of the internal control system by means of: (i) obtaining information from the managers of corporate structures; (ii) meetings with the heads of the *Risk Management* function and the *Internal Audit* function; (iii) attendance, with at least one of its members, at meetings of board committees; (iv) exchange of information with the Auditing Firm.

The Board of Statutory Auditors also met with the Supervisory Board set up pursuant to Legislative Decree no. 231/2001, as amended, and was informed, by means of the half-yearly reports submitted to the Board of Directors, on the activities carried out.

Lastly, the Board of Statutory Auditors acknowledged the attestations of the Chief Executive Officer and the Manager in Charge of Preparation of the Company's Financial Reports, pursuant to Article *81-ter* of Consob Regulation no. 11971 of 14 May 1999, as amended, concerning the adequacy and effective application of the administrative and accounting procedures for the preparation of the Separate Financial Statements and the Consolidated Financial Statements.

Based on the results of the activities carried out, the Board of Statutory Auditors believes that the internal control system and the financial reporting process are adequate for the size and scope of operations.

8. Observations on the adequacy of the organisational structure

The Board of Statutory Auditors has supervised, to the extent of its competence, the adequacy of the Company's organisational structure, acquiring information from the managers of corporate functions, and considers this structure to be, on the whole, adequate to the characteristics of the Company and the activity carried out.

9. Further activities of the Board of Statutory Auditors

The Board of Statutory Auditors:

- (i) received no complaints pursuant to Article 2408 of the Italian Civil Code, nor were there any claims;
- (ii) did not issue any opinions as set out by law during the year;
- (iii) verified the correct application of the evaluation criteria and procedures adopted by the Board of Directors to assess the independence of its members;
- (iv) took note of the existence of instructions issued by the Company for subsidiaries to provide all the information necessary for the parent company to fulfil its disclosure obligations under the law;
- (v) with regard to first-tier subsidiaries and other major Group companies, obtained information from the relevant supervisory bodies, which are responsible according to the reference legislation for the activities falling within their sphere of competence, and in this regard confirms that no critical issues were reported;
- (vi) acknowledged the preparation of the Report on Remuneration Policy and Compensation Paid, pursuant to Article *123-ter* of the Consolidated Law on Finance, and has no observations to report;
- (vii) with regard to the Company's adherence to the new *Corporate Governance* Code, please refer to the Report on Corporate Governance and Ownership Structure, prepared pursuant to Article 123-bis of the Consolidated Law on Finance;
- (viii) with the support of a qualified consultant, carried out for the second year a self-assessment activity aimed at identifying possible areas of improvement in the efficiency and effectiveness of its actions;

- (ix) confirms that in the course of the periodic meetings with the representatives of the Auditing Firm, no issues emerged that need to be highlighted in this report.

In the course of the supervisory activity, as described above, there were no censurable facts, omissions or irregularities detected requiring reporting in this Report.

Furthermore, the Board of Statutory Auditors does not believe that there are any grounds for it to exercise its right to make proposals to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of the Consolidated Law on Finance.

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The draft Separate Financial Statements and Consolidated Financial Statements as at 31 December 2022, as well as the Report on Operations, were approved at the Board of Directors' meeting held on 23 March 2023. The Separate Financial Statements show a net profit for the period of € 258,688,000, while the Consolidated Financial Statements show a net profit for the period of € 269,946,000.

Since the auditing firm KPMG S.p.A. is not responsible for the legal control of the accounts, with reference to the Separate Financial Statements and the Consolidated Financial Statements, the Board of Statutory Auditors verified the general compliance with the rules governing their formation and structure. The Board of Statutory Auditors has also verified, to the extent of its competence, the substantive accuracy of the facts and information of which it has become aware as a result of the performance of its duties. The Board of Statutory Auditors has no observations to report in this regard.

The Directors, in the "Risks and Uncertainties" section of the Report on Operations, describe the main risks to which the Company is exposed: financial (liquidity, interest rate, exchange rate), credit, energy, *cyber*, climate change, and operational tax risks.

Contingent liabilities are instead considered in the "Guarantees and Contingent Liabilities" sections of the Notes to the Separate Financial Statements and the Notes to the Consolidated Financial Statements.

In light of the foregoing, the Board of Statutory Auditors, having acknowledged the aforementioned certifications issued jointly by the Chief Executive Officer and the Manager in Charge of Preparation of the Company's Financial Reports, as well as the reports of the Auditing Firm, finds no grounds, within the scope of its authority, to oppose the approval of the proposal for the Financial Statements for the year ended on 31 December 2022 formulated by the Board of Directors and the proposal for the allocation of the net result for the period.

Board of Statutory Auditors

Michele Rutigliano – Chairperson

Ugo Ballerini

Simone Caprari

Cristina Chiantia

Sonia Ferrero

(signed on the original)

Reggio Emilia, 12 April 2023

SUMMARY OF THE RESOLUTIONS OF THE SHAREHOLDERS' MEETING



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